



Susan Montee, JD, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Crystal City Municipal Division

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Office of the
Missouri State Auditor
Susan Montee, JD, CPA

April 2009

An audit was conducted by our office of the Twenty-Third Judicial Circuit, City of Crystal City, Municipal Division.

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties are not adequately segregated. Some monies received are not deposited on a timely basis. Receipt slips are issued for fines, costs, and bonds; however, the method of payment is not documented on some receipt slips, and the composition of receipt slips issued is not reconciled to deposits. A list of open items (liabilities) is not prepared monthly and reconciled to the municipal account and monthly receipt reports are not reconciled to monthly disbursement reports and court dockets. As a result, several disbursement errors went undetected (\$4,999 in overpayments and \$9,492 in underpayments) and \$1,739 in the account can not be identified.

The municipal division earns interest on the municipal and bond accounts; however, the interest has not been disbursed to the city for several years. The Court Clerk does not account for the numerical sequence of bond forms.

The municipal division has not established a fines schedule or designated a violations bureau (VB) clerk by court order. Although a VB has been established by city ordinance, a court order has not been issued to formally establish the VB. The court collects and remits \$1 per case for the Peace Officers Standards and Training Commission fee; however, the city has not established this fee by ordinance.

Neither the police department nor the Court Clerk account for the numerical sequence and ultimate disposition of traffic tickets issued.

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YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF CRYSTAL CITY
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Crystal City, Missouri

We have audited certain operations of the city of Crystal City Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended March 31, 2008. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Crystal City Municipal Division of the Twenty-Third Judicial Circuit.

A petition audit of the city of Crystal City, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Monique Williams

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF CRYSTAL CITY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Court Controls and Procedures

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties are not adequately segregated, some monies received are not deposited on a timely basis, some receipt slips do not indicate the method of payment, and the composition of receipt slips is not reconciled to deposits. In addition, monthly lists of opens items are not prepared and reconciled to the municipal account and interest income is not disbursed to the city. Also, procedures have not been established to resolve old outstanding checks and the numerical sequence of bond forms is not accounted for properly.

A. Cash custody and recordkeeping duties are not adequately segregated. The Court Clerk receipts all monies, records transactions, prepares deposits, and issues and signs checks. The city's accountant prepares the bank reconciliations for the municipal and bond accounts and account for the numerical sequence of checks issued; however, there is no independent review and reconciliation of receipts to deposits and the numerical sequence of receipt slips issued is not accounted for properly.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. In addition, the Missouri Municipal Clerk Manual provides that someone other than the person who issued the receipts or checks should review the accounting records to verify receipts and checks are issued in sequence and recorded on the cash control record. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reconciliations of receipt slips issued to the amount and composition of bank deposits should be performed and documented. Also, the numerical sequence of receipt slips issued should be accounted for properly.

B. The following concerns relating to receipts were noted:

1) Some monies received are not deposited on a timely basis. Several deposits contained receipts collected over a period of several days. For example, on February 27, 2008, the municipal division deposited \$2,471 into the municipal account, which contained receipts from February 20, 2008, through February 26, 2008. Approximately \$1,080 in cash was included in this deposit.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made timely.

- 2) Receipt slips are issued for fines, costs, and bonds; however, the method of payment is not documented on some receipt slips issued and the composition of receipt slips issued is not reconciled to deposits. Additionally, there is no record indicating which receipts are included in each deposit.

To ensure receipts are properly handled and recorded, the method of payment should be documented for all monies received and the composition of receipt slips issued should be reconciled to deposits. In addition, the receipt slips included in each deposit should be clearly documented.

C. The following concerns relating to open items were noted:

- 1) A list of open items (liabilities) is not prepared monthly and reconciled to the municipal account. In addition, monthly receipt reports are not reconciled to monthly disbursement reports and court dockets. As a result, several disbursement errors went undetected and some monies in the account can not be identified. Upon our request, an open items list was prepared as of December 31, 2008, which included \$5,331 in identified liabilities (monies collected since the previous court date but not disbursed). The reconciled bank balance at December 31, 2008, was approximately \$11,563. The Court Clerk could not identify the remaining \$6,232; however, a review of the monthly bank reconciliations noted several disbursement errors which further reduced this amount.

The Court Clerk disburses monies after the last court date of each month. She generates a disbursement report from the court system by entering the dates it covers (the day after last month's court date through the current court date). From April 2007 through December 2008, the Court Clerk entered the dates incorrectly for several reports resulting in overpayments totaling \$4,999 (duplicated some days) and underpayments totaling \$9,492 (failed to include some days). After adjusting for these errors, an unidentified balance of \$1,739 remains in the municipal account.

Monthly reconciliations of cash balances to liabilities are necessary to ensure all monies collected are properly disbursed. Without preparation of such reconciliations, there is little assurance receipts and disbursements have been properly handled and recorded. All monies collected and deposited into the municipal account should be disbursed monthly. To prevent errors in disbursements, the Court Clerk should reconcile the receipts, disbursements, and docket totals to actual deposits monthly and document this review. Section 479.080, RSMo, requires the municipal division to disburse fines and court costs to the city treasury and state at least

monthly. The Court Clerk should correct the errors identified and investigate the remaining unidentified balance. Any amounts that can not be identified should be disposed of in accordance with state law.

- 2) The municipal division earns interest on the municipal and bond accounts; however, the interest has not been disbursed to the city for several years. The city's accountant prepares the bank reconciliations and records the interest earned as a reconciling item each month. As of December 31, 2008, cumulative interest earned in the municipal and bond accounts totaled \$1,735.

Interest earned on municipal division accounts should be turned over to the city treasury periodically.

- D. Procedures have not been established to resolve old outstanding checks. According to the July 2008 bank reconciliation, the bond account had one check totaling \$75 that has been outstanding for more than one year. The check was voided in August 2008, and added back to the book balance with no attempt to locate and reissue payment to the payee.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

- E. The Court Clerk does not account for the numerical sequence of bond forms. The police department issues prenumbered bond forms for all bond monies received. The Court Clerk issues receipt slips, noting the bond form numbers, to the police department for bonds transmitted; however, the Court Clerk does not account for the numerical sequence of the bond forms to ensure all bonds have been accounted for properly.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance all bond receipts are accounted for properly, the Court Clerk should account for the numerical sequence of bond forms.

WE RECOMMEND the city of Crystal City Municipal Division:

- A. Adequately segregate the duties of receiving and depositing monies from recording and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits. Any unusual items or discrepancies noted should be investigated promptly.
- B.1. Deposit monies on a timely basis.

2. Record the method of payment on all receipt slips issued and reconcile the composition of receipts to deposits. In addition, the Court Clerk should clearly indicate which receipts are included in each deposit.
- C.1. Prepare a monthly list of open items and fees on hand for the municipal account and reconcile the list to the book and reconciled bank balances. The Court Clerk should attempt to identify the remaining unidentified balance, and if any amounts remain unidentified, they should be disposed of in accordance with state law. In addition, the Court Clerk should reconcile receipts, disbursements, and docket totals monthly.
2. Disburse interest from the municipal and bond accounts to the city periodically.
- D. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.
- E. Account for the numerical sequence of bond forms.

AUDITEE'S RESPONSE

The Municipal Judge, former Court Clerk, current Court Clerk, and City Clerk provided the following responses:

- A. *We will implement this recommendation and have the Deputy Court Clerk review deposits.*
- B.1. *We will implement this recommendation. The new computer system will require deposits be prepared on a daily basis.*
 2. *We will implement this recommendation. The new computer system will generate receipt slips and the method of payment is a required field of entry.*
- C.1. *We have disbursed all of the identified monies and will develop procedures to reconcile open items to the book balance.*
 2. *The interest will be disbursed to the city prior to the end of each fiscal year.*
- D. *We will implement this recommendation. Checks outstanding for greater than a year will be investigated.*
- E. *This recommendation has been implemented. The Police Clerk maintains a bond log which the Court Clerk reviews and signs to document all bonds are accounted for properly.*

The municipal division has not established the violations bureau (VB) or a fines schedule or designated a VB clerk by court order. In addition, the \$1 assessed and collected for the Peace Officers Standards and Training Commission (POSTC) fee has not been established by ordinance and the ordinance establishing the fee withheld for the Judicial Education Fund shows an incorrect fee amount.

- A. Although a VB has been established by city ordinance, a court order has not been issued to formally establish the VB or to designate a VB clerk. Additionally, fines assessed have not been established by court order.

Supreme Court Rule No. 37.49 requires a VB and a schedule indicating the amount of fines and costs to be imposed for each offense be established and a VB clerk be designated by court order.

- B. The municipal division collects and remits \$1 per case for the POSTC fee; however the city has not established this fee by ordinance.

All court costs assessed and collected by the municipal division should be established by ordinance.

- C. The municipal division withholds \$1 per case from court costs for the Judicial Educational Fund; however, City Ordinance 949, Section 15 ½-26 (6), establishing the Judicial Educational Fund incorrectly states the amount assessed as \$100 per case. Ordinances represent laws established by the city and should be reviewed for accuracy to prevent conflicts.

WE RECOMMEND the city of Crystal City Municipal Division:

- A. Prepare a court order establishing a VB and a fine schedule and designating a VB clerk.
- B. Request the city to pass an ordinance establishing the POSTC fee.
- C. Request the city to review all ordinances assessing court costs to ensure accuracy.

AUDITEE'S RESPONSE

The Municipal Judge, former Court Clerk, current Court Clerk, and City Clerk provided the following responses:

- A. *The Municipal Judge will issue a court order establishing the violations bureau and fines schedule and designate a violation bureau clerk.*
- B. *The city will establish this fee by ordinance.*
- C. *This recommendation will be implemented and corrections made as needed.*

3. Ticket Controls and Procedures
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Neither the police department nor the Court Clerk account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers and posts tickets issued to its computer system. The Court Clerk posts the tickets received from the police department to the division's computer system. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition of each ticket issued. A review of one officer's tickets revealed one ticket missing. The Police Chief could not provide an explanation for the missing ticket.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the police department cannot be assured all tickets issued were properly submitted for processing.

WE RECOMMEND the city of Crystal City Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge, former Court Clerk, current Court Clerk, and City Clerk provided the following response:

This recommendation has been implemented. The Police Clerk prints out a ticket report which is reviewed and compared to the tickets entered into the division's computer by the Court Clerk.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF CRYSTAL CITY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Crystal City Municipal Division is in the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Financial and Caseload Information

Year Ended March 31, 2008

Receipts	\$266,519
Number of cases filed	3,165

Personnel

At March 31, 2008, the municipal division employees were as follows:

Municipal Judge	Edward Page
Court Clerk	Shelly Andrews *

* Shelly Andrews resigned as court clerk in February 2009. Kathy Kirkland served as acting court clerk, until Rene Perry was hired in March 2009. Jan Fischer served as court clerk prior to April 2007.