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Missouri State Auditor

Seventh Judicial Circuit

City of Randolph Municipal Division

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Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Seventh Judicial Circuit, City of Randolph Municipal Division

Monitoring of Excess Revenue	The municipal division and the city do not have procedures in place to track tickets issued on state and federal highways and the related finds and costs collected, to determine the excess revenues to be distributed to the Missouri Department of Revenue. State law requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to turn the excess over to the Department of Revenue for distribution to schools of the county.
Accounting Controls and Procedures	The Municipal Court Clerk resigned in August 2009, and the city operated approximately 5 months without a Court Clerk. Many control procedures were not in place during this period and numerous duties were not performed. The duties of receiving and depositing monies are not adequately segregated from recording transactions. Monies are not always receipted, recorded on the bond log, and deposited timely, and checks are not restrictively endorsed immediately upon receipt. Bank reconciliations are not prepared timely for either the fine and costs account or bond account. In addition, an unidentified balance of \$4,970 exists in the fine and costs account at April 30, 2010, and an open items list is not prepared for the bond account. Procedures for processing and collecting monies due on tickets where the defendant fails to appear in court do not exist. The composition of receipt slips issued is not reconciled to the composition of bank deposits, and the numerical sequence of receipt slips issued is not accounted for properly. A monthly list of all cases heard is not prepared and filed with the city.
Bonds	While bond forms are prenumbered and are posted to a bond log maintained by the police department, their numerical sequence is not accounted for adequately. There are no controls over the custody of the bond monies to ensure they are processed properly. Bond forfeitures have not been performed for bonds posted by defendants who fail to appear in court. While the municipal division has an established bond schedule for certain violations, numerous defendants are released from custody without posting the proper bond and these variances are not approved by the Municipal Judge.
Ticket Accountability	The municipal division and Police Department do not account for the numerical sequence of tickets issued. The Police Department tracks the ticket numbers assigned to each officer, but does not keep records of tickets issued. The municipal division was unable to locate 23 of 60 (38 percent) tickets tested.



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Prosecutor Signature

The Prosecuting Attorney does not sign all tickets processed by the municipal division. Without the signature of the Prosecuting Attorney it is unclear whether or not the tickets processed by the municipal division are valid.

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Presiding Judge
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and
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We have audited certain operations of the City of Randolph Municipal Division of the Seventh Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2009. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance 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 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 Randolph Municipal Division of the Seventh Judicial Circuit.



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State Auditor

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Seventh Judicial Circuit

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Management Advisory Report - State Auditor's Findings

1. Monitoring of Excess Revenues

The municipal division and the city do not have procedures in place to track tickets issued on state and federal highways and the related fines and costs collected, to determine the excess revenues to be distributed to the Missouri Department of Revenue (DOR). Section 302.341.2, RSMo, requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to turn the excess over to the DOR, to be distributed to schools of the county.

Since the city and the municipal division do not track the amount of fines and costs collected on tickets issued on state and federal highways, we reviewed the Missouri Vehicle Stops Annual Report prepared by the Police Department and filed with the Missouri Attorney General's Office for 2009. This report indicated 83 percent of tickets issued by the city were for violations on a state or federal highway within the city. We also selected 265 tickets processed by the municipal division during 2009, and determined that 194 of these tickets (73 percent) were issued on state or federal highways. The fines and costs collected on those 194 tickets accounted for 75 percent of the total amount collected on the 265 tickets.

Based on the city's 2009 end of year report, 35 percent of the city's 2009 annual general revenue (\$270,043) was \$94,515. Based on the above data, the amount received from fines and court costs for traffic violations on state or federal highways would likely be between \$134,090 (75 percent) and \$148,393 (83 percent), based on \$178,787 in total court fines and costs, and the excess monies to be turned over to the DOR would be between \$39,575 and \$53,878. However, the municipal division should review all tickets to determine actual excess revenues.

The municipal division should work with the city to establish procedures for tracking tickets to ensure compliance in the future and request the city contact the DOR regarding any amount due from 2009.

Recommendation

The City of Randolph Municipal Division work with the City of Randolph to track collections from fines and court costs for traffic violations on state and federal highways and distribute excess revenues to the DOR.

Auditee's Response

The Municipal Judge provided the following written response:

The statute and regulations have been brought to the attention of the City Administration by this Division and they have instructed the City Attorney to institute procedures to determine the amount of any past excess receipts and be in communication with the Department of Revenue to determine procedures for payment of excess receipts. This Division is making use of its new computer software to monitor current and future receipts for violations of this nature.



2. Accounting Controls and Procedures

The Municipal Court Clerk resigned in August 2009, and the city operated approximately 5 months without a Court Clerk. Although the city had temporary clerks to assist with court, many control procedures were not in place during this period and numerous duties were not performed. The current Court Clerk is faced with a serious backlog of tickets and warrants. Timely deposits, bank reconciliations, comparison of composition of receipts to deposits, and monitoring of partial payments have all been affected by the situation. In addition, segregation of duties is not possible with only one court employee, and oversight is not performed.

2.1 Segregation of duties

The duties of receiving and depositing monies are not adequately segregated from recording transactions. The Court Clerk performs all the duties related to collection of funds, deposit preparation, and posting fines and court costs received to case files. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, an independent review of the work performed by the Court Clerk is necessary.

2.2 Timely deposits

Monies are not always receipted, recorded in the bond log, and deposited timely. Additionally, checks are not restrictively endorsed immediately upon receipt. A cash count on June 15, 2010, revealed almost \$1,000 in cash which had been on hand over a week and numerous checks on hand for several days. Two checks on hand during the cash count had not been receipted, and there were numerous unopened envelopes which contained citation payments the Court Clerk had not yet had time to process. In addition, numerous checks had not been restrictively endorsed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be receipted and deposited on a timely basis, and checks and money orders should be restrictively endorsed immediately upon receipt.

2.3 Bank reconciliations

Bank reconciliations are not prepared timely for either the fine and costs account or bond account. In addition, an unidentified balance of \$4,970 exists in the fine and costs account at April 30, 2010, and an open items list is not prepared for the bond account, which had a balance of \$7,250 at April 30, 2010. A list of open bonds could be prepared from the bond log, but the Court Clerk indicated she does not have sufficient time to prepare a list due to her workload. The April 2010 bank reconciliations were not performed for either account until June 13, 2010. The Court Clerk indicated



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she makes every attempt to perform these reconciliations when the statements are received, but due to her workload this is not always possible.

Monthly bank reconciliations and comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists in the fine and costs account. Any amounts which remain unidentified should be disposed of in accordance with state law.

2.4 Receivables

Procedures for processing and collecting monies due on tickets where the defendant fails to appear in court do not exist. At the time of our audit, the municipal division had four boxes of unpaid tickets, estimated to exceed 600 tickets, where the defendant failed to appear and warrants had not been issued. The tickets have been accumulating since August 2009. In addition, for cases where a partial payment has been made but an amount is still due, defendants are assigned a future court date; however, if they fail to appear no further follow-up action is taken to ensure payment is made.

Adequate procedures and records are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division. This helps maximize municipal division collections and provides equitable treatment for those citizens who are paying fines and court costs when due. The municipal division should prepare an accounts receivable list on a monthly basis and use the list to ensure appropriate action is taken on all cases with balances due.

2.5 Deposit composition

The composition of receipt slips issued is not reconciled to the composition of bank deposits, and the numerical sequence of receipt slips issued is not accounted for properly. Cash, checks, and money orders are accepted for bonds and payment of fines and court costs, and are deposited into the municipal division's bond and fine and costs accounts.

Reconciling the composition of deposits to receipt slips and accounting for the numerical sequence of receipt slips issued helps to adequately account for collections and reduce the risk of loss or misuse of funds.

2.6 Listing of cases

A monthly list of all cases heard is not prepared and filed with the city. Without such a report, the city cannot effectively monitor the municipal division's activity and ensure monies are properly remitted. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.



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Recommendations

The City of Randolph Municipal Division:

- 2.1 Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
- 2.2 Ensure receipts are deposited timely and bonds received are posted to the bond log timely. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.
- 2.3 Prepare bank reconciliations for both court accounts on a timely basis and prepare a list of liabilities for the bond account monthly. Unidentified differences should be investigated and resolved in accordance with state law.
- 2.4 Maintain a control list of amounts due the court and follow-up on delinquent amounts.
- 2.5 Reconcile the composition of receipt slips to the composition of deposits and account for the numerical sequence of all receipt slips issued.
- 2.6 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.

Auditee's Response

The Municipal Judge provided the following written response:

- 2.1 *The Division has instituted a system providing independent comparison of receipt slips to bank deposits and an independent review of bank statements and month-end reconciliations.*
- 2.2 *The Division has instituted a system whereby receipts are restrictively endorsed upon receipt by the Division, bond receipts are posted to the bond log and deposited in a timely manner, and all receipts are deposited in a timely manner after filing and disposition by the Court.*
- 2.3 *Bank reconciliations for both court accounts are independently prepared within 10 business days of receipt of account statements. For the bond account, an open items list is being prepared. After preparation, appropriate action will be taken to either forfeit or distribute all open items. For the fine and costs account, the balance will be identified. If this is a result of an opening deposit by the City it will be refunded. Any other funds will be appropriately distributed.*



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- 2.4 *Additional staff has been hired and additional resources have been arranged to provide appropriate action to insure that all funds due to the Division from open cases are collected.*
- 2.5 *The Division's new computer software identifies the nature and amount of all receipts and this is independently reconciled with the deposits. All deposits are physically made and reconciled by staff independent of the Division.*
- 2.6 *The Division's new computer software prepares the list of cases heard by the Division with the required information and this list is verified by the Court and filed monthly with the City.*

3. Bonds

Controls over bonds accepted by the Police Department and the municipal division are in need of improvement.

3.1 Prenumbered bond forms While bond forms are prenumbered and are posted to a bond log maintained by the police department, their numerical sequence is not accounted for adequately. On several occasions, the Police Department has run low on prenumbered bond forms. A copy of a bond form is made and the same bond form number is used more than once. This practice occurred on numerous occasions, once resulting in the same bond form number being used nine times.

To adequately account for bond monies receipted and reduce the risk of loss, theft, or misuse of funds, each bond number should be used one time. The bond forms should be issued for all bond monies received, and the numerical sequence of bond forms should be accounted for properly.

3.2 Bond controls Procedures for processing bond payments and forms need improvement. There are no controls over the custody of bond monies to ensure they are processed properly. The Police Department receives bond monies, fills out a bond form, and posts the transaction to a bond log. The form and monies are placed in an envelope and dropped through a slot into a box on the door to the Court Clerk's work area. Although this box has a lock on it, the lock is not used. The Court Clerk retrieves the envelope from the box each morning when she arrives for work, and is supposed to receipt and post the bond monies to the bond log and prepare the deposit. The Court Clerk does not sign off on the police bond log to indicate she received the monies and the retrieval of the monies is not witnessed by another party. The failure to use the lock on the box increases the likelihood of misappropriation. In addition, the Court Clerk does not post the receipt of bonds from the Police Department to the court's bond log timely. A cash count performed on June 15, 2010, revealed five cash bonds, totaling over \$600 in cash, which had been on hand several days, but had not been posted to the bond log.



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Controls over the processing of bond monies are necessary to protect against loss, theft, and misuse of funds. In addition, the timely posting of bonds to the bond log helps ensure the bond monies are tracked and accounted for properly.

3.3 Bond forfeitures

Bond forfeitures have not been performed for bonds posted by defendants who fail to appear in court. The court bond log indicates numerous defendants failed to appear in court, yet the municipal division has not forfeited any cash bonds and has held no forfeiture hearings for surety bonds posted.

A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid to the city treasury as provided by Section 479.210, RSMo. In addition, bonds on hand for which the defendant has failed to make payments as agreed should be applied to outstanding costs. Sureties have no motivation to ensure the defendant appears at court if the bond monies will not be forfeited as allowed.

3.4 Judicial approval of bonds

While the municipal division has an established bond schedule for certain violations, numerous defendants are released from custody without posting the proper bond and these variances are not approved by the Municipal Judge. The city does not have a jail or other place to detain defendants, and the current practice is for the police to take as bond any monies the defendant has with him/her. The Judge does not always approve or have knowledge of these transactions.

In one case where the schedule called for a \$500 bond, an individual was released on a \$30 bond. The defendant was cited for six different violations, including possession of drugs, open container, and carrying a concealed weapon. The Municipal Judge was not notified to approve his release on the \$30 bond. This individual later failed to appear for his court date.

Bond schedules are established for standard offenses to ensure the defendant appears in court. To prevent loss, misuse, or theft of funds and to ensure equitable treatment of defendants, individuals should only be released for less than the scheduled bond amount if authorized by the Judge. In the event the Judge cannot be notified, procedures should be developed to handle situations when full bonds cannot be posted.

Recommendations

The City of Randolph Municipal Division:

- 3.1 Ensure an individual prenumbered bond form is issued for all bond monies received and each form is used only once. In addition, the numerical sequence of those bond form numbers should be accounted for properly.



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- 3.2 Develop and implement procedures for the proper processing of bond monies received.
- 3.3 Forfeit cash bonds when defendants fail to appear in court and follow state law for forfeiting surety bonds posted by defendants.
- 3.4 Ensure the Municipal Judge approves all reductions in bonds. If approval by the Judge is not possible, procedures should be in place for the police officers to follow.

Auditee's Response

The Municipal Judge provided the following written response:

- 3.1 *Following the pre-exit interview, a staff meeting chaired by the Mayor was held and attended by the Chief of Police, all full-time officers, the Municipal Division Judge and Court Administrator and the City Clerk. All bond forms are pre-numbered and the Police Department has been instructed to insure the numerical sequence of bond forms is accounted for properly. This is independently monitored by the Court Administrator upon receipt of bond funds.*
- 3.2 *Bond funds are deposited upon receipt by the Police Department in a locked box which is opened jointly by the Court Administrator and a member of the Police Department to verify the amount received. This is then posted by the Court Administrator to the bond log and deposited in a timely manner.*
- 3.3 *Additional staff has been hired and additional resources have been arranged to provide appropriate action to insure that all funds due to the Division from open cases are collected.*
- 3.4 *Following the pre-exit interview, a staff meeting chaired by the Mayor was held and attended by the Chief of Police, all full-time officers, the Municipal Division Judge and Court Administrator and the City Clerk. The matter of bonds set by the Court was discussed and the officers instructed that no alteration in the conditions of bond is to be made without prior approval of the Court.*

4. Ticket Accountability

The municipal division and Police Department do not account for the numerical sequence of tickets issued. The Police Department tracks the ticket numbers assigned to each officer, but does not keep records of tickets issued. As tickets are issued by the Police Department, they are given to the municipal division for processing. The municipal division was unable to locate 23 of 60 (38 percent) tickets tested.

Without a proper 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



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processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly and to decrease the risk of loss, misuse, or theft of funds.

Recommendation

The City of Randolph Municipal Division work with the Police Department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

Auditee's Response

The Municipal Judge provided the following written response:

Following the pre-exit interview, a staff meeting chaired by the Mayor was held and attended by the Chief of Police, all full-time officers, the Municipal Division Judge and Court Administrator and the City Clerk. The matter of accounting for the numerical sequence and ultimate disposition by the Police Department was discussed and it is the Division's understanding that the Department has instituted training and procedures to insure accountability.

5. Prosecutor Signature

The Prosecuting Attorney does not sign all tickets processed by the municipal division. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the court. Without the signature of the Prosecuting Attorney it is unclear whether or not the tickets processed by the municipal division are valid.

Recommendation

The City of Randolph Municipal Division work with the Prosecuting Attorney to ensure all tickets are signed before submitted to the municipal division.

Auditee's Response

The Municipal Judge provided the following written response:

The Division has instructed the Police Department to present all citations to the City Attorney/Prosecutor who has been requested to review and sign those citations and then file them with the Court Administrator.

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Organization and Statistical Information

The City of Randolph Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable Anthony Rex Gabbert 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 in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At December 31, 2009, the municipal division employees were as follows:

Title	Name
Municipal Judge	Gregory Dorsey
Court Clerk (1)	Vacant
Prosecuting Attorney	Craig Sweeney
Police Chief	John Morris
Mayor	Alan Long

(1) Amy Jenison resigned as Court Clerk in August 2009. Carol Wheat started as Court Clerk on January 2010.

Financial and Caseload Information

	Year Ended December 31, 2009
Receipts	\$178,787
Number of cases filed	3132