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FOLLOW-UP REPORT ON AUDIT FINDINGS

Seventeenth Judicial Circuit Cass County

August 2015
Report No. 2015-065



<http://auditor.mo.gov>

Seventeenth Judicial Circuit, Cass County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE R. GALLOWAY, CPA
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Presiding Judge and Court en Banc
and
Circuit Clerk of the
Seventeenth Judicial Circuit
Cass County, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-123, *Seventeenth Judicial Circuit, Cass County*, (rated as Poor), issued in December 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by the Circuit Clerk and met with relevant court officials and personnel. Documentation provided by the court included bank statements, Judicial Information System reports, and various other financial and court records. This report is a summary of the results of this follow-up work, which was substantially completed during June 2015.

Nicole R. Galloway, CPA
State Auditor

Seventeenth Judicial Circuit, Cass County

Follow-Up Report on Audit Findings

Status of Findings

1. Corrective Action

The court had not taken sufficient steps to correct accounting control deficiencies identified by the Office of the State Court Administrator (OSCA) in January 2013.

After a theft of monies was discovered in October 2012, the OSCA performed a financial review of the court. The former Circuit Clerk did not respond to the OSCA recommendations and took little corrective action to implement the recommendations. In August 2013, the former Circuit Clerk was suspended for failure to perform office duties and later resigned. Many of the unimplemented recommendations made by the OSCA were also weaknesses discussed in our report.

Recommendation

The Circuit Clerk implement recommendations in a timely manner.

Status

In Progress

The Circuit Clerk has implemented, or is in the process of implementing, all of the recommendations made by the OSCA in January 2013.

- The Circuit Clerk indicated all supervisors have been removed from the monetary receipt process and supervisors are performing supervisory duties including voiding/retaking receipts and correcting errors on assessed costs.
- The Circuit Clerk indicated monies are receipted in the Judicial Information System (JIS) the day of receipt.
- A supervisor has been assigned to perform monthly bank reconciliations that are reviewed by the Circuit Clerk and the Presiding Judge. We reviewed the May 2015 bank reconciliation, and noted some concerns as indicated at Section 2.3. The Circuit Clerk indicated she no longer takes deposits to the bank.
- A supervisor has been assigned to perform end of month procedures. The Circuit Clerk creates and prints end of month checks.
- The Circuit Clerk hired a Chief Deputy Clerk in May 2015 and an Accounting Supervisor in June 2015. The Circuit Clerk indicated once these employees have been fully trained, monthly supervisory reviews of liabilities, outstanding checks, fee adjustments, and non-monetary payments will be performed.
- In March 2015, the Circuit Clerk attended training presented by the OSCA covering JIS management reports. The Circuit Clerk stated she is in the process of reviewing these reports and developing new procedures to make the reports more useful.



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Status of Findings

- The Circuit Clerk has updated written procedures and is in the process of monitoring accrued costs and writing off amounts deemed uncollectible.

2.1 Accounting Controls and Procedures - Segregation of duties and supervisory review

The Circuit Clerk's office had not adequately segregated accounting duties or limited user access rights in the JIS, and adequate supervisory reviews of accounting records were not performed. The former Circuit Clerk had not established restrictions on system access and thus, the Acting Circuit Clerk and 19 court employees had the ability to assess fees, receipt monies, post non-monetary transactions, enter voids, and adjust costs in the JIS, including the clerk primarily responsible for preparing deposits and reviewing daily cashier sessions. Neither the Acting Circuit Clerk nor other personnel independent of the cash custody and record-keeping functions provided adequate supervision or review of the work performed by court employees to ensure transactions were appropriate.

Recommendation

The Circuit Clerk segregate accounting duties to the extent possible, limit user access rights within the JIS to only those necessary for the user to perform job duties, and implement appropriate reviews and monitoring procedures.

Status

In Progress

The Circuit Clerk stated she has limited user access rights in the JIS to the extent possible. She indicated some rights could not be removed because the change would prevent the employees from performing some of their required duties. Written segregation of duties procedures, a chart of incompatible duties, and a schedule of duties assigned to each employee were provided for our review. The written procedures provide for the segregation of the duties of assessing fees, receipting monies, and depositing receipts. However, the supervisor who prepares deposits and weekly disbursements and performs bank reconciliations continues to void receipts and adjust fees.

The Circuit Clerk indicated that full segregation of duties and supervisory oversight will be implemented once the new Accounting Supervisor and Chief Deputy Clerk have been trained to perform daily and monthly reviews. Some monitoring procedures have been implemented, which are further discussed in the status for other findings.

2.2 Accounting Controls and Procedures - Receipt processing procedures

The court did not record monies received in the mail on a mail log and checks were not restrictively endorsed immediately upon receipt. In addition, monies received by the Probate Division were not receipted and deposited timely.



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Recommendation

The Circuit Clerk record and process receipts timely and restrictively endorse checks immediately upon receipt.

Status

In Progress

The Circuit Clerk indicated all monies are receipted in her office by two clerks and monies are no longer receipted by the Probate Clerk. The Circuit Clerk indicated the court began scanning checks received in the mail and logging checks taken at the counter in March 2015. Checks are restrictively endorsed immediately upon receipt. However, a reconciliation of receipts to the JIS and deposit records has not been implemented. The Circuit Clerk indicated the new Accounting Supervisor will be trained to perform a daily reconciliation to ensure all checks received in the mail or at the counter were receipted to the JIS and included in the deposit.

**2.3 Accounting Controls
and Procedures -
Bank reconciliations**

We noted the following concerns during our review of the court's bank reconciliations.

- The Circuit Clerk's office did not perform monthly bank reconciliations of the JIS account. Since December 2012, the OSCA had been performing these reconciliations.
- Reconciling items identified on bank reconciliations performed by the OSCA had not been resolved timely.
- The Circuit Clerk's office had not established procedures to follow up on outstanding checks. As of December 31, 2013, JIS records indicated 217 checks, totaling \$37,511, had been outstanding for over a year; some since June 2010.
- Interest earned on two certificates of deposit had not been recorded in the JIS.

Recommendation

The Circuit Clerk perform timely monthly bank reconciliations, resolve reconciling items timely, and establish procedures to routinely follow up on outstanding checks and reissue them if necessary or dispose of these monies in accordance with state law.

Status

In Progress

Monthly bank reconciliations are performed. We reviewed the May 2015 bank reconciliation, noting the Circuit Clerk is working to resolve reconciling items resulting from calendar year 2015 transactions; and had reduced the number of reconciling items from 2014 and prior years from \$9,979 at December 31, 2013, to \$4,681.



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Written outstanding check procedures were established in April 2015. In May 2015, the Circuit Clerk stopped payment on all checks issued prior to September 2014 and turned these monies over to the state's unclaimed property section. The new procedures outline steps for following up on checks outstanding for more than 30 days.

2.4 Accounting Controls
and Procedures - Non-
monetary, voided, and
adjusting transactions

The Circuit Clerk and all court employees were allowed to enter non-monetary transactions, adjust costs, and void receipts in the JIS without supervisory review or approval. Also, documentation was not adequate for some of these transactions. The JIS can generate various reports to monitor these transactions; however, these reports were not generated and reviewed.

Recommendation

The Circuit Clerk ensure adequate documentation is maintained to support all non-monetary, voided and adjusting transactions, and ensure an independent review and approval of these transactions is performed and documented. In addition, the Circuit Clerk should periodically generate and review reports of these transactions.

Status

In Progress

The Circuit Clerk indicated procedures for voiding receipts and adjusting transactions were implemented in May 2015. Under these new procedures, void and adjustment request forms must be completed by the requesting clerk, approved by a supervisor, and reviewed by the Circuit Clerk. Only supervisors are able to void receipts and adjust fees in the JIS. The Circuit Clerk indicated the password required to perform these functions was only provided to the supervisors. The Circuit Clerk indicated she is developing procedures to ensure proper documentation and supervisory review of non-monetary transactions. She expects the procedures to be finalized in the next few months.

2.5 Accounting Controls
and Procedures -
Accrued case costs

The Circuit Clerk's office did not review accrued case costs owed to the court (court costs, incarceration costs, court-ordered restitution, fines, and other), as required by the court's formal plan for debt. Total accrued costs as of January 28, 2014, were approximately \$7.4 million. The court adopted a formal Administrative Plan for Collection of Court Debt, as required by Court Operating Rule 21.11. This plan required the court to review accounts receivable reports (accrued case costs) from the JIS and the debt collection vendor at least quarterly and determine if any accounts should be deemed uncollectible and written off by court order. The court had not reviewed the required reports and had not deemed any accounts to be uncollectible. We noted several cases where costs were not accurately reflected on the JIS list of accrued case costs. In addition, the plan had not been updated since January 2012 and did not contain all of the topics required by Supreme Court Operating Rule 21.11.



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Recommendation

The Circuit Clerk develop procedures to review a complete and accurate list of accrued costs at least quarterly. In addition, the formal administrative plan for collection of court debt should be updated annually and should include all topics required.

Status

In Progress

The formal Administrative Plan for Collection of Court Debt was updated in January 2015. We reviewed the updated plan, noting all required topics are included. The Circuit Clerk indicated the Chief Deputy Clerk is currently reviewing the list of accrued costs, and she anticipates the review will be completed by the end of 2015. Once the review is completed, she indicated she will obtain an order from the Court en Banc to write off amounts deemed uncollectible. The Circuit Clerk indicated subsequent reviews will be conducted quarterly as required by the plan.

**2.6 Accounting Controls
and Procedures -
Liabilities**

The former Circuit Clerk did not review cases with liabilities to ensure monies were disbursed timely. As of December 31, 2013, the Acting Circuit Clerk had also not completed a review of the liability listing totaling \$1,139,976.

Recommendation

The Circuit Clerk establish procedures to review the status of liabilities monthly to determine the appropriate disposition of funds.

Status

In Progress

The Circuit Clerk indicated the Chief Deputy Clerk or the Accounting Supervisor will perform monthly reviews of liabilities beginning in July 2015. Our review of liabilities at January 31, 2014, and June 30, 2015, noted bond monies held decreased from \$569,742 to \$275,012. The Circuit Clerk expects all liabilities to be reviewed and resolved by the end of 2015.

**2.9 Accounting Controls
and Procedures -
Voided checks**

The Circuit Clerk's office had not developed formal policies and procedures related to voided checks.

Recommendation

The Circuit Clerk establish formal policies and procedures for voided and returned checks.

Status

Implemented

Written outstanding check procedures established in April 2015 include procedures for voided and returned checks. For voided checks, the procedures require completion of a voided check request form by the requesting clerk and a supervisor's approval and entry of the information into the JIS prior to the Circuit Clerk requesting a stop payment order from



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the bank. The requesting clerk defaces the voided check and attaches it to the request form. The procedures also provide that returned checks will be voided and monies sent to the state's unclaimed property section if a new address cannot be found.

3. Case Disposition

Court personnel did not always properly record the final disposition of each case in the JIS and did not periodically review the report of open cases. As a result, some disposed cases still appeared on the JIS as open cases. We identified 1,220 cases from 2013 that were suspended and no longer appeared on the court docket, and therefore could not be properly disposed.

Recommendation

The Circuit Clerk ensure the disposition of cases is properly recorded in the JIS and the report of open cases is periodically reviewed.

Status

In Progress

In March 2015, the Circuit Clerk attended training presented by the OSCA that covered management reports, including a report of open cases. The Circuit Clerk indicated by September 2015 she will develop written procedures for reviewing these reports and provide training to the personnel who will perform these duties.

4.1 Law Library -
Segregation of duties
and supervisory review

The court had not adequately segregated the accounting duties or performed independent reviews of the law library bank account and financial activities. The Acting Circuit Clerk performed all accounting duties including depositing monies, recording receipts, writing and signing checks, and reconciling the account.

Recommendation

The Court en Banc and the Circuit Clerk ensure accounting duties are adequately segregated or independent reviews are performed periodically.

Status

Implemented

The court segregated accounting duties to the extent possible and established independent reviews. In January 2015, the Associate Circuit Judge, Division 5, began reviewing the monthly law library account bank reconciliations; and in April 2015, a supervisor began performing the bank reconciliations. Also in April 2015, the judge began reviewing and approving invoices supporting all payments from the account. The Circuit Clerk continues to make deposits and sign checks.