



Nicole Galloway, CPA

Missouri State Auditor

**Tenth Judicial Circuit
City of Monroe City
Municipal Division**

Report No. 2019-051

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CITIZENS SUMMARY

Findings in the audit of the Tenth Judicial Circuit - City of Monroe City Municipal Division

Accounting Controls and Procedures	The municipal division has not adequately segregated accounting and record-keeping duties, and neither the Municipal Judge nor city personnel perform supervisory or independent reviews of municipal division accounting and court records. The municipal division does not reconcile receipts slips issued for court receipts in the city's financial accounting system to the case management system to ensure all monies are properly recorded. Police department personnel cannot account for all bonds received. Generic unnumbered bond forms are issued and recorded on a log. Prenumbered receipt slips are issued for bond payments received; however, the receipt slip number is not posted to the log. The municipal division has not established a formal administrative plan for the collection of court debt and does not adequately monitor accrued costs, including fines and court costs.
Court Costs	The municipal division does not assess certain court costs in compliance with city ordinance and state law.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Tenth Judicial Circuit

City of Monroe City Municipal Division

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Presiding Judge
Tenth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Monroe City, Missouri

We have audited certain operations of the City of Monroe City Municipal Division of the Tenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2018. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

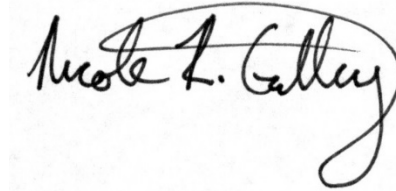
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also 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 applicable contract, grant agreement, or 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.

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.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) no significant noncompliance with court rules, and (4) no noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Monroe City Municipal Division of the Tenth Judicial Circuit.

A petition audit of the City of Monroe 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.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Julie A. Moulden, MBA, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Amanda G. Flanigan, MAcc Sacha Tejan

Tenth Judicial Circuit

City of Monroe City Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. During the fiscal year ended September 30, 2018, the municipal division collected \$40,285 in fines, court costs, and bonds.

1.1 Segregation of duties

The municipal division has not adequately segregated accounting and record-keeping duties, and neither the Municipal Judge nor city personnel perform supervisory or independent reviews of municipal division accounting and court records.

The Court Clerk is solely responsible for recording court receipts and case activity to the case management system, preparing disbursements, and preparing monthly financial reports for court activities. Court receipts can be collected by any administrative staff at city hall.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include accounting for the numerical sequence of receipt slips and ensuring monies received have been accounted for properly.

1.2 Recording and reconciling

The municipal division does not reconcile receipts slips issued for court receipts in the city's financial accounting system to the case management system to ensure all monies are properly recorded.

Failure to implement adequate recording and reconciling procedures increases the risk that loss, theft, or misuse of monies will go undetected.

1.3 Bonds

Police department personnel issue generic unnumbered bond forms and record information on bonds received on a log. Prenumbered receipt slips are issued for bond payments received; however, the receipt slip number is not posted to the log. As a result, police department personnel cannot account for all bonds received and ensure bonds are handled properly and transmitted to the Court Clerk timely.

To reduce the risk of loss, theft, or misuse of bond monies received, and to provide assurance all bond monies are accounted for properly, official prenumbered bond forms should be issued for all bonds received and all bonds collected should be recorded on a bond log and transmitted to the Court Clerk timely.

1.4 Accrued costs

The municipal division has not established a formal administrative plan for the collection of court debt and does not adequately monitor accrued costs, including fines and court costs.



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City of Monroe City Municipal Division
Management Advisory Report - State Auditor's Findings

The municipal division accepts partial payments from defendants; however, they do not sign formal payment plans. Municipal division personnel do not prepare a listing of accrued costs. At our request, the Court Clerk prepared a listing of accrued costs totaling \$4,515 as of April 23, 2019.

Proper and timely monitoring of accrued costs is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible. Also, payment agreements signed by the defendant formalize the liability to the municipal division and could aid in the collection process.

Recommendations

The City of Monroe City Municipal Division:

- 1.1 Segregate accounting duties or ensure documented independent or supervisory reviews of municipal division accounting and court records are periodically performed.
- 1.2 Reconcile receipts slips issued for court monies in the city's financial accounting system to the case management system.
- 1.3 Work with the police department to ensure official prenumbered bond forms are issued, the numerical sequence of all bond forms is accounted for, and the bond log includes these numbers.
- 1.4 Establish procedures to monitor accrued costs and obtain signed payment plans from all defendants making partial payments.

Auditee's Response

- 1.1 *A full segregation of duties is not possible due to the small number of employees at city hall. In addition, the Municipal Judge is only available one day a month for court. However, we agree an independent review would be beneficial and will work with the city to implement the recommendation.*
- 1.2 *A reconciliation of receipts recorded in the financial accounting system and the case management system will be performed and documented.*
- 1.3 *We will work with the police department to implement the recommendation.*
- 1.4 *We will establish procedures to monitor accrued costs and require defendants to sign payment plans.*



2. Court Costs

The municipal division does not assess certain court costs in compliance with city ordinance and state law. We identified the following concerns:

- The municipal division does not assess and collect the \$2 law enforcement training surcharge in accordance with city ordinance 30.47. The municipal division only charges a \$1 law enforcement training surcharge. Section 488.5336.1, RSMo, allows municipalities to collect a \$2 law enforcement training surcharge.
- The municipal division charges an additional \$1 fee per case for judicial education instead of withholding the \$1 fee from court costs in accordance with state law. Section 479.260.1, RSMo, provides that municipal divisions may withhold the \$1 Judicial Education Fund fee from court costs (not collected in addition to court costs) if authorized by the city.

The municipal division should ensure courts costs are assessed in accordance with city ordinance and state law.

Recommendation

The City of Monroe City Municipal Division review all court costs to ensure amounts are assessed in accordance with city ordinance and state law.

Auditee's Response

We have already begun working with the city attorney to update the city's ordinances and fine schedule to ensure courts costs are assessed in accordance with city ordinance and state law.

Tenth Judicial Circuit

City of Monroe City Municipal Division

Organization and Statistical Information

The City of Monroe City Municipal Division is in the Tenth Judicial Circuit, which consists of Marion, Monroe, and Ralls Counties. The Honorable Rachel Bringer Shepherd 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 court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilizes an automated case management software provided by Information Technologies, Inc., which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At September 30, 2018, the municipal division employees were as follows:

Title	Name
Municipal Judge	Michael P. Wilson
Court Clerk	Christine Ellison
Prosecuting Attorney	Michael Williams

Financial and Caseload Information

	Year Ended September 30, 2018
Receipts	\$40,285
Number of cases filed	431

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	1.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	1.00
Sheriff's Retirement	3.00
Judicial Education	1.00