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Missouri State Auditor

Twenty First Judicial Circuit

City of Pagedale Municipal Division



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Office of
Missouri State Auditor
Susan Montee, CPA

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An audit was conducted by our office of the Twenty-first Judicial Circuit, city of Pagedale, Missouri Municipal Division.

The municipal court collects approximately \$377,000 annually in fines and court costs. Court records were poorly maintained and at least \$1,088 in court monies appear to have been misappropriated. Additional amounts may also be missing due to control weaknesses over municipal court receipts. Neither the city nor court personnel reconcile the method of payment received to the composition of the deposits to ensure receipts were deposited intact. The lack of this comparison allowed unrecorded money orders to be substituted into deposits, receipt slips to be issued for less than received, and cash receipts to be misappropriated.

The unrecorded money orders were posted to the court computer system (REJIS). However, reports on daily receipts posted to REJIS are not generated and as a result receipts per REJIS are not reconciled to the ledgers or monies deposited. A reconciliation of the receipt information posted to the computer system would have allowed the city to detect possible problems in the monies collected.

The method of payment is not always recorded on the receipt slips/ledger and in some instances both cash and money order were marked. Deposits are not made intact as some cash refunds are made for overpayments of fines and court costs paid by money order.

A monthly listing of bond open items is not prepared and reconciled with the bond account. At the end of each fiscal year, the city bookkeeper prepares a summary report of bond open items. The summary list for September 30, 2007, totaled \$35,938 while the bond account bank balance was only \$32,379, resulting in a \$3,559 shortage. In addition, procedures have not been established to resolve old outstanding checks for the bond account, monies received are not always deposited on a timely basis, and procedures have not been established to adequately monitor accrued costs owed to the court. Also, the Municipal Court and Police Department do not account for the numerical sequence of tickets issued.

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YELLOW SHEET

TWENTY FIRST JUDICIAL CIRCUIT
CITY OF PAGEDALE
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty First Judicial Circuit
and
Municipal Judge
Pagedale, Missouri

We have audited certain operations of the city of Pagedale Municipal Division of the Twenty First Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the year ended September 30, 2007. The objectives of this 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.
3. Investigate irregularities noted regarding cash receipts and deposits.

Our methodology included reviewing written policies, 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Pagedale Municipal Division of the Twenty First Judicial Circuit.

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



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
In-Charge Auditor: Carl Zilch, Jr.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

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

1. Receipt Controls and Procedures

At least \$1,088 in court monies appear to have been misappropriated, and additional amounts may also be missing as controls over municipal court receipts are lacking. The method of payments received is not reconciled to the composition of the deposits. Some receipt slips/one-write ledger entries do not indicate the method of payment or both cash and check are marked. In addition, cash refunds are given for overpayments so deposits are not made intact. Finally, the court records are not adequately maintained.

The municipal court uses a one-write receipt ledger to issue receipt slips for municipal court monies. The municipal court also maintains a computer system to maintain case files and record all monies received by the court. The municipal court collects approximately \$377,000 annually in fines and court costs. There were many indications that court records were poorly maintained, as well as numerous control weaknesses.

- A. While the method of payment (cash or money order) is normally recorded on the court's one-write receipt system neither the city nor court personnel reconcile the method of payments received to the composition of the deposits to ensure receipts were deposited intact. The lack of this comparison allowed unrecorded money orders to be substituted into deposits, receipt slips to be issued for less than received, and cash receipts to be misappropriated. For example, in September of 2007, the composition of receipts did not agree between the receipt slips issued and deposits for six of the eleven deposits and in the first two weeks of November 2006 the composition did not agree for two of eight deposits. Approximately \$388 of unrecorded money orders were included in these deposits and \$700 in money orders received were not recorded on the one-write (the court recorded less than actually received). It appears money orders were substituted for cash, which was misappropriated.

The unrecorded money orders were posted to the court computer system (REJIS). However, reports on daily receipts posted to REJIS are not generated, and as a result, receipts per REJIS are not reconciled to the one-write ledgers or monies deposited. A reconciliation of the receipt information posted to the computer system would have allowed the city to detect possible problems in the monies collected.

In addition, an analysis of fines, court costs, and bonds collected by the court indicated a decrease in the average amount collected for each case. For the year

ending September 2006, the court collected an average of approximately \$86 per case which decreased to \$78 per case for the year ending September 30, 2007.

By not providing adequate oversight, the city and municipal division placed court funds at risk, resulting in the misappropriation. The city should ensure court funds are properly accounted for by providing adequate oversight, reviewing the court's depositing methods and reconciling the method of payment and court computer records to deposits. A review of other months should be done to determine the total misappropriated.

- B. The method of payment (i.e., cash or money order) is not always recorded on the receipt slips/one-write ledger and in some instances both cash and money order were marked on the one-write ledger. In addition, the method of payment on some receipt slips did not agree to the method of payment noted on the one-write ledger. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt slip and the composition of receipts should be reconciled to the composition of bank deposits.
- C. Deposits are not made intact as some cash refunds are made for overpayments of fines and court costs paid by money order. For example, the November 1, 2006 deposit contained a \$85.50 money order; however, the receipt slip, case file, and computer system indicated \$84.50 was received. The Court Clerk indicated she sometimes gives small cash refunds for this type of overpayment. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be recorded and deposited intact daily and all refunds should be made by check.
- D. Municipal court records are not adequately maintained. Case file information is not always properly recorded. For example, receipt slip numbers listed on the case files were sometimes incomplete or did not agree to the original receipt slip. In addition, it appears the municipal court's computer system is not properly updated. Some warrant release fees received by the court were not entered into the computer system, other receipt information did not agree to the one-write ledger, and bond transactions are not properly posted. For example, the deposit on November 13, 2006 contained a receipt for \$440 and the court computer system indicated \$540 had been collected. Also, two case files could not be located.

An analysis of monies deposited by the municipal court from October 1, 2006 thru December 21, 2007 showed deposits made by the municipal court of \$366,100 compared to the REJIS receipt report which indicated monies received during this time period of \$396,700, a difference of \$30,600.

Without maintaining accurate records of the case files and court computer system, there is little assurance that cash receipts and disbursements have been properly

handled and recorded or that errors will be detected and corrected in a timely manner.

WE RECOMMEND the Municipal Court:

- A. Work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover the missing funds. Additionally, the city should provide adequate oversight of court receipts and deposits, by monitoring the court's depositing methods, reconcile the method of payments received to the composition of the total deposit to ensure receipts were deposited intact, and reconcile receipts per the computer system to amounts deposited to ensure all monies recorded are deposited.
- B. Ensure the method of payment is recorded on all receipt slips issued and the composition is reconciled to deposits. Any differences noted should be investigated.
- C. Ensure monies are deposited intact and checks are written to refund any overpayments.
- D. Ensure court records are accurately updated and maintained.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge indicated:

- A. *We plan on performing an internal investigation and will then contact the proper authorities. We have already started reconciling the composition of receipts to deposits.*
- B. *We have implemented this recommendation.*
- C. *It is the city's policy that no monies be refunded in cash. We will try to ensure this policy is followed properly in the future.*
- D. *We will implement this recommendation. We have started working on the reconciliation of January 2008 computer system receipts to deposits. We discovered fines paid with bonds were not entered as paid by bonds. We will start entering these correctly immediately.*

2. Accounting Controls

The municipal court does not prepare and reconcile monthly listings of open bonds to cash balances. Old outstanding checks are not properly followed-up on and resolved. In addition, receipts are not deposited timely and the accrued costs due to the court are not adequately monitored.

- A. A monthly listing of bond open items is not prepared and reconciled with the bond account. The City Bookkeeper maintains a monthly listing of bonds received and their disposition; however, no one prepares a list of total open bonds to reconcile to the balance of the bond account. At the end of each fiscal year, the city bookkeeper prepares a summary report of bond open items. The summary list for September 30, 2007, totaled \$35,938 while the bond account bank balance was only \$32,379, resulting in a \$3,559 shortage.

A complete and accurate bond open items listing should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified shortages should be investigated and appropriate action taken.

- B. Procedures have not been established to resolve old outstanding checks for the bond account. The city bookkeeper maintains the bond account for the municipal court. According to the September 2007 bank reconciliation prepared by the city bookkeeper, 43 checks totaling \$1,793 have been outstanding for over a year for the bond account, with some of these checks dating back to 2002.

Old outstanding checks create an additional and unnecessary record keeping burden. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued, if possible. If a payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable period of time.

- C. Monies received are not always deposited on a timely basis. Deposits generally are made three times a week. For example, in September 2007 the municipal court made 11 deposits into the city's General Fund, with deposits ranging from \$530 to \$3,600. Cash included in these deposits totaled over \$14,800, ranging from \$422 to \$2,993. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100.

- D. Procedures have not been established to adequately monitor accrued costs owed to the court. A listing of accrued costs is maintained in the Municipal Division's computer system; however, the Court Clerk was not aware this information was available or that a report could be generated. At our request, the municipal court contacted the computer system administrator and determined how to generate the report. As of December 12, 2007, the municipal court's accrued cost balance of fines and court costs was approximately \$110,000. The municipal court should periodically generate a list of accrued costs and review for accuracy and completeness.

A complete and accurate listing of accrued costs would allow the municipal court to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

WE RECOMMEND the Municipal Court:

- A. Work with the City to prepare monthly listings of bond open items and reconcile the listing with the balance in the bond account.
- B. Work with the City to establish routine procedures to investigate any checks that have been outstanding for a considerable period of time.
- C. Ensure deposits are made daily or when accumulated receipts exceed \$100.
- D. Establish procedures to monitor and collect accrued costs.

AUDITEE'S RESPONSE

The Mayor and Municipal Judge indicated:

- A. *We are currently working on this recommendation. We have already found some items included on the listing as open that should have been closed. We will begin doing these reconciliations monthly.*
- B. *We have already started working on following up on the old outstanding checks.*
- C. *We will attempt to deposit more often; however, this is difficult with our limited staff. We will start monitoring the amount of monies on hand to try to deposit large amounts in a timely manner.*
- D. *We always make sure warrants are issued, but we will begin periodically reviewing the accrued cost list.*

3.

Ticket Accountability

The Municipal Court 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 do not keep records of tickets issued. As tickets are issued by the Police Department they are given to the court for processing. The court employees enter the tickets into the computer system; however, they do not ensure that the numerical sequence of all tickets issued is accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured that all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the 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 Mayor and Municipal Judge indicated:

We will implement this recommendation.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY FIRST JUDICIAL CIRCUIT
CITY OF PAGEDALE
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Pagedale Municipal Division is within the twenty first Judicial Circuit, which consists of St. Louis County. The Honorable Carolyn C. Whittington 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.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

At September 30, 2007, the municipal division employees were as follows:

Municipal Judge	Mark Kruger
Court Administrator	Fran Stevens
Court Clerk	Ladonna Gibbs *

* Resigned from this position in January 2008.

Financial and Caseload Information

	<u>Year Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$476,896	470,572
Number of cases filed	6,084	5,455