



Susan Montee, CPA
Missouri State Auditor

Seventh Judicial Circuit

City of Pleasant Valley Municipal Division

December 2008

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Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

An audit was conducted by our office of the Seventh Judicial Circuit, city of Pleasant Valley Municipal Division.

Neither the Court Administrator nor the police department account for the numerical sequence of traffic tickets issued. In addition, the bond safe is not permanently affixed to the wall or floor and can be easily carried from one location to another. Some tickets were voided by the Police Chief without maintaining an affidavit documenting the reason for this action and some tickets appear to have been voided by the Police Chief after being submitted to the court. Adjustments to bond amounts by police officers are not always approved by the Municipal Judge or Police Chief.

Deposits are not made timely and receipts totaling \$747 received by the municipal division in May 2007 could not be traced to a deposit. The court does not maintain its own bank accounts, but instead transmits collections to city personnel for deposit. Receipts slips are not issued to court personnel when monies are transmitted, so it is unclear whether the missing monies were transmitted to the city for deposit. Non-monetary transactions are not adequately reviewed and there are no procedures in place to ensure all non-monetary transactions posted to the system were authorized by the Judge. Numerous concerns related to receipts of the municipal division were noted, including receipts slips not issued for some monies received, lack of a comparison of the composition of receipts to deposits, and issuing receipts slips for less than the amount actually received. Additionally, some employees that collect monies are not bonded and checks and money orders are not restrictively endorsed upon receipt. Bond open item listings are not reconciled to the bond bank account balances. The court maintains two bank accounts for bonds, which totaled \$15,605 at March 31, 2008, while the balance of the open items listing only identified \$8,843 in open bonds.

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SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
Pleasant Valley, Missouri

We have audited certain operations of the city of Pleasant Valley Municipal Division of the Seventh Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2007. 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.
3. Determine the extent to which recommendations included in our prior audit report were implemented.

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 Pleasant Valley Municipal Division of the Seventh Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA
Audit Manager: Todd M. Schuler, CPA
In-Charge Auditor: Julie Moulden

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Ticket and Bond Accountability
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The Court Administrator and police department do not account for the numerical sequence of traffic tickets issued. In addition, the bond safe is not adequately secured, procedures regarding the handling of void traffic tickets need improvement, and adjustments to bond amounts by police officers are not always approved by the Municipal Judge or Police Chief.

- A. Neither the Court Administrator or police department accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The Court Administrator maintains a log of ticket books assigned to officers and posts tickets issued to the court's computer system. However, the police department does not keep records of tickets issued and no report is generated from the court's computer system and reviewed to account for the numerical sequence and ultimate disposition for each ticket issued.

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

- B. The bond safe is not permanently affixed to the wall or floor and can be easily carried from one location to another. Further, the safe is located in an open area in the police department where it is accessible to others and could be stolen. Officers drop cash bonds received after hours into the safe where they are stored until court personnel retrieve them. This safe was formerly located in the dispatch area of the police department but was moved to an unsecured area within city hall where it was accessible to the public.

To reduce the risk of loss, theft, or misuse of funds, the Court Administrator should ensure the bond safe is adequately secured.

- C. Some tickets were voided by the Police Chief without maintaining an affidavit documenting the reason for this action and some tickets appear to have been voided by the Police Chief after being submitted to the court. Issued tickets, as well as tickets voided by an officer, are submitted by officers to the Police Chief prior to their submission to the court for processing. Numerous tickets were voided without a reason documented and several voided tickets were not signed

by the Police Chief acknowledging his approval. Additionally, instances were noted where tickets were voided by the Police Chief after their submission to the court, and in some instances, after the ticket was signed by the Prosecuting Attorney.

To ensure the proper disposition of tickets issued by the police department, supporting documentation to evidence the reason for voiding a ticket, as well as approval by the Police Chief, should be maintained. Additionally, tickets should not be voided by the Chief once they have been submitted to the court for processing.

- D. Adjustments made to bond amounts are not properly authorized or adequately documented. Bond amounts for each offense are established by the Municipal Judge in a court order. The majority of bonds are collected by the police department. The Municipal Judge has adopted a policy where he is to be contacted when an adjustment to a bond amount is made by an officer. The policy indicates the Police Chief is to be contacted for approval if the Judge is not available. We identified several instances where a cash bond was required but the defendant was released on a signature bond and there was no evidence to indicate the Judge or Chief approved such action.

Proper approval/authorization and adequate documentation which fully explains the reason for adjustments to bond amounts are necessary to ensure bond receipts are properly collected, recorded, and transmitted to the court, and to reduce the risk of misstatement or misappropriation.

WE RECOMMEND the city of Pleasant Valley Municipal Division:

- A. Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.
- B. Ensure the bond safe is adequately secured.
- C. Work with the police department to ensure all voided tickets are approved by the Police Chief and the reason for voiding the ticket is properly documented. Additionally, tickets should not be voided once submitted to the court.
- D. Work with the police department to ensure proper approval/authorization is obtained and documented for adjustments to bond amounts.

AUDITEE'S RESPONSE

The Municipal Judge responded:

Implemented.

The Police Chief responded:

- A. *I have written and implemented a Standard Operating Procedure to ensure that tickets are properly accounted for.*
- B. *The bond safe has been bolted down and secured.*
- C. *I have written and implemented a Standard Operating Procedure to ensure that voided tickets contain an affidavit with the reason for the void and that the Prosecuting Attorney is the only one who can void a ticket that has been turned over to the court.*
- D. *I have written a Standard Operating Procedure that covers the Judge's policy regarding bond adjustments.*

2. Court Controls and Procedures

Receipts totaling \$747 were received by the municipal division in May 2007, but were not deposited. In addition, deposits are not made timely and non-monetary transactions are not adequately reviewed. Numerous concerns related to receipts of the municipal division were noted, including receipt slips not being issued for some monies received and the lack of a comparison of the composition of receipts to deposits. Additionally, bond open-item listings are not reconciled to the bond bank account balance.

- A. It appears some court monies were not deposited and deposits of court monies are not made on a timely basis. Some monies received by the court during May 2007 were not deposited to a city account and apparently are missing. Monies received on May 5 and 6, 2007 (receipt numbers 19237 through 19243), totaling \$747, were posted to the accounting system and recorded on deposit slips, but could not be traced to deposits in city bank accounts. The court does not maintain its own bank accounts, but instead transmits collections to city personnel for deposit. Receipt slips are not issued to the court personnel when monies are transmitted to the city and, therefore, it is unclear whether these missing funds were actually transmitted to the city. In addition, there were several instances in which deposits were made one to two weeks after it appears the monies were transmitted.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. To ensure all court funds are properly deposited, court personnel should either consider opening their own court controlled accounts for the deposit of daily collections or obtain documentation of transmittal of funds to the city. Court and city personnel should continue to investigate these missing funds.

- B. Adequate oversight of non-monetary transactions posted to the court accounting system is not provided. The court has numerous older tickets which have not been posted to its new accounting system. A warrant has been issued for the

majority of these older tickets due to payment not being made in full or a probation violation. The court is in the process of going through these old tickets and posting them to the new accounting system. In order for the amount actually due on these tickets to be accurately reflected in the new system, the Court Administrator and/or other court personnel have to record a non-cash payment in some instances. While these transactions have apparently been verbally authorized by the Municipal Judge, there is no documentation of this approval. To ensure all non-monetary transactions posted to the system have been authorized, each transaction posted should be reviewed and approved by the Judge or an independent person.

Internal controls should provide a reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of posting non-monetary transactions from receipting and recording monetary transactions. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of non-monetary transactions.

C. Numerous concerns were noted related to the handling of receipts:

1. Receipt slips are not issued for some monies received. Payments received by the court for amended tickets that have yet to be approved and signed by the Prosecuting Attorney are not receipted or posted to the computer system when received. The Court Administrator indicated these payments are held by court staff until the Prosecuting Attorney approves the amendment. If not approved, the money is returned to the defendant. During a cash count on April 1, 2008, three checks totaling \$600 and dated March 25, March 28, and April 1, were on hand for violation amendments that were not receipted or posted to the system.

To ensure all monies collected are ultimately recorded and deposited, the city should issue prenumbered receipt slips for all monies received.

2. The composition of receipt slips issued is not reconciled to deposits by court personnel or the city, and some receipt slips are issued for less than the amount actually received. Differences were noted in the composition on 5 of 10 deposits tested, and on one of these 5 the total deposited exceeded the amount receipted by \$25. Court monies are deposited by city personnel into several city bank accounts. For some deposits tested, the city obtained cash back from deposits to certain accounts in order to deposit the appropriate amount of money into other accounts. In addition, the court's computer system requires staff to enter the amount due, rather than the amount actually received. As a result, a check received for \$150 was receipted for only \$125 (the amount due) and the deposit amount exceeded the receipted amount by \$25.

To adequately account for collections and reduce the risk of loss or misuse of funds, the composition of receipt slips issued should be reconciled to bank deposits by an independent person. Depositing court monies into an account controlled by the court and then making monthly distributions to the various entities, including the city, would help to alleviate some of these deposit concerns.

3. The police department employees collect bond monies; however, these employees are not bonded. Bond monies received during fiscal years 2007 and 2006 were \$31,228 and \$39,975, respectively. Failure to properly bond all persons with access to assets exposes the city to the risk of loss.
4. Checks and money orders received by the court are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. While bank reconciliations for the two court bond accounts are prepared, they are not reconciled to the listing of open items (liabilities). At March 31, 2008, the total balance of the old and new bond accounts was \$15,605. Open cash bonds per the listing at March 31, 2008, were \$8,843, leaving an unidentified cash balance of \$6,762. In addition, copies of the reconciliations prepared by the city for the bond, fine, Peace Officers Standards and Training (POST), and Judicial Education Fund (JEF) accounts are not always provided to the court.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors to be corrected on a timely basis. An attempt should be made to determine the proper disposition of these monies. 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. For any bonds which remain unclaimed, Section 447.595, RSMo, requires bonds unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

To ensure the court's records agree to the monies in the bank, the court should require a copy of all bank reconciliations involving court accounts be provided to the Court Administrator or should consider opening its own accounts.

Conditions similar to A and D were noted in our prior audit of the city.

WE RECOMMEND the city of Pleasant Valley Municipal Division:

- A. Ensure receipts are deposited intact daily and investigate the missing \$747. In addition, the Court Administrator should ensure documentation is received from the City Clerk upon transmittal of monies.
- B. Ensure a documented review and approval is performed of non-monetary transactions by the Judge or an independent person.
- C.1. Ensure receipt slips are issued for all monies received for the actual amount received.
 - 2. Ensure the method of payment recorded on all receipt slips is reconciled to deposits. Any differences noted should be investigated.
 - 3. Ensure police department employees handling court funds are adequately bonded.
 - 4. Restrictively endorse checks immediately upon receipt.
- D. Prepare and reconcile a monthly listing of open items to the balance in the bond accounts. The Court Administrator should work with the City Clerk to investigate and resolve the outstanding balance in the bond accounts. For those bonds for which the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law. In addition, the court should obtain a copy of the bank reconciliation for each court account monthly from the city.

AUDITEE'S RESPONSE

The Municipal Judge responded:

A. *Effective January 1, 2009, receipts will be deposited intact daily. We are unable to do anything further to locate the missing \$747. We have implemented obtaining documentation from the City Clerk upon the court transmitting monies to the City Clerk for deposit.*

*B, C.1,
&C.4. Implemented.*

*C.2
&D. Partially implemented. We will completely implement by January 1, 2009.*

C.3. We have made a request to the Board of Aldermen for the city to have this implemented.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Pleasant Valley Municipal Division of the Seventh Judicial Circuit on findings in the Management Advisory Report (MAR) of our prior audit report of the city of Pleasant Valley issued for the year ended June 30, 2005.

The prior recommendations which have not been implemented are repeated in the current MAR.

8. City of Pleasant Valley Municipal Division

- A. The duties of receiving, recording, depositing, and reconciling court receipts were not adequately segregated.
- B. Monies collected by the municipal division were not deposited on a timely basis.
- C. The monthly listing of open items (liabilities) prepared by the court clerk was not reconciled to the bond bank account balance maintained by the city clerk's office. As of June 30, 2005, the open items listing, totaling \$21,539, was approximately \$2,200 less than the bond bank account balance. It appears that some of the excess funds in the bank account were interest earned.
- D. Although bond forms are prenumbered, neither the police department nor the municipal division accounted for the numerical sequence of bonds forms issued. Also, the police department did not maintain a log of the bonds collected.

Recommendations:

The City of Pleasant Valley Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court monies, to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, procedures for an adequate independent review of the recordkeeping functions should be established.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Reconcile the monthly open items listing to the bond account bank balance. In addition, the court clerk should attempt to identify to whom the \$2,200 belongs and disburse the funds appropriately. If this cannot be determined, the excess monies should be turned over to the state's Unclaimed Property Section in accordance with state law.

- D. Work with the police department to ensure a bond log is maintained and the numerical sequence of all bond forms issued is accounted for properly.

Status:

- A. Implemented.
- B. Partially implemented. While the court administrator transmits receipts daily to the city clerk, the city clerk does not deposit these monies daily. See MAR finding number 2.
- C. Not implemented. See MAR finding number 2.
- D. Partially implemented. While a bond log is maintained in numerical sequence for Pleasant Valley bonds; bonds collected on behalf of other political subdivisions are not recorded on a log. Although not repeated in the current MAR, this recommendation remains as stated above.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SEVENTH JUDICIAL CIRCUIT
CITY OF PLEASANT VALLEY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Pleasant Valley Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable 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.

Operating Costs

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

Personnel

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

Municipal Judge	Edward Coulson *
Court Administrator	Vacant **

* Resigned in July 2007 and was replaced by Michael Svetlic.

** Rebecca Bounds was hired in July 2007 to replace Carol Thompson, who had served as court clerk from July 2005 to May 2007.

Financial and Caseload Information

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$280,760	\$243,360
Number of cases filed	2,415	2,469