



Thomas A. Schweich
Missouri State Auditor

Thirtieth Judicial Circuit

City of Marshfield Municipal Division

January 2013
Report No. 2013-10



<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Thirtieth Judicial Circuit, City of Marshfield Municipal Division

Accounting Controls and Procedures	Accounting duties are not adequately segregated, and neither the Municipal Judge nor other personnel independent of the cash custody and recordkeeping functions adequately supervise or review the work performed. The former Court Clerk stopped issuing manual receipt slips for several months, and monies received were not always recorded and deposited timely or intact. The date and payee were not always documented on manual receipt slips, and manual receipt slips were not always issued in numerical sequence. Monthly lists of liabilities are prepared, but not compared to the reconciled bank account balance, and the bond liability listing is not adequately reviewed to ensure bonds are disbursed in a timely manner.
Records and Reporting	The Court Clerk has not established procedures to ensure all case activity is recorded in the Justice Information System timely and accurately. Some receipt and case records could not be located, and a monthly list of all cases heard is not prepared and filed with the city, as required by state law.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The Thirtieth Judicial Circuit, City of Marshfield Municipal Division did not receive any federal stimulus monies during the audited time period.
---	---

*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.

All reports are available on our website: <http://auditor.mo.gov>

Thirtieth Judicial Circuit

City of Marshfield Municipal Division

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory	
Report - State Auditor's	1. Accounting Controls and Procedures4
Findings	2. Records and Reporting6

Organization and Statistical	9
Information	



THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Thirtieth Judicial Circuit
and
Municipal Judge
Marshfield, Missouri

We have audited certain operations of the City of Marshfield Municipal Division of the Thirtieth 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 December 31, 2011. 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 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. 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 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, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Marshfield Municipal Division of the Thirtieth Judicial Circuit.

A petition audit of the City of Marshfield, 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.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Natalie B. McNish, CGAP
Audit Staff:	Joshua Allen, CPA, CFE

Thirtieth Judicial Circuit

City of Marshfield Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting duties are not adequately segregated; procedures to receipt, record, and deposit monies received by the municipal division need improvement; and liabilities listings are not compared to the reconciled bank account balance or adequately reviewed.

1.1 Segregation of duties

Accounting duties are not adequately segregated. The Court Clerk issues manual receipt slips, records receipts in the Justice Information System (JIS), the Missouri courts automated case management system, and deposits monies received. A part-time court clerk issues manual receipt slips when necessary and completes the bank reconciliations. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the court clerks.

To reduce the risk of possible loss or misuse of funds, internal controls should provide reasonable assurance 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, the Municipal Judge should establish procedures to ensure a documented independent review of accounting records is performed.

1.2 Receipting, recording, and depositing procedures

Receipting, recording, and depositing procedures need improvement.

- Manual receipt slips were not issued as required by the city between December 13, 2010, and July 5, 2011. The Court Clerk is unsure why the former Court Clerk stopped using manual receipt slips in December 2010.
- Monies receipted using manual receipt slips were not always recorded in the JIS timely and subsequently were not deposited timely or intact. For example, three of the ten manual receipt slips issued on October 4, 2011, were recorded in the JIS more than 2 days after the manual receipts slips were issued. In addition, eight of the ten receipts totaling \$594 were not deposited until October 10, 2011, and the other two receipts totaling \$64 were not deposited until October 13, 2011.
- The date and payee were not always documented on manual receipt slips and manual receipt slips were not always issued in numerical sequence. In addition, we noted instances where changes were made to the duplicate copy of manual receipt slips or information was written directly on the duplicate copy.



Thirtieth Judicial Circuit
City of Marshfield Municipal Division
Management Advisory Report - State Auditor's Findings

To reduce the possibility of loss, theft, or misuse of funds, monies received should be promptly received and properly recorded into the JIS and deposited intact and in a timely manner.

1.3 Liabilities

Monthly lists of liabilities are not compared to the reconciled bank account balance and the bond liability listing is not adequately reviewed to ensure bonds are disbursed in a timely manner. Lists of liabilities, including the bond liability listing, are generated and printed monthly from the JIS; however, they are not reviewed and reconciled to other records. For example, on March 1, 2011, the Municipal Judge ordered a \$435 bond to be applied to fines and court costs due; however, the bond was not applied until December 27, 2011. The Municipal Judge ordered another \$132 bond to be forfeited to the city on August 17, 2010. The Court Clerk, instead, held the bond until a guilty plea was entered in September 2011, and the bond was refunded to the defendant on December 27, 2011. As of August 2012, the reconciled bank account balance agreed with the total liabilities included on the monthly listings.

The lists of liabilities should be reconciled to cash balances to ensure accounting records are in balance and sufficient cash is available for payment of all amounts due. To properly monitor bond liabilities and ensure monies are appropriately disbursed, procedures should be established to routinely investigate bonds remaining on the bond liabilities list over a specified period of time.

Recommendations

The City of Marshfield Municipal Division:

- 1.1 Segregate accounting duties to the extent possible. If it is not possible to segregate duties, documented periodic reviews of municipal division records should be performed by a person independent of the accounting functions.
- 1.2 Issue manual receipt slips for all monies received and ensure manual receipt slips are complete, accurate, and legible. In addition, the municipal division should ensure all monies received are recorded in the JIS immediately and deposited timely and intact.
- 1.3 Reconcile monthly lists of liabilities to the available cash balance and develop procedures to monitor liabilities and ensure bond monies are appropriately disbursed in a timely manner.

Auditee's Response

The Municipal Judge provided the following written response:

- 1.1 *I have required, by Municipal Court Operating Order dated 12/17/2010, the court administrator to reconcile all financial records and to have those records reviewed by a person*



Thirtieth Judicial Circuit
City of Marshfield Municipal Division
Management Advisory Report - State Auditor's Findings

"independent of the Court". (see section VIII.G. of said order) It was my understanding that these records were being reviewed by an accountant at City Hall. Further the use of the state JIS system provides internal accounting and "error" reports. Segregating duties between one and one-third court administrators is exceedingly difficult. Upon your recommendation, we will ask the city to provide the personnel necessary for these independent and segregated reviews of all financial records.

1.2 *Again, by my Municipal Court Operating Order, I have required that all manual receipts as well as all other documents be completed fully and promptly entered into the JIS system. All accounting is ordered to be consistent with Court Operating Rule 4.51 as set forth in the Clerk's Manual in the recommended accounting principle section. After receiving your audit report, I have stressed to the court administrator the priority of this duty.*

1.3 *The recommendations which you make are ordered to be done by my Municipal Court Operating Order. I have directed the court administrators to follow your recommendations.*

2. Records and Reporting

2.1 Case activity

Case activity is not always recorded in the JIS timely or accurately, some records are missing, and a report of cases heard is not filed with the city as required by state law.

The Court Clerk has not established procedures to ensure all case activity is recorded in the JIS timely and accurately. For example, on December 21, 2010, the Municipal Judge heard a case, issued a judgment, and ordered fines and court costs totaling \$182 be paid; however, this activity was not recorded in the JIS until January 19, 2011.

In addition, the Municipal Judge often hears multiple cases for a single defendant simultaneously; however, the case activity is not always properly recorded for all cases heard. The JIS case activity differed on each of one defendant's three cases although the cases were heard simultaneously on September 4, 2012. One case shows no activity since July 20, 2011, another shows no activity since November 16, 2011, and the third shows a hearing scheduled for November 6, 2012. Failure to properly record case activity resulted in two of the three cases becoming suspended in the JIS. When case activity is suspended, the case no longer appears on the docket and any activity, including payment, could go unrecorded without detection by the court.

To reduce the possibility of loss, theft, or misuse of funds, and to ensure cases are processed properly, case activity should be properly recorded in the JIS in a timely manner.



Thirtieth Judicial Circuit
City of Marshfield Municipal Division
Management Advisory Report - State Auditor's Findings

2.2 Missing records

Some receipt and case records could not be located. One booklet of 25 manual receipt slips issued by the city to the former Court Clerk in June 2010, could not be located. Based upon records of receipts issued before and after this booklet, it appears these manual receipt slips would have been used to record monies received in 2011. In addition, two case files requested by auditors could not be located.

Supreme Court Operating Rule No. 8 requires all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for the municipal division's financial activity.

2.3 Report of cases heard

A monthly list of all cases heard is not prepared and filed with the city. Without such a report, the city cannot effectively monitor municipal division 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 court, 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.

Recommendations

The City of Marshfield Municipal Division:

- 2.1 Require case activity be recorded timely and accurately for all cases.
- 2.2 Ensure records are retained.
- 2.3 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 *During each court session, I handwrite a description of all activity for each case and for each defendant on a case-file docket and on the day's court docket so that the activity can be cross-checked. According to the Municipal Court Operating Order, all cases must be entered into the JIS system as soon as possible. After receiving your recommendation, I have asked the court administrator to make these entries as quickly as she can given the resource limitations she has.*
- 2.2 *The Municipal Court Operating Order dated 12/17/2010 requires all records, financial documents, and other file matters to be safely stored and organized. I will work with the court administrator to see that your recommendations are followed.*



Thirtieth Judicial Circuit
City of Marshfield Municipal Division
Management Advisory Report - State Auditor's Findings

2.3 *Section III.A. of the Municipal Court Operating Order entered 12/17/2010 requires that within the first 10 days of each month, the court administrator is to submit to the City Clerk a docket of all cases heard during the month after appropriate redacting. At each court session I write out by hand all activity which takes place in each case on a paper docket which I sign and date at the end of each court session. After redaction, this docket is to be delivered to the City Clerk. After reviewing your findings, I have discussed this matter with the court administrator and directed her attention to this requirement in the court operating order.*

Thirtieth Judicial Circuit

City of Marshfield Municipal Division

Organization and Statistical Information

The City of Marshfield Municipal Division is in the Thirtieth Judicial Circuit, which consists of Benton, Dallas, Hickory, Polk and Webster Counties. The Honorable John W. Sims 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, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Kenneth Thompson
Court Clerk	Stephanie Hughes
Deputy Court Clerk	Wanda Lowe

Financial and Caseload Information

	Year Ended December 31, 2011
Receipts	\$42,831
Number of cases filed	547

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Marshfield Municipal Division did not receive any federal stimulus monies during the year ended December 31, 2011.