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Missouri State Auditor

Twenty-Ninth Judicial Circuit

Jasper County



January 2014

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CITIZENS SUMMARY

Findings in the audit of the Twenty-Ninth Judicial Circuit, Jasper County

Accounting Controls and Procedures

The Circuit Clerk has not adequately segregated accounting duties or limited user access rights in the Justice Information System (JIS). Six employees assigned primary cash receipting and disbursement responsibilities also have the ability to assess fees, receipt monies, void transactions, adjust costs, and approve cashier sessions in the JIS, and can print and sign checks, which require only 1 signature. The Circuit Clerk does not review daily cashier sessions or document her review of monthly bank reconciliations. The Circuit Clerk does not have adequate receipting and depositing procedures in place. Manual receipt slips do not provide all details and are not timely recorded in the JIS, and the court does not timely deposit some monies. The Circuit Clerk does not account for the numerical sequence of receipt numbers and cashier sessions, adequately secure monies until deposited, record monies received in the mail on a mail log, restrictively endorse checks immediately upon receipt, or reference a JIS receipt number on manual receipt slips issued for copy monies. Neither the Circuit Clerk nor a supervisor reviews non-monetary, voided, and adjusting transactions in the JIS, and supporting documentation is not always adequate. The court does not adequately review cases with liabilities and timely disburse monies as appropriate. As of December 31, 2012, the court held approximately \$183,000 related to 257 disposed cases. The Circuit Clerk does not periodically review accrued case costs owed to the court, and audit staff noted several errors on the JIS list of accrued case costs. The court did not timely resolve reconciling items identified on bank reconciliations, and the Circuit Clerk lacks adequate procedures to follow up on outstanding checks.

Circuit Court Procedures

The Circuit Clerk's office prepares and submits billings for certain incarceration costs to the state, but it lacks procedures to ensure billings are correct. Overbillings totaling \$4,060 were identified. The court does not prepare budgets for the Circuit Clerk's Interest Fund, the Law Library Fund, and the Time Payment Fee Fund.

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

*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.

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THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge and Court en Banc
and
Circuit Clerk of the
Twenty-Ninth Judicial Circuit
Jasper County, Missouri

We have audited certain operations of the Twenty-Ninth Judicial Circuit, Jasper County 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, 2012. The objectives of our audit were to:

1. Evaluate the court's internal controls over significant financial functions.
2. Evaluate the court'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 court, 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 court's management, the Office of State Courts Administrator, and Jasper County and was not subjected to the procedures applied in our audit of the court.

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 Twenty-Ninth Judicial Circuit, Jasper County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Significant weaknesses were identified with accounting controls and procedures.

The Jasper County Circuit has court buildings located in Joplin and Carthage. Cases can be filed and fines and court costs can be paid at either location. Court cases are assigned to a specific location.

The Circuit Clerk, Linda Williams, resigned effective July 24, 2013. Successor, Melissa Holcomb was appointed as interim Circuit Clerk on July 30, 2013, and later sworn into office effective October 10, 2013.

According to court records, receipts collected during the year ended December 31, 2012, totaled approximately \$3.1 million at the Joplin location and approximately \$1.3 million at the Carthage location. Fines, court costs, and bonds are collected; recorded in the Justice Information System (JIS), the Missouri Courts automated case management system; and deposited into one main consolidated bank account by personnel of the Circuit Clerk's office.

1.1 Segregation of duties and supervisory review

The Circuit Clerk has not adequately segregated accounting duties or limited user access rights in the JIS, and supervision is not adequate to identify errors.

Receipts are collected at the Circuit Court in Joplin by an accounting supervisor and 3 clerks and receipts are collected at the Circuit Court in Carthage by 2 clerks. These 6 employees can also print and sign checks, which require only 1 signature. While these 6 employees are assigned primary cash receipting and disbursement responsibilities, they and all other clerks have been given access in the JIS to assess fees, receipt monies, void transactions, adjust costs, and approve cashier sessions. Further, monthly reconciliations of court records are completed by the accounting supervisor. As a result, there are instances where some clerks are responsible for monetary transactions from initial receipt to disbursement without involvement from other clerks. The Circuit Clerk does not review daily cashier sessions to ensure all monies are properly recorded and deposited, and her review of the monthly bank reconciliations is not documented.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible, limiting user access rights within the JIS. If proper segregation of duties is not possible, a documented independent review of work performed by the clerks is necessary.



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1.2 Receipting and depositing

The Circuit Clerk does not have adequate receipting and depositing procedures in place.

- Manual receipt slips issued are not recorded in the JIS in a timely manner and these monies are not deposited timely. Additionally, the method of payment (cash, check, or money order) or initials of the clerk who issued the receipt is not denoted on some manual receipt slips. Receipts are only included in daily deposits if they are recorded in the JIS as monetary transactions. Of the 42 total manual receipt slips issued by the Joplin and Carthage locations during March 2012, 27 (64 percent) were not recorded in the JIS for 2 or more days. One manual receipt slip issued on March 20, 2012, was not recorded in the JIS and deposited until April 5, 2012.
- Monies received for small claim judgments are not recorded in the JIS or deposited. Small claim judgments, some of which are received in cash, are held until disbursed to the payee at a later date. According to manual receipt slip records, the court collected and disbursed \$1,692 in small claim judgments during 2012.
- The Circuit Clerk does not account for the numerical sequence of receipt numbers and cashier sessions assigned by the JIS, and some cashier sessions are not closed in a timely manner. JIS receipt and cashier session numbers are assigned sequentially as accessed by each clerk, with the Joplin and Carthage locations having separate numbering sequences. Court personnel indicated cashier sessions were accounted for until September 2012, when the procedure was discontinued. Since that date, we noted instances where cashier sessions remained open for several days. For example, Carthage cashier session number 20336 was opened on June 10, 2013, and not closed until June 17, 2013, with cash totaling \$1,320 not being deposited for 6 days. In another example, Joplin cashier session number 20346 was opened on January 8, 2013, to issue a check and was not closed until June 19, 2013. Closing cashier sessions untimely can result in delays in depositing and completing reconciliations, hinders the ability to account for numerical sequence of cashier sessions, and increases the possibility that errors will go undetected.
- Monies received are not always adequately secured until deposited. The accounting supervisor, who is responsible for making daily deposits for the Joplin location, will occasionally take a deposit home at night and make the deposit the following morning. We calculated the average daily deposit to be approximately \$12,000.
- Monies received in the mail are not recorded on a mail log and checks are not restrictively endorsed immediately upon receipt. A clerk initially opens and delivers the mail to various clerks; however, that individual



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does not record the payments or restrictively endorse the checks. Instead, various clerks record and process the monies received. Additionally, monies received at one court location are sometimes transmitted to the other location by court employees and procedures have not been established to document the transmittals of monies from one court location to the other court location.

- Manual receipt slips issued for copy monies do not always reference a related JIS receipt number when recorded in the JIS and deposited and are not reconciled to the JIS. Approximately \$7,000 in copy monies were recorded for the year ended December 31, 2012.

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

1.3 Non-monetary, voided, and adjusting transactions

The Circuit Clerk or a supervisor does not review non-monetary, voided, and adjusting transactions in the JIS, and supporting documentation is not always adequate. Non-monetary transactions recorded during the year ended December 31, 2012, at the Joplin and Carthage locations were approximately \$2.2 million and \$780,000, respectively, and included case fee adjustments of \$51,427 and \$163,141 at each respective location.

Adjusting and non-monetary transactions, including judicial orders, garnishment payouts, and application of bonds, are transactions where no monies are received; however, a credit is applied or the amount due is changed. All clerks are 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 are not generated and reviewed. We identified one case where an adjustment was posted to amend the defendant's charges; however, the wrong charge code was entered when the adjustment was posted resulting in \$300 in fines not being properly assessed. The accounting supervisor corrected the case fees after we discussed the issue with her.

To ensure all non-monetary, voided and adjusting transactions are valid and reduce the risk of loss, theft, or misuse of funds, proper documentation should be maintained and someone independent of receipting and recording functions should review and approve these transactions. In addition, a report of these transactions should be periodically generated and reviewed to ensure posted transactions match the supporting documentation.

1.4 Liabilities

Cases with liabilities are not adequately reviewed to ensure monies are disbursed in a timely manner. As of December 31, 2012, the court held approximately \$5.5 million of which approximately \$183,000 related to 257 cases that had been disposed.



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Court personnel indicated the liabilities list is reviewed at month end; however, of the 28 cases we reviewed (14 from each court location), 14 cases had monies that should have been disbursed and another 5 cases were disbursed untimely. For example, 12 cases had bonds totaling \$17,027 that should be disbursed. For one of these cases, the court received in 1994 a \$1,500 bond from the county on a condemnation action. Following a 1997 entered judgment no further activity has occurred on the case. The bond should be returned to the county. In two other cases, with bonds totaling \$4,250, the defendants have active warrants for failure to appear, but the bonds have not been forfeited by the court. One of these bonds has been held since 2008.

The court is also holding monies in over 100 juvenile adoption cases, some with no case activity since 2005. In addition, the court is holding \$11,193 from two bank accounts opened for court activities that were closed in 2005, and there has been no attempt to identify or properly dispose of these monies.

Procedures to routinely investigate monies remaining on the liabilities list over a specific period of time are necessary to properly monitor and ensure monies are appropriately disbursed as provided by state law. In addition, the Circuit Clerk should attempt to identify and distribute the funds held and dispose of any unclaimed or unidentified funds.

1.5 Accrued case costs

The Circuit Clerk does not periodically review accrued case costs owed to the court (court costs, incarceration costs, court-ordered restitution, fines, and other), which totaled approximately \$10.8 million at the Joplin location and \$1.6 million at the Carthage location as of December 31, 2012.

We noted several cases in which costs were not accurately reflected on the JIS list of accrued case costs. For example, the JIS list included one case with an outstanding board bill fee of \$8,052 listed as due the state; however, the defendant was only committed to the county jail. In another case, a defendant was overcharged \$960 for costs related to board bills due to a calculation error.

To ensure the accuracy of the accrued case costs, and to provide the Circuit Clerk with the necessary information to ensure amounts owed are collected and make a determination about collectability, accrued case costs should be reviewed at least monthly.

1.6 Bank reconciliations

Reconciling items identified on bank reconciliations are not resolved timely and there are no procedures to follow up on outstanding checks.

- Reconciling items totaling approximately \$2,000 identified on the December 31, 2012, bank reconciliation were not resolved in a timely manner. For example, the largest reconciling item was \$990 transferred



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from an old court account, but not posted in the JIS until 9 months after the transfer. The oldest reconciling item dates back to November 2011. Additionally, interest earned on investments and directly deposited into the Circuit Clerk's main bank account is not recorded in the JIS in a timely manner, and is listed as a reconciling item on the bank reconciliations for several months. For example, interest earned monthly from April through December 2012 totaling \$5,481, was not posted to the accounting records until March 2013.

- The Circuit Clerk has not developed adequate procedures to follow up on outstanding checks. As of December 31, 2012, JIS records indicate 71 checks totaling \$11,062 had been outstanding for over a year. Some checks have remained outstanding since 2003.

Routine investigation and follow up procedures for reconciling items are necessary to decrease the risk that errors or misstatements will not be detected on a timely basis. Additionally, to properly monitor disbursements and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law, procedures should be established to routinely investigate outstanding checks.

Recommendations

The Circuit Clerk:

- 1.1 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.
- 1.2 Record all receipts in the JIS timely; ensure manual receipt slips include method of payment, clerk's initials and a related JIS receipt number; account for the numerical sequence of JIS receipt numbers and cashier sessions; secure court monies until deposited; improve controls over mail receipts; restrictively endorse all checks immediately upon receipt; and reconcile manual receipt slips issued for copy monies to amounts posted in the JIS.
- 1.3 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.
- 1.4 Establish procedures to review the status of liabilities monthly to determine the appropriate disposition of funds held on closed and inactive cases.



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- 1.5 Maintain and review a complete and accurate list of accrued costs at least monthly.
- 1.6 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.

Auditee's Response

The Circuit Clerk provided the following written responses:

- 1.1 *After my appointment as Interim Circuit Clerk on July 30, 2013, I implemented the appropriate supervisory review and segregation of duties consistent with the recommendations made. JIS user access rights have been changed or limited for clerks, with the exception of the Circuit Clerk, accounting supervisor and accounting clerks. Any authorized clerk who now makes a fee adjustment must document the reason within the JIS system. I am now reviewing monthly reports related to the receipt and disbursement of money that comes through the office. My accounting supervisor and I are reviewing cashier sessions and monitoring deposits to ensure timely and accurate transactions. Up-to-date written cash handling and accounting procedures have been put in place and are specific to each accounting clerk and their duties.*
- 1.2 *After my recent appointment to the office, the implementation of electronic filing and new Missouri Supreme Court Operating Rule 4 effective January 1, 2014, this court will no longer issue manual receipts unless the JIS system is unavailable. My office is in the process of obtaining the recommended format of manual receipts in the event they must be used. New cash handling procedures have been created to comply with the recommendations.*
- 1.3 *After my appointment to the office, appropriate changes were implemented as non-monetary, voided and adjusting transactions are currently being documented, reviewed and approved by me and the accounting supervisor. Changes in the user access rights limit access to a selected number of clerks, which will ensure good checks and balances that can be monitored by me and the accounting supervisor.*
- 1.4 *After my recent appointment to the office, I made the appropriate changes for liabilities. I have developed a plan that assigns specific duties to the accounting supervisor, which includes generating current liabilities reports to be reviewed on a weekly and monthly basis to ensure prompt disbursement of funds on disposed cases in accordance with proper procedure of the Court.*



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1.5 *After my recent appointment to the office, I made appropriate changes to the office, to ensure the accuracy of case costs are reviewed on a monthly basis. This Court currently participates in debt collection and Missouri State Tax offset for all accrued cases costs due. An accrued case cost report will be generated on a monthly basis and reviewed for any amounts deemed non-collectable. Those cases will be presented to the Presiding Judge or Division Judge to determine the proper course of action.*

1.6 *After my appointment to the office, additional staff was hired and new procedures were implemented to routinely follow up on reconciling items and outstanding checks. Outstanding checks are now reviewed periodically and are reissued or forwarded to unclaimed property as required by law.*

2. Circuit Court Procedures

Circuit court procedures related to criminal cost reimbursements, budgeting, and written agreements need improvement.

2.1 Reimbursed criminal costs

The Circuit Clerk's office does not have adequate procedures to ensure criminal costs are accurately assessed and billed. The Circuit Clerk's office prepares and submits billings for incarceration costs to the state. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable.

Some costs billed were incorrect, and errors were not identified and corrected until we discussed the issues with court personnel. We noted two instances where incarceration costs, totaling approximately \$4,060, were billed twice. For example, one overbilling resulted when incarceration time was billed twice for the same defendant on two different cases. The overpayments were received by the court and submitted to the county. As a result, the court should work with the county to reimburse the state for the overpayment.

To ensure billings are correct, procedures should be established to review amounts billed.

2.2 Budgets

Budgets are not prepared for the Circuit Clerk's Interest Fund, the Law Library Fund, and the Time Payment Fee Fund. The Circuit Clerk maintains separate bank accounts for the Law Library Fund and Time Payment Fee Fund, and maintains the interest monies in the court's main bank account along with other court monies. At December 31, 2012, these accounts maintained an aggregate balance of approximately \$300,000, and approximately \$25,000 was disbursed through these funds in 2012.

Preparing a budget for public funds aids in the fiscal management of the monies, provides a means to effectively monitor actual costs and revenues,



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and helps inform both the county and the public of the court's financial picture.

Recommendations

The Circuit Clerk:

- 2.1 Work with the county to repay the state for reimbursed costs overbilled and develop procedures to ensure all criminal costs are accurately billed to the state.
- 2.2 And the Circuit Judge prepare annual budgets for the Circuit Clerk's Interest Fund, the Law Library Fund, and the Time Payment Fee Fund.

Auditee's Response

The Circuit Clerk provided the following written responses:

- 2.1 *After my appointment to the office, I have endeavored to identify overbilled costs to reimburse the state. I am now fully staffed and have appropriately delegated duties to accomplish this task. This Court has implemented a new method of tracking each criminal reimbursement billing. This includes additional oversight by another department, before the billings are sent to the state, to ensure accuracy and avoid any over or under billing. All instances known to this Court of overbilling have now been resolved and documented.*
- 2.2 *The Court en Banc will establish appropriate budgets as recommended.*

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Organization and Statistical Information

The Twenty-Ninth Judicial Circuit consists only of Jasper County. The Twenty-Ninth Judicial Circuit has a court building located in Carthage and a court building located in Joplin. There are no jurisdictional lines and cases can be filed at either location.

The Twenty-Ninth Judicial Circuit consists of three circuit judges, three associate circuit judges and a Family Court Commissioner.

Personnel

At December 31, 2012, the judges, Circuit Clerk, Family Court Commissioner, and Juvenile Officer of the Twenty-Ninth Judicial Circuit, Jasper County, were as follows:

Title	Name
Circuit Judge, Division 1	Gayle Crane
Circuit Judge, Division 2	David C Dally
Circuit Judge, Division 3, Probate	David B. Mouton
Associate Circuit Judge, Division 4	Joseph Schoeberl
Associate Circuit Judge, Division 5	Richard D. Copeland
Associate Circuit Judge, Division 6	Stephen P. Carlton
Family Court Commissioner	Jerry Holcomb
Circuit Clerk	Linda Williams
Juvenile Officer	Dana Sanders

Financial Information

Receipts of the Twenty-Ninth Judicial Circuit, Jasper County, were as follows:

	Year Ended December 31, 2012
Court deposits, fee, bonds, and other	\$4,357,906
Family Court	38,538
Interest Income	8,315
Total	\$4,404,759

Caseload Information

From the Office of State Courts Administrator Missouri Judicial Reports, case filings of the Twenty-Ninth Judicial Circuit, Jasper County, were as follows:

	Year Ended June 30, 2012
Civil	7,366
Criminal	7,901
Juvenile	986
Probate	998
Total	17,251