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Missouri State Auditor

Forty-Second Judicial Circuit

Village of Leasburg Municipal Division



August 2014

Report No. 2014-053

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Forty-Second Judicial Circuit, Village of Leasburg Municipal Division

Accounting Controls and Procedures	The Court Clerk's accounting duties are not adequately segregated, and there was not adequate supervision or review of her work. The Court Clerk does not compare open bonds reported by the municipal division to bond liabilities reported by the village to ensure they agree. Village officials did not always submit the state's portion of certain fees monthly in accordance with Supreme Court Operating Rules, and the Court Clerk does not always submit accurate monthly reports to the state.
Municipal Division Procedures	The Court Clerk does not consistently document the final dispositions of cases on the court dockets for each case brought before the court, and case information was missing on 17 of the 18 docket sheets we reviewed. Rather than reviewing the docket sheets and documenting his approval, the Municipal Judge lets the Court Clerk use his signature stamp on court dockets and other documents. Similarly, the Court Clerk has the authority to amend tickets and uses the Prosecuting Attorney's signature stamp to sign all tickets, making it impossible to determine whether the Prosecuting Attorney approved tickets and any related amendments. The Municipal Judge does not sign warrants issued and has not given written authorization for the Court Clerk to sign on his behalf, so there is no documentation the warrants were authorized. The municipal division and the police department do not work together to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly, and, until we brought it to her attention, the Court Clerk did not file a monthly list of all cases heard with the village.

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.

Forty-Second Judicial Circuit

Village of Leasburg Municipal Division

Table of Contents

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

Management Advisory	
Report - State Auditor's	1. Accounting Controls and Procedures4
Findings	2. Municipal Division Procedures6

Organization and Statistical	10
Information	



THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Forty-Second Judicial Circuit
and
Municipal Judge
and
Members of the Board of Trustees
Leasburg, Missouri

We have audited certain operations of the Village of Leasburg Municipal Division of the Forty-Second 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, 2013. 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 and court rules.

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 and court rules. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Leasburg Municipal Division of the Forty-Second Judicial Circuit.

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

A handwritten signature in black ink, 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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Forty-Second Judicial Circuit

Village of Leasburg Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. During the year ended December 31, 2013, the municipal division collected approximately \$15,000 in fines and court costs.

Monies collected by the Court Clerk are deposited into a municipal division bank account maintained by the Village of Leasburg. Village personnel are responsible for performing bank reconciliations, issuing checks and preparing financial statements for the municipal division. Village officials transferred control of the municipal division bank account to the Court Clerk in January 2014.

1.1 Oversight procedures

The Court Clerk's accounting duties are not adequately segregated and neither the Municipal Judge nor other village personnel independent of the cash custody and record-keeping functions provide adequate supervision or review the work performed by the Court Clerk. The Court Clerk collects and deposits all bonds and fines and court costs and prepares a cash control log recording receipt activity between monthly court dates. The former Village Clerk did not reconcile the composition (cash, checks, and money orders) of receipts to the composition of monies deposited. The former Village Clerk also did not investigate discrepancies identified on some 2012 cash control logs. The Court Clerk subsequently resolved all of these discrepancies through a comparison of manually issued court receipt slips to the cash control log.

To reduce the risk of loss, theft, 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 Bond liabilities

The Court Clerk does not compare open bonds reported by the municipal division to bond liabilities reported by the village to confirm village records are in agreement with court records and bond monies are properly held.

Monthly reconciliations between the open bonds reported by the municipal division and the monies held in the municipal division's bank account by village officials are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

1.3 Disbursements

Village officials do not always submit amounts paid for the state's portion of Crime Victim's Compensation and Peace Officer Standards and Training fees monthly. Additionally, municipal court proceedings are not held in May or December; however, fines and court costs collected through the violations bureau (VB) during these months were not remitted until July and February, respectively.



Forty-Second Judicial Circuit
Village of Leasburg Municipal Division
Management Advisory Report - State Auditor's Findings

Supreme Court Operating Rule 21 indicates that state court costs collected by the municipal division should be disbursed within 30 days of receipt.

1.4 Monthly reports

The Court Clerk does not always submit accurate monthly reports to the state. For example, the Court Clerk recorded on the cash control log the amount collected for one case was payment of restitution instead of court costs. As a result, court costs assessed on this case were not accurately reported or remitted to the state.

Supreme Court Operating Rule 4.28 requires accurate monthly reports of cases filed and fines and court costs collected be verified by the Court Clerk or Municipal Judge and submitted to the Office of State Courts Administrator. To ensure monthly reports are accurate, the municipal division should reconcile amounts included on the various reports with amounts posted to village records.

Recommendations

The Village of Leasburg 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 accounting functions.
- 1.2 Reconcile bond liabilities to the monies held in the bank account. Unidentified differences should be promptly investigated and resolved.
- 1.3 Disburse court monies within 30 days of receipt.
- 1.4 File accurate monthly reports with the state.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written responses:

- 1.1 *Since the Court Clerk took control of the court checking account in January 2014, procedures have been implemented for monthly reviews of court records by the Municipal Judge. The Municipal Judge also reviews and initials monthly court bank statements and bank reconciliations.*
- 1.2 *Bonds are now being held and monitored by the Court Clerk. Bond monies are reconciled with bond liabilities monthly. Any unidentified differences will be investigated promptly.*
- 1.3 *The Court Clerk now completes reports at the end of each month and disburses court liabilities in a timely manner.*



Forty-Second Judicial Circuit
Village of Leasburg Municipal Division
Management Advisory Report - State Auditor's Findings

1.4 *Although the Court Clerk agrees with this finding, court records are normally in agreement with case files and this error was an unusual oversight. Court reports are now completed monthly and submitted to the state in a timely manner.*

2. Municipal Division Procedures

Municipal division procedures need improvement.

2.1 Case dispositions

The Court Clerk does not consistently document the final dispositions of cases on the court dockets for each case brought before the court. The Municipal Judge does not always review and sign backer sheets for traffic and ordinance tickets paid at the VB.

The Court Clerk documents some case information for each client on the front of the case file folder instead of the docket sheet. We reviewed 18 municipal court cases and case information was missing on 17 of the 18 docket sheets. In addition, the Municipal Judge does not always review and document his approval of court dockets for traffic tickets paid at the VB, and the Municipal Judge does not review or document his approval of other court dockets after case dispositions are recorded. Instead, the Municipal Judge allows the Court Clerk to use his signature stamp on court dockets and other documents. For 13 of the 18 cases reviewed, a facsimile stamp of the Judge's signature was used on the docket sheet to indicate approval of the court's orders.

Supreme Court Operating Rule 4 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. Accurate recording of the case information is necessary to ensure all fines and court costs have been properly collected and deposited. In addition, to ensure the recorded disposition of all cases is proper, the Municipal Judge should sign the docket or backer sheet to indicate approval of the recorded disposition and discontinue allowing the use of his facsimile signature.

2.2 Prosecutor approval

The Prosecuting Attorney does not sign all tickets processed by the municipal division and the Prosecuting Attorney's approval of amended or dismissed traffic tickets is not clearly documented.

The Prosecuting Attorney allows the Court Clerk to maintain his signature stamp and stamp his signature on traffic tickets. We reviewed the same cases discussed in section 2.1 for the Prosecuting Attorney's signature. The traffic tickets for all 18 cases had been signed using a facsimile stamp of the Prosecuting Attorney's signature.



Forty-Second Judicial Circuit
Village of Leasburg Municipal Division
Management Advisory Report - State Auditor's Findings

The Court Clerk is allowed to amend speeding violations up to 14 miles over the speed limit when the defendant is not represented by counsel and additional non-moving violations when the defendant is represented by counsel to non-moving violations and to nolle pros (dismiss) traffic violations issued for no proof of insurance if the defendant later provides proof of insurance. Charges are amended by the Court Clerk based on a recommendation schedule approved by the Prosecuting Attorney and the Prosecuting Attorney has provided the Court Clerk with a pre-signed Recommendation for Disposition form allowing the Court Clerk to amend charges and collect the related fines and court costs through the traffic VB without further review by the Prosecuting Attorney. It is not possible to determine which charges were amended by the Prosecuting Attorney or amended by the Court Clerk and there is no indication charges amended by the Court Clerk were later reviewed by the Prosecuting Attorney to ensure their propriety.

The ability of the Court Clerk to amend tickets and apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse going undetected. Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all amended or nolle pros tickets indicating his review and approval.

2.3 Warrants

The Municipal Judge does not sign warrants issued and has not issued written authorization for the Court Clerk to sign warrants on his behalf. Without the signature or written authorization, there is no documentation the warrants were authorized. The municipal division issues warrants to defendants who miss court appearances or do not pay their fine.

Supreme Court Rule 37.45 states a warrant shall be signed by the judge or by the clerk of the court when directed by the judge for a specific warrant. To ensure warrants are properly issued in accordance with Supreme Court rules, the municipal judge should sign warrants or provide specific written authorization for the Court Clerk to sign warrants.

2.4 Ticket accountability

The municipal division and the police department do not work together to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly. The police department maintains a record of ticket books assigned to each officer. As tickets are issued by the police department, they are given to the municipal division for processing. However, there are no procedures to account for the numerical sequence of



Forty-Second Judicial Circuit
Village of Leasburg Municipal Division
Management Advisory Report - State Auditor's Findings

all tickets issued or to ensure all tickets issued have been provided to the municipal division. We reviewed tickets issued during the year ended December 31, 2013, and identified eight unaccounted tickets. After numerous requests, police department personnel were able to locate these tickets in July 2014.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the police department cannot be assured all tickets issued are properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to decrease the risk of loss, theft, or misuse of funds.

2.5 Report of cases heard

The Court Clerk did not file a monthly list of all cases heard with the village until we brought it to her attention. Without such a report, village officials cannot effectively monitor municipal division activity and ensure monies are properly remitted.

Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29 require 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 village. In addition, Article III, Section 800.120 of the Municipal Court Operating Ordinance also requires such a report to be filed with the Village Clerk.

Recommendations

The Village of Leasburg Municipal Division:

- 2.1 Ensure the proper disposition of cases is documented on the court dockets or backer sheets and all court dockets and backer sheets are signed by the Municipal Judge.
- 2.2 Ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and nolle pros tickets.
- 2.3 Ensure warrants are signed by the Municipal Judge or the Court Clerk, when directed by the Municipal Judge for a specific warrant.
- 2.4 Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.
- 2.5 Ensure a monthly list of cases heard in the municipal division is filed with the village in accordance with state law and court operating rules.



Forty-Second Judicial Circuit
Village of Leasburg Municipal Division
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Municipal Judge and Court Clerk provided the following written responses:

- 2.1 *All case dispositions are now documented in each case file and case files, including VB cases, are now reviewed by the Municipal Judge. Case backer sheets are reviewed and signed by the Judge.*
- 2.2 *Ticket procedures will be discussed with the Prosecuting Attorney. The municipal division will implement procedures to be compliant with state laws.*
- 2.3 *An authorization letter consistent with Supreme Court Rule 37.45 is currently being drafted to allow the Court Clerk authorization to sign warrants when specific warrants are requested by the Judge.*
- 2.4 *The municipal division does not believe accounting for the numerical sequence of tickets is the responsibility of the Court Clerk. However, a spreadsheet has been created by the Court Clerk to account for the numerical sequence and ultimate disposition of traffic tickets issued. The Court will request the police officer to make copies of all voided tickets for this purpose.*
- 2.5 *The Court Clerk's prepared monthly report will now be submitted to the Board of Trustees monthly.*

The Prosecuting Attorney provided the following response:

- 2.2 *This recommendation will be implemented.*

Forty-Second Judicial Circuit

Village of Leasburg Municipal Division

Organization and Statistical Information

The Village of Leasburg Municipal Division is in the Forty-Second Judicial Circuit, which consists of Crawford, Dent, Iron, Reynolds, and Wayne counties. The Honorable Kelly Parker serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the village treasury.

Personnel

At December 31, 2013, the municipal division employees were as follows:

Title	Name
Municipal Judge	Joseph Purschke
Court Clerk	Sandra Martin

Financial and Caseload Information

	Year Ended December 31, 2013
Receipts	\$14,933
Number of cases filed	180