



Thomas A. Schweich
Missouri State Auditor

Fourth Judicial Circuit

City of Tarkio Municipal Division



August 2014

Report No. 2014-057

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Fourth Judicial Circuit, City of Tarkio Municipal Division

Accounting Controls and Procedures

The municipal division does not adequately segregate accounting duties or perform adequate supervisory reviews of accounting records. The Court Administrator performs all duties related to the collection and disbursement of fines, court costs, and bonds with no supervisory review. The Court Administrator does not always timely deposit receipts and does not reconcile the composition of receipts (cash, check, or money order) to the composition of deposits. Our review of deposits for the year ended March 31, 2014, identified 13 instances when receipts were held approximately 2 weeks before being deposited, and 2 instances when receipts were held approximately 3 weeks before being deposited. Section IV.C of the Municipal Court Operating Order requires the Court Administrator to deposit municipal division receipts on a daily basis, or when the amount on hand reaches \$100.

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

*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.

Fourth Judicial Circuit

City of Tarkio Municipal Division

Table of Contents

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

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

Organization and Statistical Information	6
---	---



THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Fourth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Tarkio, Missouri

We have audited certain operations of the City of Tarkio Municipal Division of the Fourth 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 March 31, 2014. 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.
3. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricts the amount of fines and court costs that may be retained from traffic violations.

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, (2) no significant noncompliance with legal provisions and noncompliance with court rules, and (3) no noncompliance with Section 302.341.2, RSMo. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Tarkio Municipal Division of the Fourth Judicial Circuit.

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:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Richard Stuck
Audit Staff:	Colby Dollens, CPA

Fourth Judicial Circuit

City of Tarkio Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting duties are not adequately segregated and depositing procedures need improvement.

1.1 Segregation of duties

The municipal division does not adequately segregate accounting duties or perform adequate supervisory reviews of accounting records. The Court Administrator performs all duties related to the collection and disbursement of fines, court costs, and bonds. The Court Clerk, who works part-time, aids the Court Administrator in collecting and receipting fines and court costs. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review the work performed by the Court Administrator and Court Clerk.

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 Deposits

The Court Administrator does not always deposit receipts timely and does not reconcile the composition (cash, check, or money order) of receipts to the composition of deposits. Our review of deposits for the year ended March 31, 2014, identified 13 instances when receipts were held approximately 2 weeks before being deposited and 2 instances when receipts were held approximately 3 weeks before being deposited. In addition, the Court Administrator does not indicate the composition of the monies deposited on deposit slips (only the total amount deposited is listed) or perform any other reconciliation to ensure the composition of receipts agrees to the composition of deposits.

Depositing monies in a timely manner and reconciling the composition of receipts to the composition of deposits decreases the risk of loss, theft, or misuse of funds. In addition, Section IV.C. of the Municipal Court Operating Order requires the Court Administrator to deposit municipal division receipts on a daily basis, or when the amount on hand reaches \$100.

Recommendations

The City of Tarkio 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.



Fourth Judicial Circuit
City of Tarkio Municipal Division
Management Advisory Report - State Auditor's Findings

- 1.2 Deposit monies in a timely manner and reconcile the composition of receipts to the composition of deposits.

Auditee's Response

The Municipal Judge provided the following written responses:

- 1.1 *The City of Tarkio does not have the funds to employ many people; Becky is the City Clerk and the Court Administrator. The City has hired a new Court Clerk to help her in the office and she will be trained to check Becky's record keeping.*
- 1.2 *Becky has done most all of the work for the City and the Municipal Division. In the future Becky intends to deposit at least weekly and will reconcile the composition of receipts to the composition on the deposit slip; I believe Becky will have more time available to do so with the additional help.*

Fourth Judicial Circuit

City of Tarkio Municipal Division

Organization and Statistical Information

The City of Tarkio Municipal Division is in the Fourth Judicial Circuit, which consists of Atchison, Gentry, Holt, Nodaway, and Worth Counties. The Honorable Roger M. Prokes 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 city treasury.

Personnel

At March 31, 2014, the municipal division employees were as follows:

Title	Name
Municipal Judge	Patrick McLaughlin
Court Administrator	Rebecca (Becky) Jones
Court Clerk	Rosalie Woodring

Financial and Caseload Information

	Year Ended March 31, 2014
Receipts	\$63,490
Number of cases filed	359