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Missouri State Auditor

Twenty-Sixth Judicial Circuit

Laclede County



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CITIZENS SUMMARY

Findings in the audit of the Twenty-Sixth Judicial Circuit, Laclede County

Accounting Controls and Procedures

The Circuit Clerk has not adequately segregated accounting duties or limited computer access rights, and supervision is not adequate. All clerks and supervisors can prepare checks for the main bank accounts, all employees receive and record monies, and 2 of the 8 clerks also have access rights that allow them to approve their own cashier sessions. Court personnel do not maintain a log for monies received by mail and do not restrictively endorse checks immediately upon receipt. Court personnel do not issue receipts for all monies received or timely record electronic credit cards payments, and the Criminal Division Supervisor held checks in her desk drawer for over a month before depositing. Neither the Circuit Clerk nor the supervisors document their review and approval of non-monetary transactions, adjustments, or voided transactions. During 2013, the court recorded \$11 million in non-monetary transactions, \$575,458 in adjustments, and approximately \$8.6 million in voided transactions. The Circuit Clerk does not periodically review accrued case costs, and we noted inaccuracies and misclassifications. Some amounts listed as liabilities are inaccurate, and court personnel do not review liabilities to ensure monies are disbursed timely. We reviewed 25 cases and found 16 had monies totaling \$4,843 that should have been disbursed, and another 4 cases totaling \$3,350 should be reviewed for bond forfeiture. The Circuit Clerk does not record bank account balances or activity in the Justice Information System for several bank accounts, resulting in some accounts not being included in the reconciliation process and adjustments being required to bank reconciliations so that total liabilities and available cash can be compared. State law allows for reimbursement of certain costs in criminal cases where the state has been rendered liable, but the Circuit Clerk's office does not always timely submit these claims to the state.

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.

Twenty-Sixth Judicial Circuit

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THOMAS A. SCHWEICH

Missouri State Auditor

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

We have audited certain operations of the Twenty-Sixth Judicial Circuit, Laclede 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, 2013. 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 and court rules.

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 Laclede 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) no significant noncompliance with legal provisions and noncompliance with court rules. The accompanying Management Advisory Report presents our findings arising from our audit of the Twenty-Sixth Judicial Circuit, Laclede 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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Twenty-Sixth Judicial Circuit

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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.

According to court records, receipts collected during the year ended December 31, 2013, totaled approximately \$1.7 million. 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 bank account by personnel of the Circuit Clerk's office. The Circuit Clerk's office also maintains several other bank accounts for the handling of specific case activity, interest, and fees.

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.

All employees, including 8 clerks and 3 supervisors, in the circuit court receive and record monies, and 2 of the 8 clerks also have access rights in the JIS that would allow them to approve their own cashier sessions. In addition to receiving monies, the Chief Deputy and the Criminal Division Supervisor have the ability to record transactions, review and approve daily cashier session reports for all clerks and supervisors (including their own cashier sessions), and the Criminal Division Supervisor also prepares the deposits and bank reconciliations. The Circuit Clerk does not document her review of deposits and does not review monthly bank reconciliations. As a result, there are instances where the Criminal Division Supervisor is responsible for transactions from initial receipt to deposit, without involvement from other clerks or supervisory review.

The Circuit Clerk has not adequately segregated the disbursement duties. All clerks and supervisors can prepare checks for the main bank account. These checks are signed either by the Circuit Clerk or the Chief Deputy, and only one signature is required. As a result, the Chief Deputy may be responsible for transactions from initial receipt to disbursement without involvement from other clerks or the Circuit Clerk.

Additionally, an Associate Circuit Judge and the secretary to the other Associate Circuit Judge have access rights to the accounting functions of the JIS including the ability to assess fees, receipt monies, void transactions, adjust costs, approve cashier sessions, and issue disbursements in the JIS. The access provided is not needed because these two individuals do not complete any accounting duties. In addition, this secretary has been given the authority to document judicial orders (transactions where no money is received; however, credits are applied or the amount due is changed) in the JIS (see section 1.3). Having access to the accounting functions of the JIS, along with the authority to document judicial orders further increases the risk of errors and misuse going undetected.



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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 and limiting user access rights within the JIS. If proper segregation of duties is not possible, a documented independent or supervisory review of work performed is necessary.

1.2 Receipting, recording, and depositing

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

- 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 the appropriate supervisor, who then distributes the mail to the division clerks for processing. Neither the clerk nor the supervisor records the payments or restrictively endorses the checks upon receipt.
- Electronic credit card payments received were not recorded in the JIS timely. For example, a \$71 electronic credit card transaction processed on December 10, 2013, and transferred to the court's bank account on December 11, 2013, was not recorded in the JIS until January 29, 2014.
- The Criminal Division Supervisor held checks in her desk drawer (issued from the main bank account to the Family Services and Justice Fee bank account and the Time Payment Fee bank account) for over a month before depositing. Two checks dated October 1, 2013, one for \$810 to the Family Services and Justice Fee bank account and the other for \$472 to the Time Payment Fee bank account, were not deposited until November 12, 2013. Two checks dated December 3, 2013, one for \$630 to the Family Services and Justice Fee bank account and the other for \$379 to the Time Payment Fee bank account, were not deposited until January 8, 2014. It is unclear why these checks were being held and not deposited timely.

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

1.3 Non-monetary, adjusting, and voided transactions

Neither the Circuit Clerk nor the supervisors document their review and approval of non-monetary transactions, adjustments to the JIS, or voided transactions. In addition, documentation supporting these transactions was not always adequate and some transactions were not processed timely. All clerks are allowed to enter non-monetary transactions, adjust costs, and void receipts in the JIS without supervisory review or approval. The JIS can generate various reports to monitor these transactions; however, these reports are not generated and reviewed.



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During the year ended December 31, 2013, court personnel recorded approximately \$11 million in non-monetary transactions in the JIS. These transactions consist of bond applications and transfers; judicial orders; and write-offs and transactions where no monies are received however, a credit is applied or the amount due is changed. The majority of these non-monetary transactions (\$10.2 million) pertain to recording surety bonds.

Nine of 10 cases reviewed did not have a written judicial order to support court personnel's removal of court costs. Also for a case, a judicial order dated February 10, 2012, was not processed until January 30, 2013. For another case, a \$4,000 bond was ordered to be applied to fines and court costs on January 7, 2013, but was not applied until June 13, 2013.

During the year ended December 31, 2013, 1,862 adjustments totaling \$575,458 were recorded in the JIS. Adjustment transactions include the correction of errors in the assessment of court costs, reallocation of costs for state reimbursement, removal of court costs when cases are dismissed, etc. We identified one adjustment for a case where restitution was ordered in the amount of \$11,355 in 2004. According to the Circuit Clerk, the responsibility to collect court ordered restitution was deferred to the Prosecuting Attorney's office in 2005 and the restitution ordered should have been removed from the balance due at that time; however, that adjustment was not made until February 1, 2013.

During the year ended December 31, 2013, the court voided 638 non-monetary transactions totaling nearly \$8.6 million and 129 monetary transactions totaling approximately \$27,000. Approximately \$8.5 million or 545 of the 638 voided non-monetary transactions were for the release of surety bonds upon disposition.

To ensure all non-monetary, adjusting, and voided 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, and these transactions should be processed timely.

1.4 Accrued case costs

The Circuit Clerk does not periodically review accrued case costs (court costs, incarceration costs, court-ordered restitution, fines, and other), which totaled approximately \$15.1 million as of January 2, 2014.

We noted cases in which costs were not accurately reflected on the JIS list of accrued case costs. For example, one case with total incarceration costs of \$65,205, was incorrectly recorded in the JIS as \$53,415 classified as due to county and \$35,708 classified as due to state, for a total incarceration costs due of \$89,123. As a result, total incarceration costs receivable were overstated by \$23,918.



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We also noted cases in which costs were not properly classified on the JIS list of accrued case costs. For example, one case with total incarceration costs of \$21,263 was classified as \$19,260 due to state and \$2,003 due to county; however, the state only reimbursed \$10,424. Therefore, costs classified as due to state should have been \$10,424 and costs classified as due to county should have been \$10,839.

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. In addition, the Twenty-Sixth Judicial Circuit adopted an administrative plan for the collection of court debt (effective January 1, 2012) requiring the court to review accounts receivable reports at least monthly.

1.5 Liabilities and bank accounts

Cases with liabilities are not adequately reviewed to ensure monies are disbursed timely and some amounts listed as liabilities are inaccurate. As of December 2, 2013, the court held outstanding liabilities totaling \$276,861 in 3 separate bank accounts (the main bank account holds \$223,682 and 2 separate bank accounts for 2 active court cases hold \$53,179). Court personnel indicated the liabilities list is printed at the end of the month, but it is not reviewed.

Of the 25 cases we reviewed (totaling \$21,190) from the bonds and suspense portion of the liabilities list, 16 cases had monies totaling \$4,843 that should have been disbursed and another 4 cases totaling \$3,350 should be reviewed for bond forfeiture. For 1 case the court received a \$1,000 bond in 2009; however, following a 2011 judgment ordering the defendant to serve time and pay costs totaling \$134, no action was taken to apply or refund the bond. For the 4 cases needing evaluation for possible bond forfeiture, the court received the bonds in 2001, 2005, 2006, and 2009.

In addition, the Circuit Clerk maintains 2 separate bank accounts for active court cases, and the related case information is recorded in the JIS; however, the balances of the related bank accounts are not recorded in the JIS. As a result, an adjustment to the bank reconciliation is necessary each month so that total liabilities can be compared to the balances in the main bank account and these 2 separate bank accounts. Further, the reconciled bank balance as of December 31, 2013, for one of these separate bank accounts was \$26,447, while the liabilities balance listed in the JIS for the cases associated with this account was \$28,253. We determined the court had earned \$709 in interest on the account and had disbursed \$2,515 from the account in accordance with a court order in May 2013, but had failed to record this information in the JIS.



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The Circuit Clerk also maintains 4 other separate bank accounts for the deposit of interest monies, time payment fees, juvenile fees, and family service and justice fees; however, these monies and related bank accounts are not recorded in the JIS. Further, the court's month-end bank and liabilities (open items) reconciliation process does not include these bank accounts. Therefore, the reconciliation is incomplete and does not account for all monies held by the court, which increases the risk of loss, theft, or misuse of 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. To ensure the cash balances in the courts bank accounts can be properly identified, all monies received and the related bank accounts should be recorded in the JIS and reconciliations be performed between book and bank balances.

1.6 Billings for criminal costs

The Circuit Clerk's office does not have adequate procedures to ensure criminal costs are billed and submitted to the state timely, resulting in a delay in the state's reimbursement of the county's costs. For example, billings were prepared for 107 cases totaling \$212,954 in March, April, May, June, and July 2013; however, these billings were not submitted to the state until September 6, 2013, and reimbursement was not received by the county until September 18, 2013. Of these 107 cases, billings were prepared for 29 cases totaling \$70,886 on March 20, 2013, 14 cases totaling \$22,588 on April 8, 2013, 11 cases totaling \$18,529 on May 20, 2013, 19 cases totaling \$41,884 on June 17, 2013, 9 cases totaling \$16,688 on July 8, 2013, and 25 cases totaling \$42,379 on July 30, 2013. We noted numerous other instances where criminal cost bills were not submitted to the state timely.

Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable, and Section 33.120, RSMo, requires all such claims be submitted to the state within 2 years after reimbursable expenses have been accrued. To ensure timely reimbursement of incarceration costs, procedures should be established to ensure billings are submitted timely to the state.

Recommendations

The Circuit Clerk:

- 1.1 Segregate accounting duties to the extent possible or ensure an adequate independent or supervisory review of bank and accounting records is performed and documented. In addition, the Circuit Judge and Circuit Clerk should limit user access rights within the JIS to only those necessary for the user to perform job duties.



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- 1.2 Improve controls over mail receipts, restrictively endorse all checks immediately upon receipt, record credit card transactions in the JIS timely, and deposit monies timely.
- 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 Review the list of accrued case costs for accuracy and follow up on amounts due at least monthly.
- 1.5 Establish procedures to review the accuracy and status of liabilities monthly to determine the appropriate disposition of funds held on closed and inactive cases. The Circuit Clerk should record all separate bank account activity in the JIS, and ensure the bank and liability reconciliation process is complete and accounts for all monies held by the court.
- 1.6 Establish procedures to ensure criminal costs billings are submitted to the state timely.

Auditee's Response

The Circuit Clerk provided the following written responses:

- 1.1 *I have always reviewed the cashier sessions, deposits, and the monthly bank reconciliations, but I had not documented my reviews. I now initial the end of the day financial packet, the daily cashier sessions of the 2 cashier supervisors, and the monthly reports and reconciliations. All checks prepared by the Chief Deputy are now signed by the Circuit Clerk.*

Some accesses to the accounting functions were given to staff, including one of the Associate Circuit Judges through the OSCA in 2003, not the Circuit Clerk. The JIS system was not put fully into place in the Circuit Clerk's office until 2005. The OSCA has corrected these access issues. The Associate Circuit Judge and the Secretary to the other Associate Circuit Judge no longer have access to the accounting functions of JIS.

- 1.2 *I am working on a mail log to be implemented. Checks are now restrictively endorsed by the mail clerk upon receipt.*

In December 2013, we were unable to take credit card payments in my office because of new software installed by OSCA. Our clients were going directly to the credit card vendor. OSCA resolved the



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software issue the following month (January 2014), and credit card payments are now being receipted timely.

I will ensure all checks written to disburse fees from one bank account to another are deposited timely.

- 1.3 My office cannot operate without adjustments, non-monetary transactions and voided transactions. I will select adjustments, non-monetary transactions, and voided transactions for review monthly and will initial records as documentation. I have directed staff to note on their daily cashier sessions the reason for the voided transactions.*
- 1.4 I have always reviewed accrued case costs on individual cases and will continue to do so. In the future, I will review the accrued case report from OSCA periodically.*
- 1.5 The OSCA has developed a new report to assist in identifying liabilities that need to be disposed of, and I am using the new report to ensure liabilities are paid out timely. I will contact OSCA to assist in setting up all bank accounts in the JIS system, and will ensure the reconciliation on JIS is accurate and complete.*
- 1.6 Criminal reimbursements will be submitted as recommended.*

Twenty-Sixth Judicial Circuit

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Organization and Statistical Information

The Twenty-Sixth Judicial Circuit consists of Laclede County, as well as Camden, Miller, Moniteau, and Morgan Counties.

The Twenty-Sixth Judicial Circuit consists of two circuit judges and seven associate circuit judges. The two circuit judges hear cases in Laclede, Camden, Miller, Moniteau, and Morgan Counties. Two of the seven associate circuit judges are located in Laclede County and preside over the Laclede County Associate Circuit Court. Of the other five associate circuit judges, two are located in Camden County, one is located in Miller County, one is located in Moniteau County, and one is located in Morgan County. Circuit personnel located in Camden, Miller, Moniteau and Morgan counties are not included in the scope of this audit.

Personnel

At December 31, 2013, the judges, Circuit Clerk, and Juvenile Officer of the Twenty-Sixth Judicial Circuit, Laclede County, were as follows:

Title	Name
Circuit Judge, Division 1	Stanley Moore
Circuit Judge, Division 2	Kenneth M. Hayden
Associate Circuit Judge	Steven B. Jackson
Associate Circuit Judge	Larry Winfrey
Circuit Clerk	Wanda Tyre
Juvenile Officer	Tammy Walden

Financial Information

Receipts of the Twenty-Sixth Judicial Circuit, Laclede County, were as follows:

	Year Ended December 31, 2013
Court deposits, fee, bonds, and other	\$1,710,989
Interest Income	2,043
Total	\$1,713,032

Caseload Information

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

	Year Ended June 30, 2013
Civil	1,824
Criminal	4,293
Juvenile	127
Probate	191
Total	6,435