



Office of Missouri State Auditor
Nicole Galloway, CPA

**Forty-First Judicial Circuit
Macon County**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Forty-First Judicial Circuit, Macon County

Accounting Controls and Procedures

We identified significant weaknesses with accounting controls and procedures. The Circuit Clerk does not review and approve voided transactions, non-monetary transactions, and adjustments in the Judicial Information System (JIS). The Circuit Clerk does not account for the numerical sequence of all receipt numbers assigned by the JIS. The Circuit Clerk does not perform periodic reviews of user access to data and other information in the JIS to ensure access rights are commensurate with job responsibilities and remain appropriate. The court's administrative plan for the collection of court debt does not address all elements required by court operating rules and payment plans have not been established on some applicable cases. The Circuit Clerk's office does not have adequate procedures to ensure some criminal case costs are accurately assessed and billed.

Drug Court Fund and Law Library Fund

The court has not adequately segregated accounting duties or performed independent reviews of the bank accounts and financial activities relating to the drug court and the law library.

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.

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge and Court en Banc
and
Circuit Clerk of the
Forty-First Judicial Circuit
Macon County, Missouri

We have audited certain operations of the Forty-First Judicial Circuit, Macon 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, 2016. The objectives of our audit were to:

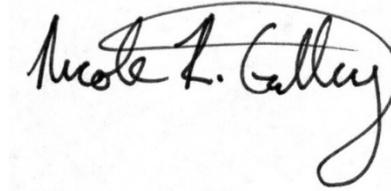
1. Evaluate the court's internal controls over significant financial functions.
2. Evaluate the court's compliance with certain legal provisions.
3. Evaluate the court's compliance with certain court rules.

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 applicable contract, grant agreement, or 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 Macon 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 control, (2) no significant noncompliance with legal provisions, and (3) noncompliance with court rules. The accompanying Management Advisory Report presents our findings arising from our audit of the Forty-First Judicial Circuit, Macon County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping 'y' at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Forty-First Judicial Circuit

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Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

We identified significant weaknesses with accounting controls and procedures.

Court records indicate receipts collected during the year ended December 31, 2016, totaled approximately \$679,000. Fines, bonds, garnishments, court costs, and other receipts are collected; recorded in the Judicial Information System (JIS), the Missouri Courts automated case management system; and deposited into the Circuit Clerk's primary bank account by the Circuit Clerk.

1.1 Voided, non-monetary, and adjustment transactions

The Circuit Clerk does not review and approve voided transactions, non-monetary transactions, and adjustments in the JIS. Non-monetary transactions, including judicial orders, garnishments, and application of bonds, are transactions where no monies are received; however, a credit is applied to the account balances or the amount due is changed. Adjustment transactions include the reduction or non-assessment of fines and court costs due to the correction of errors in the assessment of court costs, reallocation of costs for state reimbursement, and removal of court costs when cases are dismissed.

All four deputy court clerks, as well as the Circuit Clerk, are allowed to enter voided transactions, non-monetary transactions, and adjustments in the JIS. Such transactions should be reviewed by a supervisor; however, these reviews are not performed. For example, 3 of the 9 voided transactions reviewed were initiated and voided by the same deputy court clerk without a documented supervisory review. In addition, all 34 non-monetary transactions and adjustments we reviewed were performed without a documented supervisory review. Cashier reports reviewed by court personnel do not include all voided and non-monetary transactions or adjustments entered into JIS.

An independent and/or supervisory review and approval of voided and non-monetary transactions and adjustments is necessary to help ensure such transactions are appropriate and reduce the risk of loss, theft, or misuse of funds.

1.2 Numerical sequence of receipt numbers

The Circuit Clerk does not account for the numerical sequence of all receipt numbers assigned by the JIS. Sequential receipt numbers are assigned by the JIS for all monetary, non-monetary, and voided transactions. The Circuit Clerk does not generate reports to ensure the numerical sequence of receipt numbers issued are accounted for and all collections are properly deposited. A separate report available from the JIS could be used by the Circuit Clerk to monitor all transactions entered by court personnel, including monetary, non-monetary, and voided transactions as discussed in section 1.1.



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1.3 Periodic review of user accounts

To adequately account for receipts and reduce the risk of loss, theft, or misuse of funds, the numerical sequence of receipt numbers issued should be reviewed to ensure all receipt numbers are accounted for.

The Circuit Clerk does not perform periodic reviews of user access to data and other information in the JIS to ensure access rights are commensurate with job responsibilities and remain appropriate. As a result, some court personnel have inappropriate access to initiate and modify transactions within the JIS.

We obtained a data file from the Office of State Courts Administrator (OSCA) of user accounts having access to the JIS as of December 2016. This report showed the Circuit Clerk and her four deputy court clerks, the Juvenile Officer, and the Presiding Judge's secretary have unlimited access within the JIS and have the ability to process receipts, record and void transactions, process fee adjustments, prepare deposits, and print checks. Some of these users have significantly more access than required to perform their job responsibilities. For instance, as of December 2016, one deputy court clerk and the Presiding Judge's secretary had unlimited access but had no accounting-related job responsibilities.

Periodic reviews of user accounts ensures the right type and level of access, corresponding to each user's job responsibilities, has been provided.

1.4 Accrued case costs

The Forty-First Judicial Circuit Court en Banc's administrative plan for the collection of court debt (administrative plan) does not address all elements required by court operating rules. In addition, the Circuit Clerk and the court have not established payment plans for all amounts not paid in full at case disposition. Accrued costs as of March 13, 2017, totaled approximately \$1,990,000.

- The court's administrative plan does not require the court to periodically review and write off accounts receivable (accrued costs) deemed uncollectible as required by Missouri Supreme Court Operating Rule (COR) 21.11. While the Circuit Clerk indicated she started a review of accrued costs in late 2016, the review was not completed as of May 2017. The administrative plan does not indicate the required frequency of the Circuit Clerk's review. In addition, it does not document the specific criteria to be used by the court to determine whether a debt is uncollectible or provide any guidance on which cases may require further action.
- The court has not established payment plans in the JIS for all amounts not paid in full at case disposition as required by COR 21.07. The Circuit Clerk indicated the court establishes payment plans for criminal cases but not civil cases. We reviewed 25 cases with accrued court costs and noted the 3 civil cases reviewed did not have established payment



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plans in the JIS and no alternative procedures were performed by the court to ensure the collection of amounts owed. For cases with established payment plans, the JIS automatically forwards unpaid balances to the contracted debt collection servicer if amounts owed are not paid within 60 days of the final payment plan date. However, if no payment plans are established in the JIS for civil cases, and no alternative procedures are performed, unpaid balances may not be collected.

- Additional required elements not discussed in the administrative plan include policies regarding the collection of board bills as required by COR 21.11, and certain payment plan policies, such as the minimum payment due at case disposition and the minimum monthly payment accepted by the court as required by COR 21.09.

Furthermore, the court's administrative plan is not reviewed annually as required by COR 21.11, and has not been updated since being implemented in December 2011. Court personnel were unfamiliar with the administrative plan's contents and initially could not locate a copy of the plan.

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 annually and accounts deemed uncollectible should be written off by court order. COR 21.07 requires the court to create payment plans in the JIS for all amounts not paid in full at case disposition. In addition, as required by COR 21.11, the court's administrative plan should be reviewed and updated annually to ensure all required elements are included. Failure to follow these rules could result in lost revenue and in loss, theft, or misuse of funds.

1.5 Reimbursed criminal costs

The Circuit Clerk's office does not have adequate procedures to ensure some criminal case costs are accurately assessed and billed. Section 221.105, RSMo, allows for reimbursement of boarding costs at established per diem rates and of certain court fees in criminal cases where the state has been rendered liable.

The Circuit Clerk's office prepares and submits billings for incarceration costs and court fees to the state. These billings are prepared using per diem incarceration rates established by the Department of Corrections (DOC), the number of incarceration days certified by the County Sheriff, and all applicable court fees. We reviewed 9 criminal cost billings submitted to the state and noted errors on all 9 billings. Errors included the double billing of \$195 for one inmate on two separate billing forms, and the use of incorrect incarceration reimbursement rates and incorrect number of days incarcerated. Court personnel indicated the double billing was caused by the



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Sheriff's office certifying the same incarceration days for an inmate on two separate certification forms. While the DOC identified and corrected several of these billing errors, the court's procedures are not adequate to ensure criminal cost billings are accurate. No supervisory review is performed prior to submitting the billings to the state for reimbursement, which increases the risk billing errors will not be identified.

Recommendations

The Court en Banc and Circuit Clerk:

- 1.1 Require an independent and/or supervisory review and approval of all voided and non-monetary transactions and adjustments made in the JIS.
- 1.2 Ensure the numerical sequence of receipt numbers is accounted for.
- 1.3 Periodically review user access to data and other information resources within the JIS to ensure access rights are commensurate with job duties and responsibilities.
- 1.4 Develop specific criteria to be used in determining whether a debt is uncollectible and write-off amounts deemed uncollectible by court order. In addition, the Circuit Clerk should ensure payment plans are established in the JIS and the court's administrative plan is reviewed and updated annually in accordance with court operating rules.
- 1.5 Work with the County Sheriff to develop procedures to ensure all amounts billed for criminal costs are accurate.

Auditee's Response

- 1.1 *Due to the office only having 4.78 employees, segregating duties is not always possible. Procedures have been in place to review non-monetary transactions associated with that day's receipt transactions when performing the end of day process of reconciling and approving each clerk's cashier session which is done by the Circuit Clerk or Supervisor. However, other non-monetary transactions (such as applying bonds, judicial orders, community service, time served, etc.) do not appear on the daily cashier session reports. The Circuit Clerk has implemented procedures to run and review the OSCA Receipt Listing report at the end of each month for all receipt transactions (nonmonetary, voids, etc.) A Receipt Listing report specifically for voided receipts will also be run and reviewed in conjunction with the bank reconciliation each month. The Cognos Adjustment report will also be run periodically throughout the year to review fee adjustments for proper supporting documentation.*



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- 1.2 *The automated system assigns receipts in numerical order. If a clerk exits the system before saving a payment, the transaction is discarded in the JIS and the receipt number will show as discarded. No financial data is associated with a discarded receipt and a receipt slip cannot be printed for a discarded receipt. Every receipt a clerk enters and saves in the system is automatically included in that clerk's cashier session which is reconciled when the funds are submitted to be deposited. As noted in 1.1, the Circuit Clerk will run the OSCA Receipt Listing report for all receipts which will be reviewed and included with the monthly financial records.*
- 1.3 *Over the past three years the Circuit Clerk's office has lost 1 full time and 1 part time clerk and was only able to replace those positions with a part time clerk. The Circuit Clerk has reviewed the Deputy Clerk positions and made the appropriate changes regarding security. In addition, the Circuit Clerk plans to request and review a copy of the security access report 1-2 times per year to ensure changes have been applied and access by clerks is related to the jobs needing to be performed.*
- 1.4 *The Court en Banc will work with the Circuit Clerk to update and review the administrative plan annually. The Circuit Clerk's office will establish procedures to periodically run the Cognos "Outstanding Balance Not Associated to a Payment Plan" report and will work on getting payment plans created for the appropriate cases.*
- 1.5 *The Department of Corrections has created an automated billing form (Spring 2017) which has helped eliminate rate errors when completing the billings. The number of days incarcerated are certified by the Sheriff and the court can only report what the Sheriff has certified. To assist in trying to identify possible duplicate billings, procedures have been established to have the clerks add the docket code OCSTA - Costs Ordered to State and attach the DOC billing to this docket code making it easier to locate and double check when billing DOC in an effort to avoid billing for the same days.*

2. Drug Court Fund and Law Library Fund

The court has not adequately segregated accounting duties or performed independent reviews of the bank accounts and financial activities relating to the drug court and the law library. According to financial records, drug court and law library receipts collected during the year ended December 31, 2016, totaled approximately \$20,700 and \$7,700, respectively.

- The Presiding Judge's secretary performs all accounting duties for the court's Drug Court Fund, including receipting and recording monies



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collected, preparing deposits and disbursements, and reconciling the bank account. Drug court expenditures include various program expenses such as program literature, incentive items, drug tests, and participant tracking services. The Associate Circuit Judge over the drug court reviews supporting documentation of expenditures submitted by the secretary but does not review or sign the checks. In addition, no supervisory review is performed to reconcile receipts to deposits, or to review the bank statements. In May 2017, after we brought these issues to their attention, court personnel worked with the OSCA and implemented new receipting and depositing procedures for the drug court which includes a supervisory reconciliation of receipts to deposits.

- The Presiding Judge's secretary also performs all accounting duties for the court's Law Library Fund, including receipting and recording monies collected, preparing deposits and disbursements, and reconciling the bank account. Law library expenditures include the purchase of legal publications and technical equipment for use by court personnel. The Presiding Judge does not routinely review accounting or banking records for the Law Library Fund to ensure they are accurate and complete.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, at a minimum, periodic and documented independent and/or supervisory reviews of the detailed accounting records should be performed.

Recommendation

The Court en Banc ensure accounting duties are adequately segregated or ensure independent and/or supervisory reviews of accounting records are performed and documented.

Auditee's Response

Drug court receipts are now entered into the JIS and immediately reviewed by the Drug Court Judge. These monies are also reviewed, approved, and deposited by the Circuit Clerk. Fees for the Drug Court Fund and the Law Library Fund are disbursed monthly by the Circuit Clerk and deposited into the respective bank account by the Presiding Judge's secretary. Monthly reviews of the bank statement for the Drug Court Fund will be performed by the Drug Court Judge. Monthly reviews of the bank statement for the Law Library Fund will be performed by the Presiding Judge.

Forty-First Judicial Circuit

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Organization and Statistical Information

The Forty-First Judicial Circuit consists of Macon County as well as Shelby County.

The Forty-First Judicial Circuit consists of 1 circuit judge and 2 associate circuit judges. The circuit judge hears cases in Macon and Shelby counties. One associate circuit judge is located in each county in the circuit. Circuit personnel located in Shelby County are not included in the scope of the audit.

Personnel

At December 31, 2016, the judges, Circuit Clerk, and Juvenile Officer of the Forty-First Judicial Circuit, Macon County, were as follows:

Title	Name
Circuit Judge	Frederick P. Tucker
Associate Circuit Judge	Philip E. Prewitt
Associate Circuit Judge ¹	Mike Greenwell
Circuit Clerk	Twila Halley
Juvenile Officer	Megan Downey

¹ Associate Circuit Judge Greenwell is located in Shelby County, but also presides over Macon County Drug Court cases.

In addition, the Forty-First Judicial Circuit, Macon County, employed 8 full-time employees and 2 part-time employees on December 31, 2016.

Financial Information

Receipts of the Forty-First Judicial Circuit, Macon County, were as follows:

	Year Ended December 31, 2016
Court deposits, fees, bonds, and other	\$678,870
Drug Court	20,664
Interest income	97
Total	\$699,631

Caseload Information

From the Office of State Courts Administrator Missouri Judicial Reports, case filings of the Forty-First Judicial Circuit, Macon County, were as follows:

	Year Ended June 30, 2016
Civil	584
Criminal	1,340
Juvenile	84
Probate	102
Total	2,110