



Office of Missouri State Auditor
Nicole Galloway, CPA

**Forty-Fifth Judicial Circuit
Pike County**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Forty-Fifth Judicial Circuit, Pike County

Accounting Controls and Procedures	<p>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 Circuit Clerk does not reconcile the general bank account timely. As of May 2017, the Circuit Clerk had not completed monthly bank reconciliations since September 2016. The court does not adequately review the status of open bonds held. The Circuit Clerk and the court do not periodically review accrued case costs owed to the court and the court has not established specific criteria to be used in determining whether a debt is uncollectible. The Circuit Clerk and the court have not established payment plans for all amounts not paid in full at case disposition. The Circuit Clerk's office does not have adequate procedures to ensure some criminal case costs are accurately assessed and billed. The Circuit Clerk's office has not established procedures to ensure payments are received for all amounts billed.</p>
Drug Court Fund	<p>The court has not adequately segregated accounting duties or performed independent reviews of the bank account and financial activities relating to the drug court.</p>

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-Fifth Judicial Circuit

Pike County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

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

We have audited certain operations of the Forty-Fifth Judicial Circuit, Pike 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:

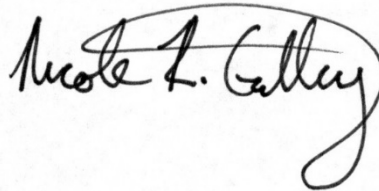
1. Evaluate the court's internal controls over significant financial functions.
2. Evaluate the court's compliance with certain legal provisions.
3. Evaluate the court's compliance with certain court rules.

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 Pike 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, (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-Fifth Judicial Circuit, Pike County.

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

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Forty-Fifth Judicial Circuit
Pike County
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 \$624,000. 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.

Six deputy court clerks, the Presiding Judge's secretary, and 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, 17 of the 26 voided transactions reviewed were initiated and voided by the same individual 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 the 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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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.

1.3 Periodic review of user accounts

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 April 2017. This report showed the Circuit Clerk, five deputy court clerks, the Presiding Judge's secretary, the Drug Court Administrator, and a drug court clerk 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 April 2017, the Presiding Judge's secretary and a drug court clerk had unlimited access but had no deposit or disbursement-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 Bank reconciliations

The Circuit Clerk does not reconcile the general bank account timely. As of May 2017, the Circuit Clerk had not completed monthly bank reconciliations since September 2016. The Circuit Clerk requested and received assistance from the OSCA to complete these reconciliations, and as of August 2017, the Circuit Clerk had completed bank reconciliations through July 2017. The Circuit Clerk indicated the reconciliations had not been completed timely because of reductions in office personnel during 2017.

Missouri Supreme Court Operating Rule (COR) 4.59 requires reconciling all bank balances and open items records at least monthly. Timely monthly bank reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely.

1.5 Review of open bonds

The court does not adequately review the status of open bonds held. As of April 28, 2017, the court was holding 147 bonds totaling \$145,010.

We selected 15 cases with open bonds for further review. Our selection considered bonds of larger amounts; cases with no activity for at least one year; or cases with disposition dates in the JIS system for which bonds were still held. We identified 2 cases, with bonds totaling \$2,200, that had been ordered refunded or forfeited by the court; however, the bonds had not yet



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been disbursed. One bond for \$1,200 ordered to be refunded in January 2017, was not refunded until September 2017 after we brought the case to the court's attention. The other bond for \$1,000 was ordered to be forfeited in June 2015, but was still being held as of September 2017.

To ensure bonds are properly forfeited, refunded, or applied to court costs, the court needs to periodically review cases with open bonds.

1.6 Accrued case costs

The Circuit Clerk and the court do not periodically review accrued case costs owed to the court and the court has not established specific criteria to be used in determining whether a debt is uncollectible. 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 April 12, 2017, totaled approximately \$728,000.

- The court does not follow its formal administrative plan for collection of court debt (administrative plan). The administrative plan requires the court to review accounts receivable (accrued costs) reports from the JIS and the debt collection vendor at least monthly and by court order, to write off accounts deemed uncollectible. The court has not reviewed these reports, as required. The Circuit Clerk indicated no amounts have been deemed uncollectible and written off by court order for approximately 3 years. In addition, the administrative plan does not document the specific criteria to be used in determining 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 4 civil cases reviewed did not have established payment 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.

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



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and make a determination about collectability, accrued case costs should be reviewed as required by the court's administrative plan 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.

1.7 Reimbursed criminal costs

The Circuit Clerk's office does not have adequate procedures to ensure some criminal case costs are accurately assessed and billed. In addition, the office has not established procedures to ensure payments are received for all amounts billed. Section 221.105, RSMo, provides for boarding costs at established per diem rates to be included in the bill of costs against the state 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 11 criminal cost billings submitted to the state and 5 cases with billable costs from the court's 2016 case disposition report. Our review identified the following concerns:

- Billings were not prepared for 2 of the 5 applicable cases selected from the court's 2016 case disposition report. The 2 inmates were sentenced in July 2016 and December 2016 and the billable incarceration costs for these cases totaled approximately \$1,540. As of September 2017, the Circuit Clerk's office had not received the certifications of incarceration days from the County Sheriff and had not followed up with the County Sheriff to obtain this information.
- The Circuit Clerk's office had not followed up with the DOC to determine the status of unpaid billings for 3 cases billed in June 2016, totaling approximately \$10,740. The county had not received payment as of September 2017. Payments on the 11 other billings we reviewed were received within 5 months of the billing date.
- The number of days incarcerated was incorrect by 1 or 2 days on 3 billings resulting in understating billings by approximately \$80. The DOC corrected the errors prior to processing the payments.
- The incarceration reimbursement rate was incorrect on the billing for 1 case resulting in an overstated billing of approximately \$9. The DOC corrected the error prior to processing the payment.



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The Circuit Clerk has not established procedures to ensure incarceration certifications are received from the County Sheriff on all applicable cases or to ensure payments are received on all billings submitted to the DOC. While the DOC identified and corrected errors on the billings we reviewed, 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 Perform monthly bank reconciliations timely.
- 1.5 Review the status of open cash bonds periodically to ensure bonds are disposed of as appropriate.
- 1.6 Develop specific criteria to be used in determining whether a debt is uncollectible, review accrued case costs as required by the court's administrative plan, 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.
- 1.7 Work with the County Sheriff to develop procedures to ensure incarceration certifications are received for all inmates, billings are prepared for all applicable cases, and all amounts billed for criminal costs are accurate. The Circuit Clerk should also develop a system to track and monitor outstanding billings to ensure payments are received for all billings submitted to the DOC.

Auditee's Response

- 1.1 *Due to the number of staff, segregation of duties is not always possible. Not everyone has access to void, or write, or sign checks. Procedures will be put in place to review non-monetary transactions when performing the process of reconciling and approving each clerk's cashier session for deposit. As other non-monetary*



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transactions (such as applying bonds, judicial orders, etc.) do not appear on daily cashier session reports, the Circuit Clerk will run and review the OSCA Receipt Listing report at the end of each month for all receipt transactions (non-monetary, voids, etc.). A Receipt Listing report 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 monthly to review fee adjustments for proper supporting documentation.

- 1.2 *The Circuit Clerk will run and review the OSCA Receipt Listing report showing all monetary, non-monetary, and voided transactions on a monthly basis and include it with the monthly financial records.*
- 1.3 *Over the past several years, the Circuit Clerk's office has lost 3 full time deputy clerks and 1 part time clerk to retirement and only gained back 2 full time clerks and 1 part time clerk. The Circuit Clerk will review user access for deputy clerk positions and make appropriate changes regarding security. The Circuit Clerk will also review with the Circuit Judge and Associate Circuit Judge the JIS access of those associated with the drug court and determine if their access needs to be modified. The Circuit Clerk plans to request and review a copy of the security access report to ensure changes have been applied and access is appropriate.*
- 1.4 *The Circuit Clerk will perform monthly bank reconciliations timely.*
- 1.5 *The Circuit Clerk will periodically review bonds being held. There are many bonds being held due to the case still pending and being in warrant status.*
- 1.6 *The Circuit Clerk will work with the Court en Banc to review and update the administrative plan. The Circuit Clerk will periodically run the Cognos "Outstanding Balance Not Associated with Payment Plan" report and will work on getting payment plans created for the appropriate cases. The Circuit Clerk will work with the Circuit and Associate Circuit Judges to review some of the old and/or uncollectible court debt to see if any of it can be written off.*
- 1.7 *The DOC has created an automated billing form 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. The Circuit Clerk will work with the Sheriff to develop procedures to ensure certifications are received by the Circuit Clerk so billings can be completed. The Circuit Clerk will follow up with the DOC if payment has not been received, to*



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ascertain that they have received the billing. The Circuit Clerk will develop a better system to track and monitor pending DOC payments.

2. Drug Court Fund

The court has not adequately segregated accounting duties or performed independent reviews of the bank account and financial activities relating to the drug court. According to financial records, drug court receipts collected during the year ended December 31, 2016, totaled approximately \$7,200.

The Drug Court Administrator performs all accounting duties for the court's Drug Court Fund, including receipting and recording monies collected, preparing deposits and disbursements, and reconciling the bank account. Drug court expenditures include training expenses and drug testing. The Associate Circuit Judge for the drug court reviews supporting documentation of expenditures and dual-signs checks submitted by the administrator; however, no supervisory review is performed to reconcile receipts to deposits, or to review the bank statements.

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

The Associate Circuit Judge will review and initial deposits, bank statements, and check registers monthly.

Forty-Fifth Judicial Circuit

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Organization and Statistical Information

The Forty-Fifth Judicial Circuit consists of Pike County as well as Lincoln County.

The Forty-Fifth Judicial Circuit consists of 1 circuit judge and 3 associate circuit judges. The circuit judge hears cases in Pike and Lincoln counties. Of the 3 associate circuit judges, 1 is located in Pike County and 2 in Lincoln County. Circuit personnel located in Lincoln County are not included in the scope of the audit.

Personnel

At December 31, 2016, the judges and Circuit Clerk of the Forty-Fifth Judicial Circuit, Pike County, were as follows:

Title	Name
Circuit Judge	Chris Kunza Mennemeyer
Associate Circuit Judge	David Ash
Associate Circuit Judge ¹	Jim Beck
Associate Circuit Judge ¹	Gregory Allsberry
Circuit Clerk	Jerri Harrelson

¹ Associate Circuit Judges Beck and Allsberry are located in Lincoln County, but also hear cases in Pike County.

In addition, the Forty-Fifth Judicial Circuit, Pike County, employed 5 full-time employees and 2 part-time employees on December 31, 2016.

Financial Information

Receipts of the Forty-Fifth Judicial Circuit, Pike County, were as follows:

	Year Ended December 31, 2016
Court deposits, fees, bonds, and other	\$616,562
Drug Court	7,230
Interest income	96
Total	\$623,888

Caseload Information

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

	Year Ended June 30, 2016
Civil	731
Criminal	897
Juvenile	51
Probate	83
Total	1,762