



Office of Missouri State Auditor
Nicole Galloway, CPA

**Fifteenth Judicial Circuit
City of Lexington
Municipal Division**

Report No. 2017-023
April 2017

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Fifteenth Judicial Circuit, City of Lexington Municipal Division

Accounting Controls and Procedures	The municipal division has not adequately segregated accounting and record-keeping duties and neither the Municipal Judge nor city personnel perform supervisory or independent reviews of municipal division accounting functions and records. The Court Clerk also uses facsimile signature stamps on checks and bond forfeiture documents without supervisory control or review. The police department issues generic unnumbered bond forms, does not maintain a log of bonds received, and does not always issue prenumbered receipt slips. Additionally, the Court Clerk does not retain monthly lists of bond liabilities or compare them to the reconciled bond bank account balance.
Municipal Division Procedures	Neither the police department nor the municipal division has developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. In addition, the municipal division does not assess or collect the \$3 Sheriffs' Retirement surcharge in compliance with state law.

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.

All reports are available on our Web site: auditor.mo.gov

Fifteenth Judicial Circuit

City of Lexington 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	8
Information	



NICOLE GALLOWAY, CPA **Missouri State Auditor**

Presiding Judge
Fifteenth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the City Council
Lexington, Missouri

We have audited certain operations of the City of Lexington Municipal Division of the Fifteenth 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, 2016. 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 and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

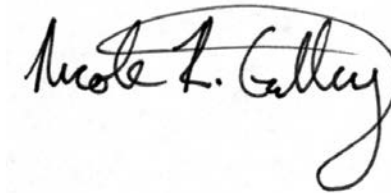
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that 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 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 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) noncompliance with legal provisions, (3) no significant noncompliance with court rules, and (4) no significant noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Lexington Municipal Division of the Fifteenth Judicial Circuit.

A petition audit of the City of Lexington, 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 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:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Cecilia Gomer, M.Acct.

Fifteenth Judicial Circuit

City of Lexington Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. During the year ended March 31, 2016, the municipal division collected approximately \$54,000 in fines, court costs, and bonds.

1.1 Segregation of duties and oversight

The municipal division has not adequately segregated accounting and record-keeping duties and neither the Municipal Judge nor city personnel perform supervisory or independent reviews of municipal division accounting functions and records. The Court Clerk also serves as the City Clerk and is primarily responsible for all accounting functions of the city. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only municipal division employee.

The Court Clerk is primarily responsible for all duties related to collecting court monies, posting these monies to manual ledgers and manual case records, preparing deposits, making disbursements, posting court receipts to the city's computerized accounting system, and reconciling the bank accounts. In addition, the Court Clerk performs similar duties for cash bonds transmitted to the municipal division by the police department. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide independent or supervisory review of the work performed by the 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 implementing documented supervisory or independent reviews of accounting records.

1.2 Facsimile signature stamps

Facsimile signature stamps are not adequately controlled and the Court Clerk uses signature stamps to circumvent established controls.

- Municipal division checks require two signatures. The Court Clerk, who prepares municipal division disbursements, signs each check and uses a facsimile stamp to apply the signature of another authorized check signer on checks.
- The Prosecuting Attorney has provided her signature stamp to the Court Clerk to apply the Prosecuting Attorney's signature on bond forfeiture documents.

In both instances the Court Clerk does not initial to indicate use of the facsimile stamp, nor is there any review of the checks or bond forfeiture documents stamped. The use of the facsimile stamp diminishes the controls intended by the second check signer and approval signature.



Fifteenth Judicial Circuit
City of Lexington Municipal Division
Management Advisory Report - State Auditor's Findings

To safeguard against possible loss, theft, or misuse of funds and to ensure disbursements are properly handled, the municipal division should establish controls over the use of facsimile stamps. If authorized check signers are unavailable to sign checks, or the Prosecuting Attorney is unavailable to sign bond forfeitures, they should subsequently document their review of checks/documents when their signature stamps are used.

1.3 Bonds

Police department personnel issue generic unnumbered bond forms, do not maintain a log of bonds received, and do not always issue prenumbered receipt slips for bonds received. As a result, neither the Court Clerk nor city personnel can account for all bonds received and ensure bonds are handled properly and transmitted to the municipal division timely. We noted one instance in which a cash bond dated September 24, 2015, was held for 39 days and was not transmitted to the municipal division until November 2, 2015.

To reduce the risk of loss, theft, or misuse of bond monies received, and to provide assurance all bond monies are accounted for properly, official prenumbered bond forms should be issued for all bonds received and all bonds collected should be recorded on a bond log and transmitted to the municipal division timely.

1.4 Bond liabilities and reconciliations

The Court Clerk prepares a monthly list of bond liabilities to be available for the municipal judge to review during court, but she does not retain these lists or compare them to the reconciled bond bank account balance. We compared the November reconciled bond bank account balance of \$1,552 to the most current monthly list of bond liabilities as of November 30, 2016, which totaled \$1,851, and determined the account had a shortage of \$299. The Court Clerk indicated checks have been purchased from the account in the past, but the account has not been reimbursed. However, that purchase would not account for the entire difference.

Missouri Supreme Court Operating Rule No. 4.59 (Uniform Record Keeping System) requires reconciling all bank balances and open items records at least monthly. Monthly reconciliations between liabilities and the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

Recommendations

The City of Lexington Municipal Division:

- 1.1 Ensure documented independent or supervisory reviews of municipal division accounting records are periodically performed.
- 1.2 Establish controls over the use of signature stamps.



Fifteenth Judicial Circuit
City of Lexington Municipal Division
Management Advisory Report - State Auditor's Findings

- 1.3 Work with the police department to ensure official prenumbered bond forms are issued, the numerical sequence of all bond forms is accounted for, a bond log is maintained to record all bonds received, and bond receipts are recorded and transmitted timely to the municipal division.
- 1.4 Retain the monthly lists of bond liabilities, reconcile the lists to the reconciled bank balance, and promptly investigate and resolve differences.

Auditee's Response

- 1.1 *The City Administrator is now reviewing court bank statements and bank reconciliations. The City Administrator will also assign someone to compare case dockets to case information to ensure accuracy.*
- 1.2 *A new procedure has been implemented to have all check signers review and initial the Court Clerk's use of their signature stamps. On a monthly basis, the Prosecuting Attorney will review bond forfeitures and related checks when the Prosecuting Attorney signature stamp has been used.*
- 1.3 *The Police Department is now using prenumbered bond forms. A log is being kept by the Police Clerk, and reviewed monthly by the Court Clerk, to ensure the numerical sequence of all bonds is accounted for and to ensure bonds are recorded and transmitted timely.*
- 1.4 *The Court Clerk will retain the monthly lists of bond liabilities and reconcile the lists to the reconciled bank balance monthly. The city General Revenue Fund reimbursed the bond account for the shortage.*

2. Municipal Division Procedures

Procedures related to ticket accountability and court fees assessed need improvement.

2.1 Ticket accountability

Neither the police department nor the municipal division has developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued.

The police department maintains records to track ticket numbers assigned to each officer; however, 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 any voided tickets and all remaining tickets are forwarded to the Prosecuting Attorney who determines whether to dismiss the ticket or file it



Fifteenth Judicial Circuit
City of Lexington Municipal Division
Management Advisory Report - State Auditor's Findings

with the court. However, there are no procedures or records to account for the numerical sequence and ultimate disposition of all tickets issued to ensure tickets have been handled properly.

Without properly accounting for the numerical sequence and ultimate disposition of tickets, the municipal division and police department cannot be assured all tickets issued are properly submitted for processing. In addition, accounting for the ultimate disposition of all tickets issued decreases the risk of loss, theft, or misuse of funds.

2.2 Sheriffs' Retirement surcharge

The municipal division does not assess or collect the \$3 Sheriffs' Retirement surcharge in compliance with state law.

Section 57.955.1, RSMo, requires a surcharge of \$3, payable to the Sheriffs' Retirement Fund, be assessed and collected in all civil actions filed and in all criminal cases including violations of any county ordinance or any violation of criminal or traffic laws, including infractions. Attorney General Opinion 20-2013 (April 17, 2013) concluded municipal courts must collect this fee in municipal ordinance violation cases.

Recommendations

The City of Lexington Municipal Division:

- 2.1 Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.
- 2.2 Begin assessing and collecting the \$3 Sheriffs' Retirement surcharge on all applicable cases in accordance with state law.

Auditee's Response

- 2.1 *The Police Department Clerk and the Court Clerk are working together to create a spreadsheet to track all tickets from assignment to police officers to ultimate disposition.*
- 2.2 *The court will start collecting the Sheriffs' Retirement surcharge as of May 1, 2017.*

Fifteenth Judicial Circuit

City of Lexington Municipal Division

Organization and Statistical Information

The City of Lexington Municipal Division is in the Fifteenth Judicial Circuit, which consists of Lafayette and Saline counties. The Honorable Dennis A. Rolf 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. The municipal division does not utilize the Office of State Court Administrator's statewide automated case management system known as JIS. Instead the municipal division maintains manual records.

Personnel

At March 31, 2016, the municipal division employees were as follows:

Title	Name
Municipal Judge	Randall Shackelford
Court Clerk	Carla Ghisalberti

Financial and Caseload Information

	Year Ended March 31, 2016
Receipts	\$53,861
Number of cases filed	422

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	2.00

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO webpage.¹ The following table presents data excerpted from the AGO report for the City of Lexington Police Department. In addition, see the AGO executive summary webpage² for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

¹ <<http://ago.mo.gov/home/vehicle-stops-report>>, accessed on March 6, 2017.

² <<https://ago.mo.gov/home/vehicle-stops-report/2015-executive-summary>> , accessed on March 6, 2017



Fifteenth Judicial Circuit
 City of Lexington Municipal Division
 Organization and Statistical Information

Racial Profiling Data/2015 - Lexington Police Department - Population 3,725¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	329	289	28	5	0	0	7
Searches	7	4	0	3	0	0	0
Arrests	18	13	1	4	0	0	0
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	86.63	6.63	3.17	1.50	0.38	1.69
Disparity Index ²	N/A	1.01	1.28	0.48	0.00	0.00	1.26
Search Rate ³	2.13	1.38	0.00	60.00	#Num!	#Num!	0.00
Contraband hit rate ⁴	14.29	25.00	#Num!	0.00	#Num!	#Num!	#Num!
Arrest rate ⁵	5.47	4.50	3.57	80.00	#Num!	#Num!	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator