



Susan Montee, CPA
Missouri State Auditor

October 2007

Thirteenth Judicial Circuit

City of Fulton, Missouri
Municipal Division



Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Fulton, Missouri Municipal Division.

The city of Fulton Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The current Court Clerk does not reconcile the composition of the receipt slips to the composition of the bank deposits. Checks and money orders are not restrictively endorsed and bank reconciliations are not prepared for the municipal division's bank account. In addition, the duties of receiving, recording, depositing, and disbursing monies collected by the court, as well as reconciling the municipal division's account, are not adequately segregated.

Fines, court costs, and fees are not being disbursed in accordance with state law. These fees have been allowed to accumulate in the court's account since January 2007. As of July 2007, a total of \$36,890 remained in the account that should be paid to either the city or to the state as required. In addition, the Court Clerk does not file a monthly report with the city of all cases heard in court and the related fines and court costs collected.

A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained, and the current Court Clerk does not monitor or review the open cases to follow up on uncollected amounts. In addition, closed case files are not available for review and the court's computer system maintains information for all cases processed by the court and all financial activities of the court; however, court data is not backed up to prevent loss of information. Also, the Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets.

The Court Clerk does not ensure all overtime parking tickets issued are received from the Meter Enforcement Officer with the ticket log. Monies received from overtime parking tickets are not deposited intact and in a timely manner, and the overtime parking collections are not kept in a secure location until the time of deposit. Payments of overtime parking tickets are not posted to the parking ticket log in a timely manner.

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YELLOW SHEET

THIRTEENTH JUDICIAL CIRCUIT
CITY OF FULTON, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Associate Circuit Judge
Fulton, Missouri

We have audited certain operations of the city of Fulton Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to 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 significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, 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 the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Fulton Municipal Division of the Thirteenth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTEENTH JUDICIAL CIRCUIT
CITY OF FULTON, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Accounting Policies and Procedures
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Checks and money orders are not restrictively endorsed, the composition of the receipt slips is not reconciled with the composition of the bank deposits, and the numerical sequence of receipt slips is not always accounted for properly. Duties are not properly segregated and bank reconciliations are not prepared. Furthermore, fees are not turned over to the state and the city monthly in accordance with state law, and the Court Clerk does not file a monthly report with the city of all cases heard in court. Accounts receivable records are not complete and there are no procedures in place to monitor or review open cases to follow up on uncollected amounts. Finally, case files were not available for review, and computer backup disks of the court information system are not prepared and stored at a secure off-site location.

A. The following concerns relating to receipts were noted:

1. Checks and money orders are not restrictively endorsed. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
2. The current Court Clerk does not reconcile the composition of the receipt slips to the composition of the bank deposits. According to the clerk, if cash, check, or money order is not specified when making an entry into the computerized court accounting system, the system automatically records the transaction as a cash transaction. Because the clerk does not reconcile the composition of the receipt slips to the composition of the bank deposits, she doesn't detect and correct these entry errors. For example, a deposit dated June 11, 2007, showed that \$69.50 was deposited in cash, while court receipts indicated cash receipts of \$846.50. Information was obtained from the bank which indicated \$69.50 was the correct amount of cash deposited, and the remaining \$777 was actually paid with check or money order and not correctly entered into the computer system by the current Court Clerk.

To ensure all receipts are deposited intact, the composition of each collection should be accurately recorded and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

3. The numerical sequence of receipt slips is not always accounted for properly. The former Court Clerk would account for the numerical

sequence of receipt slips monthly by reviewing a report which indicated each receipt slip by number, and a second report which indicated each receipt number which was voided. The current Court Clerk has not reviewed these reports, nor taken any steps to account for the numerical sequence of receipt slips by any other means. Accounting for the numerical sequence of receipt slips is necessary to ensure proper recording and accountability of collections.

- B. The duties of receiving, recording, depositing, and disbursing monies collected by the court as well as reconciling the municipal division's account are not adequately segregated. The former Court Clerk performed all of these duties, and now the current Court Clerk is responsible for these same duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Although the Associate Circuit Judge indicated she reviews the court dockets and individual case files, internal controls could be improved by implementing an independent, documented comparison of the court docket to recorded receipts and bank statements and a periodic review of bank reconciliations.

- C. Bank reconciliations are not prepared for the municipal division's bank account. The former Court Clerk prepared bank reconciliations monthly; however, the last reconciliation she prepared prior to her resignation was for the month of January 2007. The current Court Clerk was hired in March 2007 and has not prepared a bank reconciliation in the five months she has been in the position. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with the bank account and to detect errors on a timely basis.
- D. Fines, court costs, and fees are not being disbursed in accordance with state law. In addition, the Court Clerk does not file a monthly report with the city of all cases heard in court and the related fines and court costs collected. Crime Victim's Compensation (CVC) fees, Law Enforcement Training (LET) fees, and Peace Officer Standards and Training Commission (POSTC) fees have been assessed and collected by the court for violations of municipal ordinances, except for cases dismissed by the court. Fines, court costs, and fees were turned over to the city and state monthly by the former Court Clerk. However, since January 2007, these fees have been allowed to accumulate in the court account. As of July 2007, a total of \$36,890 remained in the account that should be paid to either the city or to the state as required.

Although the former clerk filed a monthly report with the city, it was just a listing of the fines and court costs collected, and did not include a listing of the cases heard in court. The current Court Clerk is not turning in any reports to the city. The current clerk indicated that she had not received any training concerning these reports; therefore, these reports have not been completed.

Section 595.045, RSMo, requires the court to turn over 95 percent of the CVC fees to the state and 5 percent to the city monthly. Section 488.5336 requires the court to transmit LET and POSTC fees monthly to the city and state, respectively.

Section 479.080, RSMo, states that all fines and court costs shall be paid to and deposited monthly into the city treasury, and requires the Court Clerk to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Associate Circuit Judge, and filed with the City Administrator. This listing should indicate information such as the defendant's name, any fine imposed, and the amount of court costs.

- E. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. In addition, the current Court Clerk does not monitor or review the open cases to follow up on uncollected amounts. Defendants are allowed to pay fines and court costs over a period of time. When defendants make payments, the payments are posted to a manual record of payments, which is attached to the case file, and entered into the computer system. The computer system tracks the remaining balance. Initially, the current Court Clerk could not provide a computerized report of all cases with an outstanding balance. The current Court Clerk indicated that she was not properly trained on the court's computerized accounting system, and, therefore, did not know if this report existed.

The actual case files were counted and it was determined that there were 116 cases with outstanding warrants as of July 2007. While looking for a different report, the current clerk found and printed a Warrants Outstanding Report as of July 2007; however it showed that 124 warrants were outstanding. The current Court Clerk had not updated the computer system to reflect the status of 8 cases which should not have been on the outstanding warrants report. The current clerk maintains a manual Fines Due Listing and an electronic report to track the cases for which payments are being made and warrants have not been issued. These two listings were not in agreement. The current Court Clerk could not provide a comprehensive control ledger which showed the total amount owed by defendants. Finally, the current Court Clerk indicated that she did not have any procedures in place to monitor these records to follow-up or review these open cases.

One complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants would allow the municipal division to properly monitor the amounts due. In addition, proper and timely follow-up action of amounts due to the court helps maximize court revenues. The court should review those cases which are outstanding and take action to collect any amounts determined to be collectible.

- F. Closed case files were not available for review. A case file selected for review could not be located. The current Court Clerk pulled case information up on the court's computerized court accounting system and found that the case had been disposed of and was closed; however the file could not be located. In addition, no closed case files could be located by the current clerk. We could not determine if the closed case files had been destroyed or had just been mis-filed.

Retention of court records is essential to establishing accountability for the Court Clerk's activity and in demonstrating compliance with state law. Effective control of records requires all documents and records be safeguarded against loss due to fire, theft, or misplacement, be accessible to the appropriate court employees and outside officials, and upon reasonable request, be accessible to the public.

- G. The court's computer system maintains information for all cases processed by the court and all financial activities of the court. Accordingly, it is imperative that the court have sufficient backup and recovery procedures to ensure the court can efficiently continue operations if the computer system is down for an extended period of time. However, court data is not backed up to prevent loss of information. The current Court Clerk had not prepared a backup disk in the first five months she held the position.

Backups of computer information provide a means of recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that any lost data can be recovered.

WE RECOMMEND the city of Fulton Municipal Division:

- A.1. Restrictively endorse checks and money orders immediately upon receipt.
 2. Reconcile the composition of receipt slips issued to the composition of deposits.
 3. Account for the numerical sequence of receipt slips issued.
- B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies should be investigated promptly.
- C. Ensure monthly bank reconciliations are prepared.
- D. Pay all fines and court costs collected to the city treasury at least monthly and remit CVC, LET, and POSTC fees monthly in accordance with state law. In

addition, the Court Clerk should prepare monthly reports of cases heard in court and file these reports with the city in accordance with state law.

- E. Maintain a comprehensive control ledger of the amount owed by defendants. In addition, procedures should be established to adequately monitor and collect amounts due the court.
- F. Ensure all records of the court actions are properly retained and available for review.
- G. Prepare backup disks and ensure backup disks are stored in a secure, off-site location.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

Many of the concerns identified by the State Auditor have been addressed by the implementation in August 2007 of the state-wide electronic Judicial Information System (JIS) in the City of Fulton Municipal Court. The City of Fulton Municipal Court is the first municipal court to become part of the statewide system, as a pilot project through the Office of the State Courts Administrator. The system will track all cases filed with the court, and all payments received by the court. As noted in the Auditor's Report, the City of Fulton Municipal Court Clerk began her employment in March, 2007. The previous court clerk resigned in December, 2006, and terminated her employment in January, 2007. The previous court clerk was not available to train the new court clerk, and the court went without a court clerk for three months.

- A.1. *The Municipal Court Clerk is now endorsing all checks when received with the statement "For Deposit Only" and the City of Fulton stamp.*
- 2. *The information which is being entered into JIS shows the type of payment received, and a report can be generated reconciling the payments received with the deposits made.*
- 3. *With the implementation of JIS, the current paper numbered receipts will no longer be necessary. JIS assigns a number to each payment entered, and generates a receipt for the individual making payment. In those rare occasions where a separate receipt is given, the JIS number is entered in the receipt book for the separate receipt which was issued.*
- B. *The City of Fulton has a policy of each department depositing all monies it receives with the City Finance Department, which compares the checks, money orders, and cash received against the deposit information. Traditionally, this practice has not been followed with the municipal court. With the arrival of the new Associate Circuit Judge and a Chief Financial Officer for the City, the City's standard practice will now be followed with the municipal court. This will include the Finance Department's*

verification of the month-end bank account reconciliation done by the Municipal Court Clerk.

- C. *The court has its own bank account, and the Municipal Court Clerk is now preparing monthly bank reconciliations. The Office of the State Courts Administrator has obtained the Municipal Court's records for January through August, 2007, and will be preparing this information for the Municipal Court.*
- D. *The fines and court costs collected are now being deposited in the court's bank account on a daily basis. These monies are being disbursed monthly, in accordance with state law. The Office of the State Courts Administrator reviewed the court's records to determine the monies owed for the time period of January through August, 2007. The City has already disbursed the monies owed through July, 2007. A partial disbursal has been made for August, with the disbursal for the remainder of August and for September still being calculated. Monthly reports of cases heard will be generated through JIS and provided to the City Clerk, in accordance with state law.*
- E. *The new JIS system is capable of producing reports showing the amounts owed by defendants and the outstanding warrants. The Municipal Court Clerk will run these reports at least monthly, to ensure that appropriate action is taken to collect monies due the court and execute warrants.*
- F. *The City of Fulton recently moved the office of the Municipal Court Clerk from the Callaway County Courthouse to Fulton City Hall. In that process, the missing closed files were located. All court records are now properly filed in their new location in City Hall, and are available for review.*
- G. *With the implementation of JIS, the Municipal Court Clerk will no longer be maintaining independent computer records for municipal court cases. The Office of the State Courts Administrator backs up information on JIS daily.*

2. Ticket Accountability

The Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets. The Police Department tracks the ticket numbers assigned to each officer, but no one accounts for the tickets once they are issued, voided, or destroyed. Police officers return their tickets to their direct supervisor for review. The tickets are then entered into the computer system and onto one of two manual ticket logs. Municipal offenses are entered onto one log and state offenses are entered on another log. However, these logs are not reviewed to ensure all tickets are accounted for, and the disposition of the tickets is not logged. The Records Clerk for the Police Department indicated both the former and current court clerks have provided copies of completed court dockets which indicate the disposition of cases; however, these dockets are merely filed and are not used to account for the disposition of the tickets.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the Municipal Division and the Police Department cannot be assured that all tickets assigned and issued are properly submitted to the division for processing. A log listing ticket books assigned, each ticket number, the date issued, and the violator's name would ensure all tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Fulton Municipal Division work with the Police Department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

The Associate Circuit Judge who hears the Fulton Municipal Court cases discussed this issue with the police chief. He responded that there may have been some communication problem as his agency does log all tickets into the computer and they are kept there in numerical order and when the clerk enters tickets she can see if any are missing and ask the officer about those tickets. This log also tracks the destination of each ticket, and all tickets which are not filed for prosecution are accounted for.

AUDITOR'S COMMENT

Although the Police Department has procedures to enter all tickets received from police officers into the computer system, based on information gathered during the audit and recently confirmed, no one is accounting for the numerical sequence of tickets.

3. Overtime Parking Ticket Procedures
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The Court Clerk does not ensure all overtime parking tickets issued are received from the Meter Enforcement Officer with the ticket log. Furthermore, overtime parking collections are not deposited intact and in a timely manner. Collections are also not kept in a secure location until the time of deposit. Finally, overtime parking collections are not posted to the parking ticket log in a timely manner.

The city issues overtime parking tickets for vehicles parked within approximately a two-block radius of the county courthouse, and one city owned parking lot, for more than the posted two-hour time limit. The following concerns were noted related to parking tickets and applicable procedures:

- A. The Court Clerk does not ensure all overtime parking tickets issued are received from the Meter Enforcement Officer with the ticket log. The officer writes tickets Monday through Friday. Weekly, she brings the clerk a copy of the ticket log, which lists the ticket number, the date issued, and the vehicle license plate number, and the court's copies of the tickets issued. The clerk puts these tickets in a box in her desk and matches them to tickets only when they are paid.

Without properly ensuring all overtime parking tickets are turned over with the ticket log, the Municipal Division cannot be assured that all tickets issued are properly submitted to the court. The clerk should promptly ensure that all tickets issued are posted to the log, and that any unissued or voided tickets are returned to her.

- B. Monies received from overtime parking tickets are not deposited intact and in a timely manner. In addition, the overtime parking collections are not kept in a secure location until the time of deposit.

The former Court Clerk deposited overtime parking ticket collections monthly. The last deposit made by the former clerk was on January 23, 2007. At the time of our audit, the current clerk had only made two deposits of overtime parking collections, one deposit of \$144 cash was made in March 2007, and another deposit of \$845 (including \$695 cash) was made on July 6, 2007. We performed a cash count on July 24, 2007, and observed overtime parking ticket payment envelopes sitting on the clerk's desk and in a box in the clerk's desk drawer. On this date, 114 tickets totaling \$680 (\$625 cash) were on hand. These tickets had been issued during the period from January 23, 2007 through July 23, 2007, and paid between February 1, 2007 and July 23, 2007.

The Court Clerk indicated that the February to June payments were not included in the July 6th deposit because of the manner in which deposits are prepared. Apparently, when the box in the clerk's desk drawer becomes full, the clerk simply pulls some tickets off of the top to process and deposit and leaves the remaining collections in the box.

To reduce the risk of loss, theft, or misuse of funds, monies should be deposited intact in a timely manner, preferably daily. In addition, receipts should be kept in a secure location until deposited.

- C. Payments of overtime parking tickets are not posted to the parking ticket log in a timely manner. Overtime parking tickets can be paid in person at the court, by mail, or by dropping the envelope with the ticket in a special drop-box which is picked up by the Meter Enforcement Officer and delivered to the Court Clerk. The Court Clerk receives a ticket log from the Meter Enforcement Officer which indicates the tickets issued and the date issued. The log has columns for the clerk to record the date and amount paid. However, the current Court Clerk has not posted payments to the ticket log when received. For example, when a cash count

was performed on July 24, 2007, we found that payments for 55 tickets which had been deposited on July 6, 2007, had not been recorded. Also, we noted another 114 tickets that had been paid, but not recorded on the log or deposited.

Payments should be posted to the parking ticket log in a timely manner to ensure all records are complete and accurate.

WE RECOMMEND the city of Fulton Municipal Division:

- A. Account for the numerical sequence of the overtime parking tickets issued.
- B. Deposit all monies intact on a timely basis, preferably daily. In addition, all collections should be kept in a secure location until deposited.
- C. Post payments to the overtime parking ticket log in a timely manner.

AUDITEE'S RESPONSE

The Associate Circuit Judge, the Assistant to the Court Administrator, and the Court Clerk provided the following responses:

- A. *The parking officer turns in all parking ticket information to the Municipal Court Clerk. The Municipal Court Clerk will review the information provided to ensure that all ticket numbers are accounted for, as well as any payments made. Once entered in JIS, parking tickets issued will be assigned a case number for tracking in that system.*
- B. *The Municipal Court Clerk is depositing all monies received to the court's bank account on a daily basis. Parking tickets are kept in a locked drawer until receipted into JIS, and the money is put into a locked cash box until the daily deposit is made.*
- C. *Overtime parking ticket payments will be posted in JIS when received.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF FULTON, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Fulton Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton 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 (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality, the county, or the state of Missouri, as applicable.

Personnel

Associate Circuit Judge	Joe D. Holt*
Court Clerk	Sherry Young**

* Carol England took office as Associate Circuit Judge in January 2007.

** Sherry Young resigned her position in January 2007, and Susan Slaughter was hired as Court Clerk in March 2007. A city employee handled Court Clerk duties in the interim.

Financial and Caseload Information

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Receipts	\$105,590	73,300
Number of cases filed	1,157	777
Overtime parking tickets issued	1,949	2,017