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Missouri State Auditor

7th Judicial Circuit

City of Kearney Municipal Division

September 2010

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YELLOW SHEET

Findings in the audit of the Seventh Judicial Circuit, City of Kearney Municipal Division

Accounting Controls and Procedures	The duties of receiving, recording, depositing, and reconciling municipal division receipts are not adequately segregated. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk. The composition of receipt slips issued is not reconciled to the composition of bank deposits and lists of liabilities are not prepared and compared to the reconciled balance of the Bond Account. At March 31, 2010, the balance of the Bond Account was $31,154.

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Seventh Judicial Circuit
City of Kearney Municipal Division
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Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
Kearney, Missouri

We have audited certain operations of the City of Kearney Municipal Division of the Seventh Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended March 31, 2010. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.

2. Evaluate the municipal division's compliance with certain legal provisions.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Kearney Municipal Division of the Seventh Judicial Circuit.

Susan Montee

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Nathaniel Fast, M.Acct., CPA

Seventh Judicial Circuit
City of Kearney Municipal Division
Management Advisory Report - State Auditor's Findings

Accounting Controls and Procedures

Cash custody and recordkeeping duties are not adequately segregated and an independent review of accounting records is not performed. In addition, the composition of receipt slips issued is not reconciled to the composition of bank deposits, and monthly lists of liabilities for the bond account are not prepared and reconciled to the available cash balance.

1. Segregation of duties

The duties of receiving, recording, depositing, and reconciling municipal division receipts are not adequately segregated. Currently, the Court Clerk performs all of the accounting duties of the court. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

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. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, an independent review of the work performed by the Court Clerk is necessary.

2. Deposit composition

The composition of receipt slips issued is not reconciled to the composition of bank deposits. Cash, checks, and money orders are accepted for bonds and payment of fines and court costs, and are deposited into the municipal division bond bank account and the city pooled cash account.

Reconciling the composition of deposits to receipt slips helps to adequately account for collections and reduce the risk of loss or misuse of funds.

3. Open items

Lists of liabilities are not prepared and compared to the reconciled balance of the Bond Account. At March 31, 2010, the balance of the Bond Account was $31,154.

Monthly lists of liabilities should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

Recommendations

The City of Kearney Municipal Division:

1. Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.

2. Reconcile the composition of receipt slips to the composition of deposits.

3. Prepare and reconcile a monthly detailed list of liabilities.

Auditee's Response

The City Administrator provided the following response:

1. *I will work with the Court Clerk to ensure a documented review of municipal court records is performed periodically.*

2. *I will ensure a periodic comparison of the composition of receipts to deposits is performed by an independent person.*

3. *I will work with the Court Clerk to ensure a listing of liabilities is prepared monthly.*

Seventh Judicial Circuit
City of Kearney Municipal Division
Organization and Statistical Information

The City of Kearney Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable Anthony Rex Gabbert 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 costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At March 31, 2010, the municipal division employees were as follows:

Title	Name
Municipal Judge	Larry Butcher
Court Clerk	Joan Updike

Financial and Caseload Information

	Year Ended March 31, 2010
Receipts	$187,908
Number of cases filed	1,549