



Thomas A. Schweich
Missouri State Auditor

Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Thirty-Eighth Judicial Circuit, City of Sparta Municipal Division

Receipting and Depositing	The audit identified significant weaknesses with receipting and depositing procedures, making it difficult to ensure all monies are accounted for properly. The municipal division does not issue receipt slips for all monies collected, does not reconcile receipt slips to deposits, and does not always note whether cash, check or money order was used for the payment. Receipts are not deposited timely and intact, and the Court Clerk often issues bond refunds in cash from municipal division receipts.
Liabilities and Disbursements	Monthly lists of liabilities are not accurate. The municipal division bank account does not have adequate funds to pay everything owed because the municipal division overpaid the Police Fund by almost \$2,000. In addition, the municipal division does not timely disburse or adequately investigate bonds and partial payments remaining on the liabilities list for extended periods of time. The municipal division does not disburse fines and court costs to the city and state at least monthly as required by state law.
Segregation of Duties	The municipal division does not adequately segregate the duties of receiving and depositing monies from that of recording transactions and does not provide sufficient supervision or review of these duties. Proper segregation of duties or a documented independent review helps safeguard against possible loss or misuse of funds.
Records and Reporting Procedures	The municipal division did not prepare and file with the city a monthly list of all cases heard, as required by state law. The municipal division did not maintain a comprehensive list of all monies owed by defendants, making it difficult to monitor the amounts due and ensure payments are processed correctly. Municipal division personnel could not readily locate older case files and receipts records. Moreover, some court records were left unsecured on top of the Court Clerk's desk, which is often used by other city employees and volunteers; such records should be secured to maintain the integrity and confidentiality of the information.
Traffic Ticket Accountability	Neither the city Police Department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The Police Department tracks the ticket book numbers, but some ticket books were skipped and relevant information was not always recorded. In addition, voided tickets are not tracked, and the disposition of each ticket is not recorded, making it difficult to ensure all tickets issued are properly submitted for processing.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

The Thirty-Eighth Judicial Circuit, City of Sparta Municipal Division did not receive any federal stimulus monies during the audited time period.

*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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Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

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THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Thirty-Eighth Judicial Circuit
and
Municipal Judge
City of Sparta, Missouri

We have audited certain operations of the City of Sparta Municipal Division of the Thirty-Eighth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the 3 years ended June 30, 2011. 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 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. 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 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, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Sparta Municipal Division of the Thirty-Eighth Judicial Circuit.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: Alice M. Fast, CPA, CGFM, CIA
Audit Manager: Donna Christian, CPA, CGFM
In-Charge Auditor: Natalie B. McNish, CGAP

Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

Management Advisory Report - State Auditor's Findings

1. Receipting and Depositing

Significant weaknesses were identified with receipting and depositing procedures of the municipal division. As a result, there is no assurance all municipal division receipts are accounted for properly.

1.1 Receipts

Receipt slips are not issued for some monies received, and the method of payment (cash, check, or money order) is not always recorded on receipt slips and reconciled to deposits.

In addition, city water/sewer manual receipt slips were issued for some municipal division monies received, but these receipts were not reconciled to municipal division receipt records to ensure the monies were recorded by the municipal division and deposited. The original copy of these receipt slips was given to the defendant and the duplicate copy was removed from the receipt book and stapled into the case file making it difficult to track municipal division receipts comingled with city receipts and ensure all monies were accounted for properly.

To ensure all receipts are properly recorded and deposited intact, receipt slips, with the method of payment documented, should be issued for all monies received, and the composition of receipt slips should be reconciled to the composition of deposits. In addition, municipal division monies collected by the city should be recorded separately from water and sewer receipts with copies of the receipt slips remaining intact in the receipt book and reconciled to municipal division receipt records to ensure the monies were properly deposited.

1.2 Deposits and cash refunds

Receipts are not deposited intact or in a timely manner, and numerous bond refunds were issued from cash receipts. Three deposits of municipal division monies were made on April 8, 2011, totaling more than \$5,000 and included monies received as far back as February 22, 2011. In addition, receipts are not deposited intact because the Court Clerk often issues bond refunds in cash. For example, recorded receipts on June 1 and 2, 2011, totaled \$2,190; however, only \$1,790 was deposited on June 8, 2011. Upon further review, we found a \$400 bond was refunded to a defendant using cash from municipal division receipts.

To ensure all receipts are accounted for properly and deposited intact, monies should be deposited timely and all refunds should be made by check. The failure to deposit timely increases the risk of theft or misuse of funds. Also, issuing cash refunds further inhibits the municipal division's ability to reconcile the composition of receipts and deposits.

Recommendations

The City of Sparta Municipal Division:

- 1.1 Issue receipts slips for all monies received, document the method of payment on receipt slips, and reconcile the composition of receipt



slips to the composition of deposits. Additionally, the municipal division should work with the city to ensure municipal division monies received by the city are separately recorded and reconciled to municipal division receipt records.

- 1.2 Deposit monies intact and in a timely manner, and discontinue the practice of issuing cash refunds for bond monies.

Auditee's Response

The Municipal Judge provided the following responses:

- 1.1 *I will take the necessary steps to ensure receipt slips are issued for all monies received, the method of payment is documented and the composition is reconciled as recommended. Only municipal court receipt books will be utilized for recording court monies in the future.*
- 1.2 *At my instruction, the practice of issuing cash refunds for bonds was recently discontinued and I will take steps to ensure deposits are made intact and timely in the future.*

2. Liabilities and Disbursements

Monthly lists of liabilities are not complete and reconciled to monies available in the municipal division bank account. Additionally, procedures have not been established to routinely investigate bonds and partial payments remaining on the liabilities list over a specified period of time. Further, court costs are not disbursed timely.

2.1 Liabilities

The monthly list of liabilities is not accurate, and because of overpayments made to the Police Fund, the municipal division bank account does not have adequate funds to pay all amounts owed. In addition, the division does not adequately follow up on bonds held for an extended period of time, forfeit bonds to the city in a timely manner, or disburse partial payments timely.

Prior to May 2011, monthly bank reconciliations for the municipal division's two bank accounts (bond account and fines/court cost account) were not performed or documented, and liabilities lists were not prepared and reconciled to the monies available in the municipal division bank accounts. In April 2011, the city hired a consultant to reconcile municipal division records and prepare a liabilities list. During this process, the bond account was closed and the balance transferred to the fines/court cost account.

As of June 30, 2011, the liabilities list included 11 bonds totaling \$2,750; however, this list was incomplete and inaccurate. We identified one \$200 bond on the list that was disbursed in December 2010. Also, 20 additional bonds and six partial payments totaling \$3,679 should have been included on the list, making the total liabilities \$6,229 as of June 30, 2011.



Thirty-Eighth Judicial Circuit
City of Sparta Municipal Division
Management Advisory Report - State Auditor's Findings

The municipal division bank account had a reconciled balance of \$4,300 as of June 30, 2011. The shortage in this account is primarily caused by two overpayments made to the city Police Fund. In May 2010, without any documented reason, the former Court Clerk disbursed \$1,000 to the Police Fund. In April 2011, the municipal division overpaid fines and costs due to the Police Fund by \$964. These monies should be repaid to the municipal division bank account.

We identified 20 bonds totaling \$2,900 which were held by the municipal division in excess of a year. Of these 20 bonds, 19 bonds totaling \$2,850 had been ordered forfeited to the city by the Municipal Judge, but the bonds were not disbursed. We also identified six partial payments, totaling \$779, which were deposited into the bond account in February 2011, but not disbursed. Of this amount, fines and costs of \$744 are currently payable to the city and one \$35 refund is due to a defendant.

Liabilities should be identified at each month-end and reconciled to the bank account balance to ensure accounting records are in balance and monies held in trust are sufficient to meet the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken. Additionally, to properly monitor liabilities and ensure monies are appropriately disbursed, procedures should be established to routinely investigate bonds and partial payments remaining on the liabilities list over a specified period of time. Further, forfeited bonds should be disbursed to the city in a timely manner.

2.2 Court costs

Fines and costs collected by the municipal division are not always disbursed to the city and state in a timely manner. For example, fines and costs collected February 22 through April 26, 2011, were not disbursed to the city until April 28, 2011.

Section 479.080, RSMo, requires the municipal division to disburse fines and court costs to the city or state, as applicable, at least monthly.

Recommendations

The City of Sparta Municipal Division:

- 2.1 Prepare monthly liabilities lists and reconcile lists to the balance in the municipal division bank account. In addition, the Municipal Division should disburse \$1,964 from the Law Enforcement Fund to the Municipal Division bank account, and develop procedures to monitor liabilities and ensure monies are appropriately disbursed.
- 2.2 Disburse fines and costs in a timely manner.



Auditee's Response

The Municipal Judge provided the following responses:

- 2.1 *I will ensure the Court Clerk performs the actions recommended to properly reconcile, monitor, and disburse court monies as required.*
- 2.2 *I will take steps to ensure monies are disbursed to the city on a monthly basis.*

3. Segregation of Duties

The duties of receiving and depositing monies are not adequately segregated from recording transactions. The Court Clerk performs all duties related to collection of funds, deposit preparation, and posting fines and court costs received. Neither the Municipal Judge nor other city officials 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, a documented independent review of the work performed by the Court Clerk is necessary.

Recommendation

The City of Sparta Municipal Division segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Auditee's Response

The Municipal Judge responded that he plans to discuss this issue with city officials and develop procedures for adequate independent or supervisory review.

4. Records and Reporting Procedures

The municipal division has not prepared and filed with the city a list of cases heard each month as required by state law. A comprehensive control ledger showing the total amount owed by defendants is not maintained, and other procedures for maintaining municipal division records need improvement.

4.1 Report of cases heard

A monthly list of all cases heard is not prepared and filed with the city. Without such a report, the city cannot effectively monitor municipal division activity and ensure monies are properly remitted.

Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.



4.2 Accounts receivable

A comprehensive control ledger showing the total amount owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time, and the Court Clerk keeps track of these payments on the docket sheet attached to the cover of each case file, or on a separate sheet in the case file. Defendants making payments on a payment plan appear on the court docket each month; however, if a defendant fails to pay and a warrant is issued, the case no longer appears on the monthly court docket and a separate list of these cases and the amounts due is not maintained.

A complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants and payments would allow the municipal division to properly monitor the amounts due and ensure payments are processed correctly.

4.3 Court records

Procedures for maintaining municipal division records need improvement. Municipal division personnel were uncertain where to find older records including case files and receipt records. Records that could not be located include a receipt ledger showing the issuance of 21 receipts totaling \$3,742, 11 receipt slips missing from the receipt book, and one case file.

In addition, some court records are not adequately secured. During our audit, we noted numerous traffic tickets, case files, un-receipted bond monies, and other court documents on the top of the Court Clerk's desk. Since the Court Clerk also works as the city Water Clerk, and sits at a separate desk in the office, other employees and city volunteers often use the Court Clerk's desk.

Supreme Court Rule No. 8 requires all financial records be maintained for 5 years or upon completion of an audit. Retention of applicable records is necessary to properly account for the municipal division's financial activity. In addition, court records and bond monies should be kept in a secure place to ensure the integrity and confidentiality of information is maintained and court monies are adequately secured.

Recommendations

The City of Sparta Municipal Division:

- 4.1 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.
- 4.2 Ensure a complete and comprehensive control (or summary) ledger is maintained showing the total amounts owed by defendants and payments.



- 4.3 Ensure division records are organized efficiently, maintained securely, and appropriately retained. In addition, municipal division bond monies should be adequately secured.

Auditee's Response

The Municipal Judge provided the following responses:

- 4.1 *A list of cases heard by the court will be prepared by the Court Clerk and filed with the city as required.*
- 4.2 *I will take steps to ensure the Court Clerk establishes a comprehensive control ledger for accounts receivable.*
- 4.3 *I will work with the city to develop a more secure means of maintaining division records.*

5. Traffic Ticket Accountability

Neither the city Police Department nor the municipal division adequately account for the numerical sequence and ultimate disposition of traffic tickets issued. The Police Department tracks the ticket book numbers assigned to each officer on a log; however, some books were skipped, and information required such as date, officer name and badge number, and ticket numbers were sometimes not recorded. The Police Chief also maintains a separate log of each citation after it has been issued; however, this log does not account for the numerical sequence and disposition of tickets. For example, voided tickets are not tracked, some tickets were not issued by officers in numerical sequence, and the disposition of each ticket is not recorded.

Without proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the Police Department cannot be assured all tickets issued are properly submitted for processing.

Recommendation

The City of Sparta Municipal Division work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

Auditee's Response

The Municipal Judge responded that he will work with the city to establish procedures to monitor traffic tickets as recommended.

Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

Organization and Statistical Information

The City of Sparta Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney Counties. The Honorable Mark Orr 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 June 30, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Jared Clinton
Court Clerk	Cathy Newman

Financial and Caseload Information

	Year Ended June 30,		
	2011	2010	2009
Receipts	\$40,408	45,356	30,735
Number of tickets issued	302	524	196*

* Represents tickets issued January through June 2009 only. Prior to January 2009, these records were not maintained.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Sparta Municipal Division did not receive any federal stimulus monies during the 3 years ended June 30, 2011.