

**CITY of  
SPRINGFIELD**



Internal Audit Report

Municipal Court

February 2012

2012-01

Municipal Court  
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February 2, 2012

Honorable Mayor and Members of the City Council:

I am pleased to present the attached internal audit report on the Thirty-First Judicial Circuit, City of Springfield, Missouri Municipal Division (the "Court"). The purpose of the audit was to evaluate controls and identify opportunities to enhance the revenue collection procedures used to collect fines and court fees, and to follow-up on the status of findings from the Missouri State Auditor's report issued in August of 2007.

A draft for discussion was provided to the Municipal Judge and the City Manager's Office prior to the release. The Municipal Court was very responsive to the recommendations.

The accompanying Background and Statistical section of the audit report is presented for informational purposes. This information was obtained from the Court's management and was not subjected to the procedures applied in the audit of the division.

I would like to thank the staff at the Municipal Court for their full cooperation and assistance provided during this audit.

Respectfully submitted,

A handwritten signature in black ink that reads "K. Bork".

Kristy Bork, CPA  
Internal Auditor  
City of Springfield

Attachment

cc: Greg Burris, City Manager  
Fred Marty, Deputy City Manager  
Collin Quigley, Assistant City Manager

**Authorization**

The Internal Audit Department has conducted an audit of the operations of the Thirty-First Judicial Circuit, City of Springfield, Missouri Municipal Division. The audit was conducted under the authority of Chapter 2, Section 15 of the Springfield City Charter and in accordance with the Annual Audit Plan approved by City Council.

**Audit Objectives Scope and Rating**

This audit was performed in accordance with *Generally Accepted Government Auditing Standards*, which included tests of the controls and records, and other audit procedures that the Auditor considered necessary in the circumstances. The following discussions and conclusions are based on the existing internal controls as of the date of this report. Opinions and conclusions could change as a result of changes to existing internal controls or changes in the applicable laws and regulations. This audit covered the fiscal year ending June 30, 2011. The results of our audit indicate that the control environment is Green. The rating definitions are included in APPENDIX A of this report.

Audit Objectives	Objective Ratings		
<b>OBJECTIVE #1</b> - Evaluate the effectiveness over cash collection procedures and ensure such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft	X		
<b>OBJECTIVE #2</b> - Ensure the court has adequate policies and procedures over the recording of revenues and that fines are assessed on applicable cases in accordance with the violation bureau.	X		
<b>OBJECTIVE #3</b> - Evaluate the effectiveness over accounts receivables and issuances of warrants and ensure accounts receivable is properly valued and warrants issued timely.	X		
<b>OBJECTIVE #4</b> - Ensure that recommendations made by the Missouri State Auditor August 2007 audit report have been implemented where applicable.	X		

**Overall Conclusion**

As a result of audit inquiries, examinations and tests, the Auditor concluded that current internal controls over the cash collection/revenue cycle are adequate to prevent and/or detect a material instance of error or fraud. Audit results include a request for Court staff to further document current control procedures being performed by Court staff.

**Background**

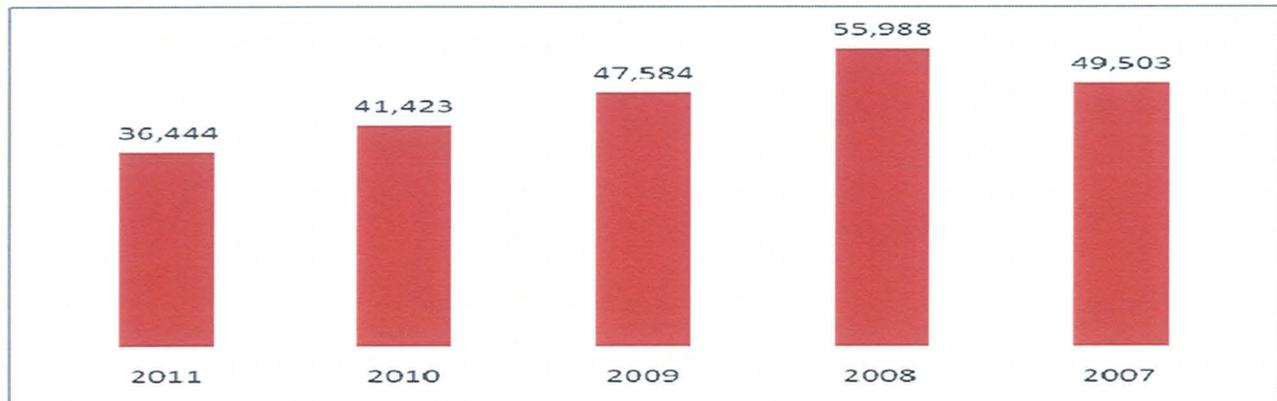
The City of Springfield Municipal division is one of eight municipal divisions within the Thirty-First Judicial Circuit, which is located in Greene County. The Honorable Thomas E. Mountjoy, serves as the current Presiding Judge. The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which pleas of guilty and assessment of fines may be made pursuant to an established fine schedule and transmitted to the city treasury.

The Court Administrator performs the day-to-day administration of the Court with direction from the Chief Judge. The operating costs and court salaries of the municipal division are paid by the City’s General Fund. The Court Administrator oversees 19 assistants who are responsible for recording transactions, as well as handling collections and disbursements. Fines and court costs are deposited directly into the City treasury daily. Bond monies are deposited into a separate municipal division bank account pending disposition. Below shows the Court’s five-year trends for financial and caseload information. These amounts are reported to the state monthly.

**Receipts Collected Year Ended June 30**



**Cases Filed Year Ended June 30**



In June 2006, City Staff uncovered a large fraud scheme in which the court's Accounting Services Representative misappropriated over \$1.3 million between 1997 through 2006. In August 2007, the Missouri State Auditor issued a report that provided the Court with additional recommendations to implement. Since these two instances, the court has implemented a number of controls and procedures to further segregate duties in the cash collections and revenue cycle to address issues raised by outside consultants and the Missouri State Auditor's report.

### **Audit Objective Analysis and Opportunity for Improvement**

**Objective 1:** Evaluate the effectiveness of controls over cash collection procedures and ensure such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft

In planning and performing the audit, the Auditor considered the Court's internal control over the cash collection/revenue accounting cycle as a basis for designing auditing procedures. The Court is responsible for collecting fines and court costs and tracking amounts owed, and issuing warrants in instances of non-appearance for show-cause hearings for non-payment. The Court should have adequate controls to ensure risks associated with the collection of fines and court costs, and the recording of transactions and proper financial reporting are properly mitigated.

To test the above-stated objective, the Auditor performed the following tests: interviewing management and staff, observing collection procedures, tracing and comparing a sample of recorded transactions from the Court database to the financial statements and supporting documentation, and testing follow-up procedures on accounts that are past-due.

Based on these tests, the Auditor did not identify any deficiencies of the above-stated objective that would be considered a material weakness in internal controls over the collection and recording of court fines and costs. Court staff, with assistance from the City's Finance Department, has appropriate controls in place to ensure the cash collection/revenue cycle is properly segregated.

The following are other items discussed with management as part of this audit. This recommendation does not represent a weakness in internal control, but an area for management to provide further documentation of controls being performed.

### **Opportunities for Improvement (OFI):**

- a. Currently, the Court Administrator receives system-generated email reports that show total amounts collected by cash drawer, by type of collection (cash, check, or credit card). The Court Administrator reconciles this report to the "daily remittance register" and deposit receipts received from the bank. This review ensures the total amount

collected per the Court's database matches the actual deposit and the deposit make-up (cash check, credit card).

The Court Administrator did not maintain signed records showing this review was performed. The Court Administrator should document this review on the "Daily Remittance Register" prepared by the Accounting Service Representative. The sign-off provides additional documentation that the remittance register agreed to the amounts reported in the cash tray email notifications, and the deposit slip receipt received from the bank.

**Objective 2:** Ensure the court has adequate policies and procedures over the recording of revenues and that fines are assessed on applicable cases in accordance with the violation bureau.

The Court records revenue on a cash basis, in accordance with *Government Accounting Standards*. After the Accounting Services Representative prepares the daily deposit, and reconciles all cash trays the daily activity is transmitted to the general ledger for Finance to review and reconcile cash.

Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which pleas of guilty and assessment of fines may be made pursuant to an established fine schedule and transmitted to the city treasury. To ensure that fines are assessed in accordance with the VB, the Chief Judge reviews a monthly computer programmed "exception report". The exception report notes cases, if any, which are processed through the violation bureau (VB) which do not meet the VB fine schedule.

To test the above-stated objective, the Auditor performed the following tests: interviewing management and staff, observing revenue recording procedures, and tracing and comparing a sample of recorded transactions from the Court database to the financial statements and supporting journal entry documentation, and reviewed a sample of "exception reports" reviewed by the Chief Judge. There were no noted issues or concerns with this objective; controls and procedures in place appear appropriate.

**Objective 3:** Evaluate the effectiveness over accounts receivables and issuances of warrants and ensure accounts receivable is properly valued and warrants issued in a timely manner.

If a defendant cannot pay their fine, the Judge can allow the defendant to set up a payment plan with the Court. Prior to the Missouri State Auditor's report issued in August 2007, the Court had not implemented procedures to review past-due accounts daily to ensure that a warrant for arrest was issued timely. Since the Missouri State Auditor's report, the Court has implemented a number of procedures to ensure past-due amounts are worked each day.

A nightly report is run from the Court's database which shows all accounts that have gone into default. This report is worked by a Probation Collection Officer, who reviews the defendant's file and verifies the payment terms to the Judge's orders. If the account is truly past-due and the defendant has failed to appear as ordered before the due date to show cause why the fine has not been paid, the Probation Collection Officer prepares a warrant order and an arrest warrant for failure to appear at the show-cause hearing that are given to a Judge to sign. To ensure past-due accounts are worked daily, the Court Administrator reviews this report to ensure all past-due accounts were issued a warrant.

To test the above-stated objective, the Auditor performed the following tests: interviewing management and staff, observing procedures, and tracing and comparing a past-due account from the database to actual court records and warrants issued. There were no noted issues or concerns with this objective; controls and procedures in place appear appropriate.

**Objective 4:** Ensure that recommendations made by the Missouri State Auditor's August 2007 audit report have been monitored or implemented where necessary.

The Court received 22 recommendations from the Missouri State Auditor's report issued in August of 2007. The court reviewed these recommendations and implemented a number of processes and reviews to comply with all recommendations that were applicable to the functions of the Court's operations. See update of these findings at APPENDIX B. Appears the Court has implemented recommendations from the Missouri State Auditor's report. There were no noted issues or concerns with this objective; controls and procedures in place appear appropriate.

### **Management's Response to Findings**

*The following response was provided by Chief Judge, Todd Thornhill*

**OFI 1.a** - *The opportunity for improvement under Objective 1 is agreed to and has been implemented.*

**APPENDIX A – AUDIT RATING SYSTEM**

**Red** – An overall unsatisfactory or unacceptable state of control. The Red level of control denotes significant business risk or exposure to the City that requires immediate attention and remediation efforts. The overall control environment does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records, and compliance with City policies and/or government laws and regulations.

**Yellow** – A state in which the controls in place need improvement. If these controls are not improved, this could lead to an overall unsatisfactory or unacceptable state of control.

**Green** – An overall satisfactory or acceptable state of control, where risk is minimized and managed. The overall environment provides a high degree of assurance regarding the safeguarding of assets, reliability of financial records, and compliance with City policies and government laws and regulations. Control weaknesses noted, if any, are relatively minor.

**APPENDIX B – FOLLOW-UP ON PRIOR AUDIT FINDINGS**

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
1	1	<u>Misappropriated Funds</u> The City of Springfield and the Municipal Division should continue to work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover the missing funds. Additionally, the City should continue providing adequate oversight of court receipts and deposits.	The criminal prosecution involving a court employee was completed in 2008. Since the asset misappropriation was discovered in 2006, the Court has significantly increased their internal controls to further segregate and mitigate the risk of error or fraud.	<b>Completed</b>
2	2	<u>Accounting Controls and Procedures</u> A. Ensure all receipts are deposited daily and all refunds are made by check. Additionally, procedures should be developed to ensure the amount recorded on the LOGG system agrees to amounts held by the city for these types of payments.	The Court has significantly increased their internal controls to further segregate and mitigate the risk of error or fraud since the release of the State Audit. Based on the audit performed by the City's Internal Audit Department, there we no material weaknesses in internal control noted.	<b>Completed</b>
3	3	<u>Accounting Controls and Procedures</u> B. Take steps to coordinate armored car pickup times to ensure receipts are deposited on a timely basis and the amount of cash on hand is minimized.	Armored car pickup is performed daily.	<b>Completed</b>
4	4	<u>Accounting Controls and Procedures</u> C. Consider improvements to controls over cash drawers to make each court clerk responsible for reconciling their individual collections.	Current collection procedures require each clerk reconcile their individual cash drawer each night.	<b>Completed</b>

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
5	<u>Accounting Controls and Procedures</u>	D. Ensure all monies are properly recorded and deposited, and determine the proper disposition of all monies found in the various court records.	Court staff has worked over the last five years to ensure proper disposition of all monies found in court records maintained by the convicted former employee. Current procedures include additional controls over recording and depositing money that were not in place during the state audit in 2007.	<b>Completed</b>
6	<u>Accounting Controls and Procedures</u>	E. Implement necessary programming and procedural changes to eliminate the need for the removal and movement of cash when a payment needs to be reversed and refunded. Further, adequate controls over payment reversals should be implemented.	All payment types (check, cash or credit card) are tracked in the court's database and reconciled daily. Reversals are tracked and reconciled daily by the ASR.	<b>Completed</b>
7	<u>Accounting Controls and Procedures</u>	F. Develop procedures to ensure completeness of receipt information reported by the court and ensure the numerical sequence of receipts is accounted for properly.	Sequence numbering of receipts is reconciled by an Accounting Clerk in the Finance Department. The Accounting Clerk follows up with the Court Administrator if there are any issues or concerns in the sequencing of receipts.	<b>Completed</b>
8	<u>Accounting Controls and Procedures</u>	G. Implement timely notification and follow-up procedures for insufficient fund checks.	Insufficient fund (NSF) checks are reported to the Court by the City's Cashier. NSF checks are entered into the Court's data management software and a show-cause issued.	<b>Completed</b>

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
9	<u>Accounting Controls and Procedures</u>	H. Utilize pre-numbered receipt slips and limit the access to manual receipt slips.	Receipt slips are pre-numbered by the court data management software. Finance reconciles the receipt numbers daily. There are only a limited number of staff with access to manual receipts and they would have to be reconciled daily like all electronically issued receipts.	<b>Completed</b>
10	<u>Accounting Controls and Procedures</u>	I. Ensure all restitution monies are properly paid to victims.	Court staff has worked over the last five years to ensure that unpaid restitution from defendants, due to fraud uncovered in 2006, have been paid.	<b>Completed</b>
11	<u>Accounting Controls and Procedures</u>	J. Determine the amounts owed to external parties for the misappropriated court monies and develop a plan regarding the payment of these liabilities.	Court staff has worked over the last five years to ensure that liabilities incurred, due to the fraud uncovered in 2006, have been paid.	<b>Completed</b>
12	<u>Accounting Controls and Procedures</u>	K. Develop procedures to consider bond coverage along with accounting controls that have been put into place for all employees responsible for handling monies.	Current bond coverage is \$500,000 with a \$5,000 deductible for all employees. There is also additional bond coverage for finance personnel that have access to financial assets.	<b>Completed</b>

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
13	3	<p><u>Bond Account Reconciliation Procedures</u></p> <p>A. Prepare complete and accurate bank reconciliations monthly and investigate any differences on a timely basis. Also, attempt to resolve the old outstanding checks, and establish routine procedures to investigate checks outstanding for a considerable time.</p>	<p>Reviewed monthly bank reconciliations from January - May 2011 for both the treasury fund and bond account and noted bank reconciliations were completed timely and did not show any un-reconciled differences. No concerns over the amounts and dates of outstanding checks.</p>	Completed
14	3	<p><u>Bond Account Reconciliation Procedures</u></p> <p>B. Ensure the composition of receipts is reconciled to the composition of deposits.</p>	<p>Deposit composition is reconciled daily by the Account Services Representative, and reviewed by the Court Administrator and Finance.</p>	Completed
15	3	<p><u>Traffic Ticket Processing and Accountability</u></p> <p>A. Develop procedures for the Municipal Judge or the City Prosecutor to review nolle pros ticket disposition authorized by court clerks.</p>	<p>Prior to the State Audit, if a defendant had received a violation for not having car insurance, the defendant could bring in proof of insurance and the clerks were allowed to nolle pros the ticket. This is no longer allowed. Defendants have to show adequate proof of car insurance directly to the Judge for charges to be dismissed.</p>	Completed

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
16	<u>Traffic Ticket Processing and Accountability</u>	B.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.	The Court's data management software provides a weekly audit report that tracks all tickets filed by the Prosecutor. This weekly audit report is reviewed by the Court Administrator, to ensure that all tickets the Prosecutor's Office filed have been entered and are tracked. The court (judicial branch) is prohibited by Article II, section 1 of the Missouri Constitution from exercising power belonging to the police department (the executive branch). The court can constitutionally address only those cases submitted by the police to the prosecutor and then filed with the court by the prosecutor.	<i>Completed</i>
17	<u>Traffic Ticket Processing and Accountability</u>	B.2. Work with the police department to ensure applicable tickets are filed with the City Prosecutor in a timely manner.	The Court's data management software provides a weekly audit report that tracks all tickets filed by the Prosecutor. This weekly audit report is reviewed by the Court Administrator, to ensure that all tickets the Prosecutor's Office wants to file charges have been filed and are tracked. The court (judicial branch) is prohibited by Article II, section 1 of the Missouri Constitution from exercising power belonging to the police department (the executive branch). The court can constitutionally address only those cases submitted by the police to the prosecutor and then filed with the court by the prosecutor.	<i>Completed</i>

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
18	<u>Traffic Ticket Processing and Accountability</u>	C. Establish adequate procedures to follow-up on unpaid parking tickets and collect parking fines owed the court.	In accordance with <i>Government Accounting Standards</i> , fines should be recognized as revenue when they are legally enforceable. Legally enforceable generally occurs when the parties pay their fines, or if disputed, when a court later rules that the fine is enforceable. Therefore, the court recognizes revenue on a cash basis. Until the ticket is paid, it is not recorded as revenue.	<b>Completed</b>
19	<u>Traffic Ticket Processing and Accountability</u>	D. Develop procedures for the Municipal Judge to review cases processed through the violation bureau (VB).	The Chief Judge reviews a monthly computer programmed "exception report" to analyze cases, if any, that are processed through the VB which do not meet the VB schedule requirements.	<b>Completed</b>
20	5 <u>Accounts Receivable Records and Other Procedures</u>	A. Develop procedures to ensure all defendants with amounts due are included on the accounts receivable listing, and ensure appropriate and timely action is taken on all cases with balances due to the Municipal Division.	The Probation Collection Officer receives an "exception" report daily. This report shows all the new payment plans and also notes any previous stays in which the defendant missed the payment due date. Each account is reviewed and a warrant is issued when necessary.	<b>Completed</b>

Action Item #	State Audit Reference	Recommendation By State Auditor	Action Taken By Court As Verified By City Internal Auditor in June 2011	2011 Status
21	<u>Accounts Receivable Records and Other Procedures</u>	B. Work with the Police Department to ensure warrant information is entered into the MULES system on a timely basis.	The Court issues warrants for various reasons. These warrants are issued on a timely basis. The Court does not control the speed at which the Police Department enters information in MULES. The timeliness of issuing warrants is the responsibility of the Court and appropriate procedures are in place to ensure warrants are issued timely.	<i>Completed</i>
22	<u>Computer System Access</u>	The City of Springfield and the Municipal Division change passwords periodically and establish procedures to monitor changes made to the computer system.	The City requires passwords for network log-on to be changed every 45 days. The Court AS400 system has established required password changes made every 180 days. The Court programming and database changes are monitored by paper printout in the Court Administrator's office daily and by electronic email transmission to the IS department head of the City daily. These reports are generated through IBM journaling systems.	<i>Completed</i>