



Office of Missouri State Auditor
Nicole Galloway, CPA

**Thirtieth Judicial Circuit
City of Seymour
Municipal Division**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Thirtieth Judicial Circuit - City of Seymour 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 performed supervisory or independent reviews of accounting and bank records. The Court Clerk does not periodically review accrued costs owed to the municipal division. The municipal division and the city have little assurance that the law enforcement training surcharge was properly used in compliance with state law.
Municipal Division Procedures	Municipal division case records are not maintained in an accurate, complete, and organized manner. The Municipal Judge does not always approve the final disposition of cases brought before the court or the fines handled through the Violation Bureau. The Municipal Judge's approval of dismissed tickets is not always documented. 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 Municipal Judge has not issued a court order for the schedule of fines and court costs to be collected on tickets paid through the Violation Bureau. The Court Clerk does not file a monthly report of cases heard with the city.
Electronic Data Security	The municipal division has not established adequate passwords controls to reduce the risk of unauthorized access to computers and data. Security controls are not in place to lock computers after a specified number of incorrect logon attempts.

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.

Thirtieth Judicial Circuit

City of Seymour Municipal Division

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Presiding Judge
Thirtieth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Seymour, Missouri

We have audited certain operations of the City of Seymour Municipal Division of the Thirtieth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the fiscal year ended June 30, 2017. 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.

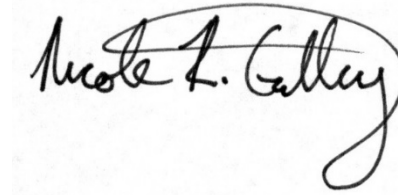
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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) noncompliance with court rules, and (4) no 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 Seymour Municipal Division of the Thirtieth Judicial Circuit.

A petition audit of the City of Seymour, 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 'y' at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Shannon Spicer, MBA
Audit Staff:	James C. Kayser

Thirtieth Judicial Circuit

City of Seymour Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. During the fiscal year ended June 30, 2017, the municipal division collected \$19,553 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 performed supervisory or independent reviews of accounting and bank records.

The Court Clerk and Utility Clerk share duties and both employees are primarily responsible for duties related to collecting court monies, recording and posting these monies in the case management system, and preparing deposits to the city's bank account. The City Clerk generally reconciles the bank account.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include accounting for the numerical sequence of receipt slips and ensuring monies received have been accounted for properly.

1.2 Accrued costs

The Court Clerk does not periodically review accrued costs owed to the municipal division. The case management system tracks accrued costs and can produce a report of balances due; however, the Court Clerk does not print and review this report to identify cases needing additional collection efforts or are potentially uncollectible. As of June 30, 2017, accrued costs recorded in the case management system totaled \$26,948. However, based upon a comparison performed between manual case records and the accrued costs report, the accuracy and completeness of the report is questionable. For example, 5 cases totaling \$922 were dismissed by the Prosecuting Attorney between June 9, 2015, and November 8, 2016, but the accrued costs report indicated that amount was still due for these cases.

Once a case has been dismissed by the Prosecuting Attorney and approved by the Municipal Judge, the Court Clerk enters the change in the case management system. Although she enters case dismissals in the system as they occur, she was unaware the fines and court costs were not being waived automatically by the system. Additionally, in approximately March 2017, the majority of cases filed prior to 2014 were considered uncollectible by the Municipal Judge and, as a result, he directed the Court Clerk to begin closing these cases and disposing of the records. However, the case management system still showed amounts due of \$21,342 from 162 cases filed between 1996 and 2013. As a result, accrued costs are overstated. The Municipal Judge did not formally document his directive to the Court Clerk.



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Management Advisory Report - State Auditor's Findings

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper monitoring is necessary to provide information to the Municipal Judge and to determine appropriate handling when amounts are deemed uncollectible.

1.3 Law enforcement training surcharge

The municipal division and the city have little assurance that the law enforcement training surcharge was properly used in compliance with state law. The city did not establish a separate fund and/or accounting for surcharge collections, is not accounting for the monies expended, does not know what has been spent or the remaining balance, and cannot demonstrate usage of surcharge funding complied with statutorily intended purposes.

During the fiscal year ended June 30, 2017, the municipal division deposited surcharge monies totaling \$330 into the city's bank account. The city passed an ordinance to assess the \$2 surcharge in March 1983. Section 488.5336.2, RSMo, requires these surcharge funds be used only for the training of law enforcement officers.

To ensure compliance with applicable state laws, separate funds and/or accounting of receipts and related disbursements associated with specific activities or restricted usage should be maintained.

Recommendations

The City of Seymour Municipal Division:

- 1.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 1.2 Establish procedures to routinely generate and review the accrued costs list, ensure proper follow up on amounts due, and provide information to and work with the Municipal Judge regarding amounts deemed uncollectible. Also, the Municipal Judge should ensure future directives are properly documented.
- 1.3 Work with the city to ensure surcharges collected for the law enforcement training surcharge are adequately tracked or deposited into a separate bank account and expended for statutorily allowed purposes.

Auditee's Response

- 1.1 *The City Clerk will oversee and independently review the municipal division's accounting and bank records, including receipt slips by number and all other monies received, and will document her review.*
- 1.2 *It is the order of the court that the Court Clerk present to the Municipal Judge all cases where there are uncollected fines and for which no payment has been made in 3 years. The Judge will review*



and determine whether additional collection efforts should be made, or whether the fines and court costs should be deemed uncollectible. If the fines are determined to be uncollectible, then the Judge will note that determination in writing on the case docket, and the Court Clerk shall deduct the total of those fines and court costs from the total accrued fines and court costs.

- 1.3 *The municipal division will pay that part of the court costs collected for law enforcement training into a separate bank account set up by the city for the purpose of segregating and tracking these monies.*

2. Municipal Division Procedures

Municipal division procedures need improvement.

2.1 Municipal division records

Municipal division case records are not maintained in an accurate, complete, and organized manner. The Court Clerk documents case activity for each defendant on computerized docket sheets maintained in the case management system. In addition, the Court Clerk maintains case files that include copies of the ticket, manual docket (backer sheet), bond information (if applicable), and court related correspondence (e.g., summons, warrants, and attorney communication). For each defendant, the Municipal Judge will generally document case activity on the court docket while court is in session, sign the court docket, and provide it to the Court Clerk for record-keeping purposes. Information recorded on the manual docket was often incomplete, inaccurate, and, in most cases, blank. The original charge did not agree between manual and electronic records for 4 tickets, and case activity (e.g., cost assessed, amended, dismissed, and warrant activity) did not agree between manual and electronic records for 8 tickets.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. Accurate recording of the case information is necessary to properly account for the municipal division's financial activity. Failure to implement adequate case entry procedures increases the risk that loss, theft, or misuse of funds will go undetected and municipal division records will contain errors.

2.2 Case dispositions

The Municipal Judge does not always approve the final disposition of cases brought before the court or the fines handled through the Violation Bureau (VB). In addition, the Municipal Judge's approval of dismissed tickets is not always documented.



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Management Advisory Report - State Auditor's Findings

The Court Clerk records the case activity and final disposition of each case in the case management system. Our review of 50 tickets noted 6 (12 percent) tickets did not have the Municipal Judge's approval of final disposition documented on either the court docket or the manual docket.

To ensure the proper disposition of all cases has been entered in the municipal division records, the Municipal Judge should sign the court docket to indicate approval of the recorded disposition.

2.3 Ticket accountability

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 transmits all tickets issued, including voided tickets, to the Court Clerk. The Prosecuting Attorney will determine whether to dismiss a ticket or file it with the court. When the Prosecuting Attorney files the case with the court, the Court Clerk will process the ticket in the case management system. 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 issued, the municipal division and police department cannot ensure all tickets are properly submitted for processing. A record should be maintained to account for the ultimate disposition of each ticket to decrease the risk of loss, theft, or misuse of funds.

2.4 Violation bureau schedule

The Municipal Judge has not issued a court order for the schedule of fines and court costs to be collected on tickets paid through the VB. Police officers typically provide a copy of the schedule of fines and court costs with the ticket issued to each defendant. Without a court order authorizing the schedule and no effective date documented on the schedule, it was unclear when the current VB schedule was effective.

Supreme Court Rule No. 37.49(d), requires the Municipal Judge to establish a schedule of fines and court costs for each offense by court order.

2.5 Report of cases heard

The Court Clerk does not file a monthly report of cases heard with the city. Without such a report, the city cannot effectively monitor municipal division activity and ensure monies are properly remitted.

Supreme Court Operating Rule 4.29 and Section 479.080.3, RSMo, require the Court Clerk to prepare a monthly report of all cases heard in the municipal division court. The report is to be verified by the Court Clerk or Municipal Judge and filed with the city.



Recommendations

The City of Seymour Municipal Division:

- 2.1 Ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.
- 2.2 Ensure the Municipal Judge signs all court dockets, and reviews and approves all dismissed tickets.
- 2.3 Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets are accounted for properly.
- 2.4 Establish the Violation Bureau schedule by court order.
- 2.5 Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and Supreme Court Operating Rule.

Auditee's Response

- 2.1 *This problem has been corrected, and all activities for any case are recorded on the court docket. The Judge and Court Clerk will review each case to ensure that the written records and electronic records are the same.*
- 2.2 *This problem has been corrected. It is the policy of the court that all dockets be presented to the Judge for approval, and the Judge's approval is to be noted in writing by signature or initials.*
- 2.3 *The Court Clerk and Police Chief are working together to ensure that all tickets can be accounted for by number.*
- 2.4 *The court has established the fine and court costs for certain offenses in a Violations Bureau. This list has been published in several places and is followed. The Judge has now signed and dated this list and declared it to be an order of this court.*
- 2.5 *This report is now being prepared by the Court Clerk and delivered to the city, the Municipal Judge, and to OSCA on a monthly basis.*

3. Electronic Data Security

Controls over municipal division computers are not sufficient. As a result, municipal division records are not adequately protected and are susceptible to unauthorized access or loss of data.

3.1 Passwords

The municipal division has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Court Clerk, Utility Clerk, and City Clerk share the same user identification and password to access the computer used to receipt and record all payments



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Management Advisory Report - State Auditor's Findings

entered into the case management system. In addition, the clerks are not required to change the password periodically.

Passwords are necessary to authenticate access to computers. The security of computer user identifications and passwords is dependent upon keeping them confidential and requiring users to enter their password when switching users. However, since passwords do not have to be periodically changed and are shared between employees, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

3.2 Security controls

Security controls are not in place to lock computers after a specified number of incorrect logon attempts.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The City of Seymour Municipal Division:

- 3.1 Require employees maintain confidential passwords that must be periodically changed.
- 3.2 Ensure municipal division computers have security controls in place to lock each computer after a specified number of incorrect logon attempts.

Auditee's Response

- 3.1 *The court has now ordered all employees to maintain a unique password, which is changed every 90 days.*
- 3.2 *The court has now directed the Court Clerk to consult with the computer vendor in order to automatically lock each computer after four incorrect logon attempts.*

Thirtieth Judicial Circuit

City of Seymour Municipal Division

Organization and Statistical Information

The City of Seymour Municipal Division is in the Thirtieth Judicial Circuit, which consists of Benton, Dallas, Hickory, Polk and Webster Counties. The Honorable Michael Hendrickson 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 OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilizes Summit, an automated case management system provided by Data Technologies, Inc., which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At June 30, 2017, the municipal division employees were as follows:

Title	Name
Municipal Judge	Kenneth Thompson
Court Clerk	Melissa Fox
Prosecuting Attorney	Paul Link

Financial and Caseload Information

	Year Ended June 30, 2017
Receipts	\$19,553
Number of cases filed	274

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
Sheriff's Retirement	3.00