

Seventh Circuit Court Financial Activity

Performance Audit



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I. Introduction and Scope

In Missouri there are 114 counties, plus the independent City of St. Louis. From that, Missouri's court system is organized into 46 judicial circuits, 3 appellate districts, and the Supreme Court on top.¹ Due logically to population size, Clay County has its own 7th Circuit Court located in Liberty, MO at the Rooney Justice Center across from the Old County Courthouse. The 7th Circuit Court consists of 9 divisions and their corresponding judges, overseen by a rotating Presiding Judge selected by the Court en banc.² There is also a Circuit Clerk appointed by the judges. While mainly a State-run entity, the County provides budget for many of the 7th Circuit Court's operational costs. In addition, the County from time-to-time finances capital improvements at the Rooney Justice Center.

Accordingly, under Revised Statute of Missouri (RSMo) 55.161, by virtue of County Constitution Section 4.02, the County Auditor maintains the ability to audit Circuit Court financial transactions. RSMo 55.161 reads as follows, with emphasis added:

“He shall audit, examine and adjust all accounts of county officials and **courts** operating in such counties where there is an accumulation of moneys, taxes, fees, fines and miscellaneous public funds received from any and all sources by county officials and **courts** operating in such counties, and which are accumulated and intended for public purposes other than the general administrative functions of the county, provided that such extra duty of accounting is to be performed in the same manner as is now by statute prescribed for the general county administrative business.”

Given that the last State Audit of the 7th Circuit Court by the State Auditor was in September of 2006, with no recent County audits since then either, a new County audit appeared reasonable.³ After all, a County really exists as a political subdivision of the State anyway.

In line with Statute, the scope of this audit was limited to financial activity of the 7th Circuit Court. The County Auditor's Office sampled dozens of specific transactions from recent months across different bank accounts (for example the main Circuit Court, Law Library, Drug Court, and Veterans Court). The audit further tested and inquired into the 7th Circuit Court's internal controls as well as procedures related to its financial activities. Remote questions were communicated with the auditee responses documented, to include several supporting files. The Auditor's Office conducted in-person interviews and a site visit for fieldwork. During a walkthrough the Auditor's Office sampled cash boxes to count change drawer amounts, with no significant exceptions noted.

Under Generally Accepted Government Auditing Standards, (GAGAS), this audit qualified as a Performance Audit. As such, any findings based on adequate and sufficient evidence must contain the necessary elements of the condition (the issue), criteria (reason it's an issue), cause, and effect. Management received the opportunity to respond to Auditor recommendations and those responses are printed verbatim.

¹ <https://www.courts.mo.gov/page.jsp?id=321>

² <http://www.circuit7.net/>

³ <https://auditor.mo.gov/Repository/Press/2006-56.htm>

II. Audit

- **Monthly Reports**

Condition: The Circuit Clerk’s Office does not submit monthly reports to the County Auditor of all receipts and disbursements.

Criteria: RSMo 55.220, by virtue of County Constitution 4.02, states that the Circuit Clerk—

“...shall, on the last secular day of each month, file with the auditor a full and complete statement of all moneys and fees received by him by virtue of his office and of all sums by him paid out and to whom paid and for what purpose.”

Clay County Constitution Section 4.02 says—

“Powers and Duties. The elected offices shall continue to possess all of the powers and duties established by Missouri law unless specifically addressed by this Constitution.”

Cause: There are monthly deposits to the County Treasurer with supporting documentation. This has been the extent of communication to the County of Circuit Court financial activity on a monthly basis. The general understanding remains of the Circuit Court as a State organization, too.

Effect: The 7th Circuit Court lacks sufficient extra oversight from the County Auditor’s Office. This absence of independent monitoring at a local level increases risk of error in financial transactions.

Recommendation: Provide the County Auditor with monthly financial reports, pursuant to RSMo 55.220, indicating itemized receipts and disbursements for all accounts.

Management’s Response: “Each month on the last working day the Circuit Clerks office does an extensive end of the month with OSCA reconciling our end of the month receipts and disbursements. Also see below statute:

55.220. Circuit clerk to make monthly report to auditor (second class and certain first class counties). — The clerk of the circuit court in each county of the first class not having a charter form of government and in each county of the second class shall, on the last secular day of each month, file with the auditor a full and complete statement of all moneys and fees received by him by virtue of his office and of all sums by him paid out and to whom paid and for what purpose.”⁴

Auditor Comment: This is a non-charter county statute, yet the County Constitution (Charter) Section 4.02 allows the County Auditor to keep this duty. It is a good practice worth keeping. Furthermore, no such reports were made to the Auditor during the non-charter years of at least 2019-2020.

⁴ <https://revisor.mo.gov/main/OneSection.aspx?section=55.220&bid=1999&hl=>

- **Monthly Bank Statements**

Condition: The audit identified at least three Circuit Court bank accounts (Drug Court, Veterans Court, and Garnishment) previously unknown by the County Auditor’s Office. There are in addition interest accounts to invest the funds.

Criteria: As the County’s Accounting Officer per RSMo 50.530.1, the County Auditor is to be aware of all financial activity and bank accounts. These discovered bank accounts were created under the County’s tax identification number or TIN. According to the Governmental Accounting Standards Board (GASB) Statement #84, a local government must report fiduciary and custodial funds on its financial statements—even if not directly under its control.

Cause: Once again, this situation likely resulted from the presumption of the County and Circuit Court as separate and distinct entities.

Effect: Without these bank accounts reported on financial statements, their amounts aren’t accurately reflected in the County net position. There is additionally a lack of transparency to the public as far as these taxpayer resources.

Recommendation: Provide the Auditor with copies of monthly bank statements, similar to as currently done with other Circuit Court accounts like the Law Library and various Juvenile funds. The County can then make a proper determination as to financial reporting for these accounts.

Management’s Response: “We currently provide bank statements for the Family Services fund and Law Library. We will begin providing statements on the other referenced accounts on a quarterly basis and they are available monthly upon request.”

- **Travel Reimbursements**

Condition: The Drug Court does not ensure compliance to County employee per diem travel reimbursement policies. A transaction found in the audit included reimbursing an employee \$78.98 for meals purchased on one day while out-of-town at a training conference. County policy limits that amount to \$60 maximum per day.

Criteria: The HR Manual was updated with 2021-Ordinance-25 to increase previous by meal limitations of \$10 for breakfast, \$15 for lunch, and \$20 for dinner to a flat \$60 per day regardless of meals. The former aggregate total was only \$45. Staff confirmed that Drug Court personnel are to adhere to the County’s HR Manual with respect to travel reimbursements.

Cause: As a separate bank account from the County’s treasury, the Drug Court produces its own checks under authority of the judges and Circuit Court. There is no auditor involved in the accounts payable process, unlike typical County checks and balances, to monitor policy compliance.

Effect: The example listed above represents a minor amount over the \$60 threshold by just \$18.98. Nevertheless, if duplicated at scale for numerous employees, that amount increases. The purpose of a travel policy is to limit potential excessive waste of public dollars. Moreover, the elected governing Commission adopted this policy and contravening it, even if by mistake, still goes against its will.

Recommendation: Set up procedures for discretionary bank accounts, such as the Drug Court, to follow County purchasing guidelines including: local and state sales tax exemption, bidding procurement for vendors, and employee reimbursement limitations.

Management's Response: "All parties have been notified that they are expected to abide by the counties policy of daily meal allotment expenditures."

- **Open Items**

Condition: A comparison of monthly open items liabilities to reconciled bank statements and general ledger balances revealed a shortfall of consistently around (~\$241,000)—exclusive of municipal open items. For context, this represents almost 8-10% of the general ledger balance. With respect to trial balance amounts, the negative amount ranged from (~\$90,000-\$104,000) or 3-4%. This is essentially a repeat finding from the 2006 State Audit, #1.A.

Criteria: The Circuit Court main account represents essentially a pass-through type of account that doesn't accrue any surplus. Its balance is essentially always due to other parties, as a result of litigation, or various governmental agencies, as a result of statute.

Cause: The Court accounting system and State reporting tools do not presently identify the open items differences to account balances.

Effect: Without pinpointing the funding source for every liability, management cannot be assured of being able to cover all payment requests that come due.

Recommendation: Work with the State and the accounting system to correct the mismatch between open items totals versus all available financial resources booked on the general ledger as well as trial balance reports.

Management's Response: "This is noted as a repeat amount from the 2006 audit. Open items will always have discrepancies because of items paid out vs. not paid out. More clarification on this would have to come from OSCA."

III. Overall Rating for this Audit

Explanation: In light of the superior cooperation from auditee staff and management, along with the nature as well as quality of the findings, this audit achieves a rating of 4 out of 5 stars.



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