



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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May 1, 2015

Catherine Ruggeri-Rea  
City Court Administrator  
Municipal City Courts  
1520 Market Street, Suite 1120  
St. Louis, MO 63103

RE: Revenue Review – Courthouse Restoration Fund (Project 2015-RR06)

Dear Ms. Ruggeri-Rea:

Enclosed is the Internal Audit Section's revenue review report of the Courthouse Restoration Fund for the period July 1, 2013 through June 30, 2014. A description of the scope of the work is included in the report.

Fieldwork was completed on March 20, 2015. Management's response to the observation and recommendation noted in the report was received on April 30, 2015 and has been incorporated in the report.

This review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Ishmael Ikpeama  
Internal Audit Supervisor

Enclosure

Cc: Honorable Gordon Schweitzer, Administrative Judge



# CITY OF ST. LOUIS

## CITY MUNICIPAL COURTS COURTHOUSE RESTORATION FUND REVENUE REVIEW

**JULY 1, 2013 THROUGH JUNE 30, 2014**

**PROJECT #2015-RR06**

**DATE ISSUED: May 1, 2015**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
CITY MUNICIPAL COURTS  
COURTHOUSE RESTORATION FUND  
REVENUE REVIEW  
JULY 1, 2013 THROUGH JUNE 30, 2014**

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**CITY OF ST. LOUIS  
CITY MUNICIPAL COURTS  
COURTHOUSE RESTORATION FUND  
REVENUE REVIEW  
JULY 1, 2013 THROUGH JUNE 30, 2014**

**SUMMARY**

**Background**

The mission of City Municipal Courts is to ensure City ordinance violations are resolved in an accurate and expeditious manner to deal with cases, bring restitution to victims, and refer defendants to treatment and assistance. Court functions include traffic violations, earning tax, truancy, public nuisance, problem property, and alcohol/drug courts. The Municipal Courts employs a Court Administrator who is responsible for all court record keeping and collections.

Our focus was on the Courthouse Restoration Fund. Chapter 488 of the Missouri Revised Statutes and City Ordinance 65438 authorize an additional cost of five dollars (\$5.00) for ordinance violation cases filed before a Municipal Court Judge. The cost should be collected monthly and used for the purpose of restoration, maintenance and upkeep of the municipal courthouse. As noted below, actual revenues for the fiscal year 2014 were over the estimate.

<b>Fund Description</b>	<b>Account Description</b>	<b>Estimate FY 2014</b>	<b>Actual ** FY 2014</b>	<b>Percent of Actual to Estimate</b>
Courthouse Restoration Fund	Fines / Miscellaneous	\$185,000	\$188,901	102%

\*\* Excludes \$13,184 in collection fees charged against the revenue account.

**Purpose**

The purpose of this review was to determine if the City Municipal Courts effectively and efficiently managed fiscal risks related to the Courthouse Restoration Fund revenues to ensure:

- Compliance with applicable laws, regulations, policies and procedures.
- All revenues are properly recorded and reported in a timely manner.
- The proper safeguarding of assets.
- The reliability and integrity of financial and operational information.
- The economic and efficient use of resources.

**Scope and Methodology**

The scope of the review included Courthouse Restoration Fund revenues for the period July 1, 2013 through June 30, 2014. The review was confined to evaluating internal controls over the fiscal activities relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- Reviews of compliance with applicable laws, regulations, policies and procedures.
- Limited tests of internal controls and transactions.
- Follow-ups on prior audit observations.
- Other procedures considered necessary.

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**SUMMARY**

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**Status of Prior Observations**

We found no recent external or internal reports issued on the Courthouse Restoration Fund.

**Conclusion**

Several control policies and procedures were noted within the City Municipal Courts' financial and operation activities. These included, but were not limited to, the following:

- The Courts utilize REJIS systems with network and controls built into the application software to protect the records from unauthorized use.
- The cashiers' stations, safes and entry ways were monitored by the Supervisor's office by the *Camdex* security system. Access before and after hours to the finance area is limited to designated employees.
- Funds are kept in a safe with limited access and cashiers' deposits are made daily.
- Lockbox, web, and credit card payments are reconciled and transferred to City accounts monthly.
- The receipt, data entry, and accounting duties are adequately segregated.

However, opportunities exist for the City Municipal Courts to improve controls over the processing and reporting of Courthouse Restoration revenues. The following observation resulted from the review:

1. Improve control procedures in accounting for revenues

The observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**Exit Conference and Management's Responses**

An exit conference was conducted at the City Municipal Courts on April 17, 2015. In attendance from the Municipal Courts were the Court Administrator, Accounting Supervisor and the Administrative Assistant. In attendance from Internal Audit Section were the Internal Audit Supervisor and the Internal Auditor II. At the exit conference, the observation and recommendation in the report was discussed. Management provided written responses on April 30, 2015 which have been incorporated in this report.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES**

**1. Improve Control Procedures in Accounting for Revenues**

The Municipal Courts' procedures lacked adequate controls to ensure revenues were accurately and timely recorded. Receipts were processed through walk-ins, web and lockbox. Counter receipts were processed and deposited daily, while web, lockbox, and credit cards receipts were processed and recorded monthly to various departmental accounts.

Internal Audit found that some written procedures were in draft form, not dated, and therefore, were not approved by management. We were informed that the new Accounting Supervisor was in the process of developing and updating written procedures.

Internal Audit's review of the procedures and limited test of transactions revealed improvements were needed to address the following concerns:

- The procedures did not address supervisory or independent reviews of the monthly reconciliations.
- The Lockbox reconciliation did involve reconciliation to the bank statements; however, it was not addressed in the draft procedures.
- The procedures did not address how cashiers' shortages/overages are resolved and documented.
- Deposits recorded in the *Revenue Report* for the courthouse restoration fund were not reconciled to the general ledger. Differences were noted which appeared to be due to untimely reporting (see chart below).

Month	Revenue Report	General Ledger	Differences
July	\$15,557.50	\$12,209.50	\$3,348.00
August	15,414.50	10,829.50	4,585.00
September	15,434.50	10,774.50	4,660.50
October	15,882.00	29,373.50	(13,491.50)
November	12,391.01	13,646.51	(1,255.50)
December	14,524.00	13,742.50	781.50
January	14,237.00	14,233.00	4.00
February	17,713.20	14,261.70	3,451.50
March	19,821.50	19,979.50	(158.00)
April	16,573.50	18,256.00	(1,682.50)
May	15,953.50	15,437.50	516.00
June	14,722.00	16,158.50	(1,436.50)
<b>Total</b>	<b>\$188,224.21</b>	<b>\$188,901.71</b>	<b>\$(677.50)</b>

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES**

Internal Audit reviewed twenty daily transactions for agreement of cashiers' register tapes, *REJIS Reports* and the *Revenue Report*. It was noted that:

- 65% of cashiers' transactions did not agree with the register tapes resulting in overages and shortages ranging from \$.50 to \$60.
- 45% did not agree with the *REJIS Cashiers' Reports*.
- 45% of the overages/shortages were not documented on the *Revenue and Bond Reports*.
- 65% of Internal Audit's recalculations of revenues (based on REJIS cases reported) did not agree with the *Revenue Report*.

Although a number of errors were noted, the net dollar differences between the *REJIS*, and the *Cashiers' Reports*, and the *Revenue General Ledger* were considered insignificant. Internal Audit learned that a new policy on overages/shortages was implemented July 25, 2014, yet was not specifically addressed in the written policies and procedures manual. The procedure requires the Supervisor to track overages and shortages on the *Revenue and Bond Report* and maintain a file for each cashier.

According to the Government Finance Officers Association (GFOA), one method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of policies and control procedures. The lack of control procedures increases the risk that:

- Irregularities or errors may not be timely detected and corrected.
- Revenues may be understated /overstated and not reflect the actual results of operations.

**Recommendation**

It is recommended that the Municipal Courts document and implement written control procedures and standards to address:

- Monthly reconciliations of its internal records to the City's general ledger.
- Performance standards and measures to ensure revenues are timely distributed and recorded.
- Supervisory reviews and documentation of the reviews.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES**

*Management's Response*

- *The Court is putting a process in place for a two part reconciliation beginning from April 1, 2015 to reconcile all RCF items with REJIS report and also to reconcile to the City's general ledger.*
- *The Court implemented a performance standard in October 2013 following the filling of the Accounting Supervisor's position, to ensure the timely remittance of revenues to the City Treasurer. This has been consistently done from November 2013 to date. This performance standard will be properly documented and included in the new procedure manual currently being developed.*
- *The Court is putting a process in place to ensure all reconciliations are reviewed and properly signed by the preparer and the reviewer. This process will also be documented in the new procedure manual being worked on for the operations of the City Court.*