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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

Carahan Courthouse Building  
1114 Market St., Room 642  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

DR. KENNETH M. STONE, CPA  
Internal Audit Executive

August 27, 2009

Helen D. Haskins, Circuit Court Administrator  
Civil Courts Building, Room 412  
10 N. Tucker Boulevard  
St. Louis, MO 63101-2044

RE: Juvenile Detention Center (JDC) - Restitution Program (Project #2009-35)

Dear Ms. Haskins:

Enclosed is the report of the special review of the Restitution Program for the period February 1, 2008 through September 30, 2008. The audit objectives were to determine if risks were effectively and efficiently managed to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

Fieldwork was completed on February 12, 2009. Management's responses to the observations and recommendations noted in the report were received on August 17, 2009 and have been incorporated in the report.

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

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Kathryn Herman, Assistant Court Administrator, JDC



# CITY OF ST. LOUIS

**22<sup>ND</sup> JUDICIAL CIRCUIT COURT – DIVISION 30**

**JUVENILE DETENTION CENTER  
COMMUNITY JUSTICE PROJECT RESTITUTION PROGRAM**

**SPECIAL REVIEW**

**FEBRUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

**PROJECT #2009-35**

**DATE ISSUED: AUGUST 27, 2009**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS**  
**22<sup>nd</sup> JUDICIAL CIRCUIT COURT - JUVENILE DETENTION CENTER (JDC)**  
**COMMUNITY JUSTICE PROJECT (CJP) - RESTITUTION PROGRAM**  
**SPECIAL REVIEW**  
**FEBRUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a special review of the Community Justice Project's Restitution Program for the period February 1, 2008 through September 30, 2008. The purpose was to determine if the JDC effectively and efficiently managed risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

**Conclusion**

The opportunity exists to improve the internal controls over the operational and fiscal activities of the restitution program. The following are major observations resulting from the special review:

1. Failure to deposit funds in accordance with the City Charter **(Repeated)**
2. Opportunity to improve the timeliness of payments to victims **(Repeated)**
3. Opportunity to improve recordkeeping

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

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

\_\_\_\_\_  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

\_\_\_\_\_  
Date

**CITY OF ST. LOUIS**  
**22<sup>nd</sup> JUDICIAL CIRCUIT COURT - JUVENILE DETENTION CENTER (JDC)**  
**COMMUNITY JUSTICE PROJECT (CJP) - RESTITUTION PROGRAM**  
**SPECIAL REVIEW**  
**FEBRUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

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## **INTRODUCTION**

### **Background**

The objective of the restitution program is to hold the offending juvenile accountable to the victim and indirectly by repairing the harm caused directly to the victim or indirectly to the victimized community. Restitution is paid through court ordered community service or monetary amounts based on documented damages. The Revised Statutes of Missouri, Section 211.083.1 (1) (2) and Section 211.181.3(7) (8) provide Juvenile Courts statutory authority to utilize monetary and community service restitution.

The business office, working with the Community Justice Project (CJP) staff, is charged with the responsibility of accounting for payments from the offenders and to the victims.

### **Purpose**

The purpose of this review was to determine if risks were effectively and efficiently managed to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

### **Scope and Methodology**

The review was confined to evaluating internal controls over the payments collected from juvenile offenders, and restitution payments to the victims. Audit procedures included inquiries of management and staff, observation of relevant processes, and reviews for compliance with policies and procedures, as well as applicable laws and regulations. Limited tests of controls, follow-ups on prior audit observations and other procedures considered necessary were performed. The fieldwork was completed on February 12, 2009.

### **Exit Conference**

JDC was offered an exit conference on August 4, 2009, but declined on August 13, 2009.

### **Management's Responses**

Management's responses to the observations and recommendations noted in this report were received from JDC on August 17, 2009. The responses have been incorporated into this report.

## **OBSERVATIONS**

### **Status of Prior Observations**

Internal Audit followed-up on observations included in the audit report issued March 10, 2004 and December 12, 2005. The status of these observations is as follows:

1. Opportunity to safeguard receipts and improve timeliness of deposits (**Not Resolved - see current observation #1**)
2. Restitution payments were not timely distributed to victims (**Not Resolved – see current observation #2**)

### **Summary of Current Observations**

The opportunity exists for JDC to improve internal controls over the restitution program. The following are major observations resulting from the review:

1. Failure to deposit funds in accordance with the City Charter (**Repeated**)
2. Opportunity to improve the timeliness of payments to victims (**Repeated**)
3. Opportunity to improve recordkeeping

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

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

**1. Failure to Deposit Funds in Accordance with the City Charter (Repeated)**

Restitution receipts were not deposited to the Treasurer's Office in accordance with the City Charter. Article XV, Section 24 of the Charter requires that funds belonging to the City be deposited in the Treasurer's Office daily. In addition, JDC's procedures for receiving payments require that payments be deposited within one business day.

IAS observed that the receipt coding forms were not timely prepared when payments were received. The forms were prepared for deposit of payments with the Treasurer's Office an average five business days after payments were received. The business office assistant stated that the forms were not always prepared each day upon receipt of payments due to other duties performed.

As a result, JDC is not in compliance with the City Charter or its policies and procedures, and increases the risks of loss and misappropriation of funds.

**Recommendation**

IAS recommends that JDC comply with the City Charter regulation and JDC's established procedures. This includes preparing the receipt coding forms immediately upon receipt of funds and submitting the forms and funds to the Treasurer's Office the following business day.

**Management's Response**

*The draft audit report was submitted to management for response on August 4, 2009. We requested additional time to respond and were granted that request by the Internal Audit Section. Restitution was not included in the original scope of the Internal Audit performed by the City in 2009. The City's Internal Audit Section has no findings on the audit conducted. Restitution, the topic of which these findings related, was reviewed at the request of management in order to obtain advice for any improvements possible and to ensure transparency.*

*The person who prepares the deposits for Restitution has rearranged her priorities to ensure that deposits are made on a more timely basis. In addition, the duty of preparing vouchers for payment to victims is being transferred to another staff member to help reduce the workload of the person who prepares deposits. This transfer of duties will also help to separate duties and assist in timeliness of payment to victims (Observation 2).*

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

**2. Opportunity to Improve Timeliness of Restitution Payments to Victim (Repeated)**

Restitution payments to victims were not timely processed. The Community Service Restitution program procedures require that every opportunity to reimburse or compensate victims should be in a timely manner.

In a test sample of 23 juvenile offenders and related victims, it was determined that an average 24 business days lapsed from the date payments were posted to the general ledger to the date restitution checks were disbursed to the victims.

IAS observed that delays for making prompt payments included the following:

- Payments have to be verified between the offender(s) and victim(s) to ensure the court ordered amount has been collected and is ready to be disbursed to victim
- Addresses have to be confirmed as victims may have relocated.
- The business office did not receive prompt notice and authorization from the CJP supervisor promptly that payments are complete and should be disbursed to the victim.

**Recommendation**

IAS recommends that JDC and the CJP supervisor establish guidelines to minimize the days from the time payments clear the general ledger to the time a check is disbursed to the victim. Also, follow-up phone calls or written notices may be used when payments have cleared the ledger and checks are not disbursed to victim within five business days.

**Management's Response**

*Management is in full agreement that expeditious payment to the victim is the preferred outcome. After the suggestion in the previous audit to reduce the amount of time it takes to reimburse victims, the length of time lapsed from when payments are posted to the disbursement has been decreased from six weeks or more to slightly less than five weeks. The families and victims we work with experience multiple relocations. Therefore, they have numerous address changes. This makes it difficult to determine current addresses, and it takes a considerable amount of time to accomplish this task. Many victims do not have telephones and a number of steps need to be taken at times in order to secure a victim's current address.*

*In separating the duties described in item #1, the time to pay victims should be somewhat reduced.*

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

**2. Continued... ..**

*Restitution procedures do not require that a victim receive a check within five business days. It appears a deadline could not be set or met given the volume in the unit, the difficulty in locating the victims, and the time involved from the time the voucher reaches the Comptroller's Office to the time the victim receives the check.*

**3. Opportunity to Improve Recordkeeping**

Forms were not filled out completely and cover letters were not used to account for payments received. CJP's procedures require staff to complete forms and other documentation as needed when receiving restitution payments. These forms note the offender making payment, the date, case identification number, victim to be paid, and the assigned Deputy Juvenile Officer (DJO).

In the test sample of 23 offenders, there was one instance when forms were not completely filled out. There was also one instance when receipts from PayBack did not have a cover letter when forwarded to the business office. Upon inquiry, IAS learned that the DJOs may not have always completed forms and provided cover letters because the DJOs were not in the office with the juvenile's files when funds were collected, other tasks needed to be completed or they skipped sections on the forms.

Incomplete forms and lack of cover letters increase the risk that payments may not be posted to the correct case identification numbers and victims, incorrect court ordered amounts and delays in payment to the victims.

**Recommendation**

IAS recommends that JDC and the CJP staff establish controls such as periodic reviews and sign-offs to ensure that all forms are properly prepared.

**Management's Response**

*The audit indicates that of 23 test samples, one form was incomplete and a second did not have a cover memo. Thus, 92% of the forms were properly completed. A new supervisor was assigned to the Community Service Restitution Program in January of 2009. The supervisor implemented a new procedure to ensure that all forms are completely filled out. There are two forms that are utilized. These forms are not cover letters, but are forms designating information so payments can be appropriately made and credited. The new procedure implemented by the new supervisor requires that the unit secretary submit all payment paperwork to the supervisor before taking it to the Business Office, to ensure that*

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

**3. Continued... ..**

*all forms are properly completed in full. If information is missing, the supervisor will obtain the information and complete the form prior to its submission to the Business Office.*