

Investigative Report

Arkansas Legislative Audit

Review of Transactions Bauxite District Court

For the Period July 31, 2024 through November 12, 2024



INTRODUCTION

This report is issued in response to a request from the 22nd Judicial District Prosecuting Attorney (PA) for Arkansas Legislative Audit (ALA) to review transactions in the Bauxite District Court (Court) bank account. The review was requested after the PA received allegations that a check, issued from the account, was returned due to insufficient funds.

OBJECTIVE

The objective of this review was to determine the reason for the insufficient funds in the Court bank account, which resulted in a check being returned.

SCOPE AND METHODOLOGY

This review was conducted primarily for the period July 31, 2024 through November 12, 2024. ALA staff reviewed bank statements, deposit slip images, cancelled check images, and other pertinent records.

BACKGROUND

Located in Saline County, Bauxite (City) is a municipality of the second class, operating under the mayor-council form of government. The City has a population of approximately 630 and is governed by a six-member City Council. The City operates a District Court that is responsible for collecting and processing fines, fees, and costs for citations issued within in the city limits.

RESULTS OF REVIEW

ALA review of Court transactions revealed the following:

Insufficient Funds

On September 13, 2024, the City's cell phone bill for \$525 was paid from the Court account in error. This error caused a decrease in the account balance, which resulted in a check for \$5,802 being returned due to insufficient funds and the City incurring a \$34 overdraft fee on November 4, 2024. The City transferred \$525 from the General Fund to the Court account on November 6, 2024, to correct the error.

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Report Date: November 12, 2024



Other Issues

ALA issued a special report,¹ dated August 21, 2024, after reviewing Court transactions and procedures for the period April 1, 2024 through July 31, 2024. One of the report findings concerned \$38,923 in Court funds being improperly transferred to the Police Department Fund. These Court funds were subsequently used to pay operating expenses of the City.

During an exit conference on August 21, 2024, ALA staff informed the District Court Clerk and Recorder/Treasurer that, according to state law, Court funds are to be maintained in a separate bank account and cannot be used to pay operating expenses of the City. The officials indicated they understood and planned to transfer funds to “repay” the Court account. In an email dated September 23, 2024, the Recorder/Treasurer indicated that the General Fund would reimburse \$38,923 to the Court Fund in monthly installments of \$1,000 beginning October 1, 2024.

This review revealed the following:

- Although improper transfers were discussed with the District Court Clerk and Recorder/Treasurer at the exit conference on August 21, 2024, these officials issued a check on September 3, 2024, improperly transferring an additional \$5,000 in Court funds to the General Fund. On September 6, 2024, the settlement to the General Fund was reduced by \$5,000 (from \$5,892 to \$892) to repay this transfer.
- The first \$1,000 reimbursement, due on October 1, 2024, was transferred to the Court account on September 27, 2024. However, the second reimbursement, due on November 1, 2024, had not been transferred as of November 12, 2024.²

As a result of these actions, the amount owed to the Court account as of November 12, 2024, was \$37,923.³

RECOMMENDATION

ALA recommends that the City transfer the amount owed to the Court account to reimburse improper transfers.

MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix A**.

SUMMARY

ALA staff determined that insufficient funds in the Court account were caused by a City expense being paid from the Court account in error. Shortly after a check was returned for insufficient funds, the General Fund reimbursed the Court account for the expense, which corrected the error.

In a prior report, ALA noted that \$37,923 in Court funds were improperly transferred and used to pay operating expenses of the City. The current review revealed the City made an additional improper transfer and did not make a scheduled reimbursement to the Court account timely.

This report has been forwarded to the 22nd Judicial District PA and the Attorney General.

¹Investigative Report – Review of Transactions and Procedures – Bauxite District Court – For the Period April 1, 2024 through July 31, 2024 (IRDC00724) is available on the ALA website at www.arklegaudit.gov.

²After ALA staff discussed this finding with the Recorder/Treasurer during the exit conference, a transfer of \$2,000 was made on December 26, 2024, from the General Fund to the Court account for reimbursements due in November and December.

³\$38,923 per previous report + \$5,000 additional improper transfer - \$5,000 settlement adjustment - \$1,000 repayment. This amount was reduced to \$35,923 due to the \$2,000 repayment made on December 26, 2024.

Appendix A
Management Response



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December 27, 2024


Mr. Timothy R. Jones, CPA, CFF
Assistant Legislative Auditor
Arkansas Legislative Audit
Little Rock, AR 72201

Re: Town of Bauxite Investigative Report/Bauxite District Court

Please find below the Town of Bauxite's Recorder/Treasurer response to the above-mentioned review.

1. On 9/11/2024, Treasurer mistakenly paid a Verizon bill on the Court Fund account. Upon realizing this error, funds were immediately reimbursed to the Court Fund by the General Revenue Fund and deposit slips, checks and anything else that pertained to the Court Fund account has been moved to the Court Clerk's desk.
2. \$5,000 was transferred to the General Revenue Fund from the Court Fund on 09/03/2024. This amount as an advancement to the August 2024 Settlement from the Court Fund. The amount owed to the Bauxite General Revenue Fund for August 2024 Settlement was in the amount of \$5892.75. This resulted in the balance, \$892.75, on 09/06/2024.
3. After reviewing the General Revenue Fund, the Treasurer overlooked two (2) payments (October and November 2024) to the Court Fund. This has been corrected and is now flagged on the calendar for payment each month.

These mistakes were the error of the treasurer sloppiness to pay attention and has been corrected going forward.

Sincerely,

Renee Chastain, Treasurer/Recorder
Town of Bauxite
treasurer@townofbauxite.com

