

# Special Report

## Arkansas Legislative Audit

### Review of Transactions and Procedures

Bauxite District Court

For the Period April 1, 2024 through July 31, 2024



## INTRODUCTION

Subsequent to presentation of an investigative report<sup>1</sup> on the City of Bauxite (Bauxite) at a meeting held on July 12, 2024, the Legislative Joint Auditing Committee (LJAC) requested that Arkansas Legislative Audit (ALA) conduct an additional review of Bauxite District Court (Bauxite Court) transactions and procedures. This report is issued in response to that request.

## OBJECTIVES

The objectives of this review were to:

- Analyze transactions in the bank accounts utilized by the Bauxite Court.
- Determine if Bauxite Court transactions and procedures are in compliance with Arkansas Code.
- Provide an update on matters discussed in the investigative report mentioned above.

## SCOPE AND METHODOLOGY

This review was conducted primarily for the period April 1, 2024 through July 31, 2024. ALA staff reviewed bank statements, deposit slips, cancelled check images, computer reports, invoices, and other pertinent records. In addition, ALA staff reviewed applicable Arkansas Code sections (see **Appendix A**) and interviewed certain individuals.

## BACKGROUND

Located in Saline County, Bauxite is a municipality of the second class, operating under the mayor-council form of government. Bauxite has a population of approximately 630 and is governed by a six-member City Council.

In 2017, Bauxite entered into an interlocal agreement with the City of Bryant (Bryant), wherein Bauxite agreed to pay Bryant a monthly fee of \$1,200 in exchange for the Bryant District Court (Bryant Court) assuming administrative duties related to citations, fines, fees, and costs associated with the Bauxite Police Department. Under the agreement, the Bryant Court maintained a Bond and Fine account for the processing of fines, fees, and costs for Bauxite. The Bryant Court also maintained a Court Automation Fund<sup>2</sup> for the payment of court technology expenses, which was not part of the agreement.

<sup>1</sup> Investigative Report – Review of Selected Financial Records and Transactions – City of Bauxite – For the Period January 1, 2020 through November 30, 2023 (IRCI24122) is available on the ALA website at [www.arklegaudit.gov](http://www.arklegaudit.gov).

<sup>2</sup> Court automation funds are generated from installment fees collected when fines and court costs are paid on an installment plan, per the language of Ark. Code Ann. § 16-13-704(3)(B), or from electronic collection of fine transaction fees, as outlined in Ark. Code Ann. § 16-92-118(e)(1).

**ARKANSAS LEGISLATIVE AUDIT**  
500 Woodlane Street, Suite 172, Little Rock, AR 72201  
Phone: 501-683-8600 • Fax: 501-683-8605  
[www.arklegaudit.gov](http://www.arklegaudit.gov)

Report ID: IRDC00724

Report Date: August 21, 2024



In 2023, the Bauxite Mayor asked the City Council for permission to move the administrative duties back to Bauxite and recommended an individual to serve as Court Clerk. At a meeting held on May 15, 2023, the City Council agreed to allow fines and costs to be collected at City Hall and approved the Mayor's recommendation of an individual to serve as Court Clerk. The Court Clerk was appointed without the authorization or approval of the District Judge, in noncompliance with Ark. Code Ann. § 16-17-211(a), as interpreted by Op. Att'y Gen. no. 2005-191 and 2006-112.

On March 13, 2024, Bauxite resumed collecting fines, fees, and costs for citations issued by the Bauxite Police Department. On March 25, 2024, the Bauxite Mayor issued a letter to the bank, requesting that the District Judge and Bryant Court Clerk be replaced with Bauxite officials/employees on the signature card for the Court Automation Fund. On May 14, 2024, the Bauxite Mayor and Recorder/Treasurer issued a letter to the bank requesting that the Bond and Fine account used by the Bryant Court be closed. The bank subsequently made the requested changes to the accounts.

## **RESULTS OF REVIEW**

ALA review of Bauxite Court transactions and procedures revealed the issues discussed below.

### **Court Automation Funds**

Court automation funds are to be appropriated and used for technology-related expenses of the District Court. ALA noted that court automation funds were not appropriated by Bauxite, as required by Ark. Code Ann. § 14-58-202.

Additionally, review of expenses revealed the following improper disbursements, totaling \$18,254, from the Court Automation Fund:

- \$13,500 in transfers to other Bauxite funds for Police Department payroll.
- \$4,720 for Police Department equipment/supplies.
- \$34 for a bank overdraft fee.

These expenses were not for proper court automation purposes and were not approved by the District Judge, as required by Ark. Code Ann. § 16-13-704. It should be noted that \$16,415 was transferred from the Police Department Fund to the Court Automation Fund, which partially reimbursed the \$18,254 in improper expenses. The remaining \$1,839 had not been reimbursed as of July 31, 2024.

Prior to April 2024, the Court Automation Fund was not maintained by the City Treasurer, as required by Ark. Code Ann. § 16-13-704, but was maintained by the Bryant Court. On May 16, 2024, the City resolved the issue by opening a new Court Automation Fund, which is being maintained by the Recorder/Treasurer.

### **Other Issues**

- During the transition period in which administrative duties of the Bauxite Court were being moved from Bryant to Bauxite, fines, fees, and costs collected by the Bauxite Court were temporarily deposited in bank accounts where they were commingled with court automation funds and other Bauxite operating funds, in noncompliance with Ark. Code Ann. § 16-10-204. These funds were subsequently transferred to appropriate accounts, which corrected the discrepancies and resolved the issue.

- The Bond and Fine account previously used by the Bryant Court had a balance of \$38,923 at the time it was closed by Bauxite. This balance, which consisted of fines, fees, and costs for cases not yet adjudicated, was improperly transferred to an operating fund (Police Department Fund) in noncompliance with Ark. Code Ann. § 16-10-204.
- Monthly bond and fine settlement checks are signed by a Deputy Court Clerk and the Recorder/Treasurer, in noncompliance with Ark. Code Ann. § 16-10-204, which requires that these checks be signed by the Court Clerk and one other person authorized by the District Judge. According to the District Judge, she and the Bryant Court Clerk were removed from the account without her knowledge, and she has not authorized anyone else to sign checks.
- The bank account used by the Bauxite Court for the processing of fines and costs is improperly named “Bauxite Court Automation Fund,” in noncompliance with Ark. Code Ann. § 16-10-204, which states, “Court funds must be deposited into an account styled ‘(Name of Court) Court Account.’”

## OTHER MATTERS

### Funds Due to the City of Bryant

As previously mentioned, Bauxite entered into an interlocal agreement with the City of Bryant in 2017, wherein Bauxite agreed to pay Bryant a monthly fee of \$1,200 in exchange for the Bryant Court assuming administrative duties related to citations, fines, fees, and costs associated with the Bauxite Police Department. The Bryant Court collected/processed Bauxite fines, fees, and costs through March 12, 2024. However, according to the District Judge and based on records provided by Bryant officials, Bauxite stopped making the agreed-upon monthly payments in April 2023, resulting in an overdue balance of \$13,665 as of July 31, 2024.

### State District Court Judges Program

As disclosed in the previously issued ALA investigative report, mentioned on **page 1**, it was brought to the attention of ALA staff, through a memo dated May 2, 2024, that the City was in noncompliance with Ark. Code Ann. § 16-10-301 regarding the consistent failure to remit or report for the State District Court Judges Program. According to Ark. Code Ann. § 16-10-309 (a)(1)(B), the Chief Fiscal Officer for the State may, upon finding that a city or county has failed to submit the funds and reports required by this act, withhold from month to month an equal amount from the city’s or county’s share of the state turnback funds owed to such city or county, until the funds required to be paid by this act have been submitted. On July 18, 2024, the Department of Finance and Administration confirmed that this issue has been resolved.

## RECOMMENDATIONS

ALA recommends that Bauxite:

- Transfer \$38,923 from the Police Department Fund to the Bond and Fine Account to reimburse an improper transfer.
- Transfer \$1,839 from the General or Police Department Fund to the Court Automation Fund to reimburse improper disbursements.

- Seek legal guidance regarding the terms of the Interlocal Agreement between the City of Bauxite and the City of Bryant for services rendered during the period April 2023 to March 2024.
- Request the bank remove the word “Automation” from the name of the Bond and Fine account, to comply with Arkansas Code.

ALA further recommends Bauxite and the District Judge take necessary steps to ensure that Bond and Fine checks are signed by authorized individuals, in compliance with Arkansas Code.

## **MANAGEMENT RESPONSE**

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

## **SUMMARY**

ALA staff review revealed some Police Department expenses were improperly paid from the Court Automation Fund. These expenses were not for proper court automation purposes and were not approved by the District Judge, in noncompliance with Ark. Code Ann. § 16-13-704.

In addition, fines, fees, and costs previously collected by the Bryant Court were improperly transferred to a Bauxite operating fund (Police Department Fund); a bank account was improperly named; and Bond and Fine account checks were signed by an individual not authorized by the District Judge, in noncompliance with Ark. Code Ann. § 16-10-204.

Also, Bauxite failed to pay Bryant for court services provided from April 2023 through March 2024, resulting in an overdue balance of \$13,665 as of July 31, 2024.

This report has been forwarded to the 22<sup>nd</sup> Judicial District Prosecuting Attorney and the Attorney General.

## Appendix A

### Relevant Sections of Arkansas Code

#### **Fiscal Affairs of Cities and Incorporated Towns: Budgets in Mayor-Council Municipalities**

##### Ark. Code Ann. § 14-58-202. Adoption of budget.

Under this subchapter, the governing body of the municipality shall, on or before February 1 of each year, adopt a budget by ordinance or resolution for operation of the city or town.

#### **Arkansas District Court Accounting Law**

##### Ark. Code Ann. § 16-10-204. Bank accounts for court funds.

(a)

(1) Each municipal police department and each city or town marshal shall maintain court funds separately in depositories approved for those specific purposes by law.

(2) Court funds must be deposited into an account styled "(Name of Municipality) Police Department Bond and Fine Account", and the funds shall be disbursed only on the signature of the chief of police or marshal of the municipality and the signature of one (1) other authorized person.

(b)

(1) Each office of county sheriff shall maintain court funds separately in depositories approved for those specific purposes by law.

(2) Court funds must be deposited into an account styled "(Name of County) County Sheriff's Bond and Fine Account", and the funds shall be disbursed only on the signature of the sheriff of the county and the signature of one (1) other authorized person.

(c)

(1) Each court shall maintain court funds separately in depositories approved for those specific purposes by law.

(2) Court funds must be deposited into an account styled "(Name of Court) Court Account", and the funds shall be disbursed only upon the signature of the court clerk and the signature of one (1) other person to be authorized by the court's presiding judge.

(d) All disbursements from the accounts in this section must be evidenced by prenumbered checks.

(e) Subsections (a) and (b) of this section do not apply if the court clerk has been designated to be primarily responsible for the collection of fines under § 16-13-709.

#### **Uniform Filing Fees and Court Costs**

##### Ark. Code Ann. § 16-10-301. Legislative intent.

(a) It is hereby found by the General Assembly that the current system of funding the state judicial system has created inequity in the level of judicial services available to the citizens of the state. It is further determined that the current method of financing the state judicial system has become so complex as to make the administration of the system impossible. Finally, it is determined that the lack of any reliable data on the current cost of the state judicial system prohibits any comprehensive change in the funding of the system at this time.

## Appendix A (Continued)

(b) It is, therefore, the intent of this act to eliminate the current system of collecting and assessing a large number of individual court costs and filing fees, to replace it with uniform costs and fees to be applied statewide, and to prohibit the implementation of new costs and fees for specific programs in the future.

### Ark. Code Ann. § 16-10-309. Failure to submit funds or reports.

(a) In the event a town, city, or county fails to timely or adequately submit funds and reports required by § 16-10-306, § 16-10-307(e), § 16-10-308(e), or other state law requiring a town, city, or county to submit funds and reports to the Administration of Justice Funds Section:

(1)

(A)

(i) The Attorney General may file a civil suit in circuit court against the town, city, or county alleged to have failed to submit the funds.

(ii) If the town, city, or county is found by the court to have failed to submit the funds and reports, the court shall impose a civil penalty on the town, city, or county of ten percent (10%) of the amount required to be remitted for the period of time the town, city, or county has failed to be in compliance.

(iii) The action may be brought in the circuit court of the subject county or the Pulaski County Circuit Court.

(iv) The Attorney General shall be allowed to recover costs and attorney's fees associated with the civil suit from the town, city, or county found to have failed to be in compliance.

(B) The Chief Fiscal Officer of the State, upon a finding that the town, city, or county has failed to submit the funds and reports, may withhold from month to month an equal amount from the town's, city's, or county's share of the state turnback funds owed to the town, city, or county until the funds required to be paid have been submitted; and

(2)

(A) Provided that the failure to act continues for a period of sixty (60) days, the state, upon a finding by the Chief Fiscal Officer of the State, may require the town, city, or county to remit all costs, fees, or other funds, however designated under subdivision (a)(1) of this section.

(B) The town, city, or county will thereafter receive its share of these funds at a time and in the manner prescribed by rules of the Chief Fiscal Officer of the State.

(b)

(1) All funds received under § 16-10-306, § 16-10-307(e), or § 16-10-308(e) shall be transferred to the State Administration of Justice Fund to be held and distributed under this subchapter.

(2) All other funds received shall be transferred to the appropriate state fund as provided by law.

## **Enforcement of Fines**

### Ark. Code Ann. § 16-13-704. Installment payments.

(a)

(1) If the court concludes that the defendant has the ability to pay the fine, but that requiring the defendant to make immediate payment in full would cause a severe and undue hardship for the defendant and the defendant's dependents, the court may authorize payment of the fine by means of installment payments in accordance with this subchapter.

**Appendix A (Continued)**

....

(b)

(1)

(A) In addition to the fine and any other assessments authorized by this subchapter, an installment fee of five dollars (\$5.00) per month shall be assessed on each person who is authorized to pay a fine on an installment basis.

(B) This fee shall be collected in full each month in which a defendant makes an installment payment.

(C) This fee shall accrue each month that a defendant does not make an installment payment and the fine has not been paid in full.

...

(3)

(A) One-half ( ½ ) of the installment fee collected in district court shall be remitted by the tenth day of each month to the Administration of Justice Funds Section, on a form provided by that section, for deposit into the Judicial Fine Collection Enhancement Fund established by § 16-13-712.

(B) The other half of the installment fee collected in district court shall be remitted by the tenth day of each month to the city treasurer of the city in which the district court is located to be deposited into a fund entitled the "district court automation fund" to be used solely for district court-related technology.

(C) In any district court which is funded solely by the county, the other half of this fee shall be remitted by the tenth day of each month to the county treasurer of the county in which the district court is located to be deposited into the district court automation fund to be used solely for district court-related technology.

(D)

(i) Expenditures from the district court automation fund shall be approved by a district judge and shall be authorized and paid under state laws governing the appropriation and payment of county or municipal expenditures by the governing body or, if applicable, governing bodies, that contribute to the expenses of a district court.

(ii) Expenditures may be made for indirect expenses related to implementation of new court-related technology, including overtime pay, personnel or travel expenses, and technology-related supplies.

...

**District Courts**

Ark. Code Ann. § 16-17-209. Qualifications of district judge – Term.

(a) District judges shall be qualified electors within the geographical area from which they are chosen and shall have been licensed attorneys of this state for at least four (4) years immediately preceding the date of assuming office.

(b) Pursuant to Arkansas Constitution, Amendment 80, § 16(C), district judges shall serve four-year terms.

## Appendix A (Continued)

### Ark. Code Ann. § 16-17-211. District court clerks generally.

(a)

- (1) The judge of any district court may appoint a clerk for the court, who shall be designated and known as the district court clerk.
- (2) The district court clerk employed by a city or county is governed by the employee handbook and policies of the city or county.
- (3) If a district court clerk is employed by more than one (1) city or county, then the employing cities or counties, or both, shall determine by written agreement the apportionment of expenses and the applicable employee handbook and policies.
- (4) The district court judge shall ensure compliance with the applicable employee handbook, policies, procedures, practices, ordinances, and resolutions of the city or county, or both, consistent with Canon 2 of the Arkansas Code of Judicial Conduct.

(b)

- (1) The city council of the city in which the court is located shall fix the salary of the district court clerk at a reasonable sum, the salary to be computed on an annual basis.
- (2) However, where the county in which the court is located is to pay any portion of the clerk's salary, the salary must also be approved by the quorum court of that county. Further, if the expenses and salaries of any district court are paid entirely by the county in which the court is located, the salary of the clerk shall be fixed by the quorum court of the county and not by the city council.

(c) The district court clerk shall keep a fair record of all the acts done and proceedings had in the court and shall enter all judgments of the court, under the direction of the judge.

(d) The district court clerk shall:

- (1) Administer oaths, including special judges of district court under § 16-17-210;
- (2) Take affidavits required or permitted in the progress of the action;
- (3) Keep a complete docket of all proceedings to the extent and in the manner directed by the judge;
- (4) Record the judgments, rules, orders, and other civil or criminal proceedings of the court and keep an alphabetical index thereof;
- (5) Keep such other dockets, books, and indices as may be required by law or by the judge; and
- (6) Issue and attest all process.

(e) Where the duties of the office of district court clerk do not require a full-time employee, the city council may require that the duties of the clerk be performed by any other officer of the city, except a member of the police department or marshal's office.

### **Criminal Procedure: Costs, Fees, Fines, Etc.**

#### Ark. Code Ann. § 16-92-118

(a)

- (1) Notwithstanding § 16-13-709, the quorum court of each county of this state may delegate the responsibility for the electronic collection of fines assessed in a circuit court of this state



## Appendix A (Continued)

within that county to the Administrative Office of the Courts or the Information Network of Arkansas.

(2) Fines collected in each circuit court by the Administrative Office of the Courts or the Information Network of Arkansas shall be remitted by the fifth working day of the following month to the county official, agency, or department designated under § 16-13-709 as primarily responsible for the collection of fines assessed in that circuit court to be disbursed to the appropriate county fund, state entity, or state agency as provided by law.

(b)

(1) Notwithstanding § 16-13-709, the governing body or, if applicable and by mutual agreement, each governing body of a political subdivision that contributes to the expenses of a district court or the governing body of the city in which a city court is located may designate the responsibility for the electronic collection of fines assessed in that district court or that city court to the Administrative Office of the Courts or the Information Network of Arkansas.

(2) Fines collected in each district court or each department of district court by the Administrative Office of the Courts or the Information Network of Arkansas shall be remitted by the fifth working day of the following month to the county or city official, agency, or department designated under § 16-13-709 as primarily responsible for the collection of fines assessed in that district court to be disbursed under § 16-17-707.

(c) Fines collected in each city court by the Administrative Office of the Courts or the Information Network of Arkansas shall be disbursed by the fifth working day of the following month to the city official, agency, or department designated under § 16-13-709 as primarily responsible for the collection of fines assessed in that city court to be disbursed to the general fund or other city fund, state agency, or state entity as provided by law.

(d)

(1) The Administrative Office of the Courts or the Information Network of Arkansas shall be allowed to charge a transaction fee for any electronic payment of a court-ordered fine by an approved credit card or debit card.

(2) The fee provided for in subdivision (d)(1) of this section collected by the Administrative Office of the Courts shall be deposited by the fifth day of each month into the Judicial Fine Collection Enhancement Fund established by § 16-13-712.

(e)

(1) This section does not prohibit the county or city official, agency, or department designated under § 16-13-709 as primarily responsible for the collection of fines assessed in a circuit court, district court, or city court of this state from the electronic collection of fines. The quorum court of each county may establish a transaction fee to be charged by the county official, agency, or department designated under § 16-13-709 as primarily responsible for the collection of fines assessed in a circuit court within that county for any electronic payment of a court-ordered fine by an approved credit card or debit card.

(2) The governing body or, if applicable and by mutual agreement, each governing body of a political subdivision that contributes to the expenses of a district court or the governing body of the city in which a city court is located, may establish a transaction fee to be charged by the city or county official, agency, or department designated under § 16-13-709 as primarily responsible for the collection of fines assessed in that district court or city court for any electronic payment of a court-ordered fine by an approved credit card or debit card.

## Appendix A (Continued)

(3) The fee provided for in subdivisions (e)(1) and (2) of this section collected by the designated county or city official, agency, or department shall be deposited by the tenth day of each month into the appropriate circuit court automation fund, district court automation fund, or city court automation fund established under § 16-13-704 to be used solely for the purposes stated in that section.

(f)

(1) The procedures established by this section apply to the assessment and collection of all monetary fines, however designated, imposed by circuit courts, district courts, or city courts for criminal convictions, traffic convictions, civil violations, and juvenile delinquency adjudications and shall be used to obtain prompt and full payment of all such fines.

(2) As used in this section, "fine" or "fines" means all monetary penalties imposed by the courts of this state, which include fines, court costs, restitution, probation fees, and public service work supervisory fees.

**Appendix B**  
**Management Response**



6055 STANLEY CIRCLE | P.O. BOX 303 | BAUXITE, ARKANSAS 72011  
PHONE: (501) 557-5936 | FAX: (501) 557-5291  
[MAYOR@TOWNOFBAUXITE.COM](mailto:MAYOR@TOWNOFBAUXITE.COM)  
[TREASURER@TOWNOFBAUXITE.COM](mailto:TREASURER@TOWNOFBAUXITE.COM)

August 21, 2024

Mr. Joseph D. Archer, CPA  
Deputy Legislative Auditor  
Arkansas Legislative Audit  
Little Rock, AR 72201

**Re:** Town of Bauxite, Review of Transaction and Procedures for  
Bauxite District Court Period 04/01/2024 – 07/31/2024

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

Upon receiving duties from the Bryant District Court on March 12, 2024, the following items will be either enhanced, continued or corrected as recommended by the auditor.

1. Rename the old "Bauxite Court Automation" to the "Bauxite Court Account" the eliminated confusion to the account inherited by Bryant District Court. Name of account was not changed until this review was finalized. Funds in the amount of \$38,253.53 were not transferred into the correct account, however, all funds were accounted for.
2. \$1838.53 will be transferred into the new Court Automation fund accordingly.
3. Even though funds were accounted for, they were not transferred into the right accounts until later.

Corrections have been made to ensure proper transfer of funds into proper accounts.

Sincerely,

Mayor Eddie Jones, Mayor  
Renee Chastain, Treasurer/Recorder  
Town of Bauxite  
[treasurer@townofbauxite.com](mailto:treasurer@townofbauxite.com)

