



Thomas A. Schweich

Missouri State Auditor

Carter County

October 2012
Report No. 2012-124



<http://auditor.mo.gov>



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Carter County

Collector Controls and Procedures

The County Collector cannot account for at least \$3,817 in property tax receipts received but not deposited between November 2010 and December 2011. As noted in prior audit reports, significant weaknesses exist in accounting controls and procedures. Cash and check receipts totaling at least \$2,498 were received and not deposited, and check overpayments of \$1,319 were received and the corresponding cash in this amount was not deposited. The method of payment is not accurately recorded in the property tax system and the composition of receipts is not reconciled to the composition of deposits, receipts are not deposited timely or intact, and lists of liabilities are not prepared and compared to the reconciled bank balance. The County Collector does not always distribute collections timely. Bank interest and surtax monies collected over several years had not been distributed as of May 31, 2012. The County Collector does not always refund tax overpayments or issue checks for refunds, and did not realize a \$3,015 overpayment received in December 2010 needed to be refunded to the taxpayer until April 2012 when audit staff brought this to her attention. In addition, the County Collector does not adequately manage and document partial payments.

Property Tax System

As noted in our prior audit reports, controls over the property tax system need improvement. Neither the County Clerk nor the County Commission verify the accuracy of the County Collector's annual settlements, and the County Collector does not have a detailed list to support approximately \$63,000 in taxes owed for the 2006 tax year or prior as reported on the annual settlement. In addition, the County Clerk does not maintain a complete and accurate account book.

Financial Condition

The General Revenue Fund is in poor financial condition. The ending cash balance was \$85,966 at the end of 2009 and is budgeted to be only \$641 at the end of 2012, and does not take into account significant liabilities totaling approximately \$198,000.

Sheriff's Controls and Procedures

As noted in our prior audit report, weaknesses in accounting controls and procedures exist in the Sheriff's office. Accounting duties are not adequately segregated, and no independent or supervisory reviews of the accounting records are conducted. Sheriff's office receipts are kept in a box accessible to all employees and visitors. The numerical sequence of receipt slips is not accounted for properly, monies received are not recorded and deposited timely, checks are not promptly restrictively endorsed, and the method of payment is not always indicated on receipt slips so the composition of receipts cannot be reconciled to the composition of deposits. Bank reconciliations for the Sheriff's account were not always performed and a reconciliation has not been performed for the petty cash account since it was opened in May 2009. The Sheriff's bank account showed negative balances for April 2011 and December 2011. The Sheriff maintains calendar sales profits in a petty cash bank account, but state law does not allow these monies to be held outside the county treasury. Property seized while former Sheriffs were in office has not been identified, tagged, or entered into the online property system implemented in November 2011.

Disbursements	Controls over disbursements need improvement. As noted in our prior audit report, the county needs to improve its procedures for obtaining bids for regularly used goods and services, and the county did not bid for some significant purchases. Neither the Road and Bridge department nor the Sheriff's department adequately record and monitor vehicle and fuel use. Fuel logs are not reconciled to bulk fuel inventory or fuel purchase records.
Personnel Policies and Procedures	As noted in our prior audit report, the county lacks adequate written personnel policies and procedures, and the county's policy manual has not been updated since May 2008. The Sheriff's office and County Clerk are not adequately tracking compensatory leave balances and overtime, and the county's personnel policy does not address the number of hours to be worked each day, whether employees qualify for paid overtime or compensatory time, or the number of hours required before an employee earns benefits.
Capital Assets	As noted in our prior audit report, the county's capital asset records are in need of improvement. The County Clerk is responsible for maintaining overall county property records; however, no elected official conducted an annual inventory in 2010 or 2011. County property records are not regularly updated for property purchases or dispositions.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act (Federal Stimulus)	Carter County did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Carter County

We have audited certain operations of Carter County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Carter County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Carter County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Carter County Management Advisory Report State Auditor's Findings

1. Collector Controls and Procedures

Despite similar concerns noted in our prior audit reports, significant weaknesses continue to exist in the County Collector's accounting controls and procedures. Between November 2010 and December 2011 property tax receipts totaling at least \$3,817 were received but not deposited. The County Collector's office processed property tax receipts of approximately \$4.9 million during the 2 years ended February 29, 2012.

As a result of the significant control weaknesses identified below and in MAR finding number 2, there is little assurance all property tax receipts were deposited and accounted for properly.

1.1 Undeposited receipts

Cash and check receipts totaling at least \$2,498 were received and were not deposited, and check overpayments of \$1,319 were received and corresponding cash in this amount was not deposited. There are no records to support refunds were made for six overpayments totaling \$548. One overpayment for \$771 was refunded 2 months after cash was withheld. The County Collector could not explain why cash received was not deposited, and indicated some refund records were discarded.

Property tax payments are posted to the property tax system and receipts are issued from the system. Other miscellaneous receipts including merchant licenses, partial property tax payments, and duplicate receipt payments are recorded in various other methods such as handwritten on the daily report or on sticky notes. Receipts are primarily processed by the County Collector. A part-time clerk assists the Collector during the busy months of November and December and in the County Collector's absence. The Collector prepares all deposits and is responsible for all reconciliation procedures.

Deposit totals should agree to the daily batch report from the property tax system plus any additional miscellaneous receipts received. A comparison of daily batch reports and other receipt records to daily deposits showed numerous instances where the composition of the deposit did not match the composition of receipts. We obtained additional supporting documentation for selected deposits and determined more details regarding the discrepancies as discussed below. Also see the Supporting Documentation for Undeposited Cash Receipts Schedule at the end of this report.

- Eleven checks totaling \$1,265 received between November 2010 and November 2011 were not recorded, and were substituted into deposits for recorded cash receipts that were not deposited. Five checks totaling \$125 received for merchant licenses in November 2010 were deposited, but not recorded. One check totaling \$230 was included in a December 2010 deposit and not recorded into the system until the following day. One check totaling \$215 received in January 2011 was not recorded, and cash for this amount and an additional \$234 was withheld from the deposit. In addition, three checks totaling \$488 received in February 2011 were deposited, but not recorded. The Collector could not provide



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any documentation or receipts related to these February 2011 payments. One August 2011 check payment totaling \$207 was deposited; however, the property tax system does not show a payment received and the taxes due are still included in the delinquent tax book. This August 2011 deposit was short \$210 cash in total.

- In December 2011, three transactions totaling \$671 were recorded as \$0 tendered on daily batch reports; however, the report reflected the tax bill as paid and the amounts were included in collection totals. The Collector indicated this was a system error. Due to this error, the deposit total should have equaled the total collections amount rather than the amount tendered on the daily batch report. Instead, the checks paid for the three transactions were included in the daily deposits, and cash equaling the amount of the checks was not deposited and deposit amounts were equal to the lesser tendered amount.
- A check overpayment of \$225 was received in December 2011 and cash in this amount was not deposited. The Collector had no record of a refund.
- The November 7, 2011, deposit was \$100 less than recorded receipts. It appears a \$100 cash partial payment was not included in this deposit.

In addition to the amounts noted above, we identified an additional \$548 in property tax overpayments received between December 2010 and December 2011 and cash in this amount was not deposited. The Collector does not record overpayments or refunds in the property tax system, and indicated she withholds cash from deposits to obtain money orders for refunds. There are no records to support refunds were made for these overpayments. See additional discussion of refund procedures in section 1.5. A \$771 duplicate real estate tax payment was received in December 2010. The check was deposited, and cash for the same amount was withheld from the deposit. The duplicate payment was not refunded to the taxpayer until 2 months later when the taxpayer inquired about the multiple payments.

Inadequate controls and the absence of proper oversight by the County Commission and County Clerk, as discussed in the remainder of this finding and MAR finding number 2, allowed undeposited receipts to occur without detection.

1.2 Receipting and depositing

Procedures related to receipting and depositing need significant improvement. As a result, some receipts were not accounted for properly.

- The method of payment was not accurately recorded in the property tax system for numerous transactions and the composition (cash, check, and money orders) of receipts recorded in the system is not reconciled to the composition of deposits. We noted numerous instances where the



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composition of receipts in the system differed from the composition of the corresponding deposit. We reviewed supporting documentation for selected deposits and determined some differences were due to check substitutions for cash. Other differences were due to entry errors, cash withheld from deposits and the Collector entering entire transactions as one method of payment when multiple methods were received. The County Collector indicated the property tax system does not accept multiple methods of payment.

- Receipts are not deposited intact or timely. The Collector indicated cash is withheld from deposits to make refunds. Further, if the County Collector receives post-dated checks or checks for the wrong amount she may hold the individual check or may hold the entire deposit. We noted one check totaling \$1,093 received on December 17, 2010, was not deposited until December 22, 2010. The County Collector stated the check was held because the mailed check was post-dated, and she chose not to send the check back. In addition, monies totaling \$56,443 received on December 23, 2011, were not deposited until January 10, 2012, because the County Collector received a check with the incorrect amount and held the entire deposit until a check for the correct amount was received.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of property tax monies received will go undetected. Properly recording method of payment, reconciling receipt composition to deposit composition, and intact and timely depositing are necessary to ensure receipts are adequately safeguarded and reduce the risk of loss, theft, or misuse of funds.

1.3 Liabilities

Lists of liabilities are not prepared and compared to the reconciled bank balance. The County Collector deposits all receipts into one bank account. The receipts include personal and real estate taxes, merchant licenses, surtax, utility taxes, interest, tax sale proceeds, and protested taxes.

While the County Collector prepares monthly bank reconciliations, the County Collector does not prepare a list of liabilities and compare the list to the reconciled cash balance. The County Collector prepared a list of liabilities as of February 29, 2012, and her total amount was \$164,442, which included February 2012 taxes to be distributed, bank interest, surtax, protested taxes, partial tax payments, and a refund due to a taxpayer. The reconciled cash balance totaled \$167,599, exceeding identified liabilities by \$7,747. We identified additional liabilities totaling \$2,111 from overpayments not refunded and other payments not distributed, reducing the discrepancy to \$5,636. However, due to the County Collector's failure to record some overpayments and partial payments (see sections 1.5 and 1.6) it is likely additional unidentified liabilities exist.



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Without regular comparison of liabilities to the cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book balances have been properly reconciled, and that book balances are accurately stated.

1.4 Distributions

Some collections were not distributed timely. Our review of the distributions made by the County Collector noted the following:

- Bank interest earned between March 2008 and February 2012, totaling \$13,874, had not been distributed as of May 31, 2012.
- Surtax collected between March 2008 and October 2010, totaling \$20,238, had not been distributed as of May 31, 2012. In November 2010 the County Collector began disbursing surtax collections monthly because the new tax system allowed for monthly distributions.
- As of May 31, 2012, the County Collector had not disbursed 2009 protested taxes to the taxpayer totaling \$4,590. The protested tax case was settled by the State Tax Commission in March 2011. After the settlement, the taxpayer inquired about the 2010 tax refund and the County Collector refunded this portion of the protested taxes. The County Collector stated she did not remember to also reimburse the 2009 protested amount to the taxpayer. In addition, at the time of payment the Collector indicated she did not separately identify the tax payment as protested in the tax system and it was included in the amount distributed to the political subdivisions.

Timely distributions of property tax collections to the political subdivisions are important because most political subdivisions, especially school districts, rely heavily on property taxes to fund their operations. In addition, untimely distributions combined with the other concerns noted in the County Collector's office, increases the risk of theft or misuse of funds.

1.5 Refunds

The County Collector does not always refund tax overpayments or issue checks for refunds. The County Collector indicated when an individual overpays their taxes, cash is taken from daily receipts and a money order is obtained at no cost from the bank and mailed to the individual. The County Collector stated there are also instances when the taxpayer requests a refund immediately and cash is taken from daily receipts for the refund. However, the County Collector did not maintain records of the refunds given.

One taxpayer mistakenly paid \$3,150 (the assessed valuation of their personal property) when the actual payment due was \$136, resulting in an overpayment of \$3,015. The overpayment was made in December 2010. We brought the overpayment to the attention of the County Collector and a refund was made in April 2012.



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Further, we noted two mortgage companies paid \$771 in real estate taxes on behalf of the taxpayer for the same property in December 2010. The taxpayer was refinancing the property, and both mortgage companies paid the taxes. A refund was only issued to the taxpayer in February 2011 after the taxpayer contacted the County Collector. Other overpayments were noted during our audit (see section 1.1) and the County Collector did not maintain documentation of the refunds. The County Collector stated some money order receipts for refunds were discarded.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all refunds should be made timely and in the form of a check. Refunded amounts should be supported by adequate documentation.

1.6 Partial payments

Procedures and records related to the collection of partial payments are not adequate. The County Collector accepts partial payments from taxpayers who are unable to pay their tax bills in full. Partial payments are held in escrow in the County Collector's bank account until the tax bill is fully paid, whereupon the County Collector records the taxes as paid in the property tax system. Total partial payments recorded on the partial payment ledger were \$9,559 as of February 29, 2012.

Partial payments are not consistently recorded on the partial payment ledger and manual receipt slips are not always issued for monies received. A spreadsheet is maintained as a partial payment ledger; however, the spreadsheet is not accurate or complete and does not always agree to manual receipt records. The spreadsheet only lists the taxpayer and the amount paid and does not include the date of the payment, total amount of taxes due, total amount paid, or remaining balance. The County Collector wrote some partial payment receipts on daily batch reports or on attached notes; however, this was not consistently done and did not always agree to information in manual receipt records or on the partial payment ledger.

Without accurate and detailed records for all partial payments collected and balances due, there is little assurance partial payments are properly handled and recorded. A properly maintained partial payment account ledger is crucial in the process of identifying liabilities of the County Collector.

Recommendations

The County Collector:

- 1.1 And the County Commission investigate unaccounted for receipts and ensure all receipts are recorded and deposited.
- 1.2 Accurately record the method of payment in the property tax system, reconcile the composition of recorded receipts to the composition of bank deposits, investigate differences, and retain documentation of these reconciliations. In addition, the County



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- Collector should ensure receipts are deposited intact in a timely manner.
- 1.3 Prepare detailed monthly lists of liabilities, reconcile the list to the reconciled bank balance, and investigate any differences.
 - 1.4 Distribute collections of interest, surtax, and protested taxes in a timely manner.
 - 1.5 Pay refunds by check in a timely manner and maintain a complete record of all refunds issued.
 - 1.6 Ensure all partial payments activity and balances are accounted for properly in the partial payment ledger and pre-numbered receipt slips are issued for all partial payments received.

Auditee's Response

The County Commission provided the following response:

- 1.1 *The County Commission plans to investigate the unaccounted for receipts. In addition, they plan to request daily, weekly, and monthly reconciliations for receipts and deposits from the County Collector as needed.*

The County Collector provided the following written response:

- 1.1 *When reconciling my account on the computer with Quicken I did not realize that even though the end of the report says a difference of zero, it is not an adequate way to balance. I am now doing it the way the auditors showed me. I am working to find out what the extra money in my account is for and I will refund and disburse it. I am also reviewing the transactions listed by the auditors. I will no longer hold out cash for refunds. Devnet has added the function to enter merchant licenses into the system. I am in the process of refunding overpayments.*
- 1.2 *We are making sure to do this. Before, when I was gone and a daily batch was opened and the default was not changed then every payment was counted as a check. Now, when I have to be gone I open a batch before I go and make sure the default is changed. I also look at the batch summary each day and if it does not match to checks and cash I investigate each transaction to see if we missed a check number. If so, I write it on the batch report so the correct summary shows. We have lots of split transactions and there is no way to adequately show those as split where someone pays part check and cash. In those cases if we put in a check number the entire transaction is counted as a check. If we leave as cash, all is*



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counted as cash. I am making sure I go in and write on the daily batch report now how much was cash and how much was check. I am doing better and will continue to see that deposits are made in a timely manner. The bank has a cutoff time each day and I will make sure I am there before that or if I cannot be I will note the reason on the batch report and deposit slips.

1.3 *I am now doing this as the auditors have showed me.*

1.4 *I have done this already. I was waiting to try and find the proper way of disbursing surtax since it appears it has not been properly done since before my time as Collector as I have been using spreadsheets from the previous Collector all these years. This is now done in my system instead of a separate spreadsheet so it can be turned over each month.*

1.5 *I am now paying all refunds by check per auditors instructions and I am documenting all and putting notes on the daily batches. Now the system has been corrected to allow us to enter the total amount of checks if it is over the payments and the overpay amount goes into a refund column on the batch summary page. I am also writing the check number of the refund beside the amount on the batch report with names.*

1.6 *I am now keeping an updated spreadsheet of all partial payments. Devnet is working to make the system able to accept partial payments instead of having to wait until the taxpayers have paid the full amount for each year. I am writing on the daily batches the partial pays so there is a manual receipt number on the daily batches and monthly spreadsheets.*

2. Property Tax System

As similarly noted in our prior audit reports, controls over the property tax system need improvement.

The County Clerk and the County Commission do not perform procedures to verify the accuracy of the County Collector's annual settlements and some delinquent tax information on the annual settlements is not supported by adequate documentation. The County Collector does not have a detailed listing to support approximately \$63,000 in taxes owed for the 2006 tax year or prior and the County Clerk and Commission have not required the County Collector to provide supporting documentation for the amounts included on annual settlements. The County Collector changed property tax systems in 2007 and updated information on both the old and new systems until October 2007. The County Collector can no longer access the information in the old system and indicated the previous software company has declined to help retrieve the information.



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Further, the County Clerk does not maintain a complete and accurate account book summarizing all property tax transactions each month. The County Clerk's 2010 tax year account book spreadsheet did not include collection totals for August 2010. The County Clerk stated this was an oversight.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. The account book prepared by the County Clerk should be used to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and should also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Recommendation

The County Clerk maintain a complete and accurate account book with the County Collector, and the County Clerk and County Commission use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements. In addition, the County Commission, County Clerk, and County Collector should work with the former programmer to obtain detailed records maintained on the previous property tax system.

Auditee's Response

The County Commission provided the following response:

We plan to request daily, weekly, and monthly reconciliations for receipts and deposits from the County Collector as needed. We will discuss and consider if other records are available prior to contacting the former programmer.

The County Clerk provided the following response:

I will try to include all information on the account book.

The County Collector declined to provide a response.

3. Financial Condition

The General Revenue Fund is in poor financial condition. The county has historically maintained a low General Revenue Fund balance; however, the cash balance does not take into account significant liabilities totaling approximately \$198,000. The following table reflects actual receipts, disbursements, and ending cash balances of the General Revenue Fund over the last 4 years, as reported in the county's audited financial statements and 2012 budget document:



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	Year Ended December 31,			
	2012 Projected	2011 Actual	2010 Actual	2009 Actual
Beginning balance	\$ 44,396	37,043	85,966	147,435
Receipts	904,018	822,577	1,054,197	802,559
Disbursements	947,773	815,224	1,103,120	864,028
Ending balance	\$ 641	44,396	37,043	85,966

In 2010, the county paid court judgments totaling over \$171,000 for cases resulting from the underpayment of the salary of three county Sheriff's since 1985. In addition, the county reached agreements in 2011 with 11 other current and former elected officials to reimburse a total of \$92,856 for salary underpayments between 2006 and 2010. Eight officials agreed to be paid in installments. The county has outstanding liabilities of \$57,213 through 2014 for these underpayments.

In addition, on November 15, 2010, the County Commission approved a loan of \$141,648 from the Road and Bridge Fund to the General Revenue Fund to pay one of the lawsuit judgments noted above. Although the county has an agreement to repay the loan, Road and Bridge Fund monies are restricted for certain purposes per Section 137.555, RSMo. The county made an interest payment in 2011 and has budgeted a loan payment for 2012.

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. Reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring county budgets are necessary to improve the county's financial condition.

Recommendation

The County Commission closely monitor the county's financial condition, take necessary steps to improve the financial condition of the General Revenue Fund, and refrain from loaning monies from restricted funds.

Auditee's Response

The County Commission provided the following response:

The county did not believe it had any other options to pay the lawsuit judgments other than to borrow from the Road and Bridge Fund. We plan to continue to monitor the county's financial condition.



4. Sheriff's Controls and Procedures

As similarly noted in our prior audit report, weaknesses in accounting controls and procedures exist in the Sheriff's office. The Sheriff's office processed approximately \$50,000 in 2011 and \$52,000 in 2010 in civil fees, concealed weapon permits, bonds, summons fees, and other receipts.

4.1 Segregation of duties

Accounting duties are not adequately segregated. The Chief Dispatcher handles Sheriff's account transactions and another dispatcher handles petty cash account transactions. Each dispatcher is responsible for receiving, recording, and disbursing all monies; maintaining accounting records; writing and signing checks; preparing deposit slips; and preparing month-end bank reconciliations for their respective accounts. Checks for each bank account require only one signature. No independent or supervisory reviews of the accounting records are performed.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of the accounting records should be implemented. Further, dual signatures would help provide assurance checks are written only for appropriate disbursements.

4.2 Receipting and depositing

Numerous weaknesses were noted in the procedures used to account for monies received.

- Monies are not adequately secured in the Sheriff's office. All monies are maintained in a metal box in the dispatching area and all employees have access to the box. Although the box is locked, the key is easily accessible to employees. Further, employee visitors are allowed access to the dispatching area and the door was often propped open allowing easy access to this area.
- The Sheriff's office does not account for the numerical sequence of receipt slips. Receipt books are not used in sequential order for the civil fees and bond monies. Two receipt books with the same sequence of numbers were used consecutively from September 2010 to October 2011. In addition, three concealed weapon permit receipt slips selected for review were missing and original copies of voided receipt slips are not maintained.
- Monies received are not recorded and deposited in a timely manner, checks are not restrictively endorsed immediately upon receipt, and the method of payment is not always indicated on receipt slips. As a result, the composition of receipts cannot be reconciled to the composition of deposits. Receipt slips are not issued until a deposit is prepared. During a cash count on January 26, 2012, we noted four checks dated between January 17 and January 20, 2012 were not recorded, and these checks



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were not deposited until January 26, 2012. The Chief Dispatcher indicated most monies are deposited approximately every 3 to 4 days.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper receipting, recording, and depositing procedures are necessary to ensure all receipts are handled and accounted for properly.

4.3 Bank reconciliations

Monthly bank reconciliations were not always prepared for the Sheriff's or petty cash bank accounts. Bank reconciliations for the Sheriff's account were not performed for March, September, October, or November 2011. The Sheriff's office has not prepared formal bank reconciliation for the petty cash account since the account was opened in May 2009. Further, Sheriff's bank account reconciliations showed negative balances of \$18 for April 2011 and \$40 for December 2011. The negative balances were due to check purchase charges and making disbursements prior to depositing the corresponding receipts.

Timely preparation of monthly bank reconciliations is necessary to ensure accounting records are in balance and to identify errors in a timely manner. Without reconciliation procedures, there is less assurance receipts and disbursements are properly handled and recorded.

4.4 Petty cash bank account

The Sheriff maintains profits from calendar sales in the petty cash bank account outside of the county treasury and uses these funds to purchase various items for inmates or Sheriff's office use. Some purchases made from the petty cash account are reimbursed by the county. This account was opened in May 2009 by the former Sheriff with \$680 in calendar sales receipts and \$1,000 from the General Revenue Fund. The Sheriff's office primarily uses monies from the account to pay for breakfast items for inmates; however, this account has also been used to pay for handgun classes and ammunition.

Maintaining funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for other county funds. Due to the lack of oversight of this account, former Sheriff Adams was able to make purchases which do not appear reasonable and necessary. These expenditures included ATM withdrawals totaling \$801, three checks written for cash totaling \$90, and meal purchases of \$55 that were not supported by adequate documentation. The current Sheriff has limited the use of the account, and no unreasonable purchases were noted since he took office in June 2011.

There is no statutory authority allowing the Sheriff to hold county monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to



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pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

4.5 Seized property

Controls over seized property need improvement. The Sheriff's office did not maintain any property records until an online system was implemented in November 2011 and only property seized since the current Sheriff took office in June 2011 has been entered into the system. Property seized while former Sheriffs were in office, including numerous weapons, do not have tags identifying the case number or original owner and have not been entered into the system. The Sheriff indicated he has made attempts to identify the owners of some seized property and is currently working with the Prosecuting Attorney to obtain authorization to sell or destroy unidentified seized property.

Inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, are necessary to ensure all items are accounted for properly. Further, Section 542.301, RSMo, provides requirements for the disposition of unclaimed seized property. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper use or access.

Recommendations

The Sheriff:

- 4.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented. Further, the Sheriff should require dual signatures on all checks.
- 4.2 Ensure all monies are adequately secured, checks are restrictively endorsed immediately upon receipt, monies are recorded and deposited timely, official prenumbered receipt slips are issued for all monies received and the numerical sequence is accounted for properly, original copies of voided receipt slips are maintained, the method of payment is documented, and the composition of receipts is reconciled to the composition of deposits.
- 4.3 Prepare bank reconciliations monthly.
- 4.4 Transfer the balance of the petty cash bank account to the County Treasurer and close the account.



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- 4.5 Maintain complete and accurate inventory records of all seized property items. Further, the Sheriff should continue to identify seized property and obtain written authorization to dispose of items.

Auditee's Response

The Sheriff provided the following response:

- 4.1 *I now review all monthly bank statements and accounting reports. In addition, I have ordered dual signature checks.*
- 4.2 *I am currently reviewing a new system to replace the metal box. In addition, I have ordered receipt books which are in numerical order and all voided receipt slips are now maintained in the book. Lastly, we plan to do a daily audit of the receipts collected in the office. By doing the daily audit, it will allow receipts to be recorded and deposited in a more timely manner.*
- 4.3 *Bank reconciliations are prepared monthly and I now review the monthly bank reconciliation for timeliness and reasonableness.*
- 4.4 *The petty cash bank account is no longer used and all disbursements are made by the Treasurer. In addition, we no longer sell calendars and a fuel card is used for all prisoner transports.*
- 4.5 *I am still working on identifying cases and owners of the untagged seized property. I am still working with the Prosecuting Attorney to obtain authorization to sell or dispose of other untagged property.*

5. Disbursements

Controls and procedures over disbursements including bidding and fuel and vehicle use need improvement.

5.1 Bidding

As similarly noted in our prior audit report, the county's procedures to obtain bids for regularly used goods and services are not sufficient, and the county did not bid for some significant purchases. The County Commission compiles a list of goods and services that the county may need throughout the year and publishes the list annually in the local newspaper. The list is vague and does not include detailed bid specifications that would allow a vendor to effectively bid. The County Clerk indicated there is very little response to the list and the county does not re-advertise or formally solicit bids if a response is not received. In addition, the following items were not included on the advertised list and the county did not solicit bids for these items or sufficiently document why fuel and gravel purchase were considered sole source procurements:



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Item or Service	Cost
Fuel (2011 and 2010)	\$172,669
Gravel (2011 and 2010)	146,566
Road paving (2010)	115,136
Road oil (2010)	16,997
Tires (2010)	16,828
Loader repairs (2010)	15,259
Sheriff's office fire alarms and cameras (2010)	6,180

The county has not solicited bids for fuel for more than 25 years and continued to use the same vendor after that business was sold to new owners in 2010. The County Clerk stated they have not changed vendors because the vendor provides fuel tanks to the county. Failure to obtain bids for significant purchases may prevent the county from obtaining the best and lowest price for goods and services.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases and detailed, specific requests for bids ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

5.2 Vehicle and fuel use

Records and monitoring of vehicle and fuel use by the Road and Bridge and Sheriff's departments are not adequate. The county spent approximately \$173,000 on fuel during the 2 years ended December 31, 2011. Employees dispense fuel into vehicles and equipment from 4 unleaded and 2 diesel bulk fuel tanks located at the road and bridge facilities. Five of the six tanks are metered and fuel logs are maintained at the tanks for the Road and Bridge department and by the dispatcher for the Sheriff's office. However, the logs are not reconciled to bulk fuel inventory or fuel purchase records.

Review of vehicle and equipment mileage/usage logs and bulk inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

Recommendations

The County Commission:

- 5.1 Conduct a competitive procurement process for all major purchases and maintain documentation to support decisions. If it is not practical to obtain bids in a specific instance, or if sole source



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procurement is necessary, the circumstances should be thoroughly documented.

- 5.2 And the Sheriff establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use.

Auditee's Response

The County Commission provided the following response:

- 5.1 *We plan to annually bid items that are not sole source, and to better document items that are sole source.*
- 5.2 *We will continue to monitor fuel usage for the road and bridge department*

The Sheriff provided the following response:

- 5.2 *I periodically review fuel for reasonableness. As a result, I have identified some issues and corrective measures have already been taken.*

6. Personnel Policies and Procedures

As similarly noted in our prior audit report, the county has not established adequate written personnel policies and procedures. The county's policy manual has not been updated since May 2008.

- The Sheriff's office and County Clerk are not adequately tracking compensatory leave balances and overtime. Prior to September 2011, actual time worked by Sheriff's deputies was not recorded and no overtime was earned. The current Sheriff requires deputies to record actual time worked on timesheets and the Sheriff provides overtime reports to the County Commission; however, these reports are not used by the County Clerk to track overtime or compensatory leave balances.
- The county's personnel policy does not address the number of hours to be worked by each employee in a normal day or work week, whether employees qualify for paid overtime or compensatory time, or the number of hours required before an employee earns benefits. As a result, it is not clear when employees should earn overtime or receive benefits.

The county's personnel policy states overtime will be paid for all hours worked over the ". . . normal day's work schedule." The County Clerk indicated courthouse employees are required to work 35 hours a week, while road and bridge employees are required to work 40 hours a week. Fringe benefits are given to employees who work more than 1,000 hours in a year.



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To ensure compliance with personnel policies and laws, the personnel manual should be periodically updated. Further, personnel policies should address overtime, compensatory leave, the length of a work day and week, and the number of hours required to receive benefits to ensure polices are uniformly enforced.

Recommendation

The County Commission should ensure the personnel manual includes essential county policies and procedures and is periodically updated.

Auditee's Response

The County Commission provided the following written response:

We plan to review the personnel manual and to update as needed.

7. Capital Assets

As similarly noted in our prior audit report, capital asset records are in need of improvement. The county does not regularly update its county property records for purchases and dispositions throughout the year, records do not contain sufficient detail, and the county does not complete annual physical inventories. At December 31, 2011, county property, excluding buildings, was valued at approximately \$7.7 million on the county insurance policy.

The County Clerk is responsible for maintaining overall county property records, and each department is responsible for performing annual physical inventories and submitting property lists to the County Clerk. The County Clerk does not request annual inventory reports, and no elected official conducted an annual inventory in 2011 or 2010. The County Clerk indicated she periodically updates property records if she becomes aware of purchases. However, these property records do not include sufficient detail including beginning asset balances or complete lists of additions and deletions.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur.

Recommendation

The County Commission and County Clerk work with other county officials to ensure complete and accurate inventory records are maintained, and annual physical inventories are conducted and compared to overall county property records.

Auditee's Response

The County Commission and County Clerk provided the following response:

We will work on updating the inventory list.

Carter County

Organization and Statistical Information

Carter County is a county-organized, third-class county. The county seat is Van Buren.

Carter County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 35 full-time employees and 3 part-time employees on December 31, 2011.

In addition, county operations include a Senate Bill 40 Board and Senior Citizens' Services Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
John Bailiff, Presiding Commissioner	\$	21,800
Eddie Ballard, Associate Commissioner (1)		21,005
Lynn Murdick, Associate Commissioner (1)		21,005
Pauline Peterman, Recorder of Deeds (1)		34,850
Rebecca Simpson-Gibbs, County Clerk (1)		31,531
Rocky Kingree, Prosecuting Attorney		38,000
Bruce Van Belle, Sheriff (2)		20,216
Richard Stephens, Interim Sheriff (3)		7,099
Tommy Adams, Sheriff (1) (5)		10,544
Margie Duncan, County Treasurer (1)		41,562
Dennis McSpadden, County Coroner (1) (4)		9,713
Mary Jo Sanders, Public Administrator		20,000
Jennifer Clark-Williams, County Collector (1), year ended February 29,	32,116	
George Meyers, County Assessor (1), year ended August 31,		32,187

- (1) 2011 compensation includes reimbursements for prior years' salary underpayments. See the following table for individual amounts.
- (2) Bruce Van Belle took office as Sheriff on June 13, 2011.
- (3) Richard Stephens served as Sheriff between April 5, 2011, and June 12, 2011.
- (4) Dennis McSpadden served as Interim Sheriff on April 3 and April 4, 2011.
- (5) Tommy Adams resigned on April 2, 2011.



Carter County
Organization and Statistical Information

Salary underpayment
reimbursements made in 2011

Officeholder	Amount
Eddie Ballard, Associate Commissioner	\$ 1,205
Lynn Murdick, Associate Commissioner	1,205
Pauline Peterman, Recorder of Deeds	4,850
Rebecca Simpson-Gibbs, County Clerk	1,531
Tommy Adams, Sheriff	1,000
Margie Duncan, County Treasurer	11,562
Dennis McSpadden, County Coroner	1,213
Jennifer Clark-Williams, County Collector	2,116
George Meyers, County Assessor	2,142

Financing
Arrangements

The county entered into a lease agreement with a not-for-profit (NFP) on December 14, 2009. The terms of the agreement called for the NFP to obtain a United States Department of Agriculture Rural Development Agency guaranteed loan of \$160,000 for the purpose of purchasing and renovating the Justice Center and for the NFP to lease the building back to the county for payments totaling the principal and interest due on the 25 year loan and operating costs. The remaining principal due on the lease agreement at December 31, 2011, was \$150,009. Payments are made from the General Revenue Fund.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

Carter County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.

Carter County
Supporting Documentation for Undeposited Cash Receipts

The following tables provide supporting information for the undeposited receipts discussed in MAR finding number 1.1

Undeposited Cash Receipts

<u>Deposit Date</u>	<u>Recorded Cash Receipts**</u>	<u>Recorded Check Receipts**</u>	<u>Unrecorded Check Receipts</u>	<u>Total Receipts</u>	<u>Cash Deposited</u>	<u>Checks Deposited</u>	<u>Total Deposited</u>	<u>Cash Long/(Short)</u>	<u>Checks Long/(Short)</u>	<u>Total Difference</u>	<u>Receipt Numbers For Unrefunded Overpayments</u>
11/19/2010	\$1,728	31,085	129	32,942	\$1,599	31,214	32,813	(\$129)	0	(129) (1)	2010000741
12/9/2010	1,043	111,560	649	113,252	394	112,209	112,603	(649)	0	(649) (2)	2010001500
12/14/2010	5,477	162,816	801	169,094	4,676	163,617	168,293	(801)	0	(801) (3)	2010001677
12/20/2010	1,668	112,644	60	114,372	1,608	112,704	114,312	(60)	0	(60) (4)	2010001961
1/7/2011	1,039	8,048	243	9,330	562	8,291	8,853	(477)	0	(477) (5)	2010003056
2/4/2011	581	185	488	1,254	96	670	766	(485)	(3)	(488) (6)	*
8/4/2011	210	1,062	207	1,479	0	1,269	1,269	(210)	0	(210) (7)	*
11/7/2011	979	23,608	6	24,593	873	23,614	24,487	(106)	0	(106) (8)	2011000153
12/12/2011	5,017	74,742	489	80,248	4,528	75,231	79,759	(489)	0	(489) (9)	2011001604
12/19/2011	2,706	46,827	38	49,571	2,668	46,865	49,533	(38)	0	(38) (10)	2011001862
12/22/2011	2,553	39,670	144	42,367	2,409	39,814	42,223	(144)	0	(144) (11)	2011002091
12/27/2011	9,265	148,512	226	158,003	9,039	148,738	157,777	(226)	0	(226) (12)	2011002191
Grand Totals	\$32,266	760,759	3,480	796,505	\$28,452	764,236	792,688	(\$3,814)	(3)	(3,817)	

Explanation of Differences

- (1) Unrecorded check receipts include 5 checks for \$25 each for merchant licenses and a check overpayment of \$4.
- (2) One check for \$230 was included in deposit but not recorded until 12/10/2010. In addition, one overpayments of \$419 was received from a mortgage company and there is no record of a refund.
- (3) Unrecorded check receipts include a duplicate real estate tax payment for \$771 and a check overpayment for \$30. The duplicate payment was not refunded until February 2011.
- (4) Unrecorded receipts include a check overpayment of \$60.
- (5) Unrecorded check receipts include one check from the USDA for \$215 and overpayments of \$28. The deposit was short an additional \$234 in cash.
- (6) Unrecorded check receipts include two checks dated 2/4/11 and one check without a date totaling \$488. The payments did not trace to daily batch reports or tax statements.
- (7) A check for \$207 was included in the deposit, the payment does not trace to daily batch reports, and the related tax bills are included on the delinquent tax books. The deposit was short an additional \$3 cash.
- (8) A partial payment cash receipt for \$100 does not appear to be deposited. The unrecorded check receipt is a \$6 check overpayment.
- (9) A check for \$489 was received and deposited; however, the property tax system shows the tax bill paid and no money tendered. Cash in this amount is missing from the deposit.
- (10) A check for \$38 was received and deposited; however, the property tax system shows the tax bill paid and no money tendered. Cash in this amount is missing from the deposit.
- (11) A check for \$144 was received and deposited; however, the property tax system shows the tax bill paid and no money tendered. Cash in this amount is missing from the deposit.
- (12) Unrecorded receipts include check overpayments of \$225, and \$1 received. The taxpayer confirmed a refund was not received for the \$225 overpayment.

* No receipt numbers for unrecorded receipts

** Amounts were adjusted for cash transactions entered on the batch report as checks.