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Missouri State Auditor

**FOLLOW-UP REPORT ON
AUDIT FINDINGS**

McDonald County

May 2013
Report No. 2013-044



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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County

We have conducted follow-up work on certain audit report findings contained in Report No. 2012-145, *McDonald County*, issued in December 2012, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed the written status of selected findings and recommendations and supporting documentation submitted by county officials, and held meetings with county officials. Documentation provided by the county included bank statements, aggregate abstracts, annual settlements, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during April 2013.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

McDonald County

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Status of Findings

1. Prosecuting Attorney Controls and Procedures As a result of numerous control weaknesses, there was no assurance all monies were handled and accounted for properly.

1.1 Segregation of duties and adjustments The duties of receiving, recording, transmitting, depositing, and disbursing monies were not adequately segregated. The administrative assistant performed all of these duties, and the Prosecuting Attorney or other employees independent of these duties did not perform a comparison of monies received to those transmitted to victims or deposited. In addition, the administrative assistant and the legal assistant, who also received and recorded monies and prepared deposits, are sisters. Also, there was no independent approval to support adjustments posted to the accounting systems, and adequate documentation of the adjustments was not retained.

Recommendation The Prosecuting Attorney adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented, require someone independent of the accounting system to review and approve all adjustments, and ensure adequate documentation is retained to support such adjustments.

Status **Implemented**
The Prosecuting Attorney implemented written policies and procedures for his office effective January 1, 2013, which segregate accounting duties, provide for a supervisory review of the accounting records and adjustments, and require adequate documentation of any adjustments to be maintained. The Prosecuting Attorney also indicated he will review and update policies and procedures of his office annually.

1.2 Receipting, posting, and depositing monies Receipts were not posted to the computerized accounting systems timely or intact. One of the computerized accounting systems allowed the user to enter the date of receipt into the system and the receipt dates entered into the system were not always accurate and in sequential order. Each receipting system tracked different information and none of the receipting systems contained a complete record of all monies received and processed. The numerical sequence of computer-generated receipt slips was not accounted for properly. Monies received were not always deposited intact and timely.

Recommendation The Prosecuting Attorney ensure all monies received are recorded promptly in the computerized accounting systems, dates are entered accurately, a complete record of all monies received is maintained, the numerical sequence of receipt slips issued is accounted for properly, and records are reconciled to deposits and transmittals. In addition, the Prosecuting Attorney should ensure monies are deposited timely and intact.

Status **Implemented**



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The receipting and posting process has been improved substantially. With the exception of a \$443 money order which was deposited on February 15, 2013, but was not posted to the computerized accounting system until February 20, 2013, other monies received during February 2013 were recorded promptly in the computerized accounting systems. During February 2013 receipt dates were entered accurately for monies received, the numerical sequence of receipt slips issued was accounted for properly, accounting records were reconciled to deposits, and deposits and transmittals were made timely. The Prosecuting Attorney's office continues to use two accounting systems to record monies received; however, the two systems combined represented a complete record of all monies received during February 2013.

1.3 Bank reconciliations
and accounts, and
liabilities

Bank reconciliations had not been performed for any of the Prosecuting Attorney's six bank accounts during the 2 years ended December 31, 2011. Three of the six bank accounts were accounts for the former Prosecuting Attorney, and the current Prosecuting Attorney had already closed these accounts. The former Prosecuting Attorney's trust bank account had an unidentified balance of \$833 as of June 30, 2012, and had not been closed. The current Prosecuting Attorney opened a bank account in January 2011, but subsequently changed depository banks and opened another account in July 2011. This initial bank account had a balance of \$2,270 as of December 31, 2011, which consisted of eight outstanding checks issued between January and May 2011. Further, a monthly list of liabilities for the bank account currently in use by the Prosecuting Attorney was not prepared and reconciled to the cash balance.

Recommendation

The Prosecuting Attorney perform monthly bank reconciliations, follow up on old outstanding checks, dispose of unclaimed monies in accordance with state law, and close inactive bank accounts. In addition, the Prosecuting Attorney should prepare a list of liabilities and reconcile the list to the cash balance monthly. Any differences should be investigated and resolved.

Status

In Progress

A monthly bank reconciliation and list of liabilities was prepared and reconciled for the current Prosecuting Attorney's only bank account for February 2013; however, nine outstanding checks totaling \$1,753 listed on the bank reconciliation were over a year old. The Prosecuting Attorney indicated letters were sent to the payees of each of these outstanding checks; and if a response is received, he will reissue the checks to the payees, and if a response is not received, these monies will be turned over as unclaimed property in accordance with state law. The former Prosecuting Attorney's trust bank account was closed on April 3, 2013, and unclaimed monies in this account were turned over to the County Treasurer. The current Prosecuting Attorney indicated he plans to turn these unclaimed monies



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over to the State Treasurer's Office on July 1, 2013. The initial bank account of the current Prosecuting Attorney was closed in December 2012. Some of the outstanding checks were reissued to payees and the remaining outstanding checks were turned over to the State Treasurer's office in October 2012 as unclaimed property.

1.4 Disbursements

Errors in disbursing restitution, delinquent taxes, and fees occurred, but were not detected due to posting errors, receipting problems, and the lack of proper month-end bank and liabilities reconciliation procedures. Monies received for restitution or delinquent tax payments were not always disbursed in a timely manner, and some fees collected were not disbursed monthly to the County Treasurer.

Recommendation

The Prosecuting Attorney review receipt and disbursement information to ensure all amounts paid have been properly disbursed to victims, disburse amounts received for restitution and delinquent taxes in a timely manner, prepare accurate monthly reports of fees, and disburse fees to the County Treasurer monthly.

Status

Implemented

The Prosecuting Attorney reviewed the February 2013 receipt and disbursement reports, restitution and fees collected were disbursed on March 11, 2013, and the monthly report of fees prepared was accurate and the Prosecuting Attorney's review was documented. The Prosecuting Attorney indicated delinquent tax payments are currently disbursed in a timely manner.

1.5 Tracking procedures

The Prosecuting Attorney's office did not have adequate procedures in place to account for and monitor the disposition of all bad checks submitted to the office for collection.

Recommendation

The Prosecuting Attorney develop procedures and records that provide sufficient information to track the receipt and disposition of all bad check complaints.

Status

Implemented

The Prosecuting Attorney established a bad check log in July 2012 to track the receipt and disposition of all bad check complaints.

2. Sheriff Controls and Procedures

The Sheriff paid himself mileage reimbursements from accountable fees, accounting duties were not adequately segregated, and controls and procedures over the Sheriff's bank accounts and seized property needed improvement.



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2.1 Sheriff mileage

The sheriff drove a personal vehicle when serving civil and criminal papers and paid himself \$13,080 from accountable fees for mileage to serve papers during the 2 years ended December 31, 2011. As a result, these disbursements were not approved by the County Commission. In addition, documentation of actual miles driven to serve the papers was not maintained by the Sheriff. The Sheriff paid himself a set \$20 mileage fee for every paper served. Our review of papers served during November 2011, showed the Sheriff was paid \$640 when he should have only been paid mileage fees of \$480 because some papers were served in the same location on the same day or no mileage was incurred. Further, while the Sheriff paid himself \$640 in mileage fees, we determined the mileage reimbursement would have been only \$244 using the rate prescribed by the Internal Revenue Service (IRS) and our estimate of miles driven based upon the location of papers served.

Recommendation

The Sheriff turn over all fees to the County Treasurer on a monthly basis. In addition, the County Commission should require the submission of detailed and accurate mileage claims by the Sheriff, review the claims for reasonableness, and reimburse actual mileage driven based upon the mileage rate prescribed by the IRS. The County Commission should also evaluate the cost effectiveness of providing a county owned car to the Sheriff, compare actual reimbursements made to reimbursement amounts based on actual miles driven, and pursue reimbursement of any overpayments.

Status

In Progress

The current sheriff drives a personal vehicle when serving civil and criminal papers and paid himself \$227 from accountable fees for mileage to serve papers during February 2013. This disbursement was not approved by the County Commission. The current Sheriff indicated he plans to drive his personal vehicle, maintain documentation of actual miles driven to serve the papers, and be paid for mileage through the normal county disbursement process in the future.

The County Commission indicated it plans to pay the Sheriff for mileage through the county's normal disbursement process out of the Sheriff's Civil Fund and require adequate documentation of miles driven to be submitted in the future. Due to budget constraints, the County Commission does not plan to provide the Sheriff a county owned car. The County Commission has been advised by the County Prosecutor to not pursue reimbursement of any overpayments to the former Sheriff due to lack of documentation.

2.2 Segregation of duties

Accounting duties were not adequately segregated. The two administrative assistants both received, recorded, deposited, and disbursed monies, and



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reconciled the bank accounts; and none of these duties were properly segregated. The Sheriff did not perform a review of the accounting records.

Recommendation

The Sheriff adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

Status

In Progress

The current Sheriff performed and documented a supervisory review of the February 2013 bank account reconciliations and statements. The current Sheriff indicated he plans to compare receipts to deposits periodically in the future.

2.3 Inmate liabilities

A monthly list of liabilities for the inmate bank account was not prepared and reconciled to cash balances.

Recommendation

The Sheriff prepare a list of liabilities for the inmate bank account and reconcile the list to the cash balance monthly. Any differences should be investigated and resolved.

Status

Implemented

A list of liabilities was prepared and reconciled to the cash balance of the inmate bank account as of February 28, 2013, and the current Sheriff indicated he plans to prepare a list of liabilities and reconcile it to the cash balance each month.

2.4 Dormant bank accounts

The Sheriff had two dormant bank accounts which should have been closed. The old civil account had a balance of \$208,473 as of December 31, 2011. This balance consisted of 11 checks which had been outstanding over a year. The old inmate account had a balance of \$2,377 as of December 31, 2011. This balance consisted of 113 checks which had been outstanding over a year.

Recommendation

The Sheriff follow up on outstanding checks, dispose of unclaimed monies in accordance with state law, and close the dormant accounts.

Status

In Progress

The current Sheriff indicated he is working with the County Prosecutor and the bank to close these accounts since he is not on the account, and he plans to turn these unclaimed funds over to State Treasurer's office.

2.5 DARE bank account

A Sheriff's deputy, who resigned in February 2012, maintained and continued to maintain a Drug Abuse Resistance Education (DARE) bank



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account for donations. There was no statutory authority allowing the Sheriff or his deputies to maintain this account outside the county treasury. Receipt slips were not issued and other records of donations received were not maintained. Adequate supporting documentation for some disbursements was not retained. Monthly bank reconciliations were not performed, and the check register balance was not accurately maintained.

Recommendation

The Sheriff turn all DARE monies over to the County Treasurer, ensure receipt slips or other records of donations received are maintained, and ensure adequate supporting documentation of disbursements is retained.

Status

Implemented

The DARE organization was incorporated as a Non Profit in November 2012, and the accounting records and bank account are currently maintained by the DARE organization rather than the Sheriff's office.

2.6 Seized property

Adequate controls over seized property had not been established. While a computerized list of seized property was maintained, it was not complete or accurate, and periodic inventories of property on hand were not conducted. Additionally, several items in the seized property storage area had been held for a long period of time.

Recommendation

The Sheriff maintain complete and accurate seized property inventory records. The Sheriff should perform a periodic inventory of seized property, compare it to the computerized list, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Status

In Progress

The current Sheriff indicated he is in the process of cleaning the evidence room so that evidence and property can be inventoried and compared to the computerized records.

5. Property Tax System Controls and procedures over the property tax system needed improvement.
Controls and Procedures

5.1 Tax books

The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books prepared by the County Assessor.

Recommendation

The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.



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Status

In Progress

The County Clerk indicated she plans to verify the accuracy of the current and delinquent tax books for the 2013 tax year. The County Clerk was unable to fully implement this recommendation because a new tax year had not been started at the time of our follow up meeting.

5.2 Review of activity

Neither the County Clerk nor the County Commission adequately reviewed the activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures were performed by the County Clerk or the County Commission to verify the accuracy and completeness of the County Collector's annual settlements.

Recommendation

The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.

Status

In Progress

The County Clerk prepared a spreadsheet of monthly distributions for the 2012 tax year and reconciled it to the annual settlement. The County Clerk indicated she plans to accumulate additional spreadsheet information including monthly collections, distributions, additions, and abatements to compare to the annual settlement prepared by the County Collector at the end of the tax year. The County Clerk indicated she intends to have these reports and the County Collector's annual settlement verified by the County Commission for accuracy.

5.3 Aggregate abstracts

The land and personal, railroad and utility, and back tax aggregate abstracts were not prepared for the 2011 and 2010 tax year in a timely manner. In addition, the land and personal tax aggregate abstracts for the 2011 and 2010 tax years were incorrect and reported the valuation and tax for railroad and utility.

Recommendation

The County Clerk prepare and file accurate tax aggregate abstracts with the Department of Revenue (DOR) and State Tax Commission (STC) in a timely manner.

Status

In Progress

The aggregate abstracts were prepared for the 2012 tax year in a timely manner; however, the railroad and utility and back tax aggregate abstracts



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were not accurate. The County Clerk prepared amended aggregate abstracts and indicated she plans to resubmit them to the DOR and STC.

5.4 Additions and abatements

While the County Commission and County Clerk reviewed and approved court orders for additions and abatements monthly, a comparison of the initial addition and abatement information prepared by the County Assessor and the addition and abatements entered into the property tax system by the County Collector was not performed. In addition, the County Collector, who collects property taxes, should not have had access to the property tax system to make changes throughout the tax year. We compared initial addition and abatement information prepared by the County Assessor to amounts recorded in the property tax system for ten additions and abatements made during the period October 2011 to January 2012, and noted differences for two of the ten items reviewed. Reasons for the differences could not be determined.

Recommendation

The County Clerk and the County Commission restrict access to the property tax system to ensure the County Collector cannot make changes. In addition, the County Clerk and County Commission should ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed.

Status

Partially implemented

Access to the property tax system has not been restricted; however, the County Clerk and County Commission compared approved additions and abatements to actual changes made to the property tax system in January 2013, and no discrepancies were noted.

5.5 Outlawed taxes

The County Commission did not approve personal property taxes outlawed each year. Taxes totaling approximately \$68,000 were outlawed and removed from the tax book by the County Collector during the 2 years ended February 29, 2012, without County Commission approval.

Recommendation

The County Collector work with the County Commission to establish proper controls over property taxes outlawed each year.

Status

Implemented

The County Commission approved outlawing the 2008 tax year personal property taxes totaling \$47,113 on March 11, 2013.