



Thomas A. Schweich

Missouri State Auditor

Benton County

October 2012
Report No. 2012-118



<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Benton County

County Sales Tax	As noted in our prior audit report, the county has not sufficiently reduced property taxes to offset sales taxes received, as required by state law. As of December 31, 2011, excess property tax collections were approximately \$146,500.
Transient Guest Tax	The County Commission has not established procedures to ensure all applicable businesses are collecting the transient guest tax and remitting it to the County Collector. To prevent the loss of tax revenue, the county should adequately monitor the collection of transient guest taxes.
Closed Meetings	The County Commission did not maintain minutes for 31 of the 33 closed meetings held in 2011 and 2010, as required by the Sunshine Law.
Sheriff's Controls and Procedures	At December 31, 2011, the Sheriff's bank account balance was \$1,418 less than needed to pay identified liabilities. The Sheriff's office does not maintain a complete and accurate list of month-end liabilities to be reconciled to the bank account balance. Receipts are not timely deposited, the method of payment is not always recorded correctly, and cash receipts totaling \$70 were not deposited. Accounting duties are not segregated, and an adequate supervisory review of accounting records is not performed, making it difficult to ensure all transactions are accounted for properly and assets are safeguarded. Concealed weapon permit application fees are credited to the county's General Revenue Fund because the Sheriff Revolving Fund has not been established as required by state law. Disbursements associated with the processing of the permits are not separately identified, so the monies may not be spent in accordance with statutory provisions.
County Collector's Controls and Procedures	Receipts are not deposited intact and the composition of receipts is not reconciled to the composition of deposits. Partial payments for bankruptcy cases are held in cash in envelopes, and no receipt slips are issued and no ledger is maintained. The County Collector collects property taxes for several cities but does not have updated written agreements to do so for some cities, and personally retains more commission on delinquent city taxes than allowed by contract. The County Collector continues to distribute surtax collections using percentages calculated for distributing the 1985 collections, and as a result, political subdivisions may not be receiving the proper allocation of surtax.
Prosecuting Attorney's Controls and Procedures	Accounting duties are not adequately segregated and an adequate supervisory review is not performed. Manual receipt slips are not reconciled to computerized receipt records, and audit staff identified instances where amounts posted in the computer did not agree with the amount recorded on the manual receipt slip. All clerks have the ability to post adjustments to the computerized accounting system without obtaining independent approval, which increases the risk of loss or misuse of funds. In October 2011, a defendant's balance was reduced \$13,343 without any supporting documentation. Bad check fees are not transmitted to the County Treasurer.

timely or intact, and money orders are not restrictively endorsed upon receipt. The collection summary report is not accurate, and during the 2 years ended December 31, 2011, the county disbursed \$385 more in Missouri Office of Prosecution Services fees than it collected.

Public Administrator's Procedures	The Public Administrator hires members of her family to perform duties associated with her wards and estates. Three members of her family were paid a total of \$2,351 between June 1 and July 21, 2011, to clean and prepare a ward's real and personal property for auction. The Public Administrator should avoid the appearance of a conflict of interest by consulting with the Probate Judge before hiring family members and maintaining documentation of other persons considered for the work.
-----------------------------------	---

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 **Fair**.^{*} However, the audit revealed serious shortcomings within the Sheriff's department, County Collector's office, and the Prosecuting Attorney's office.

American Recovery and Reinvestment Act (Federal Stimulus)	Benton County did not receive any federal stimulus monies during the audited time period.
---	---

^{*}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.

All reports are available on our website: <http://auditor.mo.gov>

Benton County Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. County Sales Tax.....4 2. Transient Guest Tax4 3. Closed Meetings5 4. Sheriff's Controls and Procedures6 5. County Collector's Controls and Procedures.....9 6. Prosecuting Attorney's Controls and Procedures13 7. Public Administrator's Procedures16
---	--

Organization and Statistical Information	18
---	----



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Benton County

We have audited certain operations of Benton County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Benton 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 Benton County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Heather R. Stiles, MBA, CPA
Audit Staff:	Mariam Ahmedbani Lindsay Pearson

Benton County Management Advisory Report State Auditor's Findings

1. County Sales Tax

Property tax reductions were not sufficient to offset sales taxes received resulting in excess property tax collections of approximately \$146,500 at December 31, 2011.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Benton County voters enacted a 1/2-cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement, and in the following year calculate any excess property taxes collected based upon actual sales tax collections. The county has not sufficiently reduced its General Revenue property tax levy to account for excess collections which have continued to accumulate over several years, although the county's calculations properly identify excess property tax collections from prior years. The following table shows the accumulation of excess property tax collections.

	Year Ended December 31,			
	2011	2010	2009	2008
Current year required property tax reduction	\$ 407,068	410,223	367,306	377,166
Actual property tax revenue reduction	374,985	366,505	359,679	384,802
(Under)/Over collection	32,083	43,718	7,627	(7,636)
Prior years (under)/over collection	114,501	70,783	63,156	70,792
Total property tax (under)/over collected	\$ 146,584	114,501	70,783	63,156

Reduction in property tax levies by 50 percent of sales tax revenue, including accumulated excess collections from prior years, is necessary to comply with state law and provisions voted by taxpayers.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission and County Clerk adequately reduce property tax levies for 50 percent of sales tax revenue and develop a plan to correct the accumulation of prior years' excess property tax collections.

Auditee's Response

The County Commission and the County Clerk provided the following response:

We have already taken action to reduce the county's property tax levy for 2012 to correct this issue.

2. Transient Guest Tax

Procedures have not been established to ensure all transient guest taxes are collected and quarterly tax reports are properly submitted by businesses. Transient guest taxes totaling over \$45,000 were collected during the year ended December 31, 2011.



Benton County
Management Advisory Report - State Auditor's Findings

In April 2010, Benton County voters approved a 3 percent transient guest tax pursuant to Section 67.1003, RSMo, which provides for the collection of a tax on all charges for sleeping rooms paid by the transient guests of hotels and motels in the county. The proceeds from this tax are to be used to promote tourism in Benton County.

The County Commission established a seven-member Tourism Commission, which reports to the County Commission and oversees spending of tourism funds. The County Collector receives tax payments from local businesses and distributes the taxes monthly to the Benton County Development Corporation (BCDC) which administers the funds for the Tourism Commission. The County Collector withholds a 2 percent commission which is distributed to the county General Revenue Fund, and the BCDC withholds 8 percent as compensation for its services.

The County Commission has not established procedures to ensure all applicable businesses are collecting the transient guest tax and paying it to the County Collector. While the Tourism Commission has identified businesses responsible for collecting the transient guest tax and maintains a list of businesses filing quarterly reports and paying taxes, no follow up procedures are in place to ensure all taxes are collected and paid. Our review of transient guest tax collections for the four quarters ended October 31, 2011, noted 5 of the 22 (23 percent) businesses identified by the Tourism Commission had not submitted a transient guest tax report or payment since the inception of the tax.

To prevent the loss of tax revenue, the county should establish procedures to adequately monitor the collection of transient guest taxes. Such procedures may include ensuring quarterly transient guest tax reports and payments are submitted by all applicable hotels/motels, sending delinquent notices when needed, and reviewing transient guest tax reports for accuracy.

Recommendation

The County Commission establish procedures to adequately monitor the collection of transient guest taxes.

Auditee's Response

The County Commission provided the following response:

We will discuss this issue with the Tourism Commission and the County Collector and establish procedures to monitor the collection of transient guest taxes.

3. Closed Meetings

The County Commission did not maintain minutes for 31 of the 33 closed meetings held in 2011 and 2010, as required by state law. Without minutes of closed meetings, there is no record of the discussion held or support for decisions made, and less assurance to the public that various statutory provisions were followed.



Benton County
Management Advisory Report - State Auditor's Findings

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient detail of discussions to demonstrate compliance with statutory provisions and support important decisions made.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission ensure minutes are prepared and retained for all closed meetings.

Auditee's Response

The County Commission provided the following response:

We are now taking minutes of closed meetings.

4. Sheriff's Controls and Procedures

At December 31, 2011, the Sheriff's bank account did not contain adequate funds to pay all liabilities. The shortage of \$1,418 occurred because of numerous control weaknesses, including inaccurate reconciliations, inadequate receipting and depositing procedures, and the lack of segregation of duties. Additionally, cash receipts totaling \$70 were not deposited. A shortage was also identified during our prior audit and procedures have not been put in place to ensure all monies received are accounted for properly. Further, concealed weapon permit fees are not placed in the proper fund.

The Sheriff's department collected approximately \$166,000 during 2011 and approximately \$245,000 during 2010.

4.1 Liabilities

Procedures are not in place to properly identify month-end liabilities and compare these liabilities to the reconciled bank account balance.

The Sheriff's secretary maintains a listing of cash bonds received that have not been disbursed to the Circuit Court; however, our review of the listing for December 31, 2011, noted it did not include all open bonds and included a bond that had previously been remitted to the Circuit Court. Additionally, this list is not compared to the reconciled bank balance to ensure adequate funds are available to pay all liabilities. At our request, an updated listing was prepared with identified liabilities totaling \$4,720; however, the reconciled bank balance was only \$3,302. The Sheriff and his secretary were unaware of the \$1,418 shortage and could not explain the reason for the difference.

To ensure records are in balance and sufficient cash is available for the payment of all liabilities, accurate monthly lists of liabilities should be prepared and compared to the reconciled bank balances. Further, to ensure all funds are accounted for properly, records should be reviewed to determine the reason for the \$1,418 shortage.



Benton County
Management Advisory Report - State Auditor's Findings

4.2 Receipts and deposits

Procedures are not in place to ensure all monies received are deposited. Cash receipts totaling \$70 were not deposited.

- Amounts deposited were less than amounts received for two deposits reviewed during 2011. Cash receipts totaling \$70 received in November (\$50) and December (\$20) could not be traced to a deposit. Receipt slips numbered 20125 through 20138 indicate \$1,795 was received in cash between November 20 and November 24, 2011, however, only \$1,745 in cash was deposited on November 28, 2011. Also, receipt slips numbered 20151 through 20172 issued between November 29 and December 5, 2011, reflect \$2,627 was received in cash, however, only \$2,607 in cash was deposited on December 7, 2011.
- Receipts are not deposited on a timely basis. For example, receipts received between October 20 and October 27, 2011, were not deposited until November 3, 2011, and included cash receipts totaling \$2,300.
- The method of payment is not always recorded correctly on receipt slips issued and the composition of receipts is not reconciled to the composition of deposits. In addition, although individual checks are listed on deposit slips, individual cash payments are not separately identified on deposit slips or on another record.

To ensure all monies collected are properly deposited, the method of payment should be correctly recorded, the composition of receipts should be reconciled to the composition of deposits, and deposits should be made timely. Further, to aid in the reconciliation process, the deposit slips or another record should indicate the individual receipt slips included in the deposit.

4.3 Segregation of duties

Accounting duties are not segregated, and an adequate supervisory review of accounting records is not performed. The Sheriff's secretary is primarily responsible for issuing receipt slips for monies received, maintaining accounting records, preparing checks and deposit slips, making deposits, and preparing the month-end bank reconciliations. Additionally, the Sheriff's secretary provides one of the two required signatures on checks. Although bank reconciliations are reviewed each month by the County Clerk's office, this review does not include comparing the reconciled balance to liabilities or receipt records to deposits. As a result, the shortage discussed in section 4.1 and the undeposited cash identified in section 4.2 was not identified during this review.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement an adequate



Benton County
Management Advisory Report - State Auditor's Findings

independent or supervisory review to ensure the bank records are in agreement with the accounting records.

4.4 Sheriff Revolving Fund

The Sheriff Revolving Fund has not been established as required by state law. The Sheriff collected approximately \$9,500 annually for concealed weapon permit applications for the 2 years ended December 31, 2011.

Concealed weapon permit fees received are credited to the county's General Revenue Fund and disbursements associated with the processing of the permits are not separately identified. As a result, the monies may not be spent in accordance with state law.

Section 571.101, RSMo, authorizes the Sheriff to charge non-refundable fees for processing a first time application and a renewal for a concealed weapon permit which shall be paid to the county treasury to the credit of the Sheriff Revolving Fund. In addition, Section 50.535, RSMo, states the Sheriff Revolving Fund may only be used by law enforcement agencies for the purchase of equipment, to provide training, and to make necessary expenditures to process applications for concealed weapon permit applications or renewals.

By establishing a Sheriff Revolving Fund in the county treasury and preparing a budget for the fund, the County Commission and the Sheriff will be able to more effectively monitor overall financial resources, make budgetary decisions, and ensure funds are spent in accordance with state law.

Similar conditions
previously reported

Similar conditions to sections 4.1, 4.2, and 4.3 were noted in our prior audit report.

Recommendations

The Sheriff:

- 4.1 Review receipt and disbursement records to determine the reason for the \$1,418 shortage, and ensure a complete and accurate list of liabilities is prepared monthly and reconciled to the available cash balance.
- 4.2 Ensure the method of payment is recorded on all receipt slips, document the individual receipt slips included in each deposit, reconcile the composition of receipts to the composition of deposits, and deposit monies timely. In addition, the Sheriff should follow up on the \$70 cash shortage.



Benton County
Management Advisory Report - State Auditor's Findings

- 4.3 Adequately segregate accounting duties to the extent possible or ensure an adequate independent or supervisory review of accounting and bank records is performed and documented.
- 4.4 Work with the County Commission and County Treasurer to establish the Sheriff Revolving Fund as required by state law.

Auditee's Response

The Sheriff provided the following written responses:

- 4.1 *We are checking into the \$1,418 shortage. A form has now been set up to show each bond posted, where each bond was paid to, the date, and the check number. The bond sheet sent to the court is also checked with the pending bonds.*
- 4.2 *The missing \$50 is because the plaintiff took the money back and decided to obtain the services of an attorney to file the eviction paperwork. This eviction was filed two weeks later. The initial receipt was not voided. The \$20 is due to be deposited and a mistake was made in putting it in the computer. We now have two people checking the deposits to make sure they are correct. Deposits will now be made daily.*
- 4.3 *I will check receipt and disbursement records daily.*
- 4.4 *Concealed weapon fees will now be placed in the Sheriff's Revolving Fund.*

5. County Collector's Controls and Procedures

The County Collector's procedures related to receipting and depositing are in need of improvement. In addition, partial payment records are not adequate, commissions on city tax collections do not agree with written contracts, and surtax distribution calculations did not include current assessed valuation amounts. The County Collector's office processed property taxes totaling in excess of \$12 million during each of the 2 years ended February 29, 2012.

5.1 Receipts and deposits

Receipts are not deposited intact and the composition of receipts is not reconciled to the composition of deposits.

- Cash receipts are withheld from deposits for use as a change fund, which is not maintained at a constant amount. Instead of depositing the exact amount of cash received during each day, the collector typically deposits an even amount of cash and withholds the balance of cash receipts for the change fund.
- Monies received for partial payments on bankruptcy cases, are held as cash in envelopes in the County Collector's vault until full payment is



Benton County
Management Advisory Report - State Auditor's Findings

received. Bankruptcy checks received are placed in the Collector's daily deposits, and a corresponding amount of cash from other tax collections is withheld from the daily deposit and placed in the vault and held until the bankruptcy tax liability is paid in full. (See section 5.2.)

- Adequate records are not maintained to document cash receipts used to make small refunds. When an individual pays more than the taxes due (by check), the County Collector uses cash from other collections to obtain a money order from the bank to mail the refund to the individual; however, adequate documentation is not maintained to track the cash withheld from collections. The Collector indicated refunds are handled this way to avoid numerous outstanding checks.
- Daily cash receipts are occasionally used to cash personal checks for county employees.

As a result of these issues, the amount deposited does not agree to the amounts received on a daily basis.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact, the composition of receipts should be reconciled to the composition of deposits, documentation of refunds should be retained, and the practice of cashing personal checks should be discontinued. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

5.2 Partial payments

Receipt slips are not issued for partial payments received for bankruptcy cases, and a ledger is not maintained of the amounts collected, amounts due, and amounts deposited. Partial payments are placed in separate envelopes labeled with the taxpayers name and the amount of partial payments received. These envelopes are filed in the taxpayer's bankruptcy folder and deposited after sufficient monies have been received for payment of a tax bill. A January 19, 2012, cash count identified partial pay monies in cash totaling \$1,127 stored in eight envelopes.

To ensure all amounts collected are properly accounted for, receipt slips should be issued for all payments received, and detailed records should be maintained of all amounts collected and due. All monies should be deposited and reconciled to amounts held in the bank account.

5.3 City taxes

The County Collector does not have a written agreement with the City of Warsaw to bill and collect property taxes and does not distribute fees on delinquent city taxes in accordance with state law. The County Collector collects city property taxes for the cities of Cole Camp, Ionia, Lincoln, and



Benton County
Management Advisory Report - State Auditor's Findings

Warsaw and personally retained commissions totaling \$15,128 during the 2 years ended February 29, 2012, for performing these services.

- 1) The County Collector does not have a written agreement to collect taxes for the City of Warsaw, and the written agreement with the City of Cole Camp was negotiated by the former County Collector in 1986 and should be updated.

Section 50.332, RSMo, allows county officials, subject to the approval of the county commission, to perform services for cities they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such contracts be in writing.

- 2) The County Collector personally retains more commission on city taxes than allowed by contract. Contracts with the City of Cole Camp, Ionia, and Lincoln provide for a 2 percent commission on delinquent city taxes; however, the County Collector also retains a portion of a penalty charged on delinquent taxes.

A 7 percent penalty is paid by the taxpayers for delinquent city tax collections. The collection and distribution of this penalty is not addressed in the County Collector's written agreements with the cities; however, Section 52.290, RSMo, allows for the collection of the 7 percent penalty on delinquent taxes and provides for the penalty to be distributed as follows: two-sevenths to the County General Revenue Fund, two-sevenths to the Tax Maintenance Fund, and three-sevenths to the County Employee Retirement Fund (CERF).

However, for these three cities the County Collector personally retains two-sevenths of the penalty collected instead of distributing the penalty to the County General Revenue Fund. For the city of Warsaw, for which there is no contract, the County Collector personally retains four-sevenths of the penalty collected and distributes one-seventh to the Tax Maintenance Fund, and two-sevenths to the CERF, respectively.

While the 7 percent penalty collected on delinquent city taxes is assessed, it is not distributed as provided by state law. Of the \$4,547 in penalties collected on city taxes, \$2,043 was retained by the County Collector rather than distributing the monies to the County General Revenue Fund (\$1,299), Tax Maintenance Fund (\$338), and CERF (\$406) as specified by law.

To ensure fees on delinquent city taxes are properly charged and distributed, the contracts with the cities should clearly define the amount of fees and penalties to be assessed, and describe how all amounts should be distributed.



Benton County
Management Advisory Report - State Auditor's Findings

Any add on fee or penalty charged to taxpayers should be based on state law or city ordinance.

5.4 Surtax

Surtax collections are not properly distributed. The County Collector distributed approximately \$238,000 in surtax collections during the 2 years ended February 29, 2012.

Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation. Section 139.600, RSMo, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed.

The County Collector continues to distribute surtax collections using percentages calculated for distributing the 1985 collections and has not recalculated the surtax distribution percentages each year as required by state law. The County Collector indicated she was unable to recalculate distribution percentages each year because the 1984 tax book had been destroyed prior to being microfilmed, and there was no documentation to calculate the 1985 lost revenues. Changes have occurred in the assessed valuation amounts for subclass 3 property, and political subdivisions may not be receiving the proper allocation of surtax collections.

Since historical tax information is not available to properly calculate the 1985 lost revenue amount used in the calculations outlined in state law, the County Collector should determine a reasonable method to adjust the 1985 surtax percentages for changes in current year assessed valuations to properly distribute more surtax to entities experiencing growth.

Similar conditions previously reported

Similar conditions to sections 5.1, 5.3 and 5.4 were noted in previous audit reports.

Recommendations

The County Collector:

- 5.1 Deposit all receipts intact, reconcile the composition of receipts to the composition of deposits, retain documentation of all refunds, and discontinue the practice of cashing personal checks. In addition, if a change fund is needed, it should be maintained at an established amount.
- 5.2 Ensure official prenumbered receipt slips are issued for all partial payments, all monies are deposited, a partial payment ledger is



Benton County
Management Advisory Report - State Auditor's Findings

maintained, and amounts posted to the partial payment ledger are reconciled to total partial payments held in the bank account.

- 5.3 Work with the County Commission to obtain current written agreements with the cities for tax collections, and ensure fees and penalties charged on delinquent city taxes are prescribed in contracts and are based upon applicable state laws or city ordinances.
- 5.4 Ensure future distribution of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.

Auditee's Response

The County Collector provided the following responses:

- 5.1 *I will review our current procedures and take the auditor's recommendations under consideration.*
- 5.2 *This recommendation has been implemented.*
- 5.3 *Beginning with 2012 tax collections, I will contact the cities and implement these changes.*
- 5.4 *New calculations will be determined for the 2012 surtax distributions.*

6. Prosecuting Attorney's Controls and Procedures

Weaknesses exist in accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney only accepts receipts in the form of money orders or cashier checks which are transmitted to merchants, the County Treasurer, or other applicable individuals (no bank account is maintained). The Prosecuting Attorney's office collected bad check restitution and related fees and court-ordered restitution totaling approximately \$102,000 in 2011 and \$120,500 in 2010.

6.1 Segregation of duties

Accounting duties are not adequately segregated and an adequate supervisory review of accounting records is not performed. All three clerks within the Prosecuting Attorney's office issue manual receipt slips for monies received; however, the primary accounting duties for bad check complaints and court ordered restitution are divided between two clerks. One clerk is responsible for entering all information related to bad check complaints and payments in the computerized accounting system and for transmitting these payments to respective merchants. A second clerk is responsible for entering court ordered restitution and related payments (with the exception of bad checks) into the accounting system, and transmitting these payments to the applicable party. While the Prosecuting Attorney



Benton County
Management Advisory Report - State Auditor's Findings

indicated she occasionally reviews accounting records, an adequate review is not performed to ensure all monies received are properly recorded and transmitted to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement an adequate independent or supervisory review to ensure accounting records are in agreement.

6.2 Receipts

Manual receipt slips issued are not reconciled to computerized receipt records. We noted instances where amounts posted in the computer did not agree with the amount recorded on the manual receipt slip. For example, in April 2010, \$7,595 was receipted in the computer, however, the manual receipt slip was only \$95. According to the clerk, the amount receipted into the computer was incorrect, as \$7,500 was not received by the Prosecuting Attorney's office, but paid directly to the victim

To ensure all receipts are accounted for properly and reduce the risk of loss, theft, or misuse of funds, procedures should be established to reconcile manual receipt slips to computerized records.

6.3 Adjustments

There is no independent approval of adjustments posted to the computerized accounting system. All clerks have the ability to post adjustments to the computerized accounting system without obtaining independent approval. Adjustments are made to defendant accounts to remove amounts due from the system; however, adequate documentation to support these adjustments was not always retained. In addition, the default setting in the accounting system is set to an adjusting entry rather than a payment. In October 2011, an adjustment for \$13,343 to decrease a defendant's balance was entered with no supporting documentation, and in November 2011, a restitution payment for \$575 was entered incorrectly into the accounting system as an adjustment.

To reduce the risk of loss or misuse of funds, and ensure the validity and propriety of all adjustments, adjustments should be supported by adequate documentation and reviewed and approved by a supervisor.

6.4 Transmittal of fees

Bad check fees are not transmitted to the County Treasurer intact or in a timely manner. For example, bad check fees receipted between October 21 and December 16, 2011, were not transmitted to the County Treasurer until December 16, 2011, and did not include two receipts totaling \$145 received on December 2 and December 14, 2011. These receipts were later transmitted in January 2012. In addition, money orders are not restrictively endorsed upon receipt.



Benton County
Management Advisory Report - State Auditor's Findings

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, transmittals should be made intact and on a timely basis, and money orders should be restrictively endorsed immediately upon receipt.

6.5 Monthly reports

The collection summary report used to report Missouri Office of Prosecution Services (MOPS) fees each month to the County Treasurer is not accurate and incorrect fee amounts were paid to MOPS. This report includes all MOPS fees associated with bad checks for which charges have been filed during the month instead of including only the fees that have been collected. As a result, the county disbursed \$385 more in MOPS fees during the 2 years ending December 31, 2011, than was collected.

To ensure amounts distributed to MOPS are accurate, monthly collection detail reports should be reconciled to actual MOPS fees transmitted to the County Treasurer.

Recommendations

The Prosecuting Attorney:

- 6.1 Adequately segregate accounting duties to the extent possible or ensure an adequate independent or supervisory review of accounting records is performed and documented.
- 6.2 Reconcile manual receipt slips issued to computerized accounting records.
- 6.3 Require supervisory review and approval and retain adequate documentation for all accounting adjustments.
- 6.4 Transmit fees to the County Treasurer intact and in a timely manner, and restrictively endorse money orders upon receipt.
- 6.5 Reconcile MOPS collection reports to amounts transmitted to the County Treasurer.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

- 6.1 *The Prosecutor and the Office Manager/Bad Check Clerk are now reviewing monthly or as time allows all the bad check reports and restitution reports. If more clarification is needed on the restitution reports then we have the restitution clerk review her reports with us.*
- 6.2 *Our policies about manual receipts was (until this audit) being done per the last group of auditors advice. Now this group of auditors do not like us using the manual receipts so we are now no longer using*



Benton County
Management Advisory Report - State Auditor's Findings

them for Bad Check payments and restitution payments. We are now only using the receipts that the computer program Karpel issues to our posted payments.

6.3 *Now to the approval of adjustments or reversals, approval by the prosecutor is now documented before the clerks or Office Manager enter them as such. Before when we were using manual receipts we would write on the receipts what had taken place with a different amount than what was posted. Documentation of all adjustments will be maintained.*

6.4 *We have started to stamp the back of all the money orders made out to Benton County as soon as they are received in our office. The money orders made out to the victims and merchants are sent out to them. We have also started to send the money orders to the Treasurer every week depending on how many we receive in that week. If it is just one or two money orders then it will be sent to the Treasurer every other week.*

6.5 *The problem with the MOPS fees has been resolved and we are now sending a report each month that includes only the MOPS fees collected that month. Karpel worked with us to run the correct reports.*

Auditor's Comment

6.2 Our prior audit report contained no recommendation regarding manual receipt slips, and this report recommendation does not suggest eliminating the use of manual receipts. Rather, we recommend a reconciliation of manual receipt slips to computerized records in those instances where manual receipt slips are utilized.

7. Public Administrator's Procedures

The Public Administrator hires members of her family to perform duties associated with her wards and estates.

For example, the Public Administrator hired three family members who were paid a total of \$2,351 between June 1 and July 21, 2011, to clean and prepare a ward's real and personal property for auction. The Public Administrator indicated that she uses members of her family because she can trust them to care for the assets of the ward estate. There was no documentation to indicate that persons other than family members were considered for these services.

To avoid the appearance of a conflict of interest, the Public Administrator should consider consulting the Probate Judge when members of her family are going to provide services to wards for compensation. Additionally, documentation should be maintained of the consideration of persons other than her family members for the services.



Benton County
Management Advisory Report - State Auditor's Findings

Recommendation

The Public Administrator avoid the appearance of a conflict of interest by consulting with the Probate Judge prior to hiring family members and ensuring documentation is maintained of the consideration of persons other than family members for services provided to wards.

Auditee's Response

The Public Administrator provided the following written response:

To avoid any possible conflicts, documentation will be obtained for services considered in the future and written consent will be requested from Probate Judge for same whether it be for family members or otherwise.

Benton County

Organization and Statistical Information

Benton County is a county-organized, third-class county. The county seat is Warsaw.

Benton 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 69 full-time employees and 11 part-time employees on December 31, 2011.

In addition, county operations include a 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
Tom Self, Presiding Commissioner	\$	29,390
Paul Estes, Associate Commissioner (1)		28,050
Walter Schumacher, Jr., Associate Commissioner (1)		28,710
Beverly Burnett, Recorder of Deeds (1)		42,500
Mary Lutman, County Clerk (1)		43,500
Karen Coffey Woodley, Prosecuting Attorney		109,356
Rick Fajen, Sheriff (1)		50,000
Rick Renno, County Treasurer (1)		43,500
James A Miller, County Coroner (1)		18,000
Lori Dunklin, Public Administrator		41,500
Donna Hart, County Collector (1) (2), year ended February 29,	51,189	
Rodger L. Reedy, County Assessor (1), year ended August 31,		43,500
Jerry Dill, County Surveyor (3)		

- (1) Includes one-time salary adjustment in 2011 based on increase in assessed valuation in 2007.
- (2) Includes \$7,689 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.



Benton County
Organization and Statistical Information

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

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