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FOLLOW-UP REPORT ON AUDIT FINDINGS

Howard County



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Howard County

Follow-Up Report on Audit Findings

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Missouri State Auditor

To the County Commission
and
Officeholders of Howard County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-40, *Howard County*, issued in August 2011. 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 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 reports summarizing the status of our recommendations and supporting documentation provided by the county, and held discussions with county officials. Documentation included copies of budgets, financial reports, property tax records, various accounting records, bank statements, and invoices. This report is a summary of the results of this follow-up work, which was substantially completed during December 2011 through February 2012.

Thomas A. Schweich
State Auditor

Howard County

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Status of Findings

1. Financial Condition

The General Revenue (GR) Fund, Special Road and Bridge (SRB) Fund, and Keller Building Fund were in poor financial condition.

Budgeted and actual disbursements had exceeded budgeted and actual receipts in the GR Fund in 4 of the last 5 years and the SRB Fund in 3 of the last 5 years. The county monitored budget to actual information and reduced some county disbursements; however, these reductions were not sufficient to offset declining receipts. The GR Fund cash balance had also declined due to increasing transfers to other county funds to offset expenses in those funds.

The Keller Building Fund was in poor financial condition because receipts were not sufficient to cover building expenses. The County Commission had increased Keller Building rental rates, including a 10 percent increase in 2010; however, these increases were not sufficient to offset building maintenance and repair needs. Prior to 2010, the county transferred monies from the GR Fund to the Keller Building Fund to help cover building expenses. Because the GR Fund balance had declined and major repairs were needed, the county had to obtain loans and grants to pay for repair and replacement of the heating and cooling systems.

The County Commission and County Clerk indicated they were aware of the concern and were monitoring the county's financial condition through monthly and quarterly budget reports and evaluating ways to reduce disbursements. In August 2010, Howard County voters authorized a 1/2-cent general sales tax levy to be collected beginning in January 2012. The county planned to deposit these collections, which the County Clerk estimated to be \$275,000 annually, in the GR Fund.

Recommendation

The County Commission continue to closely monitor and take necessary steps to improve the county's financial condition.

Status

In Progress

The County Commission continues to closely monitor the financial condition. According to the county's 2012 budget documents, cash balances for the year ended December 31, 2011, were \$38,219, \$228,166, and \$5,895, for the GR Fund, SRB Fund, and Keller Building Fund, respectively.

The budgeted ending cash balances for the GR Fund and SRB Fund at December 31, 2012, are \$23,054 and \$113,017, respectively. The new 1/2-cent general sales tax was effective January 2012. These receipts, which the County Clerk estimates at \$275,000 annually, will be deposited in the GR Fund. Major repairs to the Keller Building boiler system are underway and the Keller Building Fund budget for the year ending December 31, 2012, provides for an ending cash balance of \$0 and a loan of approximately



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\$48,100 related to the project. County officials indicated these repairs will help decrease Keller Building utility costs and improve the financial condition of the fund.

2.1 County Collector
Annual Settlements

The County Collector did not complete and file accurate annual settlements in a timely manner. As of January 2011, the County Collector had drafted, but not finalized, the annual settlement for the year ended February 28, 2010. The County Collector finalized and filed the settlement in February 2011; however, the settlement contained several errors and omissions. Additionally, total charges exceeded total credits by \$5,471. After we brought the above errors to her attention, the County Collector corrected these matters and filed an amended settlement in April 2011. Our review of the annual settlement for the year ended February 28, 2011, which was also filed in April 2011, noted no significant errors, omissions, or differences.

Recommendation

The County Collector file complete and accurate annual settlements in a timely manner. The County Collector should continue to investigate the differences reported on the annual settlements.

Status

In Progress

The County Collector has filed monthly settlements on a timely basis and she plans to file the annual settlement for the year ended February 29, 2012 in a timely manner. The County Collector stated she investigated the differences reported on the annual settlements, but has been unable to identify the reasons for the differences.

2.2 Review of Property
Taxes

The County Clerk did not maintain an account book or other records summarizing property tax transactions and changes, and the County Clerk and the County Commission did not perform procedures to verify the accuracy of the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected errors in the County Collector's annual settlement.

Recommendation

The County Clerk maintain an account book with the County Collector. 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

Implemented

The County Clerk indicated she began maintaining an account book with the County Collector in 2011. She also indicated she reviews the accuracy and completeness of the County Collector's monthly and annual settlements and reports to the County Commission regarding the results of her review.



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2.3 Tax Books

The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books. The County Collector prepared the tax books from the computer system and there was no independent review performed by the County Clerk.

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.

Status

Implemented

The County Clerk verifies the accuracy of the current and delinquent tax books.

3. Sheriff Controls and Procedures

The Sheriff's accounting procedures did not provide assurances that monies collected were accounted for properly.

3.1 Segregation of duties

Accounting duties were not adequately segregated and adequate supervisory review of the accounting records was not performed.

Recommendation

The Sheriff segregate accounting and bookkeeping duties to the extent possible or, at a minimum, perform and document periodic reviews of the work performed.

Status

In Progress

Duties have not been segregated. The Sheriff indicated he reviews monthly bank reconciliations and fee transmittals to the County Treasurer; however, no written verification of this review exists. The Sheriff indicated he will document future reviews of accounting records.

3.2 Bank reconciliations

Bank reconciliations had not been performed for any of the Sheriff's four bank accounts since July 2006. At our request, a bank reconciliation was prepared for the Sheriff's fee account as of February 28, 2011, and noted an unidentified balance of \$1,278. In addition, running book balances were not maintained for any of the accounts.

Recommendation

The Sheriff maintain running book balances, perform monthly bank reconciliations, and investigate and resolve any differences.

Status

Implemented

During a follow-up meeting with the Sheriff in December 2011, the Sheriff provided documentation that monthly bank reconciliations were performed for the Sheriff's four bank accounts for the months of January through November 2011, and running book balances were maintained. These bank



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reconciliations noted unidentified balances in each of the accounts. The Sheriff investigated the unidentified amounts and transferred \$1,339 to the County Treasurer in January 2012, for disposal in accordance with state law.

3.3 Receipts and deposits

Receipting and depositing procedures needed improvement.

- Receipts were recorded on multiple receipt records, and the Sheriff's department did not reconcile the various receipt records or reconcile the receipt records to deposits.
- The method of payment (cash, check, or money order) was not consistently or accurately indicated on receipt slips, and the composition of deposits was not indicated on deposit slips. As a result, the composition of receipt slips could not be compared to the composition of deposits.
- Fee receipts were not deposited intact or in a timely manner.
- Generic prenumbered receipt slips were issued for monies received at the jail, and the receipt books were not purchased or issued in numerical order. In addition, our review of jail receipts noted some receipt slips were skipped or missing and not noted as voided.
- Monies were not kept in a secure location.

Recommendation

The Sheriff ensure official prenumbered receipt slips are issued for all receipts; receipts are maintained in a secure location and deposited intact and in a timely manner; the method of payment is accurately indicated on all receipt slips; voided receipt slips are properly voided and retained; and receipt records, including the composition of receipt slips issued, are reconciled to the composition of deposits. In addition, the Sheriff should ensure seized cash is deposited or stored in a secure location.

Status

In Progress

The Sheriff indicated he has consulted with another county Sheriff's department regarding receipting procedures and plans to implement a new receipting and ledger system in early 2012. The Sheriff indicated he plans to purchase official prenumbered receipt slips to be issued for all receipts and has instructed staff of the need to accurately indicate the method of payment on all receipt slips and properly void receipt slips. Fee receipts continue to be kept in an unsecure location prior to deposit; however, deposits are made on a more timely basis. The Sheriff indicated he implemented procedures to keep all seized cash in a locked box and disposed of all seized cash on hand as of December 2011. The composition of deposits is documented on deposit slips; however, the composition of receipt slips issued is not



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reconciled to the composition of deposits. The Sheriff indicated he will ensure this reconciliation is performed in the future.

3.4 Telephone cards

Records were not maintained of prepaid telephone cards purchased and sold to inmates, and telephone cards and related receipts were maintained in an unsecure location. Cash receipts were used to purchase additional telephone cards, and profits were periodically transmitted to the County Treasurer.

Recommendation

The Sheriff maintain records of telephone card sales and inventories. Such records should document the beginning number of telephone cards, cards purchased, cards sold, and the ending balance of cards. Periodic physical inventory counts should be performed and reconciled to telephone card records. Any discrepancies should be investigated in a timely manner. In addition, telephone cards and receipts should be maintained in a secure location, receipts should be deposited, and telephone cards should be purchased through the county disbursement process.

Status

Partially Implemented

The Sheriff maintains a log of telephone card sales and inventories and maintains the telephone cards and receipts in a locked box. However, the Sheriff continues to purchase telephone cards with cash receipts instead of through the county disbursement process.

3.5 Monthly transmittals

The Sheriff did not always transmit fees to the County Treasurer on a monthly basis as required by state law.

Recommendation

The Sheriff transmit fees monthly to the County Treasurer.

Status

Implemented

The Sheriff fees are transmitted to the County Treasurer on a monthly basis.

4.1 Road and Bridge Sales Tax

Although it appeared the county spent road and bridge capital improvement sales tax monies in accordance with ballot language, such language may not have been consistent with the intent of the authorizing state law.

Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in its ballot submitted to voters, and requires the monies received from the sales tax be deposited in a separate fund and used solely for the designated capital improvement purpose. However, the ballot did not specifically identify a capital improvement purpose. The ballot stated the sales tax would be used for "the general operating expense incurred by the Road and Bridge Fund, including but not limited to the following: road rock, salaries, fuel expense, equipment purchases, and bridges and culverts, etc." In addition, the county deposited



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road and bridge sales tax receipts into the SRB Fund and did not separately account for disbursements made from the sales tax receipts, and had not identified capital improvement projects funded with these monies. Further, the county distributed approximately 20 percent of these receipts to two special road districts; however, the county had not entered into written agreements with the districts or established a system of monitoring the districts' use of these and other monies received from the county.

Recommendation

The County Commission consult with legal counsel regarding the ballot language and procedures related to the road and bridge capital improvement sales tax and, if necessary, implement procedures to ensure compliance with state law. In addition, the County Commission should enter into written agreements and establish procedures to monitor the special road districts' expenditure of county monies.

Status

In Progress

The County Commission entered into a 12-month legal services agreement with the Missouri Association of Counties, Inc. (MAC), effective January 1, 2012. The County Commission stated they plan to consult with the MAC attorney regarding the ballot language and procedures related to the road and bridge capital improvement sales tax in early 2012. The County Commission is in the process of entering into contracts with each of the special road districts for 2012. The County Commission indicated these contracts will require the special road districts to submit budgets and year-end financial reports to the county.

5.1 Restricted Funds

Disbursements from the Election Services Fund and the Sheriff's Revolving Fund were not in compliance with state law.

Recommendation

The County Commission, County Clerk, and the Sheriff ensure monies in restricted funds are spent in accordance with state law.

Status

Partially Implemented

The County Commission and the County Clerk indicated they are monitoring expenses of restricted funds and ensuring these monies are spent according to state law. However, the Sheriff indicated he continues to spend monies from the Sheriff's Revolving Fund when funds are not available from other sources. A review of disbursements from the Sheriff's Revolving Fund from September through December 2011, identified three disbursements totaling \$800 that were not in compliance with state law.



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6. Rock and Pipe Sales

The county did not always prepare an invoice for each sale of rock or pipe or issue a receipt slip for each payment. In addition, pipe was sold at 2009 rates rather than the rates the county paid/would pay for the pipe when needed.

Recommendation

The County Commission ensure invoices are prepared for all sales of rock and pipe, receipt slips are issued for all monies received, and charges are sufficient to ensure recovery of costs.

Status

Implemented

Records and procedures over rock and pipe sales were transferred to the County Clerk's office in January 2012. The County Clerk and the Road and Bridge Supervisor maintain inventory records. The County Clerk indicated she issues invoices for all sales and receipt slips for all monies received, and ensures charges are sufficient to ensure recovery of costs.

7.1 Public Administrator
Annual Settlements and
Status Reports

The Associate Circuit Court had not established procedures to adequately monitor the activity of cases assigned to the Public Administrator. The Associate Circuit Court required the Public Administrator to annually report financial activity for each case on either an annual settlement or status report, as determined by the Associate Circuit Judge. The Associate Circuit Judge reviewed and approved annual settlements and status reports; however, the court did not verify the accuracy of the information contained in status reports. While the Probate Clerk reviewed each annual settlement by verifying its accuracy and reviewing supporting documentation, her review of the annual status reports was limited to a review for reasonableness. Because an annual status report, rather than an annual settlement report, was required for most cases, the court had no assurance all financial activity of each ward was appropriately reported to the court for review.

Recommendation

The Associate Circuit Judge establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator.

Status

Implemented

The Associate Circuit Judge requires the Public Administrator to attach the most recent bank statement to each annual status report, and the Court verifies the financial status of each ward.