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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Henry County

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Henry County

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Henry County

We have conducted follow-up work on certain audit report findings contained in Report No. 2012-49, *Henry County*, issued in June 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 written statuses of selected findings and recommendations, reviewed supporting documentation submitted by county officials, and held meetings with county officials. Documentation provided by the county included the 2013 budget, bank statements, monthly settlements, various other financial records, and selected contracts. This report is a summary of the results of this follow-up work, which was substantially completed during February 2013.

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

Thomas A. Schweich
State Auditor

Henry County

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Status of Findings

1.1 County Collector-Treasurer Commissions

The County Collector-Treasurer did not properly calculate commissions, resulting in approximately \$442,000 due to county schools. The County Collector-Treasurer incorrectly withheld 3 percent on the school portion of all current real estate and personal taxes collected when only 2 percent was allowed, and she incorrectly withheld 3 percent on the school portions of all delinquent and railroad and utility taxes collected when 3.5 percent was allowed. The County Collector-Treasurer incorrectly distributed current and delinquent tax commissions due to the General Revenue Fund, to the County Employees' Retirement Fund (CERF) and the Tax Maintenance Fund. The County Collector-Treasurer incorrectly calculated and withheld Proposition C Commissions from current taxes collected for the Henry County R-I School District (Windsor).

Recommendation

The County Collector-Treasurer recalculate current and delinquent tax commissions withheld and distributed, and correct distributions from the General Revenue Fund to the various political subdivisions and from the CERF and Tax Maintenance Funds to the General Revenue Fund. The County Collector-Treasurer should also ensure future commission calculations are accurate.

Status

In Progress

The County Collector-Treasurer and County Clerk recalculated commissions withheld and distributed for the 4 years ended February 28, 2011, and determined \$410,098 was due to the various school districts. In July 2012, December 2012, and January 2013, the county disbursed a total of \$410,098 to the various school districts. The County Collector-Treasurer disbursed \$13,138 from the Tax Maintenance Fund to the General Revenue Fund in June 2012. The County Collector-Treasurer indicated the county is in the process of entering into an agreement with the CERF which provides for the county to discontinue current CERF payments until the amount due to the county is recovered. Commissions were properly calculated and withheld from property taxes collected in November and December 2012.

1.2 County Collector-Treasurer City Commissions

The County Collector-Treasurer did not calculate and withhold commissions from city taxes in compliance with city contracts. The County Collector-Treasurer withheld 3.5 percent instead of 3 percent on the City of Clinton back taxes as provided for in the contract. The County Collector-Treasurer assessed a 7 percent penalty on all delinquent city taxes instead of the 2 percent penalty provided for in the contract, which was to be retained by the County Collector-Treasurer personally. This 7 percent penalty was paid to the CERF Fund, the Tax Maintenance Fund, the county, and the County Collector-Treasurer personally. The County Collector-Treasurer incorrectly assessed a 2 percent penalty on November current city tax collections when a 2 percent penalty was only allowed for delinquent tax collections. A calculation error in the manual adjustment on the November



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2010 monthly settlement resulted in 20 percent rather than 2 percent being taken on collections for cities other than the City of Clinton. The County Collector-Treasurer was improperly withholding and personally retaining commissions on railroad and utility taxes pertaining to cities.

Recommendation

The County Collector-Treasurer recalculate city tax commissions withheld and distributed and correct distributions. In addition, the County Collector-Treasurer should ensure future commission calculations are accurate.

Status

Partially Implemented

The County Collector-Treasurer disbursed \$570 to the city of Clinton from the Tax Maintenance Fund in July 2012. The County Collector-Treasurer indicated she did not pay this amount personally since she had erroneously been splitting the city penalties with the county. The County Collector-Treasurer indicated she does not intend to recalculate city tax commissions withheld and distributed and correct for errors noted in the audit report; however, city tax commissions were properly calculated and withheld from property taxes collected in November and December 2012.

1.5 County Collector-Treasurer Tax Sale Surplus Fund

The County Collector-Treasurer improperly held over \$22,000 in the Tax Sale Surplus Fund as of September 30, 2011. Upon closure of the County Collector-Treasurer's property tax bank account, the \$3,539 bank balance representing outstanding checks was incorrectly transferred to the Tax Sale Surplus Fund. Private car tax collections totaling \$6,152 owed to the General Revenue Fund were received in January 2010, and were also incorrectly transferred to the Tax Sale Surplus Fund when the property tax bank account was closed. Unidentified monies totaling \$12,740 were held by the County Collector-Treasurer in the Tax Sale Surplus Fund.

Recommendation

The County Collector-Treasurer establish routine procedures to investigate checks outstanding for a considerable time, disburse private car tax collections owed to the General Revenue Fund, and disburse any tax sale surplus monies in accordance with state law.

Status

Partially Implemented

The County Collector-Treasurer transferred the private car tax collections to the General Revenue Fund in December 2011. The County Collector-Treasurer has established procedures to investigate checks outstanding for a considerable time. The payees of the outstanding checks could not be located and the amount of these checks and the unidentified monies in the Tax Sale Surplus Fund were distributed to the schools in September 2012. However, the \$3,539 of outstanding checks should have been transferred to the state's Unclaimed Property Section rather than distributed to schools since these were not Tax Sale Surplus Fund monies.



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2. Sheriff Accountable Fees and Special Revenue Funds Improvement was needed in the Sheriff's handling of accountable fees and special revenue funds.

2.1 Sheriff Bank Accounts The Sheriff did not properly account for various fees and inmate monies received, and used over \$79,000 of these monies in violation of state law to pay operating expenses of his office. Supporting documentation was not retained for at least \$14,875 of disbursements made from the Sheriff's bank accounts, and the propriety of some of these transactions was uncertain. The Sheriff also improperly transferred monies between the fee and inmate bank accounts and incurred insufficient fund charges.

Included in the undocumented disbursements were payments to deputies through the fee and inmate bank accounts for hours worked and mileage driven. These payments were not reported on the deputies' W-2 forms, and payroll deductions were not withheld from the payments.

The amounts deposited into various county law enforcement related special revenue funds may have been incorrect, and there was little assurance restricted funds had been accounted for properly and expended for allowable purposes. The Sheriff did not always transmit fees timely and amounts transmitted frequently appeared to be more or less than the corresponding amounts received.

Recommendation

The Sheriff turn over all fees to the County Collector-Treasurer as required by state law. Payment of expenses should only be made through the normal county disbursement process as provided for in the budgets of special revenue funds. In addition, the Sheriff and County Commission should ensure all salary payments and wages are subject to payroll withholdings, reported on W-2 forms, and supported by timesheets that reflect actual time worked.

Status

In Progress

During November and December 2012, the Sheriff turned over all fees deposited into his fee account to the County Collector-Treasurer at the end of each month, except for \$600 in incentive payments received from the Social Security Administration for prisoners. Inmate commissary profits totaling \$8,511 were turned over to the County Collector-Treasurer in November and December 2012; however, some commissary profits are still held in the inmate bank account. The Sheriff indicated he intends to turn over additional commissary profits to the county after differences in reconciliations remain consistent for a period of time. During November and December 2012, payment of expenses were made through the county's normal disbursement process and salaries to deputies were paid through the payroll system with proper withholdings and reporting.



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2.2 Sheriff Special Revenue Funds The Sheriff improperly transferred monies between the county special revenue funds and his bank accounts, and adequate supporting documentation was not provided for payments made to the Sheriff and for other payments related to the operation of the Sheriff's office. The Sheriff also requested several transfers be made between various special revenue funds, and the purpose of these transfers was unclear and not adequately documented. Receipt transactions were often classified as transfers on the budgets rather than a more appropriate and descriptive receipt category. Adequate supporting documentation was not provided for some payments from the special revenue funds to the Sheriff, and in some instances, it was not clear the payments were for legitimate county expenses. The County Commission did not adequately review other disbursements related to the operation of the Sheriff's office.

Recommendation The Sheriff and the County Commission limit transfers, consider a more effective method of budgeting transfers and disbursements, and ensure the purposes of all fund transfers are documented. The Sheriff and County Commission should require adequate supporting documentation for all disbursements, and ensure funds are disbursed in a necessary and appropriate manner and proper oversight of the Sheriff's office is performed.

Status **In Progress**

Monies were not transferred between the county special revenue funds and the Sheriff's bank accounts during November and December 2012. The Sheriff and County Commission limited transfers between special revenue funds and reduced the number of special revenue funds by combining several funds together during the year ended December 31, 2012. For November 2012 travel related expenses reviewed, supporting documentation was available although the purpose of travel was not documented. The County Commission continued to only review a summary statement of Sheriff's office fuel. The entire bill and detailed invoices of each fuel purchase in November 2012 (paid in December 2012) were not reviewed by the County Commission. However, the County Clerk indicated he has now requested the Sheriff to provide the entire fuel bill and the detailed invoices of each fuel purchase to his office for review. The County Clerk and County Commission currently receive and review a monthly report of receipts, disbursements, and open items and the related supporting documentation for the Sheriff's fee account.

3. Sheriff Reconciliations and Accounting System There was no assurance accounting records were accurate and complete.

3.1 Bank Reconciliations Bank reconciliations and a list of liabilities were not prepared for either the fee or inmate bank accounts, and the Sheriff could not perform a proper



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reconciliation because some debit card disbursements and electronic deposits were not recorded in the accounting system.

Recommendation

The Sheriff perform bank reconciliations and reconcile bank balances to liabilities monthly. Any differences between accounting records and reconciliations should be investigated and resolved. The Sheriff should ensure all disbursements and receipts are accurately recorded in the computerized accounting system.

Status

In Progress

The Sheriff prepared bank reconciliations and a list of liabilities for both the inmate and fee accounts for November and December 2012; however, differences between accounting records and reconciliations still exist and have not been resolved. In addition, incentive payments received from the Social Security Administration for prisoners totaling \$600 during November and December 2012, were direct deposited into the Sheriff's fee account, but were not recorded in the Sheriff's accounting records.

3.2 Accounting System

The payee on several checks was whited-out or manually marked through and a new payee was written in. The payee and amount of the checks recorded in the accounting system did not always agree to the actual checks written. Computerized reports of disbursements made from the inmate account were not accurate. The Sheriff's report of fees for the month of June 2010 did not agree to the accounting system or bank records.

Recommendation

The Sheriff discontinue altering checks and ensure disbursements are properly reported in the accounting system.

Status

Implemented

During November and December 2012, the checks that were issued and cleared the bank from the fee and inmate bank accounts were not altered and were properly recorded in the accounting system, the computerized reports of disbursements made from the inmate account were accurate, and the Sheriff's report of fees agreed to the accounting records.

**4. Prosecuting Attorney
Controls and
Procedures**

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

**4.1 Segregation of Duties
and Adjustments**

The duties of receiving, recording, and transmitting monies were not adequately segregated. The bad check clerk performed all of these duties, and reviews performed by the Prosecuting Attorney were not documented. In addition, there was no independent approval to support adjustments



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posted to the accounting system, and adequate documentation of the adjustments was not retained.

Recommendation

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

Status

In Progress

The Prosecuting Attorney indicated his office is unable to segregate accounting duties. Adjustments totaling \$4,602 were posted to the accounting system in November and December 2012, and reasons for the adjustments were documented. The Prosecuting Attorney indicated he has performed some reviews of accounting records, but these reviews were not documented, and he is in the process of developing a system to document these reviews in the future.

4.2 Receipting and Transmitting Monies

Receipts slips had not been issued for some monies, and the numerical sequence of manual receipt slips was not accounted for properly. Receipts were not transmitted timely to the victim and County Collector-Treasurer and were not posted to the computerized accounting system timely. Amounts recorded on manual receipt slips were not reconciled to the computerized accounting system and transmittals. Money orders made payable to the Prosecuting Attorney were not restrictively endorsed until the receipts were transmitted to the County Collector-Treasurer.

Recommendation

The Prosecuting Attorney ensure receipt slips are issued in numerical order for all monies received and monies are recorded promptly, and restrictively endorse money orders immediately upon receipt. In addition, the Prosecuting Attorney should ensure monies are transmitted timely and intact, and ensure comparisons of receipt slips to the computerized accounting system and transmittals are performed.

Status

In Progress

During November and December 2012, receipt slips were not issued for bad check restitution and fees totaling \$694 and a comparison of receipt slips to the computerized accounting system and transmittals was not performed. However, during November and December 2012, monies received were posted timely to the computerized accounting system, the numerical sequence of manual receipt slips was accounted for properly, and bad check fees were transmitted timely and intact to the County Collector-Treasurer. The Prosecuting Attorney indicated he plans to issue receipt slips for all monies received and perform a comparison of the receipt slips to the computerized accounting system and transmittals in the future. The



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Prosecuting Attorney indicated restitution is now being transmitted to victims timely and money orders are being endorsed upon receipt.

7. Passport Fees

There was no apparent authority for the County Commission to collect passport fees and some of the fees collected were spent inappropriately.

Recommendation

The County Commission discontinue collecting passport fees or ensure passport fees are reported and spent in accordance with state law.

Status

In Progress

The County Commission continues to collect passport fees. A quarterly report accounting for all passport fees was prepared based upon bank activity for the quarter ended December 31, 2012. The County Clerk indicated he planned to submit this quarterly report to the Circuit Court. Passport fees were spent appropriately during the quarter ended December 2012.