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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Knox County

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Knox 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 Knox County

We have conducted follow-up work on certain audit report findings contained in Report No. 2012-144, *Knox 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 supporting documentation submitted by county officials and held meetings with county officials. Documentation provided by the county included the 2013 budget, bank statements and reconciliations, annual settlements, the County Clerk's account book, receipt and disbursement records, and leave records. This report is a summary of the results of this follow-up work, which was substantially completed during March 2013.

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

Thomas A. Schweich
State Auditor

Knox County

Follow-Up Report on Prior Audit Findings

Status of Findings

1. **Financial Condition** The financial condition of the General Revenue (GR) Fund and the Special Road and Bridge (SRB) Fund was poor. We noted several instances where the county made some poor financial decisions which impacted the county's financial condition and showed a disregard for statutory provisions and restricted funds. For example, the county incorrectly certified a 2010 general revenue property tax reduction resulting in a reduction of 2011 property tax collections by an estimated \$46,000 to 79,000. In an effort to reduce GR Fund expenditures, most fuel for Sheriff's department vehicles was paid from the SRB Fund during 2011, which is restricted for improvement and maintenance of county roads and bridges. In addition, during 2010, the county began collecting donations to the GR Fund from defendants as a condition of reducing charges filed on traffic tickets; however, it appeared the county lacked the authority to collect these funds.

Recommendation The County Commission perform long-term planning and closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the General Revenue Fund and Special Road and Bridge Fund. In addition, the County Commission should ensure compliance with state laws regarding restricted funds and transfers, and consider repaying the Special Road and Bridge Fund from the General Revenue Fund for Sheriff's department fuel costs.

Status **In Progress**

The County Commission indicated it continues to perform long-term planning and closely monitor the financial condition. According to the county's 2013 budget documents, cash balances for the year ended December 31, 2012, were \$140,563 for the GR Fund and \$226,820 for the SRB Fund. The budgeted ending cash balances for December 31, 2013, are \$49,500 for the GR Fund and \$50,720 for the SRB Fund. In April 2013 the county included on the ballot a county road tax to help fund purchases of road rock for the road and bridge department, but voters did not pass the issue. The County Commission indicated a lower (3 percent, rather than 5 percent) administrative service transfer was made from the SRB Fund to the GR Fund in 2012 as a repayment to the SRB Fund for the Sheriff's department fuel costs incorrectly paid from the SRB Fund.

2. **Property Taxes** Controls and procedures over the property tax system needed improvement.

2.1 **Additions and Abatements** Procedures over property tax additions and abatements were not properly segregated or monitored. The County Collector posted the additions and abatements to the property tax system and the County Commission approved an annual report of additions and abatements from the property tax system. A significant control weakness existed because the County Collector was responsible for collecting property taxes, approvals were only made annually, and there was no reconciliation of approved court orders to



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actual changes made to the property tax system. The County Clerk was unable to post corrections to the property tax system because she lacked such access.

Recommendation

The County Commission and the County Clerk ensure procedures are adequately segregated and all property tax additions and abatements are properly and timely approved and monitored, and work with the computer programmer to design the new property tax system so the County Clerk can enter additions and abatements.

Status

Implemented

The County Clerk indicated she now has access to the property tax system, and ensures the additions and abatements posted to the system by the County Collector agree with the approved court orders. The County Commission approves property tax additions and abatements on a monthly basis.

2.2 Account Book and Annual Settlements

Property tax collection activities of the County Collector were not adequately monitored. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. Additionally, the County Clerk and the County Commission did not perform procedures to verify the accuracy of the County Collector's monthly or 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 now maintains an account book with the County Collector. Using the account book, the County Clerk verified the accuracy of the annual settlement for the year ended February 28, 2013. The County Clerk indicated she is developing a procedure to verify the County Collector's monthly and annual settlements; and once she has reviewed the settlements, she will submit them to the County Commission for approval.

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 property tax amounts.



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Status

Implemented

The County Clerk indicated she verifies the accuracy of the tax books by entering the tax levies in the property tax system and verifying system calculations before charging the Collector with the amount of taxes to be collected.

2.4 Receipts

The method of payment (cash, check, or money order) for property tax receipts was not recorded in the property tax system. The County Collector indicated the property tax system lacked the functionality to record this information.

Recommendation

The County Collector work with the computer programmer to ensure the new property tax system provides for the recording of the method of payment for each receipt and the generation of a deposit report containing the composition of receipts.

Status

In Progress

The method of payment is now recorded in the property tax system for each receipt; however, the composition of receipts is not shown on the daily abstract of collections report. The County Collector indicated he plans to work with the computer programmer to include this information on the daily abstract reports.

3.1 Capital Improvement
Sales Tax

The ballots, court orders, and county procedures supporting the capital improvement sales tax did not comply with state law. The April 2008 and 2012 ballots did not indicate the tax was a capital improvement tax or identify a capital improvement purpose, and incorrectly stated the sales tax was to be used "for the purpose of the General Revenue Fund." The county deposited the capital improvement sales tax receipts in the Special Road and Bridge Fund and did not separately account for receipts, disbursements, or balances of these monies. The County Clerk and County Commission indicated the April 2008 and 2012 ballots and court orders were written in error. In August 2012 voters approved a ballot proposal which clarified the sales tax was for the purpose of road and bridge building, repair, maintenance, and general capital improvement.

Recommendation

The County Commission and County Clerk implement procedures to ensure monies received from the capital improvement sales tax are tracked and spent in accordance with state law. In addition, the County Commission should consult with legal counsel regarding ballot language supporting future sales taxes proposed to voters.

Status

Implemented



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The Capital Improvement Fund was established in January 2013 for the purpose of separately tracking capital improvement sales tax receipts and disbursements. The County Commission indicated no additional sales taxes have been proposed to voters; however, they will consult with legal counsel regarding any future sales tax proposals.

5.1 Fuel and Vehicle Use

Fuel logs were submitted to the County Clerk's office for all road and bridge and Sheriff's department vehicles and equipment, but did not provide sufficient data and were not reviewed or reconciled to fuel purchase records. Fuel logs maintained by the Sheriff's department lacked some mileage information and were not maintained separately by vehicle. Fuel logs maintained by the road and bridge department did not contain mileage or hour information.

Recommendation

The County Commission and County Clerk require complete mileage and fuel logs be maintained for the road and bridge and Sheriff's departments, and these logs be reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.

Status

In Progress

Beginning in February 2013 fuel for road and bridge and Sheriff's department vehicles, other than graders, is purchased at local fuel stations with fuel cards. County employees are required to enter the vehicle odometer reading at the fuel pump and the county receives invoices from the fuel vendor listing the fuel card number, date, odometer reading, and gallons purchased. The invoices are reviewed and approved by the Sheriff and the County Commission, and the County Clerk's office is currently developing a procedure to monitor the fuel purchases. Complete fuel and usage logs are now required for graders, which are fueled from metered bulk fuel tanks, and the County Commission indicated they plan to implement a procedure to reconcile bulk fuel purchases to the fuel and usage logs.

5.2 Employee Leave Records and Compensatory Time

Centralized records of leave balances and leave used and earned were not maintained for all employees. The County Clerk recorded and tracked leave balances for all county employees, except employees of the Assessor's and County Collector's offices. While these employees recorded their leave balances on their timesheets submitted to the County Clerk's office, the County Clerk did not review the balances for accuracy and compliance with county policy. In addition, the county did not calculate compensatory time for Sheriff's department employees in accordance with county policy.

Recommendation

The County Commission and County Clerk maintain centralized leave records for all county employees, and the County Commission ensure Sheriff employees accrue compensatory time in accordance with county policy.



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Status

Implemented

The County Clerk's office now maintains leave records for all county employees. The County Clerk's office has established procedures to ensure Sheriff employees' compensatory time is calculated in accordance with county policy.

7. Prosecuting Attorney's Controls

Procedures related to supervisory review, receipts and deposits, disbursements, and donations were in need of improvement.

7.1 Supervisory Review

Accounting duties were not adequately segregated, and the Prosecuting Attorney did not provide adequate oversight of financial functions and records. One secretary was responsible for the duties of receipting, recording, depositing, preparing and signing checks, and preparing bank reconciliations. The Prosecuting Attorney performed a documented review of bank reconciliations; however, a more detailed review of the receipting, recording, and disbursing functions would have helped ensure monies received were properly deposited, recorded in the accounting system, and appropriately disbursed.

Recommendation

The Prosecuting Attorney perform and document supervisory reviews of the receipting, recording, and disbursing functions.

Status

Implemented

Our review of bank reconciliations and canceled checks, and discussions with Prosecuting Attorney staff noted the Prosecuting Attorney or Assistant Prosecuting Attorney reviews the bank reconciliations, bank statements, receipt slips, and deposit slips on a monthly basis. In addition, the Assistant Prosecuting Attorney signs all checks.

7.2 Receipts and Deposits

The Prosecuting Attorney's office issued manual receipt slips for bad check and court-ordered restitution payments received and entered those receipts into the computer system. Receipts were not always deposited timely, receipt slips were not always issued as required, and receipt slips were not issued for donations. In addition, manual receipt records were not reconciled to computerized receipt records, manual and computerized receipt records were not reconciled to deposits, and the numerical sequence of receipt slips issued was not accounted for properly.

Recommendation

The Prosecuting Attorney deposit all monies in a timely manner; issue receipt slips for all monies collected; account for the numerical sequence of receipt slips issued; and reconcile receipt records, including composition of receipt slips issued, to the composition of deposits.



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Status

Implemented

Deposits are made weekly or when receipts reach \$100, receipt slips are issued for all monies collected other than donations, manual receipt slip numbers are referenced to the corresponding computerized receipt numbers, and receipt slip numbers are written on deposits slips to account for the numerical sequence of receipt slips and to compare the composition of receipt slips issued to deposits. Receipts for donations are recorded on a spreadsheet in the Prosecuting Attorney's office and on receipt slips in the County Treasurer's office.

7.3 Disbursements

Bad check and court-ordered restitution fees were not disbursed to the County Treasurer in a timely manner, monies were not disbursed to victims in a timely manner, and checks were not always issued in numerical sequence.

Recommendation

The Prosecuting Attorney disburse all monies in a timely manner, issue checks in numerical sequence, and account for the numerical sequence of check numbers.

Status

Implemented

Our review of disbursement records and discussions with Prosecuting Attorney staff noted monies are disbursed on a monthly basis, checks are issued in numerical sequence, and procedures have been established to account for the numerical sequence of check numbers.

7.4 Liabilities and Unidentified Balances

Liabilities had not been identified and reconciled with cash balances, and some restitution receipts had not been disbursed at the time of our review. The Prosecuting Attorney's office prepared a list of liabilities which totaled \$2,199 at February 29, 2012, and a comparison of identified liabilities to the reconciled bank balance indicated an unidentified amount of \$203 in the bank account at that date.

Recommendation

The Prosecuting Attorney prepare monthly liability lists and reconcile the lists to cash balances. In addition, the Prosecuting Attorney should ensure restitution amounts are disbursed in a timely manner, and any remaining unidentified or unclaimed amounts are disbursed in accordance with state law.

Status

In Progress

Our review of bank reconciliations noted monthly liability lists are prepared and reconciled to cash balances. The Prosecuting Attorney indicated he plans to turn over unidentified monies totaling \$126 to the state's Unclaimed Property Section.



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7.5 Donations

Donations collected by the Prosecuting Attorney's office were not distributed in accordance with state law.

The Prosecuting Attorney frequently reduced charges filed on traffic tickets by requiring defendants to make a donation as a condition of reducing the charges. Since early 2011 all donations were deposited to the GR Fund. During 2010 donations were deposited to either the GR or Restitution Funds. Most 2011 cases where donations were required were speeding violations, which state law specifically excludes as violations for which assessments can be collected and deposited into the Restitution Fund. There appeared to be no authority for the Prosecuting Attorney to require a donation to the GR Fund to reduce charges filed on traffic tickets.

Recommendation

The Prosecuting Attorney reevaluate the practice of requiring donations to the county as part of reducing charges filed.

Status

Not Implemented

The Prosecuting Attorney continues to require donations to the county. The Prosecuting Attorney indicated he plans to consult with representatives from the Missouri Association of Prosecuting Attorneys for direction and authority regarding the practice of donations and is willing to change this practice if deemed necessary.