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Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Barton County

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July 2013

Report No. 2013-055



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<http://auditor.mo.gov>

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# Barton 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 Barton County

We have conducted follow-up work on certain audit report findings contained in Report No. 2013-13, *Barton County*, issued in January 2013, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

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

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed the written status of selected findings and recommendations, 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 various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during May 2013.

Thomas A. Schweich  
State Auditor

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# Barton County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Drug Buy Monies      The Sheriff could not account for \$945 of drug buy monies. The Sheriff maintained exclusive control of the drug buy monies, and records maintained to account for these monies were inadequate and incomplete. As a result of these numerous control weaknesses, there was no assurance all drug buy monies were handled and accounted for properly.

1.1 Unaccounted for funds      Checks totaling \$5,500 were issued to the Sheriff from January 1, 2010, through June 16, 2012, and were cashed and used for drug buys. The Sheriff did not maintain a ledger to account for the receipt, disbursement, and balance of drug buy monies, but did maintain some "receipt for confidential funds" forms issued to informants for drug buys and incident reports. Receipt forms and incident reports could not be provided for drug buy monies of \$945. These unaccounted for funds went undetected due to numerous control weaknesses including inadequate segregation of duties.

Recommendation      The County Commission request the Sheriff to perform additional follow up related to unaccounted for monies and consider working with law enforcement officials regarding possible investigation and repayment if appropriate.

Status      **Implemented**  
  
The Sheriff paid \$945 back to the county on February 6, 2013. The County Commission indicated it considered further investigation, but has no plans to pursue the matter at this time.

1.2 Segregation of duties      Duties were not adequately segregated. The Sheriff maintained exclusive control of drug buy monies obtained from the Federal Forfeiture Fund. He cashed all drug buy checks received; issued receipt forms to informants for drug buys; received recovered drug buy monies during investigations and arrests; and maintained incident reports, evidence records, evidence obtained from the drug buys, and lab reports of drugs purchased.

Recommendation      The Sheriff segregate accounting duties to the extent possible, or ensure an adequate independent or supervisory review of accounting records is performed and documented.

Status      **In Progress**  
  
As of the date of our follow up meeting, the Sheriff had not segregated accounting duties and continued to maintain exclusive control of drug buy monies. However, the Sheriff indicated he plans to have his bookkeeper sign off on drug buy receipts as drug buys occur and will require the bookkeeper to count drug buy monies every 2 months and reconcile monies counted to the drug buy ledger in the future.



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### 1.3 Drug buy records

Records maintained by the Sheriff for drug buys were inadequate and incomplete. The Sheriff did not maintain a ledger to account for the receipt, disbursement, and balance of drug buy monies. Receipt for confidential fund forms issued were not prenumbered and were not located for four drug buys totaling \$460. In addition, drug buy monies recovered during arrests and investigations totaling \$691 were not adequately documented as a receipt back into drug buy monies on hand or into evidence. Receipt for confidential funds forms were not always signed by the informant receiving the drug buy monies, the Sheriff failed to record the informant's number or name on four of these receipt forms, and 39 of 40 (98 percent) receipt forms reviewed did not include a witness signature. Incident reports were not located for 12 of 40 (30 percent) drug buy receipt forms reviewed, a drug buy incident report indicated the Sheriff borrowed \$40 from bond monies collected by his office in 2012 for a drug buy, and lab reports on drugs purchased were not located for 32 of 40 (80 percent) drug buy receipt forms reviewed. Further, inconsistencies in information contained on drug buy receipt forms, incident reports, and lab reports were identified.

### Recommendation

The Sheriff maintain a ledger to record receipts and disbursements of drug buy monies, and reconcile the ledger monthly to the balance of drug buy monies on hand. The Sheriff should also issue prenumbered receipt forms for all drug buy monies disbursed, adequately document the amount and disposition of drug buy monies recovered, ensure the informant and a witness to the distribution of drug buy monies sign the drug buy receipt forms, and discontinue using bond monies for drug buys. In addition, the Sheriff should ensure adequate supporting documentation including incident reports, evidence records, and lab reports are retained for all drug buys.

### Status

#### **In Progress**

The Sheriff indicated he plans to start maintaining a ledger to account for the receipt, disbursement, and balance of drug buy monies in June 2013. In addition to the receipt for confidential funds form, the Sheriff has purchased a generic prenumbered receipt book which will be used to account for all drug buy monies disbursed. The Sheriff indicated in the future when drug buy monies are recovered or returned they will be re-receipted and re-entered into the drug buy ledger. While the drug buy receipt for confidential funds forms issued in February 2013 did not contain a signature of the informant or a witness, the Sheriff indicated he plans to require these signatures in the future. The Sheriff indicated in the future bond monies will not be used for drug buys, he plans to take more time to properly account for drug buy monies, and he will ensure all related records are accurate and complete.



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2. Sheriff Controls and Procedures

Weaknesses existed in accounting controls and procedures in the Sheriff's office.

2.1 Segregation of duties

The duties of receiving, recording, depositing, and disbursing monies and reconciling the Sheriff's bank accounts were not adequately segregated. A bookkeeper performed all of these duties. While the Sheriff initialed monthly reports, he indicated he did not reconcile receipt slips to deposits.

Recommendation

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

Status

**In Progress**

As of the date of our follow up meeting, the Sheriff had not segregated accounting duties or reconciled receipt slips issued to deposits; however, he indicated in the future he will have a secretary, independent of the bookkeeping duties, reconcile receipt slips issued to deposits and review the accounting records prepared by the bookkeeper. The Sheriff indicated in the future he will also review these same records monthly.

2.2 Inmate bank accounts and records

Procedures were not in place to properly identify month-end liabilities and compare these liabilities to the reconciled bank account balance. In addition, while the Sheriff's office utilized a computerized software system to track inmate balances, it was not accurate. Manual one-write receipt slips issued for inmate monies received from October 11, 2010, through November 14, 2010, could not be located. Inmate jail records did not always include the inmate's cash on hand at the time of arrest and were not always signed by the inmate at the time of arrest and release.

Recommendation

The Sheriff investigate and resolve any inaccuracies in the computerized inmate records and perform monthly reconciliations between the computerized list of liabilities and the bank balance. The Sheriff should retain financial records in a secure location, and ensure the collection and return of funds to the inmates are recorded on the inmate's jail record.

Status

**In Progress**

The Sheriff provided a manual list of liabilities and a bank reconciliation for the inmate bank account for the month ended March 31, 2013; however, differences existed between the records, with liabilities totaling \$85 and the reconciled bank balance totaling \$100. There was no documentation to indicate these records and reconciliations were prepared in the interim between audit completion and the follow up meeting. In addition, the computerized list of inmate balances provided by the Sheriff's office is still inaccurate and totaled to \$14,677 as of May 16, 2013. The Sheriff indicated it would take a considerable amount of time, but he would try and work with



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the programmer to correct this record. All manual one-write receipt slips issued for inmate monies in March 2013 were located. Inmate jail records reviewed for March 2013 were signed by the inmate at the time of arrest and release.

**2.3 Federal Forfeiture Fund** The Sheriff did not prepare a budget for the Federal Forfeiture Fund. Disbursements of this fund were not made through the County Commission's normal disbursement process and were only authorized by the Sheriff. Supporting documentation was not retained for three checks issued from the fee account totaling \$1,113. In addition, the payee was left blank on one of these checks issued for \$592. Also, the Sheriff indicated he prepared the invoice and signed the vendor's name for the purchase of a drug dog for \$400. Invoices related to some fee account disbursements were not paid in a timely manner. The Sheriff did not include equipment purchased with forfeiture monies on the general capital asset listing submitted to the county and only listed the value of a vehicle purchased for \$11,495 as \$2,800 on the listing.

**Recommendation**

The Sheriff work with the County Commission to adopt a budget for the Federal Forfeiture Fund, make all purchases through the county expenditure process, require adequate supporting documentation be maintained, ensure invoices are paid in a timely manner, and maintain accurate capital asset records.

**Status**

**Partially Implemented**

The Sheriff prepared a budget for the Federal Forfeiture Fund for the year ended December 31, 2013. The County Commission indicated disbursements of this fund are still not made through the county's normal disbursement process because they believe the Sheriff is responsible for these disbursements. However, the County Commission is monitoring this fund by obtaining documentation for all disbursements. Invoices were on file with the County Clerk for all disbursements made from August to December 31, 2012. No disbursements had been made from this fund from January 1 to April 30, 2013. The Sheriff indicated all invoices would be paid timely in the future. Equipment purchased from August to December 31, 2012, was listed accurately on the county's capital asset listing.

**2.4 DARE bank account**

The Sheriff maintained a Drug Abuse Resistance Education (DARE) bank account for donations outside the county treasury. Receipt slips or other records of donations received were not maintained. The only records of monies received were deposit slips. Also, monthly bank reconciliations were not performed, and the three authorized check signors on the account were no longer employed by the county.



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**Recommendation**

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

**Status**

**Implemented**

On November 16, 2012, the Sheriff closed the DARE bank account. Additional DARE monies collected subsequent to that date totaling \$155 were receipted on the civil account manual one-write receipt book. The bank account balance and \$155 were turned over to the County Treasurer on January 2, 2013, for deposit into the DARE Fund. The Sheriff indicated all future DARE collections will be properly receipted and turned over to the County Treasurer for deposit into the DARE Fund.

**2.5 Reporting**

The Sheriff's office had not submitted Uniform Crime Reports (UCR) to the Department of Public Safety (DPS) since December 2010, and did not submit an equitable sharing agreement and certification detailing the equitable sharing (federal forfeiture) funds spent each year as required by the U.S. Department of Justice, Asset Forfeiture and Money Laundering Section.

**Recommendation**

The Sheriff ensure UCR and equitable sharing agreements are prepared and submitted as required.

**Status**

**In Progress**

The Sheriff provided documentation that UCR reports were submitted and approved by the DPS from January 2012 to April 2013. While the Sheriff prepared an Equitable Sharing Proceeds from Federal Forfeitures report and filed it with the Department of Public Safety on January 24, 2013, reporting 2012 activity, an equitable sharing agreement and certification for 2012 as required by the U.S. Department of Justice, was not provided at our follow up meeting.

**2.6 Seized property and evidence**

The Sheriff maintained a computerized seized property and evidence log, but failed to periodically back-up information maintained on the system, and all information maintained on the system was lost when the computer system failed in November 2011. In addition, manual case files documenting seized property and evidence were not accurate or complete. The Sheriff's office had not conducted a physical inventory of all seized property and evidence and had not implemented procedures to periodically review cases and dispose of related seized property items which dated back to the 1980s.

**Recommendation**

The Sheriff maintain a complete and accurate seized property and evidence inventory control log, periodically prepare backup records and store them at an off-site location, and perform periodic physical inventories. In addition,



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the Sheriff should develop procedures to periodically review cases and dispose of related seized property.

Status

**In Progress**

As of the date of our follow up meeting, the Sheriff had not made efforts to implement this recommendation. However, the Sheriff indicated he plans to perform a physical inventory and record all seized property and evidence on the computerized seized property and evidence log by the end of the 2013. The Sheriff indicated he plans to back-up the computerized seized property and evidence log and store it offsite in the future. The Sheriff indicated he is working with the County Prosecuting Attorney to review cases periodically and dispose of old seized property items.

3. County Sales Tax

Property tax reductions were not sufficient to offset 50 percent of sales tax monies received by approximately \$655,000 at December 31, 2011, and property tax reduction amounts were not accurately calculated. Property tax levy reductions made by the county were comprised of two components (a sales tax reduction and a voluntary reduction). A significant portion of the county's rollback was classified as a voluntary reduction rather than as a sales tax reduction for 2008 through 2010; however, the voluntary portion of the reduction in property taxes collected could not be used to satisfy the required sales tax reduction. In addition, the County Clerk indicated she placed the decimal incorrectly in her sales tax reduction calculation for the years ended December 31, 2010, and 2009, and reduced the general revenue property tax levy to 5 cents in each of these years through a combination of sales tax and voluntary reductions. Also, due to Section 137.073.5(4), RSMo, a voluntary reduction taken in a non-reassessment year (even year), results in a reduced tax rate ceiling during the subsequent reassessment year. The General Revenue Fund ceiling was significantly lowered for 2011, limiting the county's ability to correct for insufficient reductions from prior years. After identifying these errors, the county passed Resolution No. 2012-4 to reinstate the county's tax rate ceiling for 2012.

Recommendation

The County Commission and County Clerk adequately reduce property tax levies for 50 percent of sales tax revenue, review and accurately classify the property tax levy reductions, and develop a plan to correct for the accumulation of prior years' insufficient property tax levy reductions.

Status

**In Progress**

The county did not collect the \$655,000 of property taxes since a voluntary reduction in the levy was taken in prior years. According to county records, the County Commission set the sales tax levy reduction for 2012 at an amount which satisfied the required sales tax reduction for that year and offset approximately \$72,000 of the accumulation of prior years' insufficient



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reductions. In addition, the property tax levy reduction was correctly classified on tax rate reports filed with the State Auditor's office for 2012. The County Commission indicated it will classify all levy reductions as a sales tax reduction in future years until this amount is corrected.

**4.1 Law Enforcement Sales  
Tax (LEST) Fund-  
Financial Condition**

The County Commission approved an \$88,084 loan from the Special Road and Bridge Fund to the LEST Fund in 2009, with plans for these restricted funds to be repaid as the LEST Fund allowed. However, receipts of the LEST Fund declined during 2010 and 2011, while spending remained fairly constant. As a result, the County Commission subsidized the LEST Fund from the General Revenue Fund to avoid budget deficit conditions in the LEST Fund, and the loan from the Special Road and Bridge Fund had not been repaid. In addition, some LEST Fund invoices due in December 2010 and 2009 were not paid until January 2011 and 2010, respectively, because the LEST Fund did not have sufficient funds to pay these bills. In 2012, the County Commission established the Law Enforcement Allocation Fund to better monitor law enforcement expenditures by allocating funds from the Sheriff's Discretionary and LEST Funds to this fund at the beginning of the budget year to ensure monies were reserved and available to pay for health and property insurance, which were due in December of each year.

**Recommendation**

The County Commission take action to improve the financial condition of the LEST Fund, develop a plan to repay the Special Road and Bridge Fund, and ensure invoices are paid timely. In addition, the county should refrain from interfund borrowing from restricted funds.

**Status**

**In Progress**

The County Commission indicated it has set up a plan for the LEST Fund to reimburse the Special Road and Bridge Fund over a 10 year period. The County Commission transferred \$8,808 from the LEST Fund to the Special Road and Bridge Fund in March 2013. The County Commission indicated all invoices due were paid as of December 31, 2012.

**5.1 Property Tax System  
Controls and  
Procedures-Computer  
Access**

Access to the property tax system was not adequately restricted. Employees of the County Assessor's office had access to make changes to the property tax system after the Board of Equalization had met and approved the property taxes for the year. The County Collector-Treasurer and her deputy also had access to the property tax system to make changes throughout the tax year.

**Recommendation**

The County Commission ensure property tax system access is limited to only what is needed for the users to perform their job duties and responsibilities.



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Status	<b>In Progress</b> <p>The County Commission indicated the County Assessor and his employees no longer have access to information for the 2012 and prior tax years. The County Commission indicated it plans to restrict access of the Assessor and his employees to information for the 2013 tax year after the tax book is printed in September or October 2013, even though the Board of Equalization typically meets in July of each year.</p> <p>The County Commission indicated the County Collector-Treasurer and her employees still have access to the property tax system at this time, but are working with their programmer to implement the recommendation. From March 1, 2013, to present, any changes to the property tax system needed by the County Collector-Treasurer have been made by the County Clerk's office.</p>
5.2 Property Tax System Controls and Procedures-Additions and Abatements	<p>A comparison of the initial addition and abatement information prepared by the County Assessor and the actual changes made in the property tax system by the County Assessor and the County Collector-Treasurer and her deputy was not performed. Additionally, court orders for additions and abatements made in November 2011 through February 2012, were not reviewed and approved by the County Commission and County Clerk until August 2012, and adequate supporting documentation for some of these additions and abatements was not retained.</p>
Recommendation	<p>The County Clerk and the County Commission should ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed, review and approve additions and abatements in a timely manner, and ensure supporting documentation is maintained to support the changes made.</p>
Status	<b>Implemented</b> <p>The County Clerk and County Commission performed a comparison of approved additions and abatements to actual changes made to the property tax system for April 2013, reviewed and approved additions and abatements for April 2013 on May 6, 2013, and retained supporting documentation of the changes made. The County Clerk and County Commission indicated this comparison will be performed each month.</p>
8. Prosecuting Attorney Controls and Procedures	<p>Duties were not adequately segregated, and receipting and depositing procedures needed improvement.</p>
8.1 Segregation of duties	<p>The duties of receiving, recording, depositing, disbursing monies, and reconciling the Prosecuting Attorney's bank account were not adequately segregated. The office manager performed all of these duties. While the</p>



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Prosecuting Attorney indicated he reviewed monthly bank reconciliations, his review was not always documented, and he indicated he did not reconcile receipt slips issued to deposits.

**Recommendation**

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

**Status**

**In Progress**

The Prosecuting Attorney documented his review of the March and April 2013 bank reconciliations and indicated he will periodically reconcile receipt slips issued to deposits in the future.

**8.2 Receipting and  
depositing procedures**

Receipt slips were not issued for some monies received, and monies received were not always deposited intact and in a timely manner. In addition, the original copies of voided receipt slips were not always maintained.

**Recommendation**

The Prosecuting Attorney require receipt slips be issued for all monies received, ensure original copies of voided receipt slips are retained, and deposit all monies received intact and in a timely manner.

**Status**

**In Progress**

A receipt slip was not issued for \$1,806 of \$20,297 received between February 25 and April 12, 2013. No receipt slips were voided between January 1, 2013, and May 13, 2013. The Prosecuting Attorney indicated all copies of voided receipt slips will be retained in the future. All monies receipted between February 28, 2013, and April 12, 2013, were deposited intact and timely.