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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Morgan County



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Morgan County

Follow-Up Report on Audit Findings

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*Includes selected findings



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Missouri State Auditor

To the County Commission
and
Officeholders of Morgan County

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-030, *Morgan County*, issued in April 2014, 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 provided by county officials and met with county personnel. Documentation included County Commission meeting minutes, bank statements, receipt and deposit records, and various other financial records. After our initial follow-up meeting in September 2014, the Sheriff's office determined approximately \$18,000 in seized cash was missing from the evidence cash safe. Further investigation by the Sheriff's office in October 2014, revealed approximately \$18,000 in bond receipts missing from the office and some disbursements of receipts had not been remitted to the County Treasurer. The clerk primarily responsible for bonds was terminated on October 15, 2014, and has since been charged with theft related to the missing bond monies. The investigation remains ongoing. This report is a summary of the results of this follow-up work, which was substantially completed during September and October 2014.

Thomas A. Schweich
State Auditor

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Status of Findings

1. County Sales Tax

The county incorrectly certified a property tax rate with a voluntary reduction instead of a sales tax reduction for the 3 years ended December 31, 2008, thereby reducing its property tax rate ceiling beginning in 2009. In addition, the county calculated a sales tax reduction, but did not report or reduce the property tax levy for the sales tax reduction for the 3 years ended December 31, 2011. The county failed to calculate a sales tax reduction for the year ended December 31, 2012.

In calculating the property tax rate ceiling for 2009 through 2012, the State Auditor's office followed Section 137.073.5(4), RSMo (amended in 2008), which provides a voluntary reduction taken in a non-reassessment year (even year) results in a reduced tax rate ceiling during the subsequent reassessment year (odd year). As a result, the tax rate ceiling for the county's General Revenue Fund was lowered for 2009 through 2012 due to the voluntary reduction in 2008.

The county was apparently unaware of the reduced tax rate ceiling and used incorrect tax rate ceilings when preparing its sales tax reduction calculations for 2009 through 2011. Rather than using the certified tax rate ceilings, the county incorrectly used the tax rate ceilings that would have been in effect if there had been no voluntary reduction in 2008.

The county's calculations showed an under collection of property taxes each year when there was actually an over collection. The county certified tax rates equal to the lowered tax rate ceiling for each year and reported no sales tax reductions since the county believed its calculated sales tax reduction was already incorporated into the lower tax rates.

Recommendation

The County Commission and County Clerk properly calculate and report property tax rate reductions (sales tax or voluntary), evaluate if amended forms should be submitted to the State Auditor's office, and develop a plan to incorporate corrected property tax reductions from prior years into the current tax rate. During the tax rate setting process, the County Commission and County Clerk should ensure tax rate information reported back to the county in the State Auditor's office certification letter is consistent with expectations and, if not, promptly follow up on any discrepancies.

Status

Implemented

The County Commission and County Clerk reinstated the General Revenue Fund's property tax rate ceiling and submitted amended forms to the State Auditor's office in July 2014, as allowed by Section 137.073, RSMo. Based on the reinstated tax rate ceiling and the amended forms, the County Clerk recalculated the sales tax reductions for prior years (through 2013) and determined the county had under collected General Revenue Fund property taxes by approximately \$600,000 in total since 2009. The County



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Commission has developed a plan to collect this \$600,000 over the next 2 years by reducing the sales tax reduction amounts each year when setting the General Revenue Fund property tax levy. In addition, the County Commission and County Clerk stated they reviewed the 2014 certification letter from the State Auditor's office to ensure it was consistent with their expectations.

2. Sheriff Controls and Procedures

Significant weaknesses continued to exist in the Sheriff's controls and procedures despite similar findings related to the Sheriff's office in our prior reports. Due to the concerns noted below, we were unable to determine if all monies were accounted for, deposited, and disbursed properly.

2.1 Segregation of duties

The Sheriff had not established adequate segregation of accounting duties and did not perform supervisory reviews. One clerk was responsible for receiving, recording, depositing, and disbursing monies, and reconciling the fee bank account. Another clerk was responsible for those same duties for the inmate bank account.

Recommendation

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

Status

In Progress

The Sheriff explained to us his process for reviewing monthly bank statements and images of canceled checks for reasonableness. This review is currently not documented. In addition, he plans to start reviewing receipt documentation and bank reconciliations, and will document all reviews. However, based on the recent discovery of missing monies, the office is currently revising its review procedures.

2.2 Numerical sequence and reconciliation of receipt records

The Sheriff's fee account clerk did not account for the numerical sequence of receipt slips and did not reconcile receipt records to deposits. As a result, it was difficult to determine which receipts were included in each deposit to ensure all receipts were actually deposited.

For cash bonds received, a receipt slip was issued by the booking department and placed with the cash in the drop safe for the fee account clerk to pick up. The fee account clerk did not issue receipt slips for cash bonds obtained from the drop safe even though she issued receipt slips for all other types of receipts.

When preparing deposit summaries, the fee account clerk did not always include the corresponding receipt slip numbers or identify which cash bonds were included in the deposits. A comparison of December 2012 bond deposits to booking department bond receipt slips, determined receipt slips totaled \$6,052, while deposits totaled \$6,622. The fee account clerk was



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unable to determine the reason for the difference. Because no records were kept showing which bonds were included in which deposit, we also could not determine the reason for the difference.

Recommendation

The Sheriff account for the numerical sequence of receipt slips and reconcile receipt slips issued with deposits to ensure all receipts have been deposited.

Status

Implemented

The Sheriff's office is now accounting for the numerical sequence of the receipt slips issued for the account. We reviewed deposits made in September 2014 and noted deposit summary reports listing the individual receipt slips making up each deposit, were reconciled with deposits to ensure all receipts were included in the deposits.

2.3 Deposits

Sheriff's office personnel did not deposit monies intact or timely.

Fee account

The fee account clerk did not deposit monies intact for the fee account. We noted several checks received by the Sheriff's office were not deposited timely, and should have been included in earlier deposits.

Inmate account

The inmate account clerk did not deposit timely for the inmate account. We reviewed December 2012 receipts for the inmate account and found deposits from the lobby kiosk, booking department kiosk, and drop safe that were not made timely.

Recommendation

The Sheriff ensure deposits are made timely and include all monies on hand at the time a deposit is prepared.

Status

In Progress

We reviewed May, June, and July 2014 bank statements and determined the fee account clerk was making deposits at least once a week. Regarding depositing intact, we also reviewed the deposits summary reports for the fee account for September 2014 and noted all receipts on hand were included in each deposit for the account. The inmate account clerk is still making deposits of kiosk and drop safe monies once a month. However, she is setting up procedures to start making kiosk and drop safe deposits every 2 weeks.

2.4 Inmate refunds

The Sheriff's inmate account clerk did not maintain a running balance of the cash fund. The Sheriff's office maintained a cash fund to refund monies to U.S. Immigration and Customs Enforcement (ICE) inmates prior to deportation or transfer to another facility. Cash was withdrawn from the inmate account to replenish the cash fund. Released inmates signed for any cash received and the inmate account clerk posted this amount on the



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computer system. This cash was not reflected in the list of liabilities for the inmate account because the Sheriff's office did not keep records of the balance of the cash fund.

Recommendation

The Sheriff maintain a running balance of the cash fund. In addition, on a periodic basis, cash on hand should be counted and reconciled to the related records by an independent person.

Status

In Progress

The inmate account clerk is working with the computer system vendor to determine the necessary reports that must be generated to show ICE cash activity. Once this has been resolved, she intends to start maintaining a running balance of the cash fund and count the fund periodically with an independent person present to ensure the cash on hand agrees to her records.

2.5 Seized cash

Controls and records for seized cash were not sufficient and periodic inventories were not conducted. Sheriff's office personnel could not generate a report of total cash currently on hand from the seized property system. Therefore, a ledger of seized cash was maintained. The seized cash was kept in a safe that only the Sheriff and a clerk could access. We performed a cash count of the seized cash on March 27, 2013, and determined the ledger did not include 4 evidence bags totaling approximately \$4,900.

Recommendation

The Sheriff ensure a periodic physical inventory is conducted and reconciled to the various records of seized cash.

Status

In Progress

The deputy in charge of the evidence room inventoried the seized cash on hand in August 2014 by counting the amounts on the labels of the sealed evidence bags, and created a spreadsheet to track the seized cash. This spreadsheet has recently been provided to the Prosecuting Attorney to review and determine if action can be taken on any of the seized cash. The Sheriff's office plans to conduct a quarterly physical inventory of seized cash and reconcile the inventory results to the seized cash spreadsheet. However, in September 2014, the court ordered the seized cash related to one of the cases be disbursed. Based on this court order, all evidence bags associated with the case were opened and counted. One bag was missing approximately \$18,000. The investigation into this missing cash remains ongoing.



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2.6 Liabilities

Sheriff's office personnel did not prepare monthly lists of liabilities for either the inmate account or the fee account, and consequently, liabilities were not compared to the reconciled bank balances.

Recommendation

The Sheriff prepare a monthly list of liabilities for both accounts and compare to the reconciled bank balances. Any differences should be promptly investigated and resolved. Any unidentified monies should be disposed of in accordance with state law.

Status

Not Implemented

Both office clerks stated they are in the process of setting up procedures to allow them to identify liabilities and plan to prepare monthly listings of liabilities, including bonds, to compare to the reconciled bank balances. However, as of October 2014, lists of liabilities have not been prepared. If listings of liabilities had been prepared monthly for the fee account, the shortage of bond monies discovered by the Sheriff's office in October 2014 may have been identified sooner.

2.7 Disbursements

The Sheriff's office lacked adequate procedures to ensure monies received were properly disbursed from the fee account to the County Treasurer and/or other parties. As a result, some monies were not disbursed timely.

Recommendation

The Sheriff establish procedures to ensure all monies are disbursed to the County Treasurer and other parties on a timely basis.

Status

In Progress

We reviewed September 2014 disbursement records and determined the August 2014 fees were disbursed timely to the County Treasurer in early September. We reviewed September 2014 receipt records and determined September bond receipts were disbursed timely to the appropriate courts throughout the month. However, the Sheriff's office determined some disbursements to the County Treasurer had not been made in prior months.

2.8 Commissary and phone card profits

The Sheriff's office had not turned over any 2012 commissary profits or any phone card profits to the county treasury. The Sheriff's office was holding approximately \$61,000 in profits as of December 31, 2012, in the inmate account. The inmate account clerk indicated profits from the phone cards sold to inmates were not turned over to the county treasury because they were used to pay for cable TV and indigent packages for the inmates.

Recommendation

The Sheriff ensure existing and future commissary profits (including phone card profits) not necessary to meet cash flow needs or current operating expenses are turned over to the County Treasurer to be deposited into the Inmate Prisoner Detainee Security Fund.



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Status

In Progress

As of October 2014, the Sheriff's office has turned over \$63,914 in commissary profits to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. The inmate account clerk is currently establishing procedures to turn over commissary profits to the County Treasurer monthly.

3. Property Tax System
Controls and Procedures

Controls and procedures over the property tax system needed improvement.

3.1 Computer access

Access to the property tax system was not adequately restricted. The County Collector had access in the property tax system to make address changes, enter tax rates, post abatements, and outlaw taxes. Because the County Collector was responsible for collecting tax monies, good internal controls required the County Collector not have access rights allowing her to alter or delete tax rates or abate taxes.

Recommendation

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

Status

Implemented

As of October 2014, the County Collector no longer has access to remove taxes due or change tax rates in the system. These duties are now performed by the County Assessor and County Clerk, respectively.

3.2 Tax books

The County Clerk did not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector.

Recommendation

The County Clerk prepare the delinquent tax books, or at a minimum, verify the accuracy of the delinquent tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.

Status

Implemented

The County Clerk has implemented additional procedures to verify the accuracy of the delinquent tax books. We reviewed the County Clerk's account book and noted she compared the delinquent tax book totals to her account book in March 2014 and documented her review.

3.3 Review of activity

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax



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charges, transactions, and changes, and no procedures were performed by the County Clerk or the County Commission to verify the accuracy and completeness of the County Collector's 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 annual settlements.

Status

Implemented

The County Clerk now maintains an account book with the County Collector. We reviewed the account book for the year ended February 28, 2014, and noted the County Clerk performed and documented a comparison of her account book to the County Collector's annual settlement.

3.4 Changes and reconciliations

The County Commission and County Clerk were not adequately reviewing property tax system changes and activity. The County Assessor prepared and posted additions and abatements to the property tax system. The County Collector also had the ability to post abatements to the property tax system and to outlaw taxes in the property tax system. The County Collector submitted supporting documentation to the County Commission for abatements she initiated and provided the County Commission with total amounts for her outlawed taxes; however, there was no procedure in place to ensure all outlawed taxes and abatements initiated by the County Collector were submitted for review. At the end of each month, the County Collector printed the Assessor-initiated property tax additions and abatements report from the property tax system and provided the report to the County Clerk. However, neither the County Commission nor the County Clerk reviewed and approved these reports, and no comparison to the County Assessor's supporting documentation was performed.

Recommendation

The County Commission and the County Clerk develop procedures to ensure all property tax additions and abatements (including outlawed) are properly approved and monitored.

Status

Implemented

The County Commission now reviews property tax additions and abatements on a monthly basis. We reviewed the County Commission meeting minutes for the July 8, 2014, meeting and noted the minutes included a copy of the June property tax additions and abatement reports generated from the property tax system, and the County Commission documented its approval of these reports.



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5.1 Prosecuting Attorney
Controls and
Procedures -
Adjustments

Neither the Prosecuting Attorney nor the office manager reviewed adjustments to defendant accounts receivable balances made by the legal assistant. In addition, adequate documentation was not always maintained to support the reasons for the adjustments. As a result, there was little assurance the 51 adjustments totaling \$50,652 made during the year ended December 31, 2012, were properly authorized.

Recommendation

The Prosecuting Attorney perform a documented independent review and approval for all accounting adjustments and ensure adequate documentation is maintained to support all adjustments.

Status

Implemented

We reviewed the 2014 adjustments and noted the Prosecuting Attorney performed a documented review of each adjustment and the related supporting documentation.

7.1 Senate Bill 40 Board -
Segregation of duties

Accounting duties related to the Targeted Case Management (TCM) bank account were not adequately segregated. The Executive Director was responsible for all duties including receipting, recording, and disbursing monies for this account. The majority of disbursements were made through a debit card. Furthermore, the Executive Director did not prepare monthly bank reconciliations for the account. There was no documented review of any account records by the Board. The Executive Director indicated he took his file of receipt slips for debit card purchases to Board meetings so they would be available if a Board member requested them; however, the records had not actually been given to the Board to review.

Recommendation

The Senate Bill 40 Board ensure independent or supervisory reviews of accounting records are performed and documented and monthly bank reconciliations are prepared and submitted to the Board for review for the TCM account. In addition, the Board should adopt procedures to ensure supporting documentation is submitted and reviewed for all debit card usage.

Status

In Progress

An additional employee has been hired to handle some of the accounting functions and the Board Treasurer is now performing a review of bank reconciliations and accounting records for both accounts at the quarterly meetings. However, the Board Treasurer had not been consistently documenting her reviews. Starting at the next quarterly meeting in October, the Executive Director stated the Board will have procedures in place to ensure documentation of reviews is obtained. In addition, the Senate Bill 40 Board no longer uses the debit card.