



# Thomas A. Schweich

Missouri State Auditor

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## Harrison County

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September 2011  
Report No. 2011-67



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of the Harrison County

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### Sheriff's Procedures

The Sheriff's department secretary receives, records, and disburses all monies; maintains accounting records; writes and signs checks; and prepares deposit slips and month-end bank account reconciliations. To ensure all transactions are accounted for properly and assets are protected, accounting duties must be segregated or periodic, independent supervisory reviews should be conducted.

Receipts are given for monies received for inmate, bond, and telephone cards, but the information is recorded on multiple records, and no one record is complete. The method of payment (cash, check or money order) is not always accurately recorded, and no reconciliation is performed between the various records to the total of receipts and monies deposited.

Inmate monies are held in cash in inmate lockers, and the secretary does not maintain documentation showing when and how inmate checks and money orders were cashed, making it more difficult to ensure all monies are deposited and accounted for properly. In addition, prepaid telephone cards are not properly inventoried, which increases the risk of loss, theft, or misuse of the telephone cards.

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### Seized Property

The Sheriff's department does not have adequate controls over seized property. The seized property log does not always contain the applicable case number or list the seized property item. We found \$50 in cash which should have been returned to the owner in May 2009, and we found that \$1,995 had been released without proper documentation. Also, duties are not adequately segregated; all officers have access to the seized property room, and there are no procedures to keep track of who enters the room.

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### 911 Fund

The 911 Fund balance is projected to decline to less than \$2,000, and the county has not developed long-range plans for equipment upgrades and related operations. The county has no documentation to support the amounts it transfers from the Law Enforcement Sales Tax Fund to the 911 Fund or amounts charged to other entities for dispatching services. The amounts transferred and charged should be based on a measure of activity or some comparable basis.

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Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.\* However, the audit revealed several shortcomings within the Sheriff's department.

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Harrison County did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Harrison County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Harrison County

We have audited certain operations of Harrison County in fulfillment of our duties under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Harrison County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Harrison County.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Tania Williams, MBA
Audit Staff:	Wayne Kauffman, MBA

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# Harrison County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Sheriff's Procedures**

Accounting duties are not adequately segregated and improvements are needed in the receipting and depositing of monies for inmate, bond, and prepaid telephone card monies.

The Sheriff's department received monies for civil and criminal fees, prisoner boarding fees, carry and conceal permits, telephone card sales, bonds, and other miscellaneous receipts totaling approximately \$328,000 and \$221,000 for the years ended December 31, 2010 and 2009, respectively.

##### 1.1 Segregation of duties

Accounting duties are not adequately segregated. The secretary is responsible for receiving, recording, and disbursing all monies; maintaining accounting records; writing and signing checks; preparing deposit slips; and month-end bank reconciliations. Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic independent or supervisory reviews of accounting records should be performed and documented by another employee or the Sheriff.

##### 1.2 Receipts

Procedures for receipting and recording inmate, bond, and telephone card monies are not sufficient to ensure all collections are accounted for properly. While receipts are recorded on several different records, no single record is complete, and the various receipt records are not compared to ensure all receipts collected are accurately recorded and deposited. Some receipts are recorded on multiple records and the records are not provided to the secretary prior to processing for deposit in the Sheriff's fees bank account. Bond receipts are recorded on unnumbered bond tickets. Inmate monies are logged into an inmate account log, and prepaid telephone card purchases are logged on a telephone card purchase record by the jailers or jail administrator. The method of payment (cash, check or money order) is not always accurately recorded, and no reconciliation is performed between the various records to the total of receipts and monies deposited. As a result, two checks totaling \$6,475 were not recorded in the receipt ledger; however, one of the checks was included with the deposit made on April 1, 2010, and the other check was included with the April 23, 2010, deposit. The secretary noticed the extra receipts when reconciling the receipts ledger to deposits per the bank statement, and not when making the deposit.

Without a detailed reconciliation of all receipt records, there is no assurance inmate monies, bonds, and telephone card purchases have been handled appropriately. The lack of reconciliation between the various records makes it difficult to ensure all monies are recorded and deposited. Bond forms should be prenumbered. In addition, the method of payment should be documented, and sufficient details should be provided in the accounting records to facilitate a reconciliation of deposits to the receipt records, and to



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Management Advisory Report - State Auditor's Findings

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clearly demonstrate the proper handling of monies for the different types of receipts.

### 1.3 Inmate monies

Inmate monies are held in cash and not deposited, and the secretary does not retain documentation showing when and how inmate checks and money orders are cashed. In addition, the composition of receipts is not reconciled to the composition of deposits.

The jail maintains records of inmate monies received and withdrawn, and available inmate balances. When monies are received for inmates, the cash is placed in the respective inmate locker. To maintain inmate monies in cash form, the jail administrator will have the inmates endorse their checks or money orders and put the checks and money orders in an envelope. Then the secretary will remove any checks and money orders from the envelope and replace with the same amount of cash. The secretary obtains the cash either by cashing the checks and money orders at the bank or cashing the checks and money orders from the telephone card or bond cash receipts on hand and later depositing the checks and money orders into the Sheriff's fee bank account. The cash is returned to the jail administrator and the cash is recorded on the inmate's account log and placed in the inmate's locker. As a result, we noted numerous deposits where the composition of receipts did not agree to the composition of the deposits. We obtained the bank backup for several deposits and were not able to determine the basis for all items deposited. As a result, the Sheriff's department is unable to ensure all monies are deposited and accounted for properly.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the Sheriff should establish alternative procedures for maintaining inmate monies, and ensure the composition of receipts agrees to the composition of deposits.

### 1.4 Inventory

Inventory records are not maintained of prepaid telephone cards. When the telephone cards are received, the jail administrator makes a photocopy of the telephone cards to keep track of the telephone cards on hand; however, after the telephone card is sold, the photocopy is thrown away and the transaction is recorded on a telephone card purchase record and the inmate's record.

A detailed inventory ledger is necessary to adequately account for telephone cards. Inventory 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 inventory records. Loss, theft, or misuse of the telephone cards may go undetected without adequate inventory records and procedures.





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Management Advisory Report - State Auditor's Findings

Similar conditions  
previously reported

Similar conditions to points 1.1 and 1.2 were noted in our prior audit report.

Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented.
- 1.2 Ensure all receipts are properly recorded and reconciled to deposits. In addition, the Sheriff should ensure the method of payment is recorded on all receipt slips, prenumbered bond forms are used, and the numerical sequence of bond forms is accounted for properly.
- 1.3 Discontinue the practice of maintaining inmate monies on hand by cash and establish a bank account to maintain inmate monies, and ensure the composition of receipts is recorded and reconciled to the composition of deposits.
- 1.4 Ensure telephone card inventory records are maintained and periodically reconciled to a physical inventory.

Auditee's Response

*The Sheriff provided the following responses:*

- 1.1 *Staffing in a small agency is an issue. However, we will review the receipts and disbursements on a monthly basis at the time they are paid into the county treasury.*
- 1.2 *We will ensure receipts are properly recorded and reconciled to deposits, and we will ensure the method of payment is recorded on all receipt slips, and this will be checked periodically. We will work with the Circuit Clerk and Judges regarding obtaining prenumbered bond forms and once obtained we will account for the numerical sequence.*
- 1.3 *We will consider this recommendation.*
- 1.4 *We will start maintaining a ledger to record telephone card purchases and sold, and we will also periodically perform a physical inventory of telephone cards on hand to agree to the amount on the ledger.*



## 2. Seized Property

Adequate controls over seized property have not been established. Some seized property items and some applicable case numbers were not recorded properly on the seized property log.

The duties related to seized property are not adequately segregated. Under current procedures, each deputy is responsible for bringing in seized items and posting items to the seized property log. All officers have access to the seized property room where items are stored, and there are no procedures in place to keep track of who enters the room.

In addition, information recorded on seized property logs did not always correspond to information recorded in the database and incident reports. When property is received by the Sheriff's department, an incident report is prepared. The database used to generate the incident report automatically assigns a case number. Since the database uses the case number to identify the items, the database should correspond to the incident reports and seized property records. In April 2011, we located \$50 of seized cash in the seized property room, although other items related to the case were returned to the owner in May 2009. While the cash was recorded on the seized property log; a case number was not documented. In addition, the database and incident report prepared by the arresting officer did not document the \$50. As a result, the \$50 cash was not returned to the owner.

Furthermore, the release of cash totaling \$1,995 was not adequately documented. On June 18, 2010, the Sheriff released \$5,371 of seized cash to its owner. While documentation was properly signed by the receiving person and releasing officer for \$3,376, there was no documentation regarding the other \$1,995 released. The owner was contacted and indicated the \$1,995 had been returned.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, misuse, or theft of the stored items. In addition, the database, incident reports, and seized property logs should agree, and include information such as description, persons involved, current location, case number, date of seizure, and disposition of such property. Furthermore, adequate documentation should be maintained to support the chain of custody and release of seized property.

### Recommendation

The Sheriff limit access to the seized property room and establish procedures to ensure accurate information is recorded on seized property logs and incident reports.

### Auditee's Response

*The Sheriff provided the following response:*

*This will be done.*



Harrison County  
Management Advisory Report - State Auditor's Findings

### 3. 911 Fund

The county is experiencing declining 911 revenues and may need additional funding to continue the 911 service. The county does not track the number of calls handled for the various political subdivisions or the volume of emergency and nonemergency dispatching services to determine the cost associated with dispatching services.

#### 3.1 Financial condition

The cash balance of the 911 Fund has declined in the past 2 years and the county has not developed long-range plans for equipment upgrades and related funding for the 911 operation. The 911 Fund is funded primarily by an emergency telephone tax, reimbursement for dispatching services, and transfers from the General Revenue Fund and the Law Enforcement Sales Tax Fund (LESTF). The following table reflects the ending cash balances for the last 3 years and the projected ending balance for 2011 obtained from the county's budget documents:

		December 31,			
		* 2011	2010	2009	2008
Ending Cash Balance	\$	1,901	17,878	38,101	18,638

\* Projected

While receipts have generally remained constant, disbursements have increased and the General Revenue Fund has subsidized the 911 Fund for the last 3 years by transferring monies generated from the local use tax levy. In addition, in 2011, there were large unexpected equipment purchases, including recorders (\$9,524) and a radio system (\$77,535). Not all dispatching services costs are recovered (see section 3.2). As a result of the 911 Fund's poor financial condition, the General Revenue Fund purchased the radio system.

Rapid advances in communications technology are continuing to pose major challenges to current 911 systems that will require changes in the near future such as upgrading equipment to include the capabilities to locate an individual calling from their cell phone. The County Commission indicated the cost is estimated to be over \$100,000 plus software and maintenance of \$22,000.

With the lack of increases in funding levels and increased costs, the 911 Fund cannot adequately set aside monies for future contingencies such as equipment upgrades or replacements. Efforts should be made to address the immediate and long-term aspects of these operations. The County Commission needs to develop a written plan to improve the financial condition of the 911 Fund.

#### 3.2 Dispatching services

The county has not documented its basis for transferring amounts from the LESTF to the 911 Fund or for determining the amounts to charge other



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entities for dispatching services. The 911 center provides emergency and non-emergency dispatch services to various political subdivisions. The county has entered into annual fee agreements with 6 out of the 10 political subdivisions that are provided dispatching services. The county transferred \$30,000 and \$35,000 in 2010 and 2009, respectively, from the LESTF to the 911 Fund for the Sheriff's department calls. However, the County Commissioners could not recall how the amounts charged to the LESTF and the other entities were derived. In 2008 and 2009, the 911 Director provided the County Commission with the number of calls handled for the Sheriff's department and the City of Bethany. The County Commissioners stated the majority of the call volume comes from these two entities, but the county had no documentation to show how this data was used in determining the transfer and contract amounts.

The county should base its transfer and contract amounts on a measure of actual activity or some comparable basis and document the basis. These actions are necessary to ensure the amounts charged other entities are reasonable and to ensure compliance with the restrictions on the allowable uses of the LESTF.

Similar conditions  
previously reported

Similar conditions were noted in our prior audit.

## Recommendations

The County Commission:

- 3.1 Continue to closely monitor the financial condition of the 911 Fund. In addition, the County Commission should develop a written long-term plan to reduce costs, increase receipts, and determine future equipment needs.
- 3.2 Determine the costs associated with dispatching services and base the transfers from the LESTF to the 911 Fund, and its contracts with political subdivisions for dispatching, upon a measure of actual activity or some comparable basis. In addition, documentation of the calculation and data that supports it should be maintained.

## Auditee's Response

*The County Commission provided the following responses:*

- 3.1 *We will continue to monitor the financial condition. We will try to develop a plan of anticipated receipts and disbursements for the next several years based on various funding sources.*
- 3.2 *We will review the statistics of the calls handled and the expenses of the dispatching services provided, and we will perform and document a calculation to determine the amount of the transfer to*



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*be made from the LESTF and to be charged to other political subdivisions. We will try to obtain contracts with all political subdivisions that are provided dispatching services.*

# Harrison County

## Organization and Statistical Information

Harrison County is a township-organized, third-class county. The county seat is Bethany.

Harrison County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. The townships maintain county roads. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 46 full-time employees and 8 part-time employees on December 31, 2010.

In addition, county operations include the Senior Citizens' Services Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Jack W. Hodge, Presiding Commissioner	\$	25,760
Roger D. Gibson, Associate Commissioner		23,760
George Bowles, Associate Commissioner		23,760
C. Sherece Eivins, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Sherry Seltman, County Clerk		36,000
R. Cristine Stallings, Prosecuting Attorney		43,000
George W. Martz, Jr., Sheriff		40,000
Jeremy Eivins, County Coroner		10,000
Kimberly King, Public Administrator		36,000
Cheryl Coleman, County Collector-Treasurer, year ended March 31,	36,000	
Lila Mae Craig, County Assessor , year ended August 31,		36,000

(1) Compensation is paid by the state.

### Financing Arrangements

The county entered into a lease purchase agreement with Municipal Financial Group (MFG) for the county law enforcement center. The terms of the agreement called for the county to lease the real estate to MFG, which constructed the facility, and then lease purchase the facility from MFG with lease payments equal to the amount due to retire the indebtedness. Construction of the facility was completed in 2003. The lease is scheduled to be paid off in the year 2022. The remaining principal due on the lease at



Harrison County  
Organization and Statistical Information

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December 31, 2010, was \$1,254,677. The lease is paid with proceeds from the one-half cent law enforcement sales tax which took effect on October 1, 2002.

American Recovery and  
Reinvestment Act of 2009  
(Federal Stimulus)

Harrison County did not receive any federal stimulus monies during the 2 years ended December 31, 2010.