



Susan Montee, JD, CPA
Missouri State Auditor

Hickory County



July 2010

Report No. 2010-79

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of Hickory County

County Disbursements	<p>The county did not solicit bids, retain sufficient bid documentation, or document emergency procurement for several items or services. The County Commission awarded a \$45,750 bid to a contractor for courthouse repairs; however, it was not the low bid and the County Commission failed to document its justification for the selection. No records of bulk fuel use are maintained by the Road and Bridge Department. Mileage and fuel logs are not maintained for the Road and Bridge Department vehicles and the Sheriff's vehicle. While mileage and fuel logs are maintained for other Sheriff's office vehicles, the logs are not used to reconcile fuel use to fuel purchases. The Sheriff and some of his deputies use county patrol vehicles for personal use. This use results in both a significant potential liability for the county and unnecessary fuel costs.</p>
Sheriff Controls and Procedures	<p>Accounting duties are not adequately segregated and bank reconciliations are not performed monthly for conceal and carry weapon permit monies. A Sheriff's deputy maintains a bank account for donations for two canine teams, and there is no statutory authority allowing the Sheriff to maintain this account outside the county treasury. The deputy does not issue receipt slips for donations received; adequate supporting documentation for some disbursements, bank statements, and unissued and voided checks were not retained; monthly bank reconciliations are not always performed and documented; and the check register was not accurately maintained for the canine account. Civil processing fees are not receipted or deposited until the related papers are attempted to be served. A \$20 booking fee and a \$10 to \$20 bonding fee is collected from inmates at the time of incarceration, but it appears the Sheriff does not have authority to collect these fees.</p>
Collector and Property Tax System Controls and Procedures	<p>County Collector receipts are not always deposited intact. The County Collector indicated he holds checks received from taxpayers upon their request. Passwords, which restrict access to the property tax computer system used by the County Collector and Assessor offices, are not routinely changed.</p>
Prosecuting Attorney Monitoring Procedures and Payment Agreements	<p>The Prosecuting Attorney is not consistent in monitoring court ordered restitution due from defendants. Newer cases are tracked on the Prosecuting Attorney's computer system, while older cases are not always adequately monitored. In addition, defendants are not required to sign a payment agreement to document the amounts owed and establish a subsequent payment schedule.</p>

All reports are available on our Web site: auditor.mo.gov

Hickory County Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. County Disbursements 4 2. Sheriff Controls and Procedures..... 6 3. Collector and Property Tax System Controls and Procedures 9 4. Prosecuting Attorney Monitoring Procedures and Payment Agreements 11
---	--

Organization and Statistical Information	12
---	----



SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Hickory County

We have audited certain operations of Hickory County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Hickory County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2009. 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 revenues and expenditures.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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.

The accompanying Management Advisory Report presents our findings arising from our audit of Hickory County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Connie James
	David Olson
	Toni Wade

Hickory County

Management Advisory Report

State Auditor's Findings

1. County Disbursements

Controls and procedures over county disbursements including bidding, fuel, and county vehicles and equipment need improvement.

1.1 Bidding

The county did not solicit bids, retain sufficient bid documentation, or document emergency procurement for the following items or services:

Item or Service	Cost
Unleaded fuel (2009 and 2008)	\$104,000
Used road grader	95,660
Prisoner meals (2009 and 2008)	43,776
2 used Sheriff vehicles	38,000
Tires (2009 and 2008)	37,210
Concrete	34,335
County Clerk's office furniture	10,298
Assessor printers	8,259

In addition, on March 23, 2009, the County Commission awarded a \$45,750 bid to a contractor for courthouse repairs; however, it was not the low bid and the County Commission failed to document its justification for the selection.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

1.2 Bulk diesel fuel

No records of bulk fuel use are maintained by the Road and Bridge Department. The county's accounting records indicate bulk fuel purchases totaled approximately \$141,000 during the 2 years ended December 31, 2009.

The county has five bulk diesel tanks located at the road and bridge buildings. Two of the fuel tanks are metered; however, the Road and Bridge Department supervisors indicated the meters do not work properly. The remaining three fuel tanks are not metered. No record of fuel dispensed into various equipment or vehicles is maintained. In addition, there are no equipment or vehicle usage logs maintained to show information regarding odometer or operating hour readings. Because the Road and Bridge Department does not maintain bulk fuel inventory records and usage logs, the county cannot adequately monitor fuel purchased, dispensed, and on hand, and evaluate the reasonableness of fuel use. These weaknesses could result in loss, theft, and misuse going undetected.



Hickory County
Management Advisory Report - State Auditor's Findings

Proper bulk fuel inventory records and vehicle and equipment usage information is necessary to document and monitor fuel used and on hand, support fuel billings, and provide data needed to perform effective reviews and reconciliations.

1.3 Unleaded fuel

Records and monitoring of unleaded fuel purchases are not adequate. The county's accounting records indicate unleaded fuel purchases at local gas stations totaled approximately \$104,000 during the 2 years ended December 31, 2009.

Mileage and fuel logs are not maintained for the Road and Bridge Department vehicles and the Sheriff's vehicle. In addition, while mileage and fuel logs are maintained for other Sheriff's office vehicles, the logs are not used to reconcile fuel use to fuel purchases. Failure to document and monitor fuel usage could result in loss, theft, and misuse going undetected.

Mileage and fuel usage logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases.

1.4 Personal use of vehicles

The Sheriff and some of his deputies use county patrol vehicles for personal use. The Sheriff indicated he uses his county patrol vehicle to take his wife to and from work each day during the school year. His wife works 15 miles (one way) from the Hickory County Courthouse. Other deputies were seen transporting their wives or children in county-owned patrol vehicles during the audit. The amount of personal mileage was not documented. Such use results in both a significant potential liability for the county and unnecessary fuel costs. Individuals not employed by the county, such as spouses or children, should not be passengers in county vehicles, unless they are involved in the conduct of county business.

Recommendations

The County Commission:

- 1.1 Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- 1.2 Develop fuel logs and/or bulk inventory records to provide the information needed to evaluate fuel use. In addition, the County Commission should consider properly metering all bulk fuel tanks.
- 1.3 Require fuel use logs be maintained for all county-owned vehicles, and these logs be reviewed and reconciled to fuel purchases. Any significant discrepancies should be investigated.



1.4 Discontinue the practice of allowing individuals not employed by the county to be passengers in county-owned vehicles.

Auditee's Response

The County Commission provided the following written responses:

1.1 *Competitive procurement processes have been followed and will continue to be the objective of the Commission. In some cases we did fail to do the legal advertising and that will be implemented for future applicable purchases. In some of the referenced cases sole source/emergency situations required immediate acquisition but satisfactory documentation did not appear in the minutes to justify the procedure.*

1.2 *The Commission is acutely aware of the need to evaluate fuel use. However, with much of the antiquated equipment we utilize in the road and bridge operation, metering of fuel consumption is either impossible or cost prohibitive.*

1.3 *The Commission will establish a written policy to require mileage and fuel use for all county motor vehicles.*

1.4 *The Commission will adopt a policy to prohibit the use of county vehicles for personal use.*

2. Sheriff Controls and Procedures

Controls and procedures over conceal and carry weapon permits, canine donations, and civil processing fees need improvement, and the collection of booking and bonding fees should be discontinued.

The Sheriff's office collected civil and criminal process fees, bonds, and conceal and carry weapon permits during the years ended December 31, 2009 and 2008, totaling approximately \$64,000 and \$76,000, respectively.

2.1 Conceal and carry weapon permits and bank account

Accounting duties are not adequately segregated and bank reconciliations are not performed monthly for conceal and carry weapon permit monies.

Segregation of duties

A dispatcher receives, records, prepares deposits, and disburses conceal and carry weapon permit monies, and there is no documented review of the accounting records by the Sheriff. 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, supervisory reviews of receipts and deposits, and bank reconciliations should be performed and documented by the Sheriff.

Bank reconciliations

Bank reconciliations are not prepared and documented monthly, and during our preparation of the December 31, 2009, conceal and carry weapon permit



Hickory County
Management Advisory Report - State Auditor's Findings

bank reconciliation, we noted a \$148 deposit made on July 10, 2007, had not been recorded in the check register. Accurate and complete bank reconciliations are necessary to ensure all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis.

2.2 Canine bank account

A Sheriff's deputy maintains a bank account for donations for two canine teams. According to bank records, receipts of \$2,503 and disbursements of \$4,643 were processed through this account during the 2 years ended December 31, 2009. The following concerns were identified related to this account:

- There is no statutory authority allowing the Sheriff to maintain this account outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.
- The deputy does not issue receipt slips for donations received. A record of all donations received should be maintained to establish an adequate audit trail and reduce the possibility of loss, theft, or misuse of funds.
- Adequate supporting documentation for some disbursements was not retained. For example, supporting documentation was not retained to support six payments totaling \$402, and only a handwritten invoice for \$120 was maintained to support a \$180 payment. The deputy indicated the check was written for \$60 more to cover the registration fee of another training participant because the vendor would not accept cash payments. He further indicated the other participant gave him cash to cover the extra amount of the check and this \$60 was deposited into the canine bank account. However, due to the lack of records related to monies received, neither we nor the Sheriff could determine whether these monies were deposited. All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.
- Bank statements were not retained for the months of January, February, April, August, September, November, and December 2008, and January, March, April, and May 2009. Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, states all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.
- Unissued and voided checks are not retained; therefore, the numerical sequence of checks cannot be accounted for properly. Accounting for



Hickory County Management Advisory Report - State Auditor's Findings

the numerical sequence of checks is necessary to ensure all payments have been accounted for properly and are accurately recorded.

- Monthly bank reconciliations are not always performed and documented, and the check register was not accurately maintained. Numerous recording errors were noted on the check register for the period January through March 2008. For example, a \$150 transfer and two deposits totaling \$325 made to the bank account were not recorded in the check register, and a deposit recorded in the check register was overstated by \$100. If bank reconciliations had been performed monthly, these errors and omissions could have been detected. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner.

2.3 Civil processing fees

Civil processing fees are not receipted or deposited until the related papers are attempted to be served. If an attempt to serve papers cannot be made, the civil processing fee is returned. During a cash count conducted on March 11, 2010, seven checks for civil processing fees dated as far back as to February 5, 2010, totaling \$380, were on hand.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips should be written immediately upon receipt and deposits should be made intact on a timely basis.

2.4 Booking and bonding fees

A \$20 booking fee and a \$10 to \$20 bonding fee is collected from inmates at the time of incarceration. The Sheriff's office collected \$560 in booking fees and \$200 in bonding fees during the year ended December 31, 2009. Attorney General's Opinion No. 124, 2009 to George, states there is no statutory authority for the Sheriff to charge a booking fee. Further, Section 57.280, RSMo, does not contain a provision to collect bond processing fees. Therefore, it appears the Sheriff does not have authority to continue to collect these fees, and should discontinue collecting such fees.

Similar conditions previously reported

Similar conditions to points 2.1, 2.2, and 2.3 were noted in our prior audit report.

Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are routinely performed and documented, and ensure bank reconciliations of the conceal and carry weapon permit bank account are performed and documented monthly.
- 2.2 Turn all canine monies over to the County Treasurer, ensure receipt slips or other records of donations received are maintained, and



Hickory County
Management Advisory Report - State Auditor's Findings

ensure adequate supporting documentation of disbursements is retained.

2.3 Issue receipt slips immediately upon receipt for paper service fees and deposit all monies intact on a timely basis.

2.4 Discontinue collecting booking and bonding fees.

Auditee's Response

The Sheriff provided the following responses:

2.1&

2.3 *These recommendations will be implemented.*

2.2 *The canine bank account will be turned over to the County Treasurer. The Sheriff's office will start receipting all canine donations and transmitting the money to the County Treasurer.*

2.4 *This recommendation has already been implemented.*

The County Commission provided the following written responses:

2.1 *We concur with the Auditor's recommendation and it is our understanding the Sheriff has already implemented procedures to rectify these problem areas.*

2.2 *We agree with the Auditor's recommendation and understand the Sheriff has recently turned these funds over to the Treasurer.*

2.3 *We concur with the Auditor's recommendation.*

2.4 *It is our understanding this practice has been discontinued.*

3. Collector and Property Tax System Controls and Procedures

The County Collector's recording and depositing procedures need improvement, and the County Collector's and Assessor's computer passwords are not routinely changed. The County Collector's office processed collections totaling approximately \$5 million annually during the years ended February 28, 2010 and 2009.

3.1 Recording and depositing procedures

Receipts are not always deposited intact. The County Collector indicated he holds checks received from taxpayers upon their request. For example, during a cash count conducted on March 1, 2010, three checks received from taxpayers totaling \$2,592 were on hand and were not deposited until March 2, 2010. Other receipts included in the cash count were deposited on March 1, 2010. Two of the three checks were dated February 26, 2010, and the related tax statements were stamped paid by the County Collector's office on February 26, 2010. The third check was dated March 3, 2010, but



Hickory County Management Advisory Report - State Auditor's Findings

the related tax statements were stamped paid by the County Collector's office on February 16, 2010. The three payments were not recorded in the electronic property tax system or deposited by the County Collector's office until March 2, 2010.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be recorded in the property tax system immediately upon receipt and deposited intact, and check payments should not be held.

3.2 Passwords

Passwords, which restrict access to the property tax computer system used by the County Collector and Assessor offices, are not routinely changed. The County Collector and Assessor indicated passwords are only changed every year or two. Passwords should be changed periodically to prevent unauthorized access.

Recommendations

- 3.1 The Collector deposit receipts intact, and discontinue the practice of holding checks.
- 3.2 The County Collector and Assessor ensure passwords are periodically changed.

Auditee's Response

The County Collector provided the following responses:

- 3.1 *We were compiling data for our fiscal year end. We always hold the month open to receipt incoming mail postmarked by month end. It is not our policy to hold checks; however, I was holding some for customers in special circumstances. I should have paid the bills myself and had the customers pay me personally; however, I know the Missouri State Auditor's office does not like that either. Our deposits and receipts always match.*
- 3.2 *We are planning some updated login procedures with our software provider.*

The County Assessor provided the following response:

- 3.2 *I will take this recommendation under advisement.*

The County Commission provided the following written responses:

- 3.1 *The Commission was not aware of this practice and will encourage the Collector to comply with the recommendations of the Auditor and further, to establish a written policy applicable to receipt of post dated checks, the holding of monies, and back dating of receipts.*
- 3.2 *The Commission will adopt a policy to be applicable to all county offices for the security of data on all computers.*



4. Prosecuting Attorney Monitoring Procedures and Payment Agreements

The Prosecuting Attorney is not consistent in monitoring court ordered restitution due from defendants. Newer cases are tracked on the Prosecuting Attorney's computer system, while older cases are not always adequately monitored. In addition, defendants are not required to sign a payment agreement to document the amounts owed and establish a subsequent payment schedule. The Prosecuting Attorney's office collected bad check restitution and fees and court ordered restitution totaling approximately \$63,000 and \$44,000, during the years ended December 31, 2009 and 2008, respectively.

Failure to adequately monitor restitution may result in lost revenue. Better follow up of delinquent accounts is necessary to facilitate monitoring amounts due, provide information to the judge, and improve accountability. In addition, a payment agreement signed by the defendant could aid in collection of amounts owed.

A similar condition was noted in our prior audit report.

Recommendations

The Prosecuting Attorney better monitor unpaid restitution and take steps to maximize collections. In addition, the Prosecuting Attorney should establish payment plans for cases with outstanding receivables.

Auditee's Response

The Prosecuting Attorney provided the following response:

I purchased the Karpel system for monitoring cases, restitution and bad checks approximately 2 years ago. Since the installation, all non traffic cases are entered into the system and restitution is checked both manually and through the system. Prior to that time all restitution was handled manually. Old restitution cases, those that existed before the Karpel system, will continue to be checked manually.

I disagree with the payment agreement. My options are to file criminal charges or not, to present evidence after charges have been filed and to make a request upon disposition. I fail to see how getting a written agreement from the defendant changes those options. Payment schedules are established verbally with defendants and documented in the file. Defendants may comply with the agreement or charges will be brought. No other writing is necessary. If the restitution is court ordered the amount and payment plan are in the court's order of probation. No other writing is necessary. In order to collect restitution I will allow some defendants to enter into a payment plan. A payment plan, by its very definition, allows a person to make partial payments.

The County Commission provided the following written response:

We agree with the Auditor's recommendation.

Hickory County

Organization and Statistical Information

Hickory County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Hermitage.

Hickory 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 roads and bridges, and performing miscellaneous duties not handled by other county officials. 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.

Elected Officials and Their Compensation Paid

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

Officeholder	2010	2009
Kent Parson, Presiding Commissioner	\$	24,440
J.C. Owsley, Associate Commissioner		25,080
Gary Warren, Associate Commissioner		25,080
Jeanne Lindsey, County Clerk		34,000
Cee Cee Smith, Circuit Clerk and Ex Officio Recorder of Deeds (1)		53,512
James Hackett, Prosecuting Attorney		41,000
Raymond S. Tipton, Sheriff		43,000
Shirley Reno, County Treasurer		34,000
Connie Boller, County Coroner		11,000
Rhonda Hargiss, Public Administrator		20,000
Stanley McCoy, County Collector, year ended February 28,	34,000	
Kay Chilton, County Assessor, year ended August 31,		34,000

(1) Compensation received from the state.