



Thomas A. Schweich

Missouri State Auditor

Henry County



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CITIZENS SUMMARY

Findings in the audit of Henry County

County Collector-Treasurer Controls and Procedures	The Collector-Treasurer and former Collector-Treasurer did not properly calculate and distribute current and delinquent tax commissions. The Collector-Treasurer withheld more commissions from cities than allowed by contract. Also, the Collector-Treasurer improperly withheld and personally retained \$290 in commissions from railroad and utility taxes in December 2010. The Collector-Treasurer's annual settlements are incomplete and inaccurate, and neither the County Clerk nor the County Commission reviews them for accuracy. Over \$58,000 in taxes were outlawed and removed from the books without County Commission approval. As of September 30, 2011, the Collector-Treasurer was improperly holding over \$22,000 in the Tax Sale Surplus Fund.
Sheriff Accountable Fees and Special Revenue Funds	Weaknesses still exist in the Sheriff's records and procedures, despite similar findings in prior audit reports. The Sheriff performs most accounting tasks for his office without the involvement of other employees. There is little assurance all monies are handled and accounted for properly. The Sheriff violated state law by using \$79,000 in fees and inmate monies to pay office expenses and lacks documentation to support at least \$14,875 in disbursements, including payments to the Sheriff and ATM cash withdrawals. The Sheriff improperly transferred monies between the county special revenue funds and his bank accounts.
Sheriff Reconciliations and Accounting System	The Sheriff did not prepare bank reconciliations and lists of liabilities and cannot perform a proper reconciliation because debit card disbursements and electronic deposits are not recorded in his accounting system. Several discrepancies and concerns with the Sheriff's accounting system were noted, including manually altered checks and accounting records and inaccurate disbursement reports and monthly reports of fees, making it difficult to ensure all monies were accounted for properly.
Prosecuting Attorney Controls and Procedures	Accounting duties are not adequately segregated, and there was no independent approval to support adjustments. Procedures for receipting and transmitting monies need improvement.
Detention Center	The county sold certificates of participation through a negotiated sale rather than a competitive sale and did not competitively select the underwriter or legal counsel. The county purchased five pieces of property without first obtaining appraisals. The county failed to document why it did not select the lowest bidder for construction management services, and the company it selected provided the request for proposal form used to solicit bids.
Disbursements	The county had no documentation to show it sought competitive bids for some purchases. The Sheriff's office mileage logs were not accurate and complete, and they were not reconciled to fuel purchases. The road and bridge department did not maintain fuel use logs for its equipment and vehicles. The county housed prisoners for Jasper County and six cities, but it did not enter written contracts regarding these services as required by state

law. The Sheriff paid one of his deputies additional compensation to teach carry and concealment classes, but these payments were not processed through the county payroll system, reported on W-2 forms, subject to payroll tax withholdings, or paid in accordance with county overtime policies. Employer contributions related to additional compensation paid to employees of the Prosecuting Attorney's office were not paid into the County Employees' Retirement System, and as a result, the county may have a liability.

Passport Fees	There is no apparent authority for the County Commission to collect passport fees, and the county spent \$2,781 of these fees on parties for county employees.
Public Administrator Controls and Procedures	Audit staff discovered \$4,000 in cash in a case file, which had not been found or entered it into the accounting records by the Public Administrator. The Public Administrator incorrectly calculated fees resulting in at least three wards being overcharged and another ward being undercharged. The full-time employee of the Public Administrator's office is not treated as a county employee, in violation of Section 473.775, RSMo.
Recorder of Deeds Liabilities	As noted in our prior audit report, a monthly list of liabilities is not prepared and reconciled to cash balances.
Senior Citizens Service Board	The Senior Citizens Service Board does not adequately monitor the entities to which it provides funding and does not have written contracts with them.
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 **Poor**.*

American Recovery and Reinvestment Act (Federal Stimulus)	Henry County did not receive any federal stimulus monies during the audited time period.
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*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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Henry County

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Henry County

We have audited certain operations of Henry County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, P.C., Certified Public Accountants, was engaged to audit the financial statements of Henry 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) 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 Henry County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Henry County

Management Advisory Report

State Auditor's Findings

1. County Collector-Treasurer Controls and Procedures

The County Collector-Treasurer did not properly calculate commissions, resulting in approximately \$442,000 due to county schools. The County Collector-Treasurer did not include all activity on her annual settlements, and the County Commission and County Clerk did not properly review the annual settlements. The County Commission does not approve outlawed taxes each year, and the County Collector-Treasurer has not investigated and disbursed excess monies held in the Tax Sale Surplus Fund. For the 2 years ended February 28, 2011, property taxes charged to the County Collector-Treasurer totaled approximately \$17 million annually.

1.1 Commissions

The County Collector-Treasurer and the former County Collector-Treasurer, who retired effective March 31, 2009, did not properly review or calculate and distribute current and delinquent tax commissions for the 4 years ended February 28, 2011. The County Collector-Treasurer failed to properly review commission calculations and distributions which resulted in the errors not being detected. The County Collector-Treasurer was unaware of these errors until we brought them to her attention.

- The County Collector-Treasurer incorrectly withheld 3 percent on the school portion of all current real estate and personal taxes collected when only 2 percent was allowed, resulting in approximately \$424,000 over withheld from school districts during the period March 2007 through February 2011.
- The County Collector-Treasurer incorrectly withheld 3 percent on the school portions of all delinquent and railroad and utility taxes collected when 3½ percent was allowed, resulting in approximately \$29,000 under withheld from school districts during the period March 2007 through February 2011.
- The County Collector-Treasurer did not properly distribute current and delinquent tax commissions. The County Collector-Treasurer incorrectly distributed commissions due to the General Revenue Fund to the County Employees' Retirement Fund (CERF) (\$114,067) and Tax Maintenance Fund (\$29,115) during the 2 years ended February 28, 2011.
- The County Collector-Treasurer incorrectly calculated and withheld Proposition C commissions from current taxes collected during November and December from 2007 to 2010. As a result, a total of approximately \$47,000 was over withheld from the Henry County R-I School District (Windsor), and paid to the county General Revenue Fund, Tax Maintenance Fund, and CERF.

Sections 52.290, 54.280, and 54.320, RSMo, establish commission rates for the various tax collections noted above.



Henry County Management Advisory Report - State Auditor's Findings

1.2 City commissions

The County Collector-Treasurer is not calculating and withholding commissions from city taxes in compliance with city contracts.

- The County Collector-Treasurer currently withholds 3.5 percent instead of 3 percent on the City of Clinton back taxes as provided for in the contract. As a result, \$570 was over withheld from the City of Clinton and paid to the county (\$285) and to the County Collector-Treasurer personally (\$285) during the 2 years ended February 28, 2011.
- The County Collector-Treasurer currently assesses a 7 percent penalty on all delinquent city taxes instead of the 2 percent penalty provided for in the contract, which is to be retained by the County Collector-Treasurer personally. Additionally, this 7 percent penalty was paid to the CERF Fund (\$6,053), the Tax Maintenance Fund (\$4,035), the county (\$2,017), and the County Collector-Treasurer personally (\$2,017) during the 2 years ended February 28, 2011.
- The County Collector-Treasurer incorrectly assessed a 2 percent penalty on November current city tax collections when a 2 percent penalty was only allowed for delinquent tax collections. Also, a calculation error in the manual adjustment on the November 2010 monthly settlement resulted in 20 percent rather than 2 percent being taken on collections for cities other than the City of Clinton. The penalties erroneously taken on current taxes totaled \$4,650 and were paid to the county (\$2,325) and the County Collector-Treasurer personally (\$2,325) during the 2 years ended February 28, 2011.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform certain tax collection services for cities and charge for such services. The contracts entered into with various cities provide for both the County Collector-Treasurer and the county to receive a fee of 1.5 percent withheld from all taxes collected. The contracts also provide for the County Collector-Treasurer to receive penalties, in the amount of 2 percent, on all delinquent and back taxes.

- The County Collector-Treasurer is improperly withholding and personally retaining commissions on railroad and utility taxes pertaining to cities. The collector withheld \$290 personally in December 2010 from railroad and utility taxes collected from cities. The collection of railroad and utility taxes is a part of the County Collector-Treasurer's statutorily required duties, and the County Collector-Treasurer should not receive additional compensation for collecting these taxes. Section 151.180, RSMo, requires the County Collector to collect all railroad taxes.



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1.3 Annual settlements

The County Collector-Treasurer's annual settlements for the 2 years ended February 28, 2011, were not accurate and did not include all activity. In addition, the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements. The following errors were noted on the annual settlements:

- The County Collector-Treasurer erroneously included \$26,118 as protested taxes instead of abatements on the annual settlement for the year ended February 28, 2011.
- Private car tax collections of \$20,508 were recorded twice on the annual settlement for the year ended February 28, 2010, and private car tax collections of \$16,195 were not included on the annual settlement for the year ended February 28, 2011.
- Outlawed taxes totaling \$24,664 and \$33,640 were not included on the annual settlements for the year ended February 28, 2011 and 2010, respectively.
- Delinquent railroad and utility taxes totaling \$15,180 were not included in charges or collections on the annual settlement for the year ended February 28, 2011.
- The amount reported on the annual settlement for the year ended February 28 (29), 2010, for 2009, 2008, 2007, and 2006 delinquent personal taxes did not agree to the delinquent personal tax books. The annual settlement was overstated by \$13,068.

By not accurately reporting all activity on the annual settlement, there is little assurance tax monies have been handled and accounted for properly. Section 139.450, RSMo, states the collector shall include in the collector's annual settlement the whole amount of taxes collected. In addition, Section 51.150.1 (2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and annual settlements.

1.4 Outlawed taxes

The County Commission does not approve personal property taxes outlawed each year. Taxes totaling over \$58,000 were outlawed and removed from the tax books during the 2 years ended February 28, 2011, without County



Henry County Management Advisory Report - State Auditor's Findings

Commission approval. As a result, changes to the amount of taxes the County Collector-Treasurer is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission.

1.5 Tax Sale Surplus Fund

The County Collector-Treasurer is improperly holding over \$22,000 in the Tax Sale Surplus Fund as of September 30, 2011.

- Upon closure of the County Collector-Treasurer's property tax bank account in February 2011, \$3,539 was incorrectly transferred to the Tax Sale Surplus Fund. This represented 19 checks that were issued from the property tax bank account during the period December 2006 to April 2010, and remained outstanding in February 2011. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be paid out in accordance with applicable state laws.
- Private car tax collections totaling \$6,152 owed to the General Revenue Fund were received in January 2010, and were incorrectly transferred to the Tax Sale Surplus Fund when the property tax bank account was closed in February 2011. The County Collector-Treasurer was unaware she was holding these monies until we brought it to her attention. The County Collector-Treasurer should transfer these monies to the General Revenue Fund.
- Unidentified monies totaling \$12,740 were held by the County Collector-Treasurer in the Tax Sale Surplus Fund. Section 140.230.2, RSMo, requires tax sale surplus monies to be held for three years, and if these tax sale surplus monies remain unclaimed after this time period, the monies are to be distributed to the schools.

Similar conditions
previously reported

Similar conditions to sections 1.1, 1.3, and 1.5 were noted in our prior audit report.

Recommendations

The County Collector-Treasurer:

- 1.1 Recalculate current and delinquent tax commissions withheld and distributed, and correct distributions from the General Revenue Fund to the various political subdivisions and from the CERF and Tax Maintenance Funds to the General Revenue Fund. The County Collector-Treasurer should also ensure future commission calculations are accurate.



Henry County Management Advisory Report - State Auditor's Findings

- 1.2 Recalculate city tax commissions withheld and distributed and correct distributions. In addition, the County Collector-Treasurer should ensure future commission calculations are accurate.
- 1.3 File complete and accurate annual settlements. Additionally, the County Clerk should maintain an account book with the County Collector-Treasurer, and the County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.
- 1.4 Work with the County Commission to establish proper controls over property taxes outlawed each year.
- 1.5 Establish routine procedures to investigate checks outstanding for a considerable time, disburse private car tax collections owed to the General Revenue Fund, and disburse any tax sale surplus monies in accordance with state law.

Auditee's Response

The County Collector-Treasurer provided the following written responses:

- 1.1 *During my time as County Collector-Treasurer (April 2009 to February 2011), the current and delinquent tax commissions were not calculated correctly. I was employed in this office by the prior County Collector-Treasurer which included the 2008 state audit. The monthly settlement reports were pulled including the years 2007 and 2008. The 2008 audit report does include statements about these years. Since there was no mention of erroneous current or delinquent tax commissions (including railroad and utilities and Proposition C calculations), I assumed these were correct. Upon the findings of the current audit, I immediately corrected the current and delinquent commissions and implemented new calculating procedures for railroad and utilities and Proposition C. Also during this current audit, the County Clerk was given new Proposition C ratios, replacing the ratios we had on file. He has provided these corrected ratios to me. (The final revised corrections were given to me on May 3, 2012). We are currently in the process of recalculating from March 2007 to November 2011, the corrections on current and delinquent commissions and the Proposition C ratios. I will continue to monitor these calculations to see that they remain in accordance of this audit.*
- 1.2 *As stated in 1.1, since the 2008 audit report did not mention any erroneous current or delinquent city penalty percentages or collecting commission on railroad and utilities, I assumed these were correct. I am using the exact contract with the cities as the*



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prior Collector-Treasurer. Upon the findings of the current audit, I immediately corrected these errors. The November 2010, monthly settlement did show a 20% manual calculation on city commissions in error in lieu of the correct 2%. This was a manual miscalculation for that month of November only. I will continue to monitor these manual calculations as well.

- 1.3 *\$26,118 was entered as protested taxes on my February 2011 settlement and should have been entered as abatements. It was a mistake of just plugging figures in on wrong line. I will have to go back and recheck where you say we recorded \$20,508 twice on February 28, 2010 annual settlement and private car tax collections of \$16,195 were not included on the February 28, 2011 annual settlement. Yes I failed to put the railroad and utility delinquent taxes totaling \$15,180 on our annual settlement. Outlawed taxes for February 28, 2010 and 2011 were not recorded on annual settlement it was just an oversight. Without going back and rechecking for sure I couldn't say if they are included in another figure. This year we decided to not outlaw any 2008 taxes we will collect what we can to make the county and all entities more money. It was reported that delinquent taxes on personal property did not agree with delinquent tax books, without going back again and checking what was recorded in both places I cannot tell you for sure. What I can tell you every audit since I was hired in 1997 there has been something wrong with the annual settlement. We are using a program that another collector has set up and we plug our monthly figures in and balance to it each month. We have used this program for the last 3 or 4 years and at the end of the year we balance so I don't know where we are going wrong. We give the County Clerk copies of our monthly report and he also gets copies of add ons and abatements. He also gets a copy of our annual settlement and signs off on this report. He gets copies of what is charged out every year in November and then again March 1 of delinquent year.*
- 1.4 *We are no longer going to outlaw taxes on personal property. There will still be abatements done on this if they are not collectible.*
- 1.5 *When the Collector's bank account was closed at 1st National, there was a surplus of money that was refund checks that had not cleared. We had tried to locate the recipients of these refunds but were unable to. This bank account had never balanced from even before the prior Collector-Treasurer so we did not catch that we had failed to give General Revenue the private car collections. Upon this finding, the private car collection was turned over to General Revenue and the County Clerk was notified for his records. Upon*



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closing of the collector's bank account, a new bank account was opened and is balanced monthly with collections and the bank statement. The back tax figures are logged in the Surplus Sales Tax Book and each year the surplus money that has been held for 3 years is distributed to the schools. This is documented in the same book. The remaining money from the closed Collector's bank account will be distributed to the schools in August 2012, with the regular 3 year surplus.

The County Clerk and County Commission provided the following written responses:

- 1.3 The County Clerk's Office will develop and maintain an accounting system, to be updated monthly, to reconcile the County Collector-Treasurer's monthly and annual settlements. The County Commission will review the County Clerk's and County Collector-Treasurer's report for accuracy.*
- 1.4 The County Clerk's Office will develop proper controls to ensure outlawed taxes are accounted for and approved by the County Commission.*

Auditor's Comment

- 1.1
- &1.2 The Collector-Treasurer's attempt to shift responsibility for ensuring commission calculations are in compliance with state law is not justified. On March 1, 2007, the office of township collector was abolished and statutes regarding property tax commissions changed. Our prior report covered the 2 collector years ended February 28, 2007, and included findings related to commissions under the previous laws. This audit reports non-compliance with current laws regarding Collector-Treasurer commissions.

2. Sheriff Accountable Fees and Special Revenue Funds

Although prior audit reports have addressed the inadequacy of the Sheriff's records and procedures, improvements have not been made and significant weaknesses still exist.

The Sheriff performs most accounting tasks for his office without involvement of other employees. There is little assurance all monies are handled and accounted for properly. During the 2 years ended December 31, 2010, payments totaling \$2,804 made to the Sheriff and for ATM cash withdrawals from the Sheriff's bank accounts were unsupported. Numerous other disbursements were not adequately documented, monies were transferred inappropriately, and the Sheriff did not adequately monitor his accounts or funds. The Sheriff paid some operating expenses from his bank accounts.



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The Sheriff's office collected various fees, board bills, monies from local patrolling contracts, jail phone commissions, and bonds during the years ended December 31, 2010 and 2009, totaling approximately \$310,000 and \$295,000, respectively, and these monies were deposited into the Sheriff's fee bank account. The Sheriff's office collected inmate monies during the years ended December 31, 2010 and 2009, totaling approximately \$50,000 and \$31,000, respectively, and these monies were deposited into the inmate bank account. In addition, the county has ten special revenue funds restricted for law enforcement purposes, which had activity totaling over \$6.3 million and \$5.6 million during the years ended December 31, 2010 and 2009, respectively. The Sheriff initiates and approves all disbursements and transfers from these funds.

2.1 Sheriff bank accounts

The Sheriff is not properly accounting for various fees and inmate monies received, and used over \$79,000 (\$60,000 and \$19,000 from the inmate and fee bank accounts, respectively) in violation of state law to pay operating expenses of his office during the 2 years ended December 31, 2010. Supporting documentation was not retained for at least \$14,875 of disbursements made from the Sheriff's bank accounts, including payments totaling \$2,804 made to the Sheriff and for ATM cash withdrawals from the Sheriff's bank accounts, and as a result, the propriety of these transactions is uncertain. The Sheriff also improperly transferred monies between the fee and inmate bank accounts. The Sheriff indicated transfers between bank accounts were made when insufficient funds existed in these accounts. Further, the Sheriff incurred insufficient fund charges on these bank accounts totaling \$1,675 during the 2 years ended December 31, 2010. The Sheriff subsequently received bank credits for \$1,650 of these insufficient fund charges.

Included in the undocumented disbursements was at least \$2,800 paid to deputies from the fee and inmate accounts for hours worked and mileage driven. In addition, as a result of not processing these payments through the county's payroll system, amounts were not reported on the deputies' W-2 forms, and payroll deductions were not withheld from the payments. Similar concerns were noted with some payroll-related transactions from the special revenue funds. In addition, adequate supporting documentation was not available for \$226 of restaurant payments reviewed. The Sheriff spent approximately \$1,300 during the 2 years ended December 31, 2010 for restaurant meals.

The amounts deposited into the various county law enforcement related special revenue funds may be incorrect, and there is little assurance restricted funds have been accounted for properly and expended for allowable purposes. While the Sheriff's accounting system tracks monies received by type of receipt, the Sheriff does not utilize the system to accurately accumulate fee amounts for transmittal to the County Collector-Treasurer. As a result of using accountable fees for operating expenses and



Henry County Management Advisory Report - State Auditor's Findings

not properly using the capabilities of the computerized accounting system, the Sheriff did not always transmit fees timely and amounts transmitted frequently appeared to be more or less than the corresponding amounts received. For example, the Sheriff's accounting system indicated federal grant funds of \$7,616 were received during the year ended December 31, 2010; however, \$36,529 was turned over to the County Collector-Treasurer to be deposited into the Sheriff's Federal Grant Fund during this same time period. In another example, the Sheriff's accounting system indicated jail phone commissions of \$11,112 were collected during the year ended December 31, 2010; however, only \$1,981 of these commissions were disbursed to the County Collector-Treasurer during the same time period. The Sheriff indicated he does not transmit monies based upon the type of monies received, but based upon which special revenue fund held by the County Collector-Treasurer from which he plans to make a future purchase.

There is no statutory authority for the Sheriff to retain monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to file a monthly report with the county and pay such monies to the County Treasurer. Operating expenses of the Sheriff's office should be paid from county funds and handled through the county's normal budgeting and disbursement practices. Timely and accurate disbursement of fees collected is necessary to provide adequate controls over account balances, ensure restricted monies are properly handled, and increase the likelihood discrepancies are promptly detected.

2.2 Special Revenue Funds

The Sheriff improperly transferred monies between the county special revenue funds and his bank accounts, and adequate supporting documentation was not provided for payments made to the Sheriff and for other payments related to the operation of the Sheriff's office.

Thirty-three checks totaling \$23,670 were issued from the special revenue funds and General Revenue Fund to the Sheriff upon his request and deposited into his fee and inmate accounts. The Sheriff indicated the payments were made for reimbursement of operating expenses. These payments would not be necessary if the Sheriff did not pay operating expenses out of his bank accounts.

Also, the Sheriff requested several transfers be made between various special revenue funds, and the purpose of these transfers was unclear and not adequately documented. For example, the Sheriff requested a \$10,500 transfer be made from his CORP of Engineers Fund to his Federal Grant Fund in October 2009, and then requested the same amount be transferred back to the CORP of Engineers Fund in November 2009.

The multiple transfers resulted in problems with budgets for the special revenue funds. Because of the multiple transfers, actual disbursements



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exceeded budgeted disbursements. Also, receipt transactions were often classified as transfers on the budgets rather than a more appropriate and descriptive receipt category. As a result, determining accurate receipts and disbursements data and preparing reasonable budgets for use in monitoring law enforcement operations is more difficult.

Adequate supporting documentation was not provided for \$4,497 of \$8,052 payments reviewed from the special revenue funds to the Sheriff. While the Sheriff typically provided the county with a summary spreadsheet or list of expenses to be reimbursed, actual documentation (paid receipts, itemized vendor invoices, or other detailed documentation) was not retained by either the county or the Sheriff. Additionally, in some instances, it was not clear the payments were for legitimate county expenses.

Further, the County Commission does not adequately review other disbursements related to the operation of the Sheriff's office. The County Commission only reviews a summary statement of Sheriff's office fuel and local retail store credit card purchases. The entire bill and detailed invoices of each purchase are not reviewed by the County Commission. While the Sheriff indicated he reviews the entire bill and all invoices, the County Commission indicated it only reviews detailed invoices if a specific disbursement is questioned. Adequate supporting documentation was not retained for the December 2009 fuel bill selected for review. The Sheriff indicated he destroyed all mileage logs for 2009, which would have supported the fuel purchases reviewed.

Limiting transfers to those instances where errors are made or when special circumstances arise would aid the Sheriff and County Commission in monitoring the activity of these special revenue funds and ensuring special revenue funds are used in accordance with state law. In addition, the purpose of the transfers between funds should be documented. The Sheriff and the County Commission should use proper accounting and budgeting procedures to monitor and control receipts and disbursements of the county's various law enforcement related special revenue funds. All disbursements should be supported by paid receipts, itemized vendor invoices, or other detailed documentation to ensure the obligation was actually incurred and the amount paid is proper. In addition, payroll transactions should be handled through the county payroll system with proper reporting and withholdings.

Overall conclusion

Due to the lack of segregation in the Sheriff's office and the serious concerns noted above, it is important the County Commission and County Clerk ensure all fees are turned over properly, disbursements are processed through the normal county budget and disbursement processes, and the Sheriff's special revenue funds are properly monitored.



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Recommendations

The Sheriff:

- 2.1 Turn over all fees to the County Collector-Treasurer as required by state law. Payment of expenses should only be made through the normal county disbursement process as provided for in the budgets of special revenue funds. In addition, the Sheriff and County Commission should ensure all salary payments and wages are subject to payroll withholdings, reported on W-2 forms, and supported by timesheets that reflect actual time worked.
- 2.2 And the County Commission limit transfers, consider a more effective method of budgeting transfers and disbursements, and ensure the purposes of all fund transfers are documented. The Sheriff and County Commission should require adequate supporting documentation for all disbursements, and ensure funds are disbursed in a necessary and appropriate manner and proper oversight of the Sheriff's office is performed.

Auditee's Response

The Sheriff provided the following written responses:

- 2.1 *We are working on implementing the payment of inmate commissary supplies through the county budget process. We will work with the County Commission to amend the budget to allow for this process to be implemented. We will incorporate a credit card system to allow for on-line purchases, travel and training expenses, rather than utilizing the checking account debit card. All other aspects have been implemented.*
- 2.2 *This recommendation has been implemented. The new accounting software implemented by the County Clerk allowed for the combining of several law enforcement funds, thus eliminating the need for transfers. The County Clerk now receives the original of all bills processed through the Sheriff's Office.*

The County Clerk and County Commission provided the following written responses:

- 2.1 *All county employees will receive compensation through the payroll system. It is Henry County Policy (8.10) that department heads work to the best of their ability to reduce overtime/comp time situations. However, all worked hours must be documented on employee time sheets, approved by elected officials, and paid through the county payroll system.*
- 2.2 *The County Clerk's office will develop a form for the Sheriff's Office to use to determine where fees were collected from and where deposits were made to from these fees. The county has been*



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proactive in reducing the number of fund transfers. After consulting with the State Auditor's Office, the County Clerk has reduced the number of funds, either by combining funds together or by eliminating the funds outright. The 2012 Budget had 7 fewer funds than the 2011 Budget. All requisitions require supporting evidence prior to being paid.

3. Sheriff Reconciliations and Accounting System

There is no assurance accounting records are accurate and complete. The Sheriff developed and utilizes a computerized accounting software system for recording the receipt and disbursement of accountable fees, printing checks, and reconciling bank accounts. Several discrepancies and concerns, including manually altered checks and accounting records, were noted with the accounting system.

3.1 Bank reconciliations

Bank reconciliations and a list of liabilities were not prepared for either the fee or inmate bank accounts, and the Sheriff cannot perform a proper reconciliation because debit card disbursements and electronic deposits are not recorded in the accounting system.

We prepared a list of known liabilities for the fee account as of December 31, 2010, which totaled \$5,396, while the available cash balance was only \$2,776, resulting in known liabilities exceeding the available cash balance by \$2,620. At our request, the Sheriff prepared a list of known liabilities for the inmate account as of December 31, 2010, which totaled \$418, while the cash balance was negative (\$551), resulting in known liabilities exceeding the available cash balance by \$969.

Adequate and accurate bank reconciliations are necessary to ensure all receipts and disbursements are accounted for properly and the cash balance in the bank account can be properly identified. Without regular comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book have been properly reconciled, and that book balances are accurately stated. Complete and accurate accounting records are essential to properly reflect the Sheriff's office financial activity, provide an adequate audit trail, and facilitate reconciliations with bank accounts.

3.2 Accounting system

Several discrepancies and concerns were noted with the accounting system:

- Checks and accounting records were altered manually. The payee on several checks was whited-out or manually marked through and a new payee was written in. These alterations were made prior to checks being mailed or negotiated and the bank images of the checks showed the alterations.



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- During the 2 years ended December 31, 2010, the payee and amount of the check in the accounting system did not agree to the actual check for 58 checks written with a net difference in the amount of the checks recorded and written totaling \$6,387. For example, the accounting system indicated a check was written to the Henry County Sheriff for \$1 when it was actually issued to another individual for \$385.
- In November 2011, the Sheriff generated a list from his computerized accounting system of disbursements made from the inmate account during the 2 years ended December 31, 2010; however, the list did not agree to the disbursement reports printed at earlier dates. For example, 32 checks (check numbers 3473 through 3504) for January and February 2009 were recorded at different amounts on the list of disbursements (generated in November 2011) than the disbursement reports generated on February 7, 2009, which were attached to the monthly bank statements. These checks totaled \$1,255 on the November 2011 report while the same checks totaled \$2,532 on the disbursement reports attached to the bank statements. Check amounts were both increased and decreased with the overall discrepancies totaling \$3,138.
 - The Sheriff's report of fees for the month of June 2010 did not agree to the accounting system or bank records. The report of fees indicated fees of \$21,071 were collected while the accounting system and bank records indicated only \$14,588 was received. The report of fees also indicated \$18,759 was disbursed/turned over during the month while the accounting records and canceled checks showed only \$14,582 was disbursed.

Altering checks increases the risk of theft of funds. Issuing new checks, and voiding and retaining the incorrect checks would provide better control. Complete and accurate accounting records are essential to properly reflect the Sheriff's office financial activity, provide an adequate audit trail, and facilitate reconciliations with bank accounts.

Similar condition
previously reported

Similar conditions to sections 3.1 and 3.2 were noted in our prior audit report.

Recommendations

The Sheriff:

- 3.1 Perform bank reconciliations and reconcile bank balances to liabilities monthly. Any differences between accounting records and reconciliations should be investigated and resolved. The Sheriff should ensure all disbursements and receipts are accurately recorded in the computerized accounting system.



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- 3.2 Discontinue altering checks and ensure disbursements are properly reported in the accounting system.

Auditee's Response

The Sheriff provided the following written response:

- 3.1 *This recommendation has been implemented. We are now receipting all electronic transfers from the bank account into the local accounting system.*
- 3.2 *This recommendation has been implemented. We have reprogrammed to allow for payee information to be correctly input at the time a check is issued.*

4. Prosecuting Attorney Controls and Procedures

Accounting duties are not adequately segregated, and there was no independent approval to support adjustments posted to the accounting system. Procedures for receipting monies are not adequate, and reconciliations of receipts to the computerized accounting system and transmittals are not performed. As a result of these numerous control weaknesses, there is no assurance all monies are handled and accounted for properly.

The Prosecuting Attorney's office collected bad check restitution and fees and court-ordered restitution totaling approximately \$91,000 and \$127,000 during the years ended December 31, 2010 and 2009, respectively.

4.1 Segregation of duties and adjustments

The duties of receiving, recording, and transmitting monies are not adequately segregated. The bad check clerk performs all of these duties, and reviews performed by the Prosecuting Attorney are not documented. In addition, there was no independent approval to support adjustments posted to the accounting system, and adequate documentation of such adjustments was not retained. The bad check clerk and office manager have the ability and authority to post adjustments to the computer system without obtaining independent approval. During the period August 1 through September 21, 2011, 23 adjustments totaling \$1,130 were made to the accounting system and 19 adjustments totaling \$15,823 were made to the accounting system during the period September 1 through December 1, 2010.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review of the records. In addition, to ensure all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for such adjustments.



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4.2 Receipting and transmitting monies

Procedures for receipting and transmitting monies need improvement. Two cash counts conducted on August 9, and September 21, 2011, and a review of various restitution cases with monies received during 2010 identified the following weaknesses:

- Receipt slips had not been issued for some monies on hand during cash counts.
- The numerical sequence of manual receipt slips issued was not accounted for properly.
- Receipts are not transmitted timely to the victim and County Collector-Treasurer and are not posted to the computerized accounting system timely. For example, 23 receipt slips totaling \$4,147 issued between August 8 and August 31, 2011, were still on hand during our cash count on September 21, 2011, and were not posted to the computerized accounting system until after September 18, 2011. In other examples, bad check fees collected in August and September 2010 totaling \$1,336 were not transmitted to the County Treasurer until October 12, 2010, and manual receipt slips issued on September 6, 2010, were not posted to the computerized accounting system until September 9, 2010.
- Amounts recorded on manual receipt slips are not reconciled to the computerized accounting system and transmittals. As a result, the Prosecuting Attorney's office did not detect 17 duplicate manual receipt slips and 3 triplicate manual receipt slips issued for some monies on hand at the time of our cash counts.
- Money orders made payable to the Prosecuting Attorney are not restrictively endorsed until the receipts are transmitted to the County Collector-Treasurer.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips should be issued in numerical sequence for all monies received, receipts should promptly be recorded and reconciled to the computer system and transmittals, monies should be transmitted intact and timely, and money orders made payable to the Prosecuting Attorney should be restrictively endorsed immediately upon receipt. In addition, Section 50.370, RSMo, requires county officials to pay monies received for official services to the County Treasurer monthly.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.



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Recommendations

The Prosecuting Attorney:

- 4.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented, and require someone independent of the accounting system to review and approve all adjustments and ensure adequate documentation is retained to support such adjustments.
- 4.2 Ensure receipts slips are issued in numerical order for all monies received and monies are recorded promptly, and restrictively endorse money orders immediately upon receipt. In addition, the Prosecuting Attorney should ensure monies are transmitted timely and intact, and ensure comparisons of receipt slips to the computerized accounting system and transmittals are performed.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

- 4.1 *As I indicated in my response to the previous audit, I simply do not have adequate personnel to have the level of segregation of duties recommended. We make every effort to remain open during the lunch hour so citizens with business to transact in this office may do so at any time during the day. As a result all of the few support staff I am provided with must be in a position to perform all of the duties. Supervisory reviews of accounting records are done by the prosecuting attorney; however, those reviews have not been systematically documented. Effort will be made to do that in the future. No request was made by the audit staff for any explanation of those reviews.*

As previously noted, the office is not adequately staffed. As a result, often there is only one person in the office to handle transactions with the public because of lunch hours, vacation and sick days, court days and other reasons. It should be noted that position of bad check clerk was vacant during the period sampled for adjustments made in 2011 and for a substantial period of the time period sampled for 2010 the bad check clerk was on maternity leave. Consequently, those are not good samples of our normal operations, a fact that was communicated to the audit staff. It should be noted that none of those adjustments showed any indication of malfeasance. It should also be noted that "adjustments" are routinely made according to our procedures for several reasons and are not necessarily indicative of errors made. For example, an adjustment is made on a defendant's record if his probation is revoked and he/she is ordered to prison or if a co-defendant has paid off all of a sum of restitution that was ordered to be paid jointly and severally by multiple defendants.



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4.2 *When the auditor began collection data in the prosecuting attorney's office, the bad check clerk had just begun working in that position a very few days before. The position had been vacant for several weeks. The duties of that position had been in part performed by other short-handed staff. As a result, some monies received in the mail had not yet had receipts sent by return mail. When this was noted by the audit staff, the bad check clerk attempted to correct that issue and in the process apparently issued receipts twice for some monies received. Another result of the staffing issue was that deposits were not made in as timely a manner as was the normal practice.*

It should also be noted that this office does not and has not accepted U.S. currency as payment for bad checks or bad check fees. It should also be noted that access to the office where receipts are kept is restricted and not accessible by the public.

General response

It was repeatedly pointed out to the auditors that the timing of the field part of the audit as to the PA's office was particularly inopportune because of the personnel staffing issues. We requested that the audit of this office take place at a later time and/or to use samples from different time periods but these suggestions were not followed. There was no effort by the audit staff to return to this office at a later time to get additional samples after the staffing issues had been alleviated. When this fact was noted in our response to the initial draft report a second sample was reported on the auditor's draft report. Unfortunately, the bad check clerk was on maternity leave during a substantial part of that period sampled. While I understand in part the reasons for not changing the timing of the audit data collection process, the timing as done provided an inaccurate picture of how this office operates.

Auditor's Comment

During an exit meeting, the Prosecuting Attorney indicated he does not review bank reconciliations or agree manual receipt slips issued to computerized accounting records or transmittals. Other periods of time were reviewed and similar problems noted. It is extremely important that proper internal controls and thorough supervisory reviews be in place when regular staff are on leave, new employees have taken over accounting duties, and/or positions in the office are vacant, placing additional responsibilities on others.

5. Detention Center

Financing and procurement practices need improvement. In addition, the county did not obtain appraisals prior to purchasing property for construction of the detention center.



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In September 2008, the county started purchasing properties to construct a detention center. The detention center, which houses the Sheriff's offices and jail, was completed in September 2010 at a cost of approximately \$9 million.

5.1 Financing

Certificates of Participation (COPS) totaling \$10,845,000 to finance construction of the detention center, were sold in March 2009 through a negotiated instead of a competitive sale. In addition, the County Commission did not select the COPS underwriter or legal counsel competitively. The County Commission used an underwriter and legal counsel it was familiar with and relied upon the advice of the underwriter instead of seeking open bids assuring the most competitive rate of return for taxpayers. The underwriter was paid \$97,605 and legal counsel was paid \$55,000.

COPS are a method of financing a capital project whereby a financial institution sells interests in the capital project, leases the project to a local government, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a minimal amount the capital project it has been leasing. COPS are not required to be approved by county voters.

While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting underwriters and legal counsel, competitive sales may result in lower interest costs for the county and competition in selecting underwriters and legal counsel is important to ensure services are obtained from the best qualified providers at a fair price.

5.2 Independent appraisals

The county did not obtain appraisals prior to purchasing five pieces of property totaling \$413,500. While the County Commission believes the amount paid was reasonable and the location of the properties was important, written appraisals from an independent appraisal company should be obtained prior to the purchase of real estate and used to provide a basis for negotiations and to ensure the prices paid are reasonable.

5.3 Procurement

While the County Commission solicited bids for construction management services and received seven bids, the County Commission did not document why it selected the third from lowest bid. In addition, the vendor who was awarded the bid contacted the county prior to the start of the bid process and provided the county a request for proposal (RFP) form to be used to solicit bids. The county used the form provided by this firm, which makes the county's decision to award the bid to this vendor more questionable. The construction management company was paid \$470,392 during the 2 years ended December 31, 2010.



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Complete documentation should be maintained of all bids, the proposals and summary of qualifications received, and the reasons why a bid or proposal was selected.

Recommendations

The County Commission:

- 5.1 Pursue fair and open competition in any future financing of capital projects.
- 5.2 Ensure independent appraisals are obtained for all future real estate purchases.
- 5.3 Ensure sufficient documentation is maintained to support bid awards.

Auditee's Response

The County Commission provided the following written responses:

- 5.1 *Any future financing, for the county, will be bid out competitively.*
- 5.2 *Any future property purchases will be appraised prior to purchase negotiations.*
- 5.3 *The county will develop its own Request for Proposal (RFP) form. All bid documentation, and decisions made, as a result of the bids, will be documented and maintained for the period outlined by the Missouri Secretary of State's Retention Schedule.*

6. Disbursements

Weaknesses were noted in controls and procedures over disbursements.

6.1 Bidding

While county officials indicated bids were received for the lease purchase of three patrol cars totaling \$64,289, envelopes with postage for the County Collector-Treasurer's office totaling \$10,400, and road and bridge department building repairs totaling \$14,064, the county did not retain the bids to show compliance with state law.

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 state law and support decisions made.

6.2 Fuel use records

Controls and procedures over fuel use and purchases need improvement. According to accounting records, the county purchased fuel for the Sheriff's office and road and bridge department costing \$91,499 and \$54,265,



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respectively, during the 2 years ended December 31, 2010. The Sheriff's office and road and bridge department purchase fuel at local fuel stations.

- Mileage and fuel use logs maintained by the Sheriff's office for its 15 vehicles are not reconciled to fuel purchases. In addition, mileage logs were not accurate and complete. Beginning and ending odometer readings did not always match from day to day and some odometer readings were left blank on the mileage logs.
- The county has no records to ensure fuel purchases for road and bridge equipment and vehicles are used appropriately. Fuel use logs are not maintained for the road and bridge department's equipment and vehicles, and as a result, fuel use is not reconciled to fuel purchases.

Procedures for reviewing fuel use and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements. In addition, mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. Failure to account for fuel purchases could result in theft and misuse of fuel going undetected.

6.3 Written contracts

The county did not enter into written agreements with Jasper County and six cities regarding the rate to be charged for housing prisoners in the county jail. Henry County charged Jasper County \$45 per day and the cities \$35 per day to house prisoners.

The county housed prisoners for Jasper County from May 9 to September 15, 2011. While numerous bills were sent for payment, Jasper County failed to pay, and Jasper County prisoners were returned to Jasper County on September 15, 2011. As of September 15, 2011, Jasper County owes over \$135,000 in prisoner board to the county.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

6.4 Additional compensation

The Sheriff paid one of his deputies \$546 and \$1,146 from the Sheriff's Revolving Fund to teach carry and concealment classes during the years ended December 31, 2010 and 2009, respectively. These payments were in addition to the deputy's normal salary and were not processed through the county payroll system, reported on W-2 forms, subject to payroll tax withholdings, or paid in accordance with county overtime policies.

The Sheriff entered into a contract with this deputy in January 2007, which states the deputy will receive up to 60 percent of class registration fees. The



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Sheriff indicated the work was performed and classes were held outside the deputy's regular working hours; however, no documentation was retained to report time spent preparing and teaching the classes. It is unclear why this deputy was not treated as an employee and paid his overtime rate to teach the classes.

The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on Forms W-2. In addition, to ensure compliance with the Fair Labor Standards Act of 1938 (FLSA) and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process.

6.5 Retirement benefits

Employer contributions related to additional compensation paid to employees of the Prosecuting Attorney's office were not paid into the County Employees' Retirement System (CERF), and as a result, the county may have a liability. The additional compensation is paid through the Prosecuting Attorney's Bad Check Fund held by the County Collector-Treasurer.

During the 2 years ended December 31, 2010, the Prosecuting Attorney paid additional compensation totaling \$16,210 to his office employees from the Prosecuting Attorney Bad Check Fund. While this additional compensation was not processed through the normal county payroll process, these payments were reported on W-2 forms and payroll taxes were properly withheld.

In response to our prior audit finding, the Prosecuting Attorney attempted to submit the employer contributions to CERF, but was notified by CERF that employer contributions were required to be remitted from the county treasury and reported in the county payroll system in accordance with Section 50.1020.6, RSMo. The Prosecuting Attorney indicated he requested the County Commission to allow these contributions or the additional compensation to be run through the county payroll system, but his request was denied.

Similar conditions previously reported

Similar conditions to sections 6.1 through 6.5 were noted in our prior audit report.

Recommendations

The County Commission:

- 6.1 Maintain documentation of bids to show compliance with state law.
- 6.2 Require fuel use logs be maintained for all county-owned vehicles and equipment, and ensure logs are reviewed for accuracy and



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reconciled to fuel purchases. Any significant discrepancies should be investigated.

- 6.3 Enter into written agreements defining services provided and benefits received and continue to pursue collection of amounts due.
- 6.4 Require all hours worked be reported on monthly timesheets and process all payments through the county payroll system.
- 6.5 And Prosecuting Attorney ensure employer contributions are remitted to the CERF.

Auditee's Response

The County Commission provided the following written responses:

- 6.1 *The county will comply with Section 50.660, RSMo, competitively bid out projects, or purchases of \$4500 or more. All bid documentation, and decisions made, as a result of the bids, will be documented and maintained for the period outlined by the Missouri Secretary of State's Retention Schedule.*
- 6.2 *The county began maintaining fuel logs for the Road and Bridge department in January of 2012. The Sheriff's Department will continue to maintain fuel logs, document odometer readings accurately, and investigate discrepancies in the log book.*
- 6.3 *The county began legal proceedings against Jasper County on February 21, 2012, in order to receive compensation for the housing of Jasper County's inmates. Henry County contends that Jasper County has been unjustly enriched by the unpaid portion of the reasonable value of work, labor, and materials supplied by Henry County. Pursuant to Section 221.230 RSMo, it was the duty of Henry County Sheriff Kent Oberkrom to receive and safely keep any prisoners of Jasper County Sheriff Archie Dunn, as Sheriff Dunn made a declaration that the Jasper County Jail was insufficient. Section 221.260 RSMo, requires Jasper County to pay to Henry County the expenses associated with Henry County keeping the aforementioned prisoners.*

Whatever the result of this litigation, the Henry County Sheriff, through the Commission, will enter into written contracts to house "out of county" prisoners, whose stay is for an extended period of time, beyond normal circumstances.

- 6.4 *All county employees will receive compensation through the payroll system. It is Henry County Policy (8.10) that department heads work to the best of their ability to reduce overtime/comp time situations. However, all worked hours must be documented on*



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employee time sheets, approved by elected officials, and paid through the county payroll system. It is against Henry County Policy (8.6) for employees of the county to have dual employment. Deputy's can perform training exercises, but in the normal course of employment, that is, receive regular wages or overtime wages, whichever the case may be.

- 6.5 *The "supplemental wages" paid through the Prosecuting Attorney's Bad Check Fund, are not approved by the County Commission. It is over and above the Henry County Commission's Approved Salary Schedule. The PA's Bad Check Fund is solely controlled by the Prosecuting Attorney. The County Commission does not want to set a precedence allowing office holders with sole controlled funds to be used to supplement wages. By processing these extra wages, the county would pay additional FICA benefits that are not approved by the County Commission.*

Auditor's Comment

- 6.5 The County Commission should consult legal counsel regarding the county's responsibility and tax liability for funds controlled by other office holders.

7. Passport Fees

There is no apparent authority for the County Commission to collect passport fees and some of the fees collected were spent inappropriately.

During the 2 years ended December 31, 2010, the County Commission's secretary processed approximately 646 passport applications and collected approximately \$69,000 in passport processing fees. The county retains \$25 of each passport fee and retained approximately \$17,000 during the 2 years ended December 31, 2010.

In addition, during the 2 years ended December 31, 2010, the County Commission authorized disbursements from passport fees for parties for county employees totaling \$2,781.

Section 483.537, RSMo, states that the clerk of any state court who, by deputy or otherwise, takes or processes applications for passports or their renewal shall account for the fees charged for such service and for the expenditure of such fee in an annual report made to the presiding judge and the office of the state courts administrator. Such fees shall be used only for the maintenance of the courthouse or to fund operations of the circuit court.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission discontinue collecting passport fees or ensure passport fees are reported and spent in accordance with state law.



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Auditee's Response

The County Commission provided the following written response:

We will seek legal counsel regarding the legality of the County Commission's office processing passport applications.

8. Public Administrator Controls and Procedures

Cash totaling \$4,000 was not recorded in accounting records and was not deposited. In addition, fees paid to the Public Administrator were not calculated correctly and reviewed for accuracy by the Probate Division. An employee of the Public Administrator's office is not considered a county employee and does not receive county employee benefits as required by state law.

The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and is responsible for the financial activity of 174 individuals. We reviewed five cases with estate balances totaling \$1,145,946, which represents approximately 56 percent of the total cash balances from all cases at December 31, 2010.

8.1 Cash on hand

On October 11, 2011, our review discovered \$4,000 in cash located in a banking envelope in a case file. The ward had documented the balance of the cash (\$4,000) and the date the funds were placed in the envelope (December 13, 2008) on the outside of the envelope. The Public Administrator indicated she was not aware the cash was in the case file and had not recorded these monies in the accounting records maintained for the ward. The Public Administrator was appointed as the ward's personal representative in February 2010, and obtained all assets and records upon the appointment. The Public Administrator subsequently deposited the cash on October 11, 2011.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be recorded and deposited on a timely basis and a thorough review of ward records should be performed.

8.2 Fees

Fees were incorrectly calculated, and supporting documentation of the calculation was not provided to the Probate Division by the Public Administrator. In addition, the Probate Division has not established procedures to review the accuracy of fees paid to the Public Administrator.

The Public Administrator charges a 5 percent estate fee on all expenses each month from each estate. We recalculated the estate fees on the five annual settlements reviewed, and noted errors in four of the settlements. Three wards were overcharged a total of \$1,485 while another ward was undercharged \$352.

To ensure fees are calculated correctly, the calculation should be documented by the Public Administrator and submitted to the Probate



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Division. Failure to adequately review fees paid to the Public Administrator by the Probate Division increases the risk that errors or misuse of funds could go undetected.

8.3 Employee benefit

The full time employee of the Public Administrator's office is not considered a county employee and does not receive county employee benefits as required by state law. The Public Administrator currently pays the full time employee's salary and benefits including vacation leave, holidays, and a pension plan from Public Administrator fees.

Section 473.775, RSMo, requires full-time staff of the Public Administrator's office be considered as employees of the county for purposes of hiring, retirement, benefits, and other laws applicable to county employees.

Recommendations

The Public Administrator:

- 8.1 Ensure assets of wards are recorded and deposited and a thorough review of ward records is performed.
- 8.2 Ensure estate fees are computed correctly and prepare and maintain written documentation to support fee calculations for all annual settlements submitted to the Probate Division for approval.
- 8.3 Work with the County Commission to ensure employee salaries and benefits are handled in accordance with state law.

Auditee's Response

The Public Administrator provided the following written responses:

- 8.1 *It is the policy of the Public Administrator's office to make timely deposits. Unfortunately, not all clients of the Public Administrator's office are good reporters of their assets or actions. These funds were hidden quite well among documents gathered from the residence. All funds and assets are accounted for when discovered.*
- 8.2 *The Public Administrator's office is pleased to include copies of all administrative cost calculations in all future annual reports.*
- 8.3 *Neither the County Commission nor the Public Administrator was aware of this requirement. All Public Administrator office employee costs are borne by the office. In the near-term future, there will be no full-time employees in the Public Administrator's office. If, in the future funds become available to fund a full-time employee; the full-time employee will be processed through the county as a county employee.*



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The Associate Circuit Judge provided the following written responses:

- 8.1 *The Court agrees with this recommendation.*
- 8.2 *The Court agrees with this recommendation. The Court will require written documentation to support fee calculation, and will review those calculations and the annual settlements to ensure that those fees are computed correctly.*
- 8.3 *This matter will need to be resolved between the Public Administrator and the County Commission.*

The County Commission provided the following written response:

- 8.3 *Compensation for full time Public Administrator staff will be paid through the county payroll system, when full time employees are hired. The new employee will be designated as a county employee, allowing for the new employee to receive the various benefits offered to other employees.*

9. Recorder of Deeds Liabilities

A monthly list of liabilities is not prepared and reconciled to cash balances. We prepared a list of known liabilities for the former Recorder of Deeds bank account as of November 30, 2010, which totaled \$14,204, while the available cash balance was \$16,443, resulting in a difference of \$2,239. The current Recorder of Deeds, who took office January 1, 2011, continued to use the former Recorder of Deeds bank account. We prepared a list of liabilities for the current Recorder of Deeds as of July 31, 2011, which totaled \$11,762, while the available cash balance was \$16,051, resulting in difference of \$4,289. A complete and accurate list of liabilities should be prepared monthly and reconciled to the book balance to ensure records are in balance and sufficient funds are available for payment of all liabilities. Any differences between the monthly lists of liabilities and reconciliations should be investigated and resolved.

A similar condition was noted in our prior audit report.

Recommendation

The Recorder of Deeds prepare a list of liabilities and reconcile the list to the book balance monthly. Any differences should be investigated and resolved.

Auditee's Response

The Recorder of Deeds provided the following written response:

I did consider the auditor's request and turned over \$2,000 to the General Revenue account. I will consider the auditor's request to turn over the remaining funds.



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10. Senior Citizens Service Board

The Senior Citizens Service Board does not have written contracts with entities it provides funding to and does not adequately monitor the monies provided. During the 2 years ended December 31, 2010, the Board provided funding totaling \$227,928.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. In addition, to ensure funds are properly expended, financial reports documenting how funds are spent should be obtained and reviewed by the Board.

A similar condition was noted in our prior audit report.

Recommendation

The Senior Citizen's Service Board enter into written contracts for funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received, and require contractors to provide financial reports documenting how funds provided are spent.

Auditee's Response

The Senior Citizens Service Board provided the following written response:

We have examined our current existing contracts and have changed them to reflect what we believe was asked of us. One of the contracts had already been redone and submitted for a signature in late December 2011, for the 2012 calendar year. We have now received signatures from the other entities we are funding at the present time on a new, more detailed contract.

Henry County

Organization and Statistical Information

Henry County is a township-organized, third-class county. The county seat is Clinton.

Henry 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. 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 98 full-time employees and 5 part-time employees on December 31, 2010. The townships maintain county roads.

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
Greg Lowe, Presiding Commissioner	\$	34,348
Daniel L. Doll, Associate Commissioner		30,300
Jim Talley, Associate Commissioner		32,340
Becky Raysik, Recorder of Deeds		46,703
Gene Pogue, County Clerk		47,109
Richard Shields, Prosecuting Attorney		109,366
J. Kent Oberkrom, Sheriff		51,960
Dain Sisk, County Coroner		15,720
Kay Holt, Public Administrator (1)		176,938
Maggie Stoddard, County Collector-Treasurer, (2), year ended March 31,	59,714	
James Keck, County Assessor , year ended August 31,		53,798
Jacob Hann, County Surveyor (3)		N/A

- (1) Includes fees from probate cases. The Public Administrator reported \$87,869 of expenses were paid from her fees.
- (2) Includes \$15,814 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.

Financing Arrangements

The county entered into a lease purchase agreement with First Bank of Missouri on March 1, 2009. The terms of the agreement call for the county to lease the new detention center to First Bank of Missouri, then the bank leases the detention center back to the county with lease payments equal to



Henry County
Organization and Statistical Information

the amount due to retire the indebtedness. Certificates of Participation totaling \$10,845,000 were issued by First Bank of Missouri on behalf of the county and the proceeds of those certificates were used to provide financing of the costs related to purchasing real estate and constructing, furnishing, and equipping a new detention center. The lease is scheduled to be paid off in 2029. The remaining principal and interest due on the lease at December 31, 2010, was \$10,125,000 and \$5,573,175, respectively. A one-half cent sales tax was approved by the voters in 2008 to provide law enforcement services for the county including purchasing real estate and constructing, furnishing, equipping, operating, and maintaining a new detention center.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

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