



Thomas A. Schweich

Missouri State Auditor

Livingston County



September 2013
Report No. 2013-090

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of Livingston County

Sheriff Controls and Procedures	The Sheriff's office does not adequately segregate accounting duties, and the Sheriff does not provide adequate oversight of financial functions and records. The office manager does not timely deposit all receipts. The Sheriff is charging an additional, unauthorized sex offender registry fee not allowed by state law. In addition, the Sheriff has been depositing these funds into the Inmate Security Fund rather than the General Revenue Fund.
Credit Cards	The County Commission approves the Sheriff's credit card statements for payment without adequate documentation for some charges. For the 6 statements audit staff reviewed, documentation was missing for 13 of 76 transactions (17 percent), totaling \$1,449 of the \$6,788 spent (21 percent).
County Collector-Treasurer Procedures	As discussed in several prior audit reports, the County Collector-Treasurer does not prepare a monthly list of liabilities and reconcile the list to the available cash balance. The reconciliation performed at our request revealed the cash balance exceeded liabilities by \$769.
Compensation	The county made additional salary payments of \$300 to each full time employee in February and March 2011, which may violate the Missouri Constitution prohibition against additional discretionary pay to government employees and officials.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*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.

Livingston County

Table of Contents

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

Management Advisory	
Report - State Auditor's	
Findings	
1. Sheriff Controls and Procedures.....	4
2. Credit Cards.....	5
3. County Collector-Treasurer Procedures	6
4. Compensation.....	6

Organization and Statistical	8
Information	



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Livingston County

We have audited certain operations of Livingston County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Livingston County for the year ended December 31, 2012. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. 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 Livingston 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:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Wayne Kauffman, MBA Amanda Messick

Livingston County

Management Advisory Report

State Auditor's Findings

1. Sheriff Controls and Procedures

Weakness exist in accounting controls and procedures in the Sheriff's office. The Sheriff's office received monies for civil fees, carry and conceal permits, bonds, board bills, and other miscellaneous receipts totaling approximately \$200,000 for the year ended December 31, 2012.

1.1 Segregation of duties

Accounting duties are not adequately segregated and the Sheriff does not provide adequate oversight of financial functions and records. The office manager is responsible for receipting, recording, depositing and disbursing monies, and reconciles the bank accounts. The Sheriff does not review the accuracy of the accounting records, but indicated he looks at the bank reconciliations and asks the office manager questions about one or two disbursements each month.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential.

1.2 Deposits

The office manager did not make deposits into the Sheriff's fee account timely and deposits did not include all receipts on hand. As a result, there is an increased risk monies received could be misused or lost. Our review of deposits made in December 2012 revealed that 43 of the 132 receipts (33 percent) were deposited more than 7 days after received and several receipts were held for over 2 weeks before being deposited. In addition, some monies receipted prior to the deposit date were not included in the deposit. For example, one receipt for \$20 received on December 27, 2012, was not included in the December 28, 2012, deposit, but instead was held and subsequently deposited on January 7, 2013. In another instance, two receipts totaling \$95 received on December 10, 2012, were not included in the deposit made on December 11, 2012, but were instead deposited on December 19, 2012.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made timely and include all monies received at the time the deposit is prepared.

1.3 Sex offender registry fees

The Sheriff charges an extra \$5 sex offender registry fee which is not in accordance with state law. The Sheriff's office collects a \$10 fee for initial sex offender registration and \$5 for any changes in registration, in accordance with state law; however, the Sheriff also assesses an additional \$5 fee every 90 days a person is on the sex offender registry. The Sheriff does not have statutory authority to collect this additional \$5 fee every 90 days. A total of approximately \$1,800 has been collected from 2010 through January 31, 2013, for sex offender registration fees, which includes the unauthorized amounts. In addition, the Sheriff directed the County Collector-Treasurer to deposit these fees to the Inmate Security Fund, rather



Livingston County Management Advisory Report - State Auditor's Findings

than the General Revenue Fund, which is the fund from which the majority of Sheriff's office operating costs are paid. Unless otherwise provided by state law, fees for services should be credited to the same fund from which related costs are paid.

Sections 589.400.4 and 589.400.5, RSMo, provide for fees for processing sex offender registrations but do not specify to what fund these fees should be deposited.

Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure documented supervisory reviews of accounting and bank records are performed.
- 1.2 Ensure deposits are made timely and include all monies on hand at the time the deposit is prepared.
- 1.3 Discontinue collecting the additional \$5 fee for every 90 days on the sex offender registry and deposit fees collected to the General Revenue Fund. In addition, the Sheriff should ensure the \$1,800 in fees already collected is transferred from the Inmate Security Fund to the General Revenue Fund.

Auditee's Response

The Sheriff provided the following responses:

- 1.1 *I agree with the recommendation and will include the Chief Deputy in the review process.*
- 1.2 *Due to the closing of our county jail, a decrease in the volume of activity, and a decrease in collection points, we are now making deposits more timely and ensuring deposits are made intact.*
- 1.3 *This was corrected the same day the auditor's brought this to our attention and the \$1,800 has been transferred to the General Revenue Fund.*

2. Credit Cards

The County Commission approves the Sheriff's credit card statements for payment without obtaining and reviewing adequate supporting documentation for some charges. The Sheriff's office has two credit cards used by employees. The office manager receives the monthly credit card statements and is responsible for comparing invoices and supporting documentation received from employees to monthly statements. However, this documentation is not always obtained. Supporting documentation was not available for 13 of 76 transactions (17 percent) charged to credit cards for the six billing statements reviewed for the year ended December 31,



Livingston County
Management Advisory Report - State Auditor's Findings

2012. These transactions represent \$1,449 of the \$6,788 billed for the six statements reviewed.

To ensure the validity and propriety of disbursements, adequate supporting documentation and approval should be obtained for each charge.

Recommendation

The County Commission ensure adequate supporting documentation is obtained to support all charges on the credit card statement.

Auditee's Response

The County Commission provided the following response:

We will develop a policy by January 1, 2014, that supporting documentation will be obtained for all charges on credit card statements.

3. County Collector-Treasurer Procedures

The County Collector-Treasurer does not prepare a monthly list of liabilities and reconcile the list to the available cash balance. The County Collector-Treasurer's office processed property tax collections of approximately \$11.5 million during the year ending February 28, 2013.

As similarly discussed in several prior audit reports, throughout the audit period there was no procedure in place to reconcile the bank account balance to existing liabilities at month-end. At our request, the County Collector-Treasurer prepared a liabilities list and performed such a reconciliation as of December 31, 2012, and determined the reconciled cash balance of approximately \$8.6 million exceeded total liabilities by \$1,345. After some additional work and discussion with the County Collector-Treasurer, it was determined the cash balance exceeded identified liabilities by \$769.

Without a 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.

Recommendation

The County Collector-Treasurer prepare monthly lists of liabilities, reconcile the lists to the available cash balance, and promptly investigate any differences.

Auditee's Response

The County Collector-Treasurer provided the following response:

I am now comparing my reconciled balance to my liabilities monthly and have identified most of the difference.

4. Compensation

The county made additional salary payments in lieu of permanent cost of living adjustments (COLAs) to employees which may be in conflict with the



Livingston County
Management Advisory Report - State Auditor's Findings

Missouri Constitution. These payments were made in two installments during 2011 and totaled \$18,000.

Payments were made to full time employees who were employed as of January 1, 2011. Each full time employee received a \$300 salary supplement in February and March 2011. The payments were not based on additional duties performed. In addition, the payments were not considered raises or added to the base compensation of employees. The County Commission indicated COLAs were handled in this manner to be fiscally responsible by not permanently increasing employee salaries.

However, awarding additional pay to employees and officials on a discretionary basis appears to conflict with Article III, Section 39, Missouri Constitution, which prohibits granting any extra compensation, fee, or allowance to employees for services already rendered.

Recommendation

The County Commission discontinue additional payments in lieu of COLA salary increases to employees and ensure employee compensation is in compliance with state law.

Auditee's Response

The County Commission provided the following response:

We will discuss this situation with our attorney and will ensure future employees compensation is in compliance with state law.

Livingston County

Organization and Statistical Information

Livingston County is a township-organized, third-class county. The county seat is Chillicothe.

Livingston 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 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 36 full-time employees and 8 part-time employees on December 31, 2012. The townships maintain county roads.

In addition, county operations include a Senate Bill 40 Board.

Elected Officials

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

Officeholder	2013	2012
Eva Danner Horton, Presiding Commissioner	\$	32,837
Todd Rodenberg, Associate Commissioner		30,837
Ken Lauhoff, Associate Commissioner		30,837
Kelly Christopher, Recorder of Deeds		46,183
Sherry Parks, County Clerk		46,183
Adam L. Warren, Prosecuting Attorney		64,281
Steve Cox, Sheriff		50,696
J. Scott Lindley, County Coroner		14,588
Sherry Parks, Public Administrator		46,183
Martha Peery, County Collector-Treasurer (1), year ended March 31,	54,443	
Steve Ripley, County Assessor , year ended August 31,		45,881

(1) Includes \$8,260 of commissions earned for collecting city property taxes.

Financing Arrangements

In 2006, the county entered into a lease purchase agreement with United Missouri Bank to finance the purchase and installation of a new heating and cooling system. In August 2006, county voters approved a 3/4-cent county use tax and the county intends to use revenues generated from this tax to make the principal and interest payments. The county refinanced the lease in April 2012. The lease is scheduled to be paid off in 2021. The remaining principal and interest due on the lease at December 31, 2012, was \$460,000 and \$45,942, respectively.