



# Thomas A. Schweich

Missouri State Auditor

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## Randolph County



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December 2013  
Report No. 2013-144

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Randolph County

Property Tax System	The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books, and the County Collector did not retain the current tax books for the year ended February 28, 2013. Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions, and the County Clerk and the County Commission do not verify the accuracy and completeness of the County Collector's annual settlements, so errors and irregularities on the annual settlement could go undetected.
Sheriff's Controls and Procedures	As noted in our prior audit report, the Sheriff does not adequately segregate accounting duties and does not perform a supervisory review of accounting records. The Sheriff maintains profits from commissary sales outside the county treasury and used \$27,035 of these funds to purchase items for the benefit of prisoners and the Sheriff's office which were not approved by the County Commission and were not handled through the normal county procurement and budget process. As of September 30, 2013, there was approximately \$6,700 remaining in the commissary account which should be distributed to the Inmate Prisoner Detainee Security Fund. The Sheriff's office does not always document the release or disposition of property on the seized property log and has not conducted a physical inventory of all seized property. The Sheriff's office does not have up-to-date written agreements with other political subdivisions for the boarding of inmates. The most recent agreements with Macon and Monroe counties were entered into in 2006 and specify a \$30 per night billing rate, but the county currently bills these counties \$35 per night.
Prosecuting Attorney's Liabilities	The Prosecuting Attorney's office clerk does not prepare monthly lists of liabilities and reconcile them with cash balances.
Payroll Controls and Procedures	The county overpaid \$25,384 in health and dental insurance premiums for 16 employees who had terminated their employment. Two employees remained on the county health insurance policy as long as 11 and 12 months after termination of their employment. The County Clerk does not maintain records of leave accruals, usage, and balances for employees of the Sheriff's office, and the County Clerk does not review leave balances reported on Sheriff's employees timesheets for accuracy and compliance with county policy. Sheriff's employees working in excess of 160 hours in a 28 day period earn compensatory time that is not authorized in the county's policy. County policy authorizes compensatory time or overtime for deputies working in excess of 171 hours in a 28 day period.

Public Administrator's Annual Settlements	The Public Administrator does not timely file annual settlements. All annual and final settlements filed for 10 of the 90 wards or estates reviewed were filed after the Probate Clerk's due date, including two that were filed 5 to 6 months after the due date.
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 **Fair**.\*

\*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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# Randolph County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Randolph County

We have audited certain operations of Randolph County in fulfillment of our duties under Section 29.230, RSMo. In addition, Casey-Beard-Boehmer PC, Certified Public Accountants, was engaged to audit the financial statements of Randolph County for the 2 years 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 Randolph County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized 'S' at the end.

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:	Jeannette Eaves, CPA
In-Charge Auditor:	Tina Disney, M.Acct.
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# Randolph County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Property Tax System**

As similarly noted in our prior two audit reports, controls and procedures over the property tax system need improvement. As a result of the significant control weaknesses identified, there is less assurance property tax monies have been accounted for properly. For the year ended February 28, 2013, the County Collector processed property taxes totaling approximately \$25.8 million.

##### **1.1 Tax books**

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. In addition, the County Collector did not retain the current tax books for the year ended February 28, 2013. The county's property tax system vendor prepares the tax books based on assessed valuations and tax levies provided by the county. The County Collector and the vendor verify individual entries in the property tax system for mathematical accuracy.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should verify the accuracy of the tax books and document approval of the tax book amount to be charged to the County Collector. Failure to prepare and review the tax books and test individual tax statement computations may result in errors, irregularities, or misuse going undetected. The tax books should be retained to document the taxes charged to the County Collector.

##### **1.2 Review of activity**

In addition to not preparing or testing the accuracy of the tax books, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, errors and irregularities on the annual settlement could go undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector each year are accounted for properly and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements.

#### **Recommendations**

- 1.1 The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging



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Management Advisory Report - State Auditor's Findings

the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented. In addition, the County Collector should print or save an electronic copy of the tax books.

- 1.2 The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and County Clerk should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

## Auditee's Response

*The County Commission, County Clerk, and County Collector provided the following written response:*

- 1.1 *We have saved the February 28, 2013 back tax books and the 2013 current property tax books on three separate flash drives. One is held by the County Clerk, one is held by the County Collector, and the other is stored off-site.*

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

- 1.1 *The County Clerk will verify that the certified levies provided to the County Collector agree to the levies entered into the property tax system and will document this review and discuss with the County Commission. The County Clerk will also randomly select some tax statements, verify their accuracy, and document.*
- 1.2 *The County Clerk has implemented an electronic accounting program. He will enter property tax collections from the County Collector's monthly settlements and will enter additions and abatements approved by the County Commission into this spreadsheet. He will also confirm the amounts distributed by the County Collector with the Treasurer and other taxing districts. He will then present the electronic accounting program, along with any hard copies to the County Commission for additional review before approval of the County Collector's annual settlement.*

## 2. Sheriff's Controls and Procedures

Weaknesses exist in controls and procedures in the Sheriff's office. The Sheriff's office processed monies for civil and criminal fees, concealed carry permits, bonds, inmate receipts, jail phone commissions, commissary commissions, and other miscellaneous receipts totaling approximately \$550,000 for the year ended December 31, 2012.

### 2.1 Segregation of duties

As similarly noted in our prior audit report, the Sheriff has not established an adequate segregation of accounting duties and does not perform a supervisory review of accounting records. The Sheriff's office manager is



## Randolph County Management Advisory Report - State Auditor's Findings

primarily responsible for receipting, recording, depositing and disbursing monies, and reconciling the bank accounts.

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, the Sheriff should implement a documented independent or supervisory review to ensure bank records are in agreement with accounting records.

### 2.2 Commissary profits

The Sheriff maintains profits from commissary sales outside the county treasury and uses these monies to purchase items for the benefit of prisoners and the Sheriff's office. During 2012, purchases totaled \$27,035 and included a restraint chair, prison supplies, cable television, online movie rental services, and phone services for the prison. These purchases were not approved by the County Commission and were not handled through the normal county procurement and budget process. As of September 30, 2013, there was approximately \$6,700 of profits remaining in the commissary account which should be distributed to the Inmate Prisoner Detainee Security Fund.

Section 221.102, RSMo (effective August 28, 2013), requires commissary profits to be deposited into the county Inmate Prisoner Detainee Security Fund.

### 2.3 Seized property

The Sheriff and his deputies did not always document the release or disposition of property on the computerized log of seized property. For example, a firearm and compact disk of photographs were included on the seized property log, but could not be located. Case file records indicated the Prosecuting Attorney had authorized these items to be returned to their rightful owners. In addition, the Sheriff's office has not conducted a physical inventory of all seized property.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the items. Complete and accurate inventory control records should be maintained and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.

### 2.4 Written agreements

The Sheriff's office does not have up-to-date written agreements with other political subdivisions for the boarding of inmates. The county boards inmates for the counties of Macon and Monroe and bills \$35 per night per inmate. However, the most recent agreements were entered into in 2006 and specify a \$30 billing rate per night per inmate.



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Management Advisory Report - State Auditor's Findings

Up-to-date written agreements are necessary to ensure all parties are aware of their duties and responsibilities, the rate to be paid, and to prevent misunderstandings.

## Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 2.2 Ensure existing and future commissary profits are turned over to the County Treasurer to be deposited to the Inmate Prisoner Detainee Security Fund.
- 2.3 Ensure the disposition of seized property is accurately reflected on the property log and require a periodic physical inventory be conducted and reconciled to the log.
- 2.4 Enter into updated written agreements for the boarding of inmates and ensure the amount charged agrees with the contracted amount. The County Commission should be a party to these contracts.

## Auditee's Response

*The Sheriff provided the following responses:*

- 2.1 *Duties of office personnel have been segregated. It has been implemented that office staff share in the duties of receipting, recording, depositing, disbursing, and reconciling monthly bank statements. The Sheriff reviews and signs off on the monthly reconciliation statement.*
- 2.2 *We are planning to turn all commissary profits over to the County Treasurer at the beginning of the year.*
- 2.3 *The Randolph County Sheriff's office will implement a bi-annual inventory of seized property and evidence stored in the Randolph County Sheriff's evidence locker. A spreadsheet will be developed for logging in and checking out seized items and property stored in the Randolph County Sheriff's evidence locker.*

*The County Commission and the Sheriff provided the following written response:*

- 2.4 *The County Commission is responsible for entering into contracts regarding charges for boarding out of county prisoners. While the County Commission voted to increase the daily rate from \$30 to \$35, as reflected in Commission minutes of June 24, 2010, and*



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Management Advisory Report - State Auditor's Findings

*notified the counties involved, the actual contracts were not updated in a timely manner. This has been corrected and the updated contracts are on file.*

### 3. Prosecuting Attorney's Liabilities

As noted in our prior audit report, the Prosecuting Attorney's office clerk does not prepare monthly lists of liabilities, and consequently, liabilities are not reconciled with cash balances. As of September 30, 2013, the reconciled restitution bank account balance was \$844.

Without regular identification and comparison of liabilities to the cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected.

### Recommendation

The Prosecuting Attorney identify liabilities and reconcile to cash balances on a monthly basis. Any discrepancies should be promptly investigated and resolved.

### Auditee's Response

*The Prosecuting Attorney provided the following response:*

*We are implementing procedures immediately to rectify this situation. We reconciled the September 2013 cash balance to a list of liabilities.*

## 4. Payroll Controls and Procedures

Controls and procedures over payroll records need improvement.

### 4.1 Insurance benefits

The county overpaid health and dental insurance premiums for 16 employees who terminated employment with the county during 2012. During the period of January 1, 2012, through July 31, 2013, the county improperly paid a total of \$23,889 for health insurance and \$1,495 for dental insurance for these 16 employees after they had left county employment. We noted two employees remained on the county health insurance policy as long as 11 and 12 months after their termination of employment with the county. To ensure improper disbursements are not made, the county should develop procedures to ensure employees are removed from county health and dental insurance policies as soon as their employment with the county is terminated.

### 4.2 Centralized records

Centralized records of leave balances and leave used and earned are not maintained for all employees. The County Clerk does not maintain records of leave accruals, usage, and balances for employees of the Sheriff's office. While the Sheriff's employees record leave balances on their timesheets submitted to the County Clerk's office, the County Clerk does not review the balances for accuracy and compliance with county policy. Without



## Randolph County Management Advisory Report - State Auditor's Findings

centralized leave records, the County Commission cannot ensure employee vacation, sick, and compensatory leave balances are accurate and in compliance with county policy, and all employees are treated equitably. As a result of not maintaining centralized leave records, the situation discussed in section 4.3 was not detected by the County Clerk's office. Centralized leave records also aid in determining unused vacation and compensatory leave upon termination of employment.

### 4.3 Compensatory time

The county does not compensate Sheriff's employees in accordance with county policy. Sheriff's employees currently accrue compensatory time as straight time when they work 161 to 171 hours in a 28 day period and accrue compensatory time at time and one-half when they work more than 171 hours in a 28 day period. However, county policy requires Sheriff's employees to work 171 hours in a 28 day period before compensatory time or overtime is earned. As a result, deputies working in excess of 160 hours in a 28 day period earn compensatory time that is not authorized in the county's policy.

By not following county policy, the county may be paying more overtime and compensatory time than required resulting in a greater financial burden for the county. Although compensatory time is not paid out unless an employee leaves employment, employees are able to use the compensatory time in lieu of accumulated vacation and sick leave, and therefore these balances are carried longer, which results in potentially more accumulated vacation leave being paid when an employee leaves employment.

Accurate compensatory time calculation procedures are necessary to ensure compliance with county policy and equitable treatment of county employees.

### Recommendations

The County Commission and County Clerk:

- 4.1 Ensure employees are removed from county health and dental insurance policies as soon as their employment with the county is terminated.
- 4.2 Maintain centralized leave records for all county employees.
- 4.3 Ensure employees accrue compensatory time in accordance with county policy.

### Auditee's Response

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

- 4.1 *After discussion with the health insurance representatives, the county may now terminate an employee's health and dental*



## Randolph County Management Advisory Report - State Auditor's Findings

*insurance the day of termination. However we still have to pay the current bill and the health and dental insurance carriers will provide credits available on the next billing cycle. We are now able to log into an online system where we can print invoices as well as print credit invoices for both health and dental. As well as the new online system, the county has created an internal system that shows check lists for each month that includes the enrollment and termination of employees. Once the records are entered, the procedure is to print the profile page for each employee and enter into the correct file. Randolph County Clerk is in negotiations with the health care provider to receive a credit of \$25,384, for the health care plan for 2014.*

- 4.2 *The county's current policy requires each elected official to maintain timesheets and leave records. We plan to amend our policy to require the County Clerk's office to maintain centralized leave records.*
- 4.3 *Randolph County Commissioners and the County Clerk will adopt the necessary changes to the Randolph County Employee Handbook to be in compliance with the FLSA and reflect current practices. An accurate tracking system for all the departments is being implemented. A quarterly statement is currently going out to all departments to confirm the tracking accuracy of compensatory time, overtime, sick time, and vacation time.*

### 5. Public Administrator's Annual Settlements

The Public Administrator does not timely file annual settlements. We reviewed settlements filed for 10 of the 90 wards or estates and noted annual and final settlements for all 10 wards or estates were filed after the Probate Clerk's due date, including two annual settlements that were filed approximately 5 to 6 months after the due date. The Probate Clerk provides the Public Administrator a report of settlement due dates at the beginning of each year. The Probate Clerk also sends a past due notice to the Public Administrator after an annual settlement is a month past due. Despite these procedures, settlements have been filed late.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

### Recommendation

The Public Administrator ensure annual settlements are filed timely.



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**Auditee's Response**

*The Public Administrator provided the following response:*

*I will ensure annual settlements are filed in a timely manner.*

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# Randolph County

## Organization and Statistical Information

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Randolph County is a county-organized, third-class county. The county seat is Huntsville.

Randolph County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 72 full-time employees and 14 part-time employees on December 31, 2012.

In addition, county operations include the 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
Susan Carter, Presiding Commissioner	\$	32,230
Robert Wayne Wilcox, Associate Commissioner		30,108
Jerry Crutchfield, Associate Commissioner		30,108
Mark Price, Recorder of Deeds		47,589
Will Ellis, County Clerk		47,589
Michael Fusselman, Prosecuting Attorney		113,112
Mark Nichols, Sheriff		54,492
Penny Henry, County Treasurer		47,589
Gerald A. Luntsford, County Coroner		18,602
Martha Creed, Public Administrator		47,589
Shiela Miller, County Collector, year ended February 28,	47,589	
Richard Tregnago, County Assessor, year ended August 31,		47,589

### Financing Arrangements

The county entered into a lease-purchase agreement for the Circuit Clerk's storage unit. Principal and interest payments are made from the Justice Center Fund. The final payment for the lease-purchase is scheduled to occur in 2018. The remaining principal and interest due on the lease-purchase agreement at December 31, 2012, was \$98,346.

The county entered into a lease-purchase agreement with the Randolph County, Missouri, Public Facilities Authority (the "Authority") on January 1, 2004. The terms of the agreement called for the Authority to provide



## Randolph County Organization and Statistical Information

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funding for the construction of a justice center project and for the county to lease the justice center from the Authority for lease payments equal to the amount due to retire the Authority's indebtedness. Leasehold revenue bonds totaling \$6.8 million were issued by the Authority on January 7, 2004, on behalf of the county, and the proceeds of those bonds were used to construct the justice center, which was completed in June 2005. The remaining principal and interest due at December 31, 2012, was \$3,680,000 and \$768,938, respectively. The Authority also established a trustee, Commerce Bank, N.A., (the "Trustee"). The Trustee receives and oversees disbursement of the bond proceeds, lease payments, sales tax proceeds, and other project income. The Trustee releases monies to the county for purposes of operating and maintaining the justice center if such amounts are not required for the repayment of the bonds issued by the Authority. In March 2013, the county refinanced \$2,380,000 of the \$3,680,000 bond principal with lease refunding certificates of participation and entered into a new lease agreement with Commerce Bank. On April 1, 2014, the 2004 bond series will be paid off and principal and interest due on the 2013 certificates of participation will be \$2,380,000 and \$110,090, respectively. The lease is scheduled to be paid off in 2020. The payments are made with the revenue generated from the county's capital improvement sales tax, which was passed on April 2, 2002, and is in effect until 2020.