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Missouri State Auditor

Iron County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Iron County

Sheriff Controls and Procedures

The Sheriff has not adequately segregated accounting duties and an adequate supervisory review of the accounting records is not performed. The Sheriff's office does not prepare bank reconciliations and does not identify or reconcile liabilities with cash balances for any of the 3 office bank accounts. We reviewed the accounts and found \$1,423 in unidentified monies in the civil bank account, \$112 in unidentified monies in the bond account, and \$660 in unidentified monies in the commissary bank account. The Administrative Assistant did not issue a receipt slip for approximately \$1.2 million received from a Sheriff's sale in December 2013, and did not issue receipt slips for another \$4,430 received in 2013. The Administrative Assistant and Jail Administrator do not properly account for receipt slips, and Sheriff's office personnel do not consistently note the method of payment on receipt slips and do not restrictively endorse checks until deposits are prepared. Commissary receipt slips do not accurately record receipts for the commissary account, and the Jail Administrator does not deposit commissary receipts timely or intact. The Sheriff does not track profit and loss from the sales of commissary items, including telephone cards, does not maintain adequate inventory records, and does not maintain documentation to support deductions from inmate account balances. The Sheriff maintains profits from calendar sales and vending machine commissions in a bank account outside the county treasury, and the Sheriff and the County Treasurer do not have proper controls and procedures in place to track, and ensure timely collection of amounts billed to cities for boarding of prisoners.

Prosecuting Attorney Controls and Procedures

The Prosecuting Attorney has not adequately segregated accounting duties and an adequate supervisory review of the accounting records is not performed. The Prosecuting Attorney's office does not maintain a complete record of receipts and does not reconcile receipts to fees transmitted. We could not trace 10 receipt slips, totaling \$310, to a fee report, and there were \$1,988 in payments on the fee reports to the County Treasurer that were not on the computer system reports. The Prosecuting Attorney's office does not have adequate procedures to account for and monitor the disposition of all bad checks submitted to the office for collection.

Property Tax System Controls and Procedures

The County Collector has access rights in the property tax system that allows changes to be made to individual tax records throughout the tax year and the County Clerk does not reconcile addition and abatement court orders for personal property to the actual changes made in the property tax system. The County Clerk does not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector and the County Clerk did not prepare the land and personal, railroad and utility, and back tax aggregate abstracts timely for the 2013 tax year.

Public Administrator Controls and Procedures	As noted in our prior audit report, the Public Administrator does not always timely file annual settlements or status reports and did not assess or collect fees from the accounts of some wards and estates. We determined 19 of the 29 cases (66 percent) with annual settlements or status reports due during 2013 did not have a settlement or report filed. In addition, the Associate Circuit Court, Probate Division does not timely notify the Public Administrator prior to filing deadlines or follow up on settlements and reports not filed.
Senate Bill 40 Board	The Board had accumulated \$678,000 as of December 31, 2013, and does not have specific plans for its use. The Board has not segregated accounting duties and does not provide adequate oversight of the accounting records. The Board Treasurer is responsible for all accounting duties, and the Board President routinely signs checks in advance (2 signatures required).
Tax Maintenance Fund	The County Collector paid \$200 in bonuses to her employees from the Tax Maintenance Fund, which appears to violate the Missouri Constitution. She also paid the Deputy County Collector \$95 per month to reimburse her for insurance premium costs and \$100 for cleaning the office but these payments were not reported on the employee's W-2 forms. The County Collector issued herself 4 checks for travel advances totaling \$950 and also reimbursed herself for meals at local restaurants during the year ended February 28, 2014, but did not properly account for supporting documentation and funds remaining from travel advances. The County Collector did not mark invoices paid or allow them to be matched to actual payments from the Tax Maintenance Fund and some disbursements made were not necessary expenses to carry out the duties of the office.
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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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Iron County

We have audited certain operations of Iron County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Iron County for the 2 years ended December 31, 2013. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2013. 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 control, (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 Iron 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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Iron County

Management Advisory Report

State Auditor's Findings

1. Sheriff Controls and Procedures

Significant weaknesses exist in controls and procedures in the Sheriff's office. The Sheriff's office collected monies for civil fees, concealed carry permits, bonds, jail phone commissions, and other miscellaneous receipts totaling approximately \$93,000 for the year ended December 31, 2013, plus a Sheriff's sale for \$1.2 million. The Sheriff's office opened a commissary bank account in October 2013 and started operating the commissary and handling inmate monies in the account in January 2014.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and an adequate supervisory review of the accounting records is not performed. The Administrative Assistant is responsible for receiving, recording, depositing, and disbursing monies, and reviewing the civil and bond bank account statements. The Jail Administrator is responsible for those same duties for the commissary monies. The Sheriff indicated he spot checks the monthly report for the civil account but this review is not documented. Neither the Sheriff nor other office personnel perform a documented review of accounting records.

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.

A similar condition was noted in our prior audit report.

1.2 Bank reconciliations and liabilities

The Sheriff's office does not prepare bank reconciliations and does not identify or reconcile liabilities with cash balances for any of the 3 office bank accounts. At December 31, 2013, the bank balances were \$1,203,796, \$595, and \$36 in the civil, bond, and commissary bank accounts, respectively.

Bank reconciliations

The Administrative Assistant did not prepare formal bank reconciliations during the year ended December 31, 2013. The Administrative Assistant indicated she reviews the bank statements of the civil and bond accounts to ensure financial activity agrees with accounting records, but this review is not documented. In addition, the Jail Administrator has not prepared monthly bank reconciliations for the new commissary account opened in October 2013.

Liabilities

The Administrative Assistant does not prepare monthly lists of liabilities for either the civil or bond bank accounts; therefore, liabilities are not reconciled to the account balances. We reviewed the civil bank account and other records as of December 31, 2013, and identified \$1,202,373 in liabilities while the cash balance was \$1,203,796, leaving \$1,423 in unidentified monies. The bond account cash balance of \$112 as of December 31, 2013, was all unidentified. In addition, the Jail Administrator



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does not prepare a monthly list of liabilities for reconciliation to the commissary account cash balance. The reconciled cash balance should agree to the total of the individual inmate balances plus commissary profits. We reviewed the commissary bank account and other records as of January 31, 2014, and identified \$668 in liabilities while the cash balance was \$1,328, leaving \$660 in unidentified monies.

Monthly bank reconciliations are necessary to ensure accounting records are in balance and to identify errors timely. In addition, liabilities should be identified monthly and reconciled to cash balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. Various statutory provisions provide for the disposition of unidentified monies.

1.3 Receipting and depositing

Receipting and depositing procedures need improvement.

- The Administrative Assistant did not issue a receipt slip for approximately \$1.2 million received from a Sheriff's sale in December 2013. The money was deposited on December 16, 2013, and disbursed in January 2014. In addition, the Administrative Assistant maintains a separate manual receipt slip book for miscellaneous monies received and transmitted to the County Treasurer for deposit into the Sheriff's Special Fund. However, transmittal records indicate receipt slips were not issued for a donation, vending machine commissions, profits from calendar sales, and inmate phone commissions totaling \$4,430 in 2013.
- The Administrative Assistant and Jail Administrator do not properly account for receipts slips. Jailers issue receipt slips from separate receipt slip books for monies received at the front desk for bonds, civil fees, inmate monies and for sales of telephone cards. Jailers place the monies in an envelope and record amounts and details on the outside of the envelope. The envelopes are turned over to the Administrative Assistant. Receipt slips are not always issued in sequence, issued from the appropriate receipt slip book, or voided properly. In addition, more than one receipt slip book was in use at the same time for each type of receipt. Neither the Administrative Assistant nor the Jail Administrator compare the manual receipt slips issued by the jailers to the amounts received in the envelopes or account for the numerical sequence of receipt slips issued.
- Sheriff's office personnel do not consistently note the method of payment on receipt slips and checks are not restrictively endorsed until deposits are prepared.



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- Commissary receipt slips do not accurately record receipts for the commissary account. Prior to January 2014, inmates were allowed to retain money when jailed and receipt slips were only issued for sales of telephone cards. Beginning in January 2014, inmate monies are deposited into the new commissary bank account and receipt slips are issued for sales of commissary items except purchases by deputies. In addition, the Jail Administrator issues some receipt slips to record transfers of monies between inmate accounts but does not specifically identify these transactions as transfers on the receipt slips, making it difficult to distinguish the transfers from actual monies received.
- The Jail Administrator is not depositing commissary receipts timely or intact. Only 1 deposit was made each month during February and March 2014. Some commissary items were purchased with cash withheld from deposits. The Jail Administrator said he used this method for some purchases because stores would not accept checks from the new account with low check numbers. We reviewed February 2014 commissary receipt slips and identified a receipt slip for \$478 issued to an inmate but not listed as part of the individual inmate balances in the commissary account or deposited. The Jail Administrator indicated a jailer made a cash refund to the inmate upon his release on the day the office received the monies and did not document the return.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper receipting and depositing procedures are necessary to ensure all receipts are handled and accounted for properly.

1.4 Commissary and telephone cards

Tracking of commissary activity

Improvement is needed in the Sheriff's handling of the commissary and telephone cards.

The Sheriff has not established a system for tracking the profit and loss from the sales of commissary items including telephone cards. The Sheriff does not maintain adequate records of items purchased for the commissary or the monies received from the sale of the items. Also, batches of prepaid telephone cards are periodically purchased from a telephone card vendor for \$7 per card and held by the Sheriff's office until sold to inmates for \$10 per card. The Jail Administrator indicated the vendor provided the Sheriff's office with a number of telephone cards at no cost with the county's first order; however, she could not recall how many. The profits earned on sales are retained in the commissary bank account.

To adequately account for commissary activity, complete and accurate records should be maintained in a manner to allow for the tracking of profit and loss on all commissary sales. Section 221.102, RSMo (effective August 28, 2013), requires each county jail to keep revenues from its



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canteen or commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (profits) into the county Inmate Prisoner Detainee Security Fund.

Inventory of commissary items

The Sheriff's office does not have adequate records or procedures over commissary inventory including telephone cards. Perpetual inventory records of commissary items are not maintained and periodic physical inventory counts are not performed.

A detailed inventory ledger is necessary to adequately account for commissary inventory. To ensure commissary items are properly recorded and handled, purchases and sales should be compared to actual inventory on hand. Loss, theft, or misuse of commissary inventory may go undetected without adequate inventory records.

Inmate disbursements

The Sheriff's office does not maintain documentation to support deductions from inmate account balances. Inmates complete a commissary purchase order form, but these forms are thrown away after the inmate receives the ordered items.

Retention of records is necessary to ensure the validity of transactions, provide an audit trail, and account for all monies.

1.5 Account held outside treasury

The Sheriff maintains profits from calendar sales and vending machine commissions in a bank account outside the county treasury. The Sheriff opened a new bank account in October 2013 after the Sheriff's Special Fund held by the County Treasurer was closed. The account was opened with \$500 in profits from calendar sales and \$50 in vending machine commissions (previously deposited in the Sheriff's Special Fund held by the County Treasurer) along with \$500 of the Sheriff's personal funds. The Sheriff indicated this was a personal account and he uses it to pay for items that county funds cannot be used to pay for, such as donations, flowers, and cards. The Sheriff also indicated the profits from calendar sales were to be used for the maintaining and enhancing the office's drug programs for the children in the community. The Sheriff made disbursements totaling \$232 for greeting cards, flowers, candy, donations, and Christmas decorations from the account during 2013.

There is no statutory authority allowing the Sheriff to maintain accounts outside the county treasury. Section 50.370, RSMo, requires county officials in third and fourth class counties who receive any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs of a third class county are not authorized to



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maintain a bank account for law enforcement purposes separate from the county treasury.

1.6 Board of prisoners

The Sheriff and the County Treasurer do not have proper controls and procedures in place to track, and ensure timely collection of amounts billed to cities for boarding of prisoners. The Administrative Assistant indicated she began sending out board bills to cities in April 2013 and gives a copy of the bills to the County Treasurer. These bills instruct cities to forward payment to the County Treasurer. However, the County Treasurer does not report amounts received from cities to the Sheriff and has instructed the cities to send separate payment letters to the Sheriff's office. The Administrative Assistant indicated she does not record the information from the payment letters in her files because she has no proof the County Treasurer received the payments. Records indicate the amount due from cities at December 31, 2013, was \$7,978; however, the accuracy of this amount is uncertain due to the current collection process.

Procedures such as independent reconciliations of board bill records to jail records and payments received should be established to ensure prisoner housing is properly and timely billed, and payments received are proper. Unpaid board bills should be monitored and appropriate follow-up action should be taken to ensure payment is properly received. Failure to monitor unpaid amounts due may result in a loss of revenue to the county.

Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 1.2 Perform monthly bank reconciliations and prepare a monthly list of liabilities for all accounts and compare the list of liabilities to the reconciled bank balances. Any differences should be promptly investigated and resolved. Any unidentified monies should be disposed of in accordance with state law.
- 1.3 Issue receipt slips for all monies received. The Administrative Assistant and the Jail Administrator should compare receipt slips issued by jailers to amounts turned over and account for the numerical sequence of receipt slips. The Sheriff should ensure the method of payment is recorded on receipt slips, the composition of receipts is reconciled to the composition of deposits, and checks are restrictively endorsed immediately upon receipt. Additionally, the Sheriff should ensure all monies returned or transferred to inmates is adequately documented to ensure receipts are deposited intact and timely.



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- 1.4 Develop records and procedures to adequately track commissary activity. Ensure existing and future commissary profits (including telephone card profits) not necessary to meet cash flow needs or current operating expenses are turned over to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. Inventory records of commissary items and telephone cards should be maintained and reconciled to purchases, sales, and a physical inventory count. Documentation to support deductions from inmate balances should be retained.
- 1.5 Transfer \$550 to the County Treasurer. All future receipts for calendar sale profits and vending machine commission should be turned over to the County Treasurer.
- 1.6 Work with the County Treasurer to develop procedures to track, monitor, and pursue collection of costs for boarding prisoners.

Auditee's Response

The Sheriff provided the following responses:

- 1.1 *Since segregating duties is not feasible, the Sheriff has made arrangements with the County Treasurer for the County Treasurer to perform documented reviews of accounting records on a periodic basis.*
- 1.2 *The Sheriff has initiated procedures to prepare monthly bank reconciliations and listings of liabilities and is planning to establish more detailed records.*
- 1.3 *Receipt slips are now being issued for all monies. The Jail Administrator is now the only one issuing receipt slips for inmate monies. The Sheriff will ensure the Administrative Assistant is comparing receipt slips issued by jailers to amounts turned over and accounting for the numerical sequence of receipt slips. The Sheriff will ensure the method of payment is recorded on receipt slips, the composition of receipts is reconciled to the composition of deposits, and checks are restrictively endorsed immediately upon receipt. Deposits are now being made intact and timely and checks are being issued to return or transfer monies to inmates.*
- 1.4 *Records have been established to track commissary activity including receipts, disbursements, inventory, and profits. Profits are now being turned over to County Treasurer to be deposited into the Inmate Prisoner Detainee Security Fund. Commissary order cards are being filled out by inmates and retained.*



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1.5 *The Sheriff plans to transfer the \$550 to the County Treasurer as soon as the Sheriff's Special Fund is re-activated along with any future receipts for calendar sale profits and vending machine commissions.*

1.6 *The Sheriff agrees to do this.*

2. Prosecuting Attorney Controls and Procedures

Controls and procedures need improvement. The Prosecuting Attorney's office processed bad check restitution and fees, and court-ordered restitution totaling \$32,000 for the year ended December 31, 2013.

2.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and an adequate supervisory review of the accounting records is not performed. One legal assistant is responsible for receiving, recording, and transmitting bad check and court-ordered restitution. The Prosecuting Attorney indicated he reviews the monthly report of bad check fees turned over to the County Treasurer, but he does not compare them to any accounting record and does not document his review. Neither the Prosecuting Attorney nor other office personnel perform a documented review of accounting records.

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 records are essential.

2.2 Receipting and transmitting

The Prosecuting Attorney's office does not maintain a complete record of receipts and does not reconcile receipts to fees transmitted. The Bad Check Clerk (clerk) does not post payments for cases initiated prior to the office's installation of the current computer system and does not maintain a log or list of such receipts. Instead, the clerk gives the payor a copy of the money order to serve as a receipt slip. The clerk does not generate any receipt reports from the computer system for more recent cases and does not account for the numerical sequence of receipt slips issued by the computer system. The clerk prepares the monthly report of fees transmitted to the County Treasurer using the money orders received for fee payments. In addition, the clerk stores the receipts until transmittal in an unlocked desk drawer accessible to the public.

After the clerk contacted the technical support staff for the office's computer system, she was able to generate receipt reports for receipt slips issued by the system during 2013. We were unable to trace 19 receipt slips totaling \$580 received per the computer system reports to the monthly fee reports given to the County Treasurer. However, the fee report for October 2013



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had been adjusted by the County Treasurer for 9 money orders totaling \$270 that the County Treasurer received but were not included on the fee report prepared by the clerk. Nine of the 19 receipt slips generated by the system that we could not trace were dated in October and totaled \$270, so it seems likely these items are related to the adjustment made by the County Treasurer and the clerk likely failed to list all money orders on the fee report. The remaining 10 receipt slips for \$310 from the system report could not be traced to receipt by the County Treasurer.

In addition, there were \$1,988 in payments on the fee reports to the County Treasurer that were not on the computer system reports because they were likely receipts related to older cases not processed in the computer system. As noted above, the clerk does not maintain a log of receipts related to older cases.

Failure to implement adequate receipting and transmitting procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper receipting and transmitting procedures are necessary to ensure all receipts are handled and accounted for properly.

2.3 Tracking procedures

The Prosecuting Attorney's office does not have adequate procedures to account for and monitor the disposition of all bad checks submitted to the office for collection. Bad check complaint forms submitted by merchants when bad checks are turned over to the Prosecuting Attorney for collection are not assigned a sequential tracking number. Information from the complaint form is entered into the computer system and the complaint form is filed with other complaint forms processed. Without a tracking procedure, there is no assurance all bad check complaint forms are entered into the computer system. To ensure bad check complaints are handled and accounted for properly, office staff should assign a sequential number to each bad check complaint form or bad check received and track the collection and disposition of each bad check.

Recommendations

The Prosecuting Attorney:

- 2.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 2.2 Require issuance of receipt slips for all monies received, account for the numerical sequence of receipt slips, and reconciliation of receipt slips to computer system receipt reports to ensure all monies received are accounted for properly. In addition, the Prosecuting Attorney should store monies in a secure location and require the reconciliation of fees transmitted to the County Treasurer to



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computer system receipt reports to ensure all fees are properly transmitted.

- 2.3 Develop procedures and records to adequately track the receipt and disposition of all bad check complaints.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

- 2.1 *A numeric log has now been established for intake of all bad check complaints. Such log requires the signature of the complaining party if the complaint is delivered in person, and the signature of this office's legal assistant who does not process bad check cases if the complaint is received by mail. The legal assistant who does not process bad check cases will be tasked with opening all mail from businesses to ensure that there is adequate segregation between intake and process of bad check complaints.*

The Prosecuting Attorney is now comparing his review of bad check fees delivered to the County Treasurer against a report printed from the Karpel software system utilized by the office and initialing each check fee submitted on the report to document his review.

- 2.2 *A numeric log for receipt of bad check fee payments has now been established, so that not only are there the photocopies of money orders maintained in the records (as was previously done), there is also a sequential number associated with each payment made. In addition, the Prosecutor's office has purchased some new desks that incorporate locked cabinets, to provide added protection of the money orders until they are transferred to the County Treasurer.*

The payments that were not documented in the Karpel software system reflected ongoing payments from older cases that were established for restitution purposes before we began using this software (and often before the current Prosecutor took office). We have still kept paper records of money orders received of payments on these cases, there was simply not, until now, a way to adequately cross-reference monthly receipts against which older cases had received payments. This should now be accomplished through the numeric log for bad check fee payments, and would soon have become a moot issue anyway as older cases were closed and all new cases are entered into the software system.

- 2.3 *The numeric sequence logs described above, both for bad check complaints and for bad check fee payments made, should address this issue. The Prosecuting Attorney will regularly compare the bad check complaint log against the Karpel software report to*



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determine if there are any outstanding cases that require actions not yet taken.

3. Property Tax System Controls and Procedures

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, 2014, property taxes and other monies collected by the County Collector totaled approximately \$9.6 million.

3.1 Computer access

The county has not adequately restricted property tax system access. The County Collector has access rights in the property tax system that allows changes to be made to individual tax records throughout the tax year. Because the County Collector is responsible for collecting tax monies, good internal controls require the County Collector not have access rights allowing alteration or deletion of tax rate, assessed valuation, and property tax billing information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

3.2 Personal property additions and abatements

The County Clerk does not reconcile addition and abatement court orders for personal property to the actual changes made in the property tax system. The personal property clerk in the County Assessor's office makes changes in the property tax system and prepares a monthly court order for all personal property additions and abatements which is given to the County Clerk. However, the court order does not include any amounts and the accompanying printout of the individual amounts is generated by the County Collector. Because these additions and abatements represent changes to amounts the County Collector was charged with collecting and the County Collector has access rights in the property tax system, it is important that the County Clerk compare changes approved by the County Commission for personal property to changes made in the property tax system.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. An independent review of approved additions and abatements to changes made to the property tax system would help ensure changes to the property tax system records are proper.

A similar condition was noted in our prior audit report.

3.3 Tax books

The County Clerk does not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector. A review of the tax books should include recalculating tax book totals and charges. Failure to prepare



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and review the tax books may result in errors, irregularities, or misuse going undetected.

Section 140.030, RSMo, requires the County Collector to prepare delinquent tax listings. Section 140.040, RSMo, requires the County Commission to examine and correct the listings, and Section 140.050, RSMo, requires the County Clerk to make the listings into delinquent tax books and charge the County Collector with the amount of delinquent taxes to be collected. If it is not feasible for the County Clerk to prepare delinquent tax books, at a minimum, the County Clerk should verify the accuracy of the delinquent tax book and document approval of the tax book amounts to be charged to the County Collector.

3.4 Aggregate abstracts

The County Clerk did not prepare the land and personal, railroad and utility, and back tax aggregate abstracts timely for the 2013 tax year. The land and personal and railroad and utility aggregate abstracts were not prepared until May 7, 2014, although the information needed to prepare these aggregate abstracts was available at the beginning of November 2013. The back tax aggregate abstracts were not prepared until May 7, 2014, although the information needed to prepare the back tax aggregate abstract was available at the beginning of March. Section 137.295, RSMo, provides for the County Clerk to prepare these reports and forward them to the Department of Revenue (DOR) and State Tax Commission (STC) upon completion of current and delinquent tax books.

Recommendations

- 3.1 The County Commission ensure property tax system access is limited to only what is needed for the users to perform their job duties and responsibilities.
- 3.2 The County Clerk and the County Commission ensure a comparison of approved additions and abatements to changes made in the computer system is performed.
- 3.3 The County Clerk prepare the delinquent tax books, or at a minimum, verify the accuracy of the delinquent tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.
- 3.4 The County Clerk prepare and file accurate tax aggregate abstracts timely with the DOR and STC.

Auditee's Response

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

- 3.1 *The County Commission and the County Clerk will discuss restricting access with the County Collector.*



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- 3.2 *As noted, a similar condition was listed in our prior audit. During that exit meeting, it was recommended and agreed upon that we could compare random court orders with actual changes made to the system. I thought I had been following the recommendation. It was determined that I was actually comparing reports generated from the County Collector instead of the County Assessor. I am now getting a report from the County Assessor that hopefully can be compared with the County Collector. To the best of my ability and as time allows, I will try to work out a new way to compare totals at the end of each month.*
- 3.3 *It is not feasible for the County Clerk to prepare the delinquent tax books. With the County Collector's help, I will try to come up with a way to keep a running total for the delinquent tax book on a monthly basis.*
- 3.4 *There is no due date stated on these reports and I had followed the timeline of previous County Clerks. I agree that it makes more sense and a much easier task to complete the reports on the timeline as noted in the audit. I will prepare and file reports in a timely manner.*

4. Public Administrator Controls and Procedures

4.1 Annual settlements and annual status reports

The Public Administrator does not file annual settlements or status reports timely and does not always assess and collect fees. During the year ended December 31, 2013, the Public Administrator served as the court appointed personal representative for 42 individuals (wards) and decedent estates of the Associate Circuit Court, Probate Division.

The Public Administrator does not always timely file annual settlements or status reports in compliance with state law. In addition, the Associate Circuit Court, Probate Division does not timely notify the Public Administrator prior to the deadline for the annual settlement or status report or follow up on annual settlements or status reports not filed by the required date.

We reviewed the cases with an annual settlement or status report due during the year ended December 31, 2013, and determined 19 of the 29 cases (66 percent) did not have a settlement or report filed. The Public Administrator indicated she does not prepare annual settlements or status reports until she has been notified by the Associate Circuit Court, Probate Division. The Probate Clerk indicated she is behind in sending out notifications and she does not have time to follow up on late filings because of her other duties. A status report for one case had not been filed since 2007. The Probate Clerk said this case was not in her computer system so she had never sent out any notices to the Public Administrator.



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Sections 473.540, 475.082, and 475.270, RSMo, require the Public Administrator to file an annual settlement and/or a status report with the court for each ward or estate. In addition, while Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement, these sections do not excuse the Public Administrator from making the settlement at the time required by law. 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.

4.2 Fees

The Public Administrator did not assess and collect fees from the accounts of some wards and estates. Section 473.742, RSMo, provides all fees collected by a Public Administrator who elects to be salaried are to be deposited into the county treasury. In 2013, the Public Administrator turned over \$3,030 in fees to the county.

The Public Administrator petitions the courts to approve fees when status reports are filed. For annual settlements, the Public Administrator indicated the attorney who prepares the settlement is responsible for preparing the petition for fees. In addition, we noted no fees had been petitioned for an annual settlement filed in 2013 covering the period from September 2011 to March 2013 or for the prior annual settlement filed for this case. Records indicate the ward's bank account had sufficient funds to assess fees.

To ensure fees are properly assessed against the accounts of the wards and estates and remitted to the county treasury, the Public Administrator should work with the Associate Circuit Judge to establish a policy for fees to be assessed.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The Public Administrator:

- 4.1 Ensure annual settlements and status reports are filed timely. In addition, the Associate Circuit Court, Probate Division should timely notify the Public Administrator of annual settlement and status report deadlines and follow up on those settlements and reports not filed by the required date.
- 4.2 Work with the Associate Circuit Judge to ensure fees are appropriately assessed and paid to the county.

Auditee's Response

The Public Administrator provided the following responses:

- 4.1 *The Public Administrator agrees the reports should be filed timely. Status reports cannot be filed until receipt of the notification form*



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from the court with a court date. She has met with the Associate Circuit Judge and Circuit Clerk to develop procedures to ensure notification forms are sent out timely so they can be completed and filed back with the court timely.

- 4.2 *The Public Administrator also discussed with the Associate Circuit Judge procedures to ensure fees are assessed and collected. She has been in contact with the attorney who prepared the annual settlement to urge him to get the petition for fees filed.*

5. Senate Bill 40 Board

The Senate Bill 40 Board (Board) has accumulated a significant cash reserve and does not have documentation of how these funds will be spent to benefit the developmentally disabled. Additionally, the Board has not segregated accounting duties and does not adequately review accounting records. The Board received property taxes totaling approximately \$170,000 during the year ended December 31, 2013.

5.1 Cash reserves

The Board has accumulated a significant cash reserve and does not have specific plans for its use. The cash balance was \$678,000 at December 31, 2013. Based on past years' spending patterns, this amount represents more than 5 years of the Board's funding needs.

Accumulating an excessive cash balance with no specific long-term plans for its use puts an unnecessary burden on taxpayers. The Board should determine its future needs, and consider reducing future tax levies if a specific use for the cash reserves is not determined.

5.2 Segregation of duties

The Board has not segregated accounting duties and does not provide adequate oversight of the accounting records. The Board Treasurer is responsible for all accounting duties including receipting, recording, and disbursing monies. While 2 signatures are required on checks, the Board President routinely signs blank checks. Signing checks in advance effectively eliminates the additional control provided by requiring 2 signatures. In addition, the Board Treasurer does not prepare monthly bank reconciliations, and other Board members do not review bank statements or invoices to ensure the accuracy of the Board Treasurer's financial reports (list of transactions and bank account balances).

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, periodic independent or supervisory reviews of accounting records should be performed and documented by the Board. In addition, timely preparation of monthly bank reconciliations is necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors. Checks should not be signed in advance.



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Recommendations

The Senate Bill 40 Board:

- 5.1 Evaluate funding needs and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.
- 5.2 Ensure independent or supervisory reviews of accounting records are performed and documented. In addition, Board members should discontinue the practice of signing checks in advance and adopt procedures to ensure monthly bank reconciliations are prepared and submitted to the Board for review and supporting documentation is also submitted and reviewed for all disbursements prior to the signing of checks.

Auditee's Response

The Senate Bill 40 Board provided the following responses:

- 5.1 *The Board has spent some of the excess revenues in 2014 and plans for future projects will be included in the budget.*
- 5.2 *The Board has started performing reviews of accounting records, including supporting documentation for disbursements. Board members will discontinue signing checks in advance. The Board will ensure bank reconciliations are performed and provided to the Board for review.*

6. Tax Maintenance Fund

Improvement is needed with the management and use of Tax Maintenance Fund monies.

The County Collector is required to collect a penalty of 7 percent of the total charged on delinquent taxes, and two-sevenths of this penalty is required to be paid into the county's Tax Maintenance Fund to be used for additional administration and operation costs related to the office of the County Collector. During the year ended February 28, 2014, the County Collector authorized disbursements totaling \$11,245 from the Tax Maintenance Fund.

6.1 Bonuses

In December 2013, the County Collector paid \$200 to employees of her office from the Tax Maintenance Fund. One employee received \$100 and 2 other employees received \$50. No documentation was retained to support any additional hours worked or duties performed by these employees.

These bonuses appear to represent additional compensation for services previously rendered and, as such are in violation of Article III, Section 39, the Missouri Constitution, and contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, " . . . a government agency deriving its power and authority from the constitution and laws of the state would be



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prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

6.2 Additional compensation The County Collector made monthly payments of \$95 totaling \$1,140 during the year ended February 28, 2014, to the Deputy County Collector as reimbursement for employee insurance premiums withheld from her paychecks. The County Collector also paid the Deputy County Collector \$100 for cleaning the County Collector's office. Because these payments and the bonuses (see section 6.1) were not processed through the county payroll system, they were not reported on the employee W-2 form, and payroll deductions were not withheld. The Internal Revenue Code indicates individuals treated as employees should have all compensation reported on W-2 forms.

6.3 Travel advances and meals The County Collector did not properly account for supporting documentation and funds remaining from travel advances paid to her. The County Collector issued herself 4 checks for travel advances totaling \$950 and also reimbursed herself for meals at local restaurants in the county during the year ended February 28, 2014.

Without supporting documentation to account for travel advances, there is less assurance travel expenses are appropriate and necessary. In addition, reimbursements for meals at local restaurants do not appear to be necessary expenses to carry out the duties of the County Collector's office.

6.4 Record keeping The County Collector did not mark invoices paid or allow them to be matched to actual payments from the Tax Maintenance Fund. In addition, the County Collector indicated some of the invoices in her disbursements file may be personal and had not been paid with monies from the Tax Maintenance Fund. Some disbursements were not necessary expenses to carry out the duties of the County Collector's office such as donations to Relay for Life and Project Graduation totaling \$150 and numerous candy purchases. All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

Conclusion Section 52.315, RSMo, indicates the Tax Maintenance Fund is to be used for administration and operation costs of the office of the County Collector. It is unclear how some of the above items benefited the operation or administration of the office of the County Collector. Adequate documentation is needed to demonstrate the propriety of disbursements and compliance with state law.



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Recommendations

The County Collector:

- 6.1 Discontinue paying bonuses.
- 6.2 Ensure all compensation is processed through the county's payroll system and is subject to payroll withholdings and reported on employee W-2 forms.
- 6.3 Maintain adequate documentation of travel expenses and refund any portion of travel advances not used for and documented as a travel expense. The County Collector should discontinue reimbursing herself for costs of meals at local restaurants.
- 6.4 Maintain adequate supporting documentation for all disbursements from the Tax Maintenance Fund and ensure disbursements are necessary to carry out office duties.

Auditee's Response

The County Collector provided the following responses:

- 6.1 *The County Collector will discontinue paying bonuses.*
- 6.2 *The County Collector will work with County Commission to have compensation reported on employee W-2 forms.*
- 6.3 *The County Collector will maintain adequate documentation of travel expenses and will refund any excess monies. The cost of meals at local restaurants were for early departures for extended trips for training. In the future, this explanation will be documented on the receipts.*
- 6.4 *The County Collector will either improve her record keeping or will turn the fund over to the County Treasurer and will provide adequate documentation for all disbursements. In addition, explanations will be given to adequately support the necessity of all disbursements.*

Iron County

Organization and Statistical Information

Iron County is a county-organized, third-class county. The county seat is Ironton.

Iron 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 41 full-time employees and 6 part-time employees on December 31, 2013.

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	2014	2013
Donald Barzowski, Presiding Commissioner	\$	28,400
Mark Yates, Associate Commissioner		26,400
Dwayne Warncke, Associate Commissioner		26,400
Karen K. Reagan, Recorder of Deeds		40,000
Virginia Queen, County Clerk		40,000
Brian Parker, Prosecuting Attorney		47,000
Roger D. Medley, Sheriff		44,000
Denise Bates, County Treasurer		40,000
Anthony N. Cole, County Coroner		12,000
Sandra Trask, Public Administrator		40,000
Linda Kemp, County Collector, year ended February 28,	40,250	
David L. Huff, County Assessor, year ended August 31,		40,000

Financing Arrangements

The county entered into several lease-purchase agreements for road and bridge equipment. Principal and interest payments are made from the Special Road and Bridge Fund. The final payment on the lease-purchase agreements is scheduled for January 2019. The remaining principal amount at December 31, 2013, was \$338,559. Interest remaining to be paid over the life of the agreements totals \$20,121.



Iron County Organization and Statistical Information

The county entered into a lease-purchase agreement for accounting software. Principal and interest payments are made from the General Revenue Fund. The lease-purchase agreement is scheduled to be paid off in February 2016. The remaining principal amount at December 31, 2013, was \$29,722. Interest remaining to be paid over the life of the agreement totals \$2,413.