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Missouri State Auditor

Howard County



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Nicole R. Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Howard County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not established adequate segregation of accounting duties. The office does not prepare accurate bank reconciliations, maintain running check register balances, prepare lists of liabilities, or reconcile liabilities to the adjusted bank balance. Office personnel do not generate or prepare monthly lists of unpaid bad checks and restitution, and are not proactive in identifying and following up on cases with unpaid amounts.
Sheriff's Controls and Procedures	The Sheriff has not established adequate segregation of accounting duties and does not document his review of accounting records. The Sheriff has not established adequate procedures to identify amounts due for serving civil papers, and no follow up is performed on unpaid amounts.
Public Administrator's Disbursements	The Public Administrator did not obtain documentation for some monies provided to wards and for other disbursements from ward bank accounts. During the period between June 1, 2013, to May 31, 2014, 60 checks totaling \$5,690 were written to one ward for personal expenses; however, the Public Administrator did not have the ward sign a receipt indicating these monies had been received. Twelve checks totaling \$1,200 were issued to a grocery store on behalf of the ward; and although the Public Administrator requires documentation from the ward to support the items purchased, no documentation was on file for 4 of these checks.
Road and Bridge Sales Tax	Despite similar concerns in the prior audit, the county does not separately account for and track road and bridge capital improvement sales tax receipts and their disbursement in accordance with state law.
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.

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Howard County

We have audited certain operations of Howard County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Howard County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

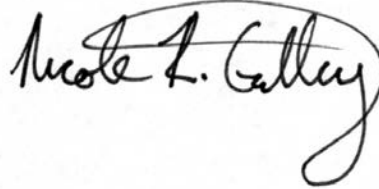
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Howard County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: John Luetkemeyer, CPA
Director of Audits: Randall Gordon, M.Acct., CPA, CGAP
Audit Manager: Kim Spraggs, CPA
In-Charge Auditor: Joyce Thomson
Audit Staff: Lavonda K. Murray, M.Acct.
Colton Kruep

Howard County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the current Prosecuting Attorney's office need improvement. The current Prosecuting Attorney took office in January 2015. The Prosecuting Attorney's office collected bad check restitution, criminal restitution, fees, and delinquent taxes totaling approximately \$72,000 during the year ended December 31, 2014.

1.1 Segregation of duties

The Prosecuting Attorney has not established adequate segregation of accounting duties. One administrative assistant is responsible for receipting, recording, depositing, disbursing monies collected, and preparing bank reconciliations. There is no independent and/or supervisory review of accounting records, other than the Prosecuting Attorney indicated he reviews related case information when he signs checks.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review of accounting records.

1.2 Bank reconciliations and liabilities

The Prosecuting Attorney's administrative assistant does not prepare accurate bank reconciliations. The bank reconciliation prepared for January 2015 did not include three outstanding checks totaling \$495, and the adjusted bank balance was not reconciled to a book balance because a running check register balance is not maintained. In addition, office personnel do not prepare a list of liabilities or reconcile liabilities to the adjusted bank balance. We prepared a list of liabilities at January 31, 2015, and identified liabilities totaling \$3,809, which was \$498 less than the corrected reconciled bank balance of \$4,307. The identified liabilities primarily consisted of 2 cases. One case with a balance of \$3,713 should have been disbursed in December 2014, and the second case with a balance of \$74.50 should have been disbursed in July 2014.

Preparing accurate monthly bank reconciliations and maintaining a running check register balance helps ensure records are accurate and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance, monies are available to satisfy all liabilities, and monies are disbursed timely. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

1.3 Accounts receivable

Office personnel do not generate or prepare monthly lists of unpaid bad checks and restitution, and are not proactive in identifying and following up on cases with unpaid amounts.



Howard County
Management Advisory Report - State Auditor's Findings

A complete and accurate list of unpaid bad checks and restitution would allow office personnel to more easily review amounts due, take appropriate steps to ensure amounts due are collected, and determine if any amounts are uncollectible.

Recommendations

The Prosecuting Attorney:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented.
- 1.2 Prepare complete and accurate monthly bank reconciliations, maintain a running balance in the check register, reconcile the list of liabilities to the reconciled cash balance monthly, and promptly investigate any differences. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.
- 1.3 Establish procedures to monitor and collect accounts receivable.

Auditee's Response

The Prosecuting Attorney provided the following responses:

- 1.1 *I will implement a procedure to review receipts and deposits and verify reconciliations on a monthly basis. This review will be documented.*
- 1.2 *I have implemented procedures to prepare accurate monthly bank reconciliations, maintain a running balance in the check register, and prepare and reconcile lists of liabilities to the reconciled cash balance on a monthly basis. Most of the differences noted in the audit finding have been disbursed.*
- 1.3 *I have prepared a list of accounts receivable and will continue to update it as needed. I have implemented procedures to follow up on unpaid amounts.*

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected bonds, board bills, concealed carry weapon permit fees, civil paper service fees, and other fees totaling approximately \$116,000 during the year ended December 31, 2014.

2.1 Segregation of duties

The Sheriff has not established adequate segregation of accounting duties and does not document his review of accounting records. The Sheriff's office clerk is responsible for receipting, recording, depositing, and disbursing monies from the Sheriff's bank account. Neither the Sheriff nor other office personnel perform a documented review of accounting records.



Howard County
Management Advisory Report - State Auditor's Findings

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review of accounting records.

A similar condition was noted in prior audit reports.

2.2 Civil paper service fees

The Sheriff has not established adequate procedures to ensure all accrued costs are identified and pursued. A list of all amounts due is not maintained and no follow up is performed on unpaid amounts. Beginning in November 2014, the Sheriff's office bills for and receives fees and mileage for serving civil papers. The Sheriff's office clerk completes a fee sheet indicating fee and mileage due for all papers served and unpaid fee sheets are kept together. Previously, these monies were billed and received by the Circuit Court.

To ensure amounts owed are collected timely, the Sheriff should maintain a complete and accurate list of all civil paper service fees and mileage due and properly follow up on all unpaid amounts. By not monitoring accrued costs, these costs could remain uncollected and result in lost revenue.

Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented.
- 2.2 Establish procedures to track, monitor, and pursue collection of civil paper service fees and mileage.

Auditee's Response

The Sheriff provided the following written responses:

- 2.1 *After the office clerk finishes with her accounting duties, the Sheriff reviews the records (one-write ledger, deposit slips, and disbursements) and documents the review on a monthly basis.*
- 2.2 *We have started a running list of all papers that are served that shows how much we earned; how much they owe; when the bill was mailed out (if they owe money); and payments received.*

3. Public Administrator's Disbursements

The Public Administrator did not obtain documentation for some monies provided to wards and for other disbursements from ward bank accounts. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and was responsible for the financial activity of 41 individuals as of December 31, 2014.



Howard County
Management Advisory Report - State Auditor's Findings

Our review of disbursements and related records for 2 wards noted adequate supporting documentation was not retained for many checks written from one ward's account during the annual settlement period June 1, 2013, to May 31, 2014:

- The Public Administrator did not have the ward sign a receipt indicating monies had been received for various personal expenses. Sixty checks, totaling \$5,690, were written to the ward for personal expenses. In addition, the Public Administrator issued one check for \$65 to herself and noted in the file that she cashed the check and gave the monies to the ward for phone and gas expenses. For certain checks issued to the ward, the Public Administrator indicated she requests the ward provide copies of receipt slips or invoices to support items purchased, but the ward does not always provide them. No documentation was on file for 12 of the 35 checks for which it was requested.
- Twelve checks totaling \$1,200 were issued to a grocery store on behalf of the ward. The Public Administrator indicated she writes a check to the store for \$100 each month, the ward purchases a \$100 store-issued gift card with the check, and uses the gift card to purchase groceries from the store. The Public Administrator indicated the ward is required to submit receipt slips to support the items purchased; however, no documentation was on file for 4 of these checks.

To ensure payments are valid and proper and reduce the risk of loss, theft, or misuse of funds, the Public Administrator should obtain documentation for monies provided to wards and also maintain adequate supporting documentation for all disbursements.

Recommendation

The Public Administrator ensure documentation is obtained for monies provided to wards and also ensure disbursements are supported by adequate documentation.

Auditee's Response

The Public Administrator provided the following response:

I have implemented a procedure to have the ward sign a copy of each check written to the ward or to the grocery store on behalf of the ward. I am working with the wards to ensure documentation is submitted when required and will attach the documentation to the copy of the related check.

4. Road and Bridge Sales Tax

As noted in the prior report, the county does not separately account for and track road and bridge capital improvement sales tax receipts and disbursements in accordance with state law. The county collected approximately \$271,000 from this sales tax during the year ended December 31, 2014.



Howard County
Management Advisory Report - State Auditor's Findings

In April 1992, county voters approved a 1/2-cent road and bridge capital improvement sales tax. The ballot stated the sales tax would be used for "the general operating expense incurred by the Road and Bridge Fund, including but not limited to the following: road rock, salaries, fuel expense, equipment purchases, and bridges and culverts, etc." Section 67.700, RSMo, requires deposit of this money into a special trust fund and it to be used solely for designated capital improvement purposes. However, the county deposits these receipts into the Special Road and Bridge Fund and does not separately account for its usage, and has not identified capital improvement purposes funded. Without depositing this money into a separate fund or separately accounting for how it was spent, the county is unable to demonstrate compliance with state law.

Recommendation

The County Commission establish procedures to separately account for road and bridge capital improvement sales tax receipts and disbursements as required by state law.

Auditee's Response

The County Commission provided the following written response:

The Howard County Commission concurs with the recommendation of the State Auditor's office and will begin separately tracking road and bridge capital improvement sales tax receipts and disbursements.

Howard County

Organization and Statistical Information

Howard County is a county-organized, third-class county. The county seat is Fayette.

Howard 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 47 full-time employees and 21 part-time employees on December 31, 2014.

In addition, county operations include the Health Department, the Senate Bill 40 Board, and four levee districts.

Elected Officials

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

Officeholder	2015	2014
William Lowell Eaton, Presiding Commissioner \$		27,080
Richard Conrow, Associate Commissioner		25,080
Howard McMillan, Associate Commissioner		25,080
Charles J. Flaspohler, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Kathyrne Harper, County Clerk		38,000
Deborah Riekhof, Prosecuting Attorney		45,000
Mike Neal, Sheriff		42,000
Susan Keyton, County Treasurer		38,000
Frank Flaspohler, County Coroner		11,000
Lisa Asbury, Public Administrator		38,000
Sharon Himmelberg, County Collector (2), year ended February 28,	44,748	
John (Woody) McCutcheon, County Assessor, year ended August 31,		38,389
Nathanael E. Kohl, County Surveyor (3)		

- (1) Compensation is paid by the state.
- (2) Includes \$6,748 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.