



Office of Missouri State Auditor
Nicole Galloway, CPA

Randolph County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Randolph County

Property Tax System	The County Clerk does not prepare the current or delinquent tax books and does not verify the accuracy of the tax books. Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector.
Payroll Controls and Procedures	The County Clerk does not maintain leave records for Sheriff's department employees. The county's personnel policy does not address the use of unearned leave and some employees used compensatory time in excess of available balances, resulting in negative compensatory leave balances.
Public Administrator's Controls and Procedures	The Public Administrator does not file annual settlements timely. During our review of the Public Administrator's 78 active cases, we found annual settlements for 74 cases were filed more than 30 days late. The Public Administrator lacked adequate documentation showing the ward received gift cards and prepaid debit cards.
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.

All reports are available on our Web site: auditor.mo.gov

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NICOLE GALLOWAY, CPA

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, Beard-Boehmer & Associates, PC, Certified Public Accountants, has been engaged to audit the financial statements of Randolph County for the 2 years ended December 31, 2016. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

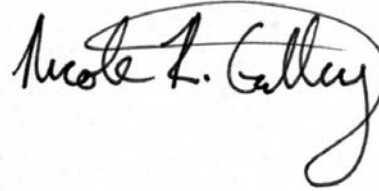
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 applicable contract, grant agreement, 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 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:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Steven J. Barton
Audit Staff:	Albert Borde-Koufie, MBA Scott Davis

Randolph County

Management Advisory Report

State Auditor's Findings

1. Property Tax System

As similarly noted in our prior 3 audit reports, controls and procedures over the property tax system need improvement. The County Collector's office processed property tax payments and other monies totaling approximately \$29.4 million during the year ended February 28, 2017.

1.1 Tax books

The County Clerk does not prepare the current or delinquent tax books and does not verify the accuracy of the tax books. The county's property tax system vendor prepares the tax books based on assessed valuations and tax levies entered by the County Assessor. The County Clerk does not document a review of the tax books. A review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to perform adequate and documented reviews of the tax books may result in errors or irregularities going undetected.

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, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

1.2 Review of activity

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. In addition, the County Clerk and the County Commission do not perform adequate procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records 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 are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Recommendations

The County Clerk:

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



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Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.

- 1.2 Maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Auditee's Response

We will take all recommendations into consideration.

2. Payroll Controls and Procedures

Controls and procedures over payroll need improvement.

2.1 Leave records

The County Clerk does not maintain leave records for Sheriff's department employees. While the Sheriff's department provides employee leave balances to the County Clerk's office monthly, the County Clerk's office does not review the balances for accuracy and compliance with county policy. As a result, we noted the following errors:

- One deputy worked 6 holidays; however the leave earned for working these holidays was not properly carried forward to his 2017 leave balance.
- During the period from January 2016 through January 2017, 3 different errors occurred in recording one deputy's compensatory, sick, and holiday leave resulting in 6 hours not being properly deducted from his leave balances.

Without centralized leave records, the County Commission cannot ensure employees' vacation, sick, and compensatory leave balances are accurate and in compliance with county policy. Centralized records also limit potential disputes over amounts owed when an employee stops working for the county, and help demonstrate compliance with the Fair Labor Standards Act.

A similar condition was noted in our prior audit report.

2.2 Leave balances

The county's personnel policy does not address the use of unearned leave and some employees used compensatory time in excess of available balances, resulting in negative compensatory leave balances. As of January 21, 2017, 5 Sheriff's department employees had negative leave balances ranging from negative .5 hours to negative 20.75 hours.

To ensure the equitable treatment of employees, the personnel policy should be updated to address the use of unearned leave and employees should not be allowed to carry negative leave balances.



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Recommendations

- 2.1 The County Clerk maintain leave records for all county employees.
- 2.2 The County Commission revise the county personnel policy to address the use of unearned leave and discontinue the practice of allowing negative leave balances.

Auditee's Response

We will take all recommendations into consideration.

- 2.1 *The County Clerk's office will maintain leave records and meet with each department head to reconcile monthly.*
- 2.2 *We are in the process of revising the personnel manual.*

3. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division, and was responsible for the financial activity of 92 individuals as of December 31, 2016.

3.1 Filing of annual settlements

The Public Administrator does not file annual settlements timely. During our review of the Public Administrator's 78 active cases, we found annual settlements for 74 cases were filed more than 30 days late. The 78 annual settlements were filed between 9 and 356 days late, with the average filing being 140 days late. The Circuit Court, Probate Division provides notice by letter to the Public Administrator of approaching settlement due dates for each ward. The Circuit Court, Probate Division also sends a past due notice after an annual settlement is 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, loss, theft, or misuse of funds will go undetected.

A similar condition was noted in our prior audit report.

3.2 Disbursements

The Public Administrator lacked adequate documentation showing the ward received gift cards and prepaid debit cards. A receipt or other documentation was not obtained indicating wards received gift cards totaling \$2,075 and prepaid debit cards totaling \$10,180.

To ensure payments are valid and proper and to reduce the risk of loss, theft, or misuse of ward assets, adequate supporting documentation should be



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maintained for all disbursements, including monies or other items of value provided to a ward.

Recommendations

The Public Administrator:

- 3.1 File annual settlements timely.
- 3.2 Obtain and retain documentation for monies or other items of value provided to wards.

Auditee's Response

- 3.1 *This office will continue to work diligently to complete and file annual settlements in a more timely manner in the future.*
- 3.2 *As discussed with the auditors during their visit, this has been corrected by obtaining the signature of the ward on the corresponding check stub used to purchase the food shopping card/Walmart gift cards. It was also incorporated that any prepaid debit cards purchased for wards for birthdays and Christmas gifts will have a copy of the card sent for the ward to sign and the facility will return the copy to my office along with copies of the receipts of items purchased by the ward.*

Randolph County

Organization and Statistical Information

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. In addition to elected officials, the county employed 124 full-time employees and 13 part-time employees on December 31, 2016.

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	2017	2016
John Truesdell, Presiding Commissioner	\$	34,514
Robert Wayne Wilcox, Associate Commissioner		32,263
Jerry Crutchfield, Associate Commissioner		32,263
Mark Price, Recorder of Deeds		50,808
Will Ellis, County Clerk		50,808
Michael Fusselman, Prosecuting Attorney		136,370
Mark Nichols, Sheriff		57,967
Penny Henry, County Treasurer		50,808
Gerald A. Luntsford, County Coroner		18,329
Mary Jo Colley, Public Administrator		50,808
Shiela Miller, County Collector		
year ended February 28,	50,808	
Richard Tregnago, County Assessor,		
year ended August 31,		50,808

Financing Arrangements

The county entered into a lease-purchase agreement with Commerce Bank, N.A. (the trustee) on April 9, 2015. The terms of the agreement called for the trustee to sell lease certificates of participation totaling \$6,910,000 to provide funding for the construction of a new administrative building to be connected to the justice center. The certificates are to be paid off in full with interest in 2027. The payments are made with the revenue generated from the county's capital improvement sales tax, approved by voters on April 8, 2014, and in effect until 2027. The remaining principal and interest due on the certificates at December 31, 2016, was \$6,410,000 and \$973,950, respectively.