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Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Carter County

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May 2013

Report No. 2013-042



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<http://auditor.mo.gov>

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# Carter County

## Follow-Up Report on Audit Findings

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\*Includes selected findings



# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Carter County

We have conducted follow-up work on certain audit report findings contained in Report No. 2012-124, *Carter County*, issued in October 2012, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. We also conducted a closeout audit of the Carter County Collector pursuant to Section 52.150, RSMo, for the period of March 1, 2012, to October 9, 2012. In Report No. 2013-41, *Carter County Collector and Property Tax System* issued in May 2013, we noted significant weaknesses continued to exist in the former County Collector's accounting controls and procedures and additional undeposited receipts were identified. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed the written status of selected findings and recommendations and supporting documentation submitted by county officials, and held meetings with county officials. Documentation provided by the county included budgets, bank statements, receipt and deposit records, various other financial records, and selected policies and procedures. This report is a summary of the results of this follow-up work, which was substantially completed during April 2013.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

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# Carter County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Collector Controls and Procedures Significant weaknesses existed in the County Collector's accounting controls and procedures. As a result, there was little assurance all property tax receipts were deposited and accounted for properly.

1.1 Undeposited receipts Cash and check receipts totaling at least \$2,498 were received and not deposited, and check overpayments of \$1,319 were received and corresponding cash in this amount was not deposited. The County Collector could not explain why cash received was not deposited, and indicated some refund records were discarded. A comparison of daily batch reports and other receipt records to daily deposits showed numerous instances where the composition of the deposit did not match the composition of receipts. The County Collector did not record overpayments or refunds in the property tax system, and indicated she withheld cash from deposits to obtain money orders for refunds. Inadequate controls and the absence of proper oversight by the County Commission and County Clerk allowed undeposited receipts to occur without detection.

**Recommendation** The County Collector and the County Commission investigate unaccounted for receipts and ensure all receipts are recorded and deposited.

**Status** **Implemented**

Jennifer Clark-Williams was the Carter County Collector during the audit period. She resigned on October 9, 2012. A successor, Debbie Turley, was appointed as County Collector and sworn into office effective October 26, 2012. The current County Collector has taken steps to address the audit recommendations for the County Collector's office. The County Collector and the County Clerk have continued to review past delinquent taxes. The Missouri State Highway Patrol (MSHP) is currently investigating the missing receipts. The County Collector notifies the MSHP and the Prosecuting Attorney when additional missing receipts are found. The County Collector records all monies received in the tax system, issues a system receipt, and deposits each day.

1.2 Receipting and depositing The method of payment was not accurately recorded in the property tax system for numerous transactions and the composition (cash, check, and money orders) of receipts recorded in the system was not reconciled to the composition of deposits. Additionally, receipts were not deposited intact or timely.

**Recommendation** The County Collector accurately record the method of payment in the property tax system, reconcile the composition of recorded receipts to the composition of bank deposits, investigate differences, and retain documentation of these reconciliations. In addition, the County Collector should ensure receipts are deposited intact in a timely manner.



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Status

**Implemented**

The County Collector has implemented additional accounting controls over receipting and depositing including recording the method of payment in the property tax system, reconciling the composition of recorded receipts to the composition of bank deposits, documenting the review on daily cashier reports, and depositing timely and intact. We reviewed the March 2013 daily cashier reports and deposits and noted the method of payment was accurately recorded, and the reconciliation of the composition of receipts to the composition of deposits was documented. In addition, deposits for March 2013 were reviewed and were made daily and intact.

1.3 Liabilities

Lists of liabilities were not prepared and compared to the reconciled bank balance.

Recommendation

The County Collector prepare detailed monthly lists of liabilities, reconcile the list to the reconciled bank balance, and investigate any differences.

Status

**In Progress**

The County Collector indicated she reviews all outstanding liabilities (bank interest, outstanding checks, etc.) and agrees this to the reconciled cash balance during her monthly bank reconciliation, but she has not prepared a list of liabilities. After our discussion, the County Collector plans to prepare a list of liabilities and reconcile it to the reconciled cash balance each month. We reviewed the outstanding liabilities as of March 31, 2013, and compared them to the reconciled cash balance and the amounts agreed.

1.4 Distributions

Some bank interest and surtax monies collected were not distributed. In addition, the County Collector did not disburse some protested taxes to the taxpayer after the tax case was settled.

Recommendation

The County Collector distribute collections of interest, surtax, and protested taxes in a timely manner.

Status

**Implemented**

The County Collector distributes surtax monthly and interest annually. She currently does not have any protested taxes, but plans to keep any protested taxes received in a separate bank account and distribute as required. We reviewed February distributions made in March 2013 and noted all taxes and surtax monies were distributed, as well as annual interest.

1.5 Refunds

The County Collector did not always refund tax overpayments or issue checks for refunds. The County Collector indicated when an individual overpaid their taxes, cash was taken from daily receipts and a money order



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was obtained at no cost from the bank and mailed to the individual. The County Collector stated there were also instances when the taxpayer requested a refund immediately and cash was taken from daily receipts for the refund. However, the County Collector did not maintain records of the refunds given. Also, the County Collector stated some money order receipts for refunds were discarded.

**Recommendation**

The County Collector pay refunds by check in a timely manner and maintain a complete record of all refunds issued.

**Status**

**Implemented**

The County Collector issues checks for all refunds and retains documentation to support the refunds. We reviewed two April 2013 refunds and noted the refund amount was calculated and documented in the property tax system and included on the daily deposit report, and the check number issued was documented on the daily deposit report.

**1.6 Partial payments**

Partial payments were not consistently recorded on the partial payment ledger and manual receipt slips were not always issued for monies received.

**Recommendation**

The County Collector ensure all partial payments activity and balances are accounted for properly in the partial payment ledger and pre-numbered receipt slips are issued for all partial payments received.

**Status**

**Implemented**

The County Commission voted to stop accepting partial payments for tax payments in November 2012. For any final partial payments received from taxpayers, the County Collector updates partial payment records, records the payments in the property tax system, and withdraws the escrow amount from the former County Collector's bank account to deposit with the current day's collections. The County Collector documents the use of escrow balances in a new spreadsheet and keeps copies of all related information. The County Collector indicated she reviewed the former County Collector's partial payment spreadsheet and reconciled it to property tax records to develop an updated partial payment spreadsheet.

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**2. Property Tax System**

The County Clerk and the County Commission did not perform procedures to verify the accuracy of the County Collector's annual settlements, and some delinquent tax information on the annual settlements was not supported by adequate documentation. Additionally, the County Collector did not have a detailed listing to support taxes owed for the 2006 tax year or prior and the County Clerk and Commission did not require the County Collector to provide supporting documentation for the amounts included on annual settlements. The County Collector changed property tax systems in



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2007 and can no longer access the information in the old system. Further, the County Clerk did not maintain a complete and accurate account book summarizing all property tax transactions each month.

**Recommendation**

The County Clerk maintain a complete and accurate account book with the County Collector, and the County Clerk and County Commission use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements. In addition, the County Commission, County Clerk, and County Collector should work with the former programmer to obtain detailed records maintained on the previous property tax system.

**Status**

**In Progress**

The County Commission has implemented new procedures to review the County Collector's records including reviewing monthly settlements and bank reconciliations. The County Clerk updated and corrected the account book she maintains with the County Collector. We reviewed the County Clerk's 2012 tax year account book and noted it was complete. The County Clerk intends to use the account book to review the Collector's annual settlement once it is complete. The County Commission's review of the County Collector's February and March 2013 monthly bank reconciliations was documented. The County Commission, County Clerk, and Collector have not contacted the former programmer. Rather, in an effort to clean up the delinquent tax records, the County Commission voted to write-off any delinquent taxes due from the 2008 tax year or prior. The County Collector plans to send delinquent tax notices for all uncollected taxes for the 2009 through 2012 tax years. A tax sale is also planned for August 2013.

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**3. Financial Condition**

The General Revenue Fund was in poor financial condition. The county historically maintained a low General Revenue Fund balance; however, the cash balance did not take into account significant liabilities. Additionally, the County Commission approved a loan from the Road and Bridge Fund to the General Revenue Fund to pay a lawsuit judgment against the county. Although the county has an agreement to repay the loan, Road and Bridge Fund monies are restricted for certain purposes per Section 137.555, RSMo.

**Recommendation**

The County Commission closely monitor the county's financial condition, take necessary steps to improve the financial condition of the General Revenue Fund, and refrain from loaning monies from restricted funds.

**Status**

**In Progress**

The financial condition of the General Revenue Fund declined further during 2012. The December 31, 2012, ending cash balance was \$6,951 which was approximately \$37,400 less than the ending balance at December 31, 2011. The ending cash balance is approximately \$6,300 more



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than originally estimated. Current year appropriated expenditures are less than 2012, but the budget still reflects appropriated expenditures in excess of anticipated revenues and an anticipated decrease in the General Revenue Fund balance to \$971. County officials continue to monitor expenditures and indicated as of March 2013, budget to actual reports show the county is on track to be within the constraints of the approved budget. No additional loans were made from the Road and Bridge Fund and no loans are planned. The county is repaying the prior loan with interest.

4.1 Sheriff - Segregation of Duties

Accounting duties were not adequately segregated. Checks for each bank account required only one signature. No independent or supervisory reviews of the accounting records were performed.

Recommendation

The Sheriff adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented. Further, the Sheriff should require dual signatures on all checks.

Status

**Implemented**

Sheriff Richard Stephens was elected in November 2012. The Sheriff has implemented new procedures to segregate some duties and is now reviewing accounting records when segregation is not possible. The Sheriff indicated paper service receipts are now transmitted to the dispatch clerk who prepares the receipt. Prior to deposit, the Sheriff indicated he reviews the deposit slip and copies of related receipts. He documents his review on the deposit slip. Checks now require the signature of the Sheriff and the dispatch clerk. We reviewed the March 29, 2013, deposit and noted the Sheriff's review was documented, and supporting documentation for the deposit was included with the deposit slip.

4.2 Sheriff - Receipting and Depositing

Monies were not adequately secured in the Sheriff's office and the Sheriff's office did not account for the numerical sequence of receipt slips. Receipt books were not used in sequential order, some concealed weapon permit receipt slips were missing, and original copies of voided receipt slips were not maintained. Additionally, monies received were not recorded and deposited in a timely manner, checks were not restrictively endorsed immediately upon receipt, and the method of payment was not always indicated on receipt slips.

Recommendation

The Sheriff ensure all monies are adequately secured, checks are restrictively endorsed immediately upon receipt, monies are recorded and deposited timely, official prenumbered receipt slips are issued for all monies received and the numerical sequence is accounted for properly, original copies of voided receipt slips are maintained, the method of payment is documented, and the composition of receipts is reconciled to the composition of deposits.





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Status

**Implemented**

Monies are now secured in a lockbox with limited access and monitored by video surveillance. At the time of our review, we observed the lockbox was secured, the interior door was locked, and visitors were not allowed access to the dispatch area. Receipt slips are now issued for each type of receipt, a separate receipt book is maintained for each type of receipt, and the dispatch clerk accounts for the numerical sequence of all receipt slips. There have been no voided receipts since the current Sheriff took office; however, it is the Sheriff's policy that these be retained with the other receipt slips. The dispatch clerk reconciles the composition of the receipts to the deposits when preparing the deposit slip. The Sheriff indicated checks are now restrictively endorsed upon receipt. Deposits are now made daily unless the dispatch clerk is not working and then they will be made the following day. We reviewed the receipt books for the various types of receipts and noted there were no gaps in the numerical sequence and receipt slips were complete and included the method of payment. In addition, receipt slips could be traced to the March 29, 2013, deposit reviewed. We reviewed the March bank statement and deposits were generally made each business day.

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4.3 Sheriff - Bank  
Reconciliations

Monthly bank reconciliations were not always prepared for the Sheriff's or petty cash bank accounts.

Recommendation

The Sheriff prepare bank reconciliations monthly.

Status

**Implemented**

Bank reconciliations are now prepared monthly for the Sheriff's bank account. The prior Sheriff closed the petty cash bank account in 2012. We reviewed the March 2013 bank reconciliation and noted it was complete.

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6. Personnel Policies and  
Procedures

The county had not established adequate written personnel policies and procedures. The county's policy manual had not been updated since May 2008. The Sheriff's office and County Clerk were not adequately tracking compensatory leave balances and overtime. In addition, the county's personnel policy did not address the number of hours to be worked by each employee in a normal day or work week, whether employees qualified for paid overtime or compensatory time, or the number of hours required before an employee earned benefits.

Recommendation

The County Commission should ensure the personnel manual includes essential county policies and procedures and is periodically updated.

Status

**Implemented**



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The County Clerk updated the personnel policies and the County Commission approved the revisions on April 15, 2013. The Sheriff implemented a compensatory time policy in March 2013.