

Treasurer Review

Change of Officeholder



July 2019

www.claycountymo.gov/departments/auditor

Victor Hurlbert, CGAP

Clay County, Missouri Auditor

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I. Introduction and Scope

Per Revised Missouri Statute (RSMo) 55.160, “The auditor shall audit the accounts of all officers of the county annually or upon their retirement from office.” There is regular auditing of all County offices and departments on a daily basis. Historically the Auditor office’s typical practice, however, has been to treat this particular requirement as meaning a formal audit and written report upon a change in officeholder. Other formal audits and reports are in the Auditor’s discretion.

On Monday, June 24th, 2019, incumbent Treasurer Ted Graves passed away. He was elected to the position in 2012 and reelected in 2016. According to RSMo 54.033 (the Treasurer’s chapter is 54) and RSMo 105.030, the County Commission is to name an interim County Treasurer within fourteen days of the vacancy. The Governor of Missouri then has authority to name a permanent replacement, who serves until the next election.

On Wednesday, June 26th, 2019, the County Commission adopted Resolution 2019-241 naming Carol McCaslin as such interim Treasurer “for a period of six months until a successor is appointed by the Governor of the State of Missouri.” McCaslin served as a past Treasurer—a four year term—after being elected to the position in 1996, 2000, and 2008. She was also elected Presiding Commissioner in 2002 and as the most recent previous Auditor in 2014.

Then, on Wednesday, July 31st, 2019, Bob Nance was sworn in as the permanent replacement, upon nomination by Governor Mike Parson. The Governor chose from a list of recommendations provided by the Clay County Republican Central Committee—Parson is a Republican as well as Nance and as was Mr. Graves. Mr. Nance is a former State Representative in the Missouri General Assembly and current Chairman of the Clay County Board of Elections. He resigned as Chairman concurrently with his swearing in as Treasurer.

In light of the above circumstances, the type of audit chosen here will be a type of Attestation Engagement called a Review. This classification comes from the Generally Accepted Government Auditing Standards (GAGAS, or the “Yellow Book” for short). Statements on Standards for Attestation Engagements (SSAEs) from the American Institute of Certified Public Accountants (AICPA) were consulted, but not the primary source of reference.

The Review sort of Engagement makes sense in this case as conclusions are drawn by the Auditor, but no opinions are given nor feedback sought from relevant management—such as with an Examination Engagement or Performance Audit, for instance. Sufficient evidence is needed to arrive at quality conclusions. The loss of the manager and boss in the office of Treasurer lends prudence to how we approach staff. Our aim is to be sensitive yet professional. In our conclusions, we’ll aim to be mainly informative with an essential update of current issues facing the Treasurer’s office.

Lastly, the broader context surrounding Clay County government as a whole deserves attention. The County is under a citizen-petition, comprehensive audit by the State Auditor. That audit remains in legal challenges and courts. Furthermore, an independent third party just wrapped up the outside financial statement audit. This high level of attention to the County’s bank accounts and books by necessity ought to limit the scope of our present Review. There is no sense in duplicating work or repeating related findings.

II. Treasurer’s Office Background and Audit Plan

As mentioned before, Ted Graves served as Treasurer from 2013 until his unfortunate death in 2019. The office of County Treasurer operates under RSMo chapter 54. From the County webpage (<https://www.claycountymo.gov/departments/treasurer>),

“The Clay County Treasurer’s Office operates in accordance with the statues of the State of Missouri.

The Treasurer is responsible for receipting all County revenues, making bank deposits, investing County monies, balancing County bank accounts, banking funds held in trust by the County and tracking all county funds.

The Treasurer’s Office is also responsible for writing juror checks and helping people claim unclaimed property.”

Another significant duty entails accounts payable activity like physical check writing for County purchase orders along with ACH transactions or wires to external vendors. This role is vital for timely payment of the County’s obligations, like payroll. Plus, the Treasurer moves cash within County bank accounts held at the contracted general depository of Commerce Bank and enters accounting journal entries accordingly. These transfers are tied to the various funds associated in the County’s general ledger. Regarding staffing, there is one full time Chief Deputy, a full time Deputy Treasurer, and a part time Deputy Treasurer in the 2019 budget.

Here is an overview of statistics during the tenure of Mr. Graves, for information purposes:

County Treasurer Expenditures							
	2013	2014	2015	2016	2017	2018	
Personnel	\$ 144,826.46	\$ 142,144.73	\$ 156,559.34	\$ 190,969.97	\$ 205,343.24	\$ 225,371.46	
Contractual	13,971.06	12,409.79	12,203.72	12,724.55	12,567.69	13,325.79	
Commodities	832.86	662.15	344.96	937.61	438.44	1,092.70	
Total	\$ 159,630.38	\$ 155,216.67	\$ 169,108.02	\$ 204,632.13	\$ 218,349.37	\$ 239,789.95	
County Treasurer Cash Ledger Balances							
	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,
	2013	2014	2015	2016	2017	2018	
Treasurer Ledger Balance	\$ 31,260,427.84	\$ 38,214,697.20	\$ 42,704,355.94	\$ 45,513,644.29	\$ 44,344,778.25	\$ 42,133,887.13	

For this Review, we will gather Treasurer reports that document this office’s functions. We will observe journal entries reflecting cash transfers and proper receipting into correct account lines. Further, we intend to explore this office’s relations with the rest of the County’s departments and elected offices. To reiterate, we will contain the timeline covered to the present year of 2019. This is mainly on account of a new Auditor beginning this year.

III. Review

- **Summary of Settlement-Ledger Balances by Fund**

At the start of 2019, and even for some duration earlier, the Microsoft Access program that supplied the Treasurer's office with its data for a mandatory (RSMo 54.130 and 54.170) report entitled "Summary of Settlement-Ledger Balances by Fund" became out of date. Support that had been provided externally from a different County department was no longer available. Consequently, this report began to reveal slight inaccuracies vis-à-vis the accounting general ledger software (Eden by Tyler Technologies)

The Treasurer's office troubleshot with assistance from programmers in again other offices for months at a time, but that too fell short of a long-term solution. So, in cooperation with the Auditor's office, effort is being put into developing this report within Eden itself via SAP Crystal—rather than through Access imports. That project continues today.

Some lingering coding problems persist as far as when this Access report is run in comparison to the novel Eden report. The discrepancies derive from how the latter pulls periods in a monthly timeframe, meaning one to twelve. Access, on the other hand, identifies only dates, such as the 1st to the 31st. Prolonged bookkeeping after month end in turn causes these aforementioned variances. For a specific example, we took a look at January or Period 1 of 2019 and discovered the following:

- Eden report \$26.25 short of Access report in total checks for Fund 100-General
- Eden report \$425.00 short of Access report in total checks for Fund 310-Debt Service (this was identified as an administrative fee for the 2011b revenue bond)
- Eden report \$101,313.18 over Access report by the total balance for Fund 320-Employee Withholdings and Benefits, a fund that fluctuates widely with payroll

Conclusion: The Chief Deputy Auditor is responsible for this project and continues to work with Treasurer staff on the matter. With help from IT staff at Tyler Technologies/Eden around the coding details as well, resolving the Summary of Settlement report appears in sight relatively soon. That said, timely journal entries and cut off dates would go a long way in helping, as computing can't plan for all human corrections.

- **Collector's Tax Maintenance Fund (TMF)**

For a large portion of this year, a somewhat contentious form of conflict arose between the elected offices of Collector and Treasurer. In a nutshell, the Collector is allowed by statute (RSMo 52.312, 52.315, and 52.317, among others) to maintain a discretionary Tax Maintenance Fund (TMF). Of note in RSMo 52.315, beyond wages for employees,

"The tax maintenance fund may also be used by the collector for training, purchasing new or upgrading information technology, equipment or other essential administrative expenses

necessary to carry out the duties and responsibilities of the office of collector, including anything necessarily pertaining thereto.”

The funding mechanism for the TMF is delineated in RSMo 52.290, whereby two-ninths of the nine percent fee on delinquent back taxes are to be remitted into it. Also, the Collector does solely make all spending decisions, as granted once more in RSMo 52.315,

“The collector has the sole responsibility for all expenditures made from the tax maintenance fund and shall approve all expenditures from such fund.”

The imbroglio came about with this exact spending mechanism. Although the TMF is a separate bank account from the County’s general one at Commerce, the Collector requests payments through the Treasurer. This occurs most often by physical check. An ACH or wire is possible, but the Treasurer requires information from the vendor such as the routing and bank account numbers. Asking for those items on occasion led the Collector to believe the Treasurer was denying her spending choices, or at least seriously impeding them.

The Collector, in seeking innovative ways for ease of payment and business processing, attempted to pursue automatic payments by bank draft. Recurring Internet and phone bills from Verizon were one of those ongoing expenses. The reasoning for this alternative payment mode was to avoid late fees. The Treasurer’s office insists that it processes all check requests in an expedited fashion with no delay. A PayPal account was also of interest to pay vendors only set up on that site.

Consequently, the Collector wishes to open a TMF account at Commerce as the single signature authority. The Collector would then be performing all payment transactions with no involvement from the Treasurer. In all fairness, the Collector feels such an account would be audited like other County accounts held outside Commerce. The Collector already runs five banks accounts at Commerce with no Treasurer control. In Fund 614, these are Collector Regular, Protest, Prepayment, Tax Sales, and Credit Card (payments made by taxpayers). They all have to do with Collector settlements and reconciling of the property taxes collected for both the County and numerous entities within it. Hence, they are basically due to others and not discretionary monies.

The Auditor researched the topic after initially showing some receptivity in conversations with the Collector. Practicality and efficiency of all County departments and offices is always desired. The state statutes, however, really discuss the Treasurer alone as the County’s banker. Some special funds receive specific legal exceptions, such as the Law Library, Prosecutor Bad Checks, and Prosecutor Restitution. That explicit enablement is not in statute for the TMF. It’s true that the statutes don’t outright deny banking by the Collector for the TMF, but court precedent and Attorney General opinions speak to the need for positive approval.

Conclusion: This subject has been taken up by County Counsel for a legal rendering, Procedures with the Treasurer and Collector have returned to the status quo ante. The Collector is no longer pursuing a new account. The ultimate goal of a well-functioning and pragmatic County government is of top importance.

- **Payroll Company Codes**

Starting with the March 29th, 2019, payroll date, the Human Resources department established a major alteration to the payroll system. This situation with another County department affects the Treasurer because the Treasurer executes the wire to the County's payroll provider—ADP. Prior to this payroll biweekly period, the seventh of twenty six for the entire year, the County only had one company code paying every employee—namely, 5VP.

On 3/29/19 and ever since then, HR has steadily added extra company codes. The rationale behind this is unknown and no answer has been explained. Interestingly, what this office has noticed is that all elected officials are staying in 5VP while their employees get unique company codes by department/office. This may be a result of how all elected officials earn the same salary and have their own Salary Commission to make those determinations. The elected officials are still intermingled with Administrative employees under jurisdiction of the County Commissioners. Indeed, the breakout among eleven company codes so far is as follows:

- 5VP – All other and elected officials
- 8DJ – Auditor staff
- 7PS – Clerk staff
- 7P7 – Treasurer staff
- 7P6 – Recorder staff
- 8J7 – Collector staff
- 7RH – Public Administrator staff
- 7RA – Prosecutor staff
- 8J1 – Assessor staff
- 8J0 – Board of Equalization
- KRS – Sheriff staff
- *** – It is thought that there will be one more for Juvenile staff

How this relates back to the Treasurer deals again with the wire to ADP. Each wire costs the County \$40 between ADP (\$10) and Commerce (\$30). With eleven company codes, that would add up to \$440 if done apart and perhaps \$480 with Juvenile. Multiplied by twenty six payroll periods and the sum is \$11,440 versus a mere \$1,040 for just 5VP, or a difference of \$10,400. The Treasurer's strategy for handling the change has been to keep the one wire. ADP has a "Wire Breakdown Form" for each company code, so the lone wire can be divided out appropriately.

Conclusion: Time will tell if twelve is the final number for company codes involved with Clay County's payroll and the actual logic behind their creation. The codes obviously cause additional work and complexity for Treasurer staff—as well as for the Auditor and HR. Regardless, the adaptations have proven to make it manageable for the moment.

- **Bank Account Reconciliation**

The Parks Department operates two bank accounts apart from the County depository of record, Commerce Bank. Those are the Administrative account at Security Bank as well as the Jesse James Farm and Museum account at Kearney Trust. The Treasurer ultimately reconciles

and controls them both, however. Our office of Auditor recently conducted an audit of Parks cash handling and delivered some simple recommendations surrounding petty cash. We noted, though, that there are often adjustments made to the daily fee collection receipts for the Administrative account in particular.

Reasons given for those adjustments were how the credit card processing company, CardConnect, will bill the County for charge fees. The company doesn't account for the charge to give a net transaction on a daily basis from customers, but instead totals the fees and bills after a lengthy delay. As a result, the Treasurer, after being informed by Parks of these fees, will have to go in and adjust down previous receipts accordingly. Other causes for adjustments include a returned check for non-sufficient funds or a refund, among others.

This in turn affects end of month bank reconciliation from the receipts to the bank statements. In fact, as of our observation on 7/15/2019, the deposits for the sampled month of June at the bank total \$673,441.19, but the daily transaction reconciliation after adjustments shows \$670,871.19. The expenses match exactly at \$651,065.78. The Kearney Trust account, meanwhile, is not currently reconciled, but this is likely owing to the last days of June not being inputted yet.

Conclusion: The Parks Department management, amid our cash handling audit, pledged to work with CardConnect in ironing out the fee situation. CardConnect is a new vendor for Parks, as they started in April of this year. Vigilance is nevertheless wise to ensure accurate reconciliation.

- **Lease Revenue**

Continuing with the focus on the interaction between Parks and the Treasurer, lease revenue is something the Auditor's office ties out for financial statement purposes. The County as a whole doesn't receive lease revenue from very many sources. Indeed, Election Board rentals, airport hangar rentals, and Parks leases compose the entirety. Various Parks lease revenue inputs are from Paradise Point Marina, Camp Branch Marina, Sailboat Cove, Kansas City Trapshooters Association, the Paradise Point Golf Course, Mt. Gilead, and Pharis Farm.

There are questions of if lease revenue is kept separate from ales/bait house revenues at the marinas, but also deserving attention are unintentional receipting account number mix-ups. Thus far in 2019, the Auditor's office has determined that two receipts were receipted into bait house lines when the daily fee deposit collection report from Parks indicated they were lease funds. The two are:

- Receipt #8279 on 1/22/19. Should be Fund 240-436-742, but was entered in 240-431-742.
- Receipt #8601 on 6/4/19. Should be Fund 240-436-742, but was entered in 240-431-742.

Conclusion: These are relatively minor fixes and shouldn't be a big dilemma once the Auditor's office notifies the Treasurer's office. Given the large amount of transactions and accounting that takes place in the Treasurer's office, these innocent and honest mistakes are bound to happen.

- **Budget Ordinance Compliance**

The Auditor and Treasurer alike have a litany of duties spelled out in the annual Budget passed by the Commission to start off each fiscal and calendar year. Frequently the Auditor is directed by these ordinances to monitor and check the Treasurer office's fulfillment of their own required actions. With this Review underway, formalizing our process here seems logical. Credit ought to be given to the Treasurer's office and staff in their efforts in this respect, along with all material evaluated throughout this audit.

Of the sixteen mandates we identified, only one displayed some areas of concern. This was in 2019-ORD-01, 10a, the last one for the Treasurer, which addresses the agreement between cities in Clay County and the County for which the County Collector collects their property taxes. As part of the agreement for providing this service, the County receives a 1% commission divided three ways—0.5% into the General Fund, 0.25% into the TMF, and 0.25% into the Tax Collection Software Fund.

To meet state statutes, the whole 1% first enters the General Fund and then the Treasurer moves the 0.5% into the two Collector accounts. As the Auditor's office has daily oversight on this highly important aspect of County government, collecting property taxes, we have diligent records and certify for settlement activity by the Collector and then Treasurer. As of 6/30/2019, we show small differences for 10a—both having occurred with the May settlement. They resulted from the attempted new TMF bank account discussion referenced above and are as follows:

- TMF portion (943-997-997) at \$168,055.88 in Eden, but \$167,707.82 from year-to-date Treasurer receipts. Therefore, under by \$348.06.
- Tax Collection Software portion (305-997-997) is the same due to the same allocation. This fund gets a separate 1% commission from County property tax collection as well.

Conclusion: Verifying correct Treasurer receipting of Collector settlements is certainly an ongoing event. There is commonly back-and-forth communication among the Auditor, Collector, and Treasurer to fulfill 10a. In other words, the County's agreements with cities in Clay County, regarding the 1% commission on property tax collection for them, remain intact. It is not an aberration to uncover such minute discrepancies and have them ameliorated.

- **Collector Settlements**

Lastly, every month the Collector settles property tax collections by distributing the funds appropriately among various governmental entities and the County itself. This activity was just briefly covered with the Budget Ordinance Compliance section, with respect to the agreement for city collections done by the County. Many other entities are involved, however, including school districts, libraries, community colleges, road districts, and the like.

These monthly settlements are derived from daily deposits the Collector copies the Auditor on, per RSMo 55.190. The monthly settlements in turn lead to an annual settlement once the Collector's term expires at the end of February every year. According to RSMo 52.015 and 139.170, this means the annual settlement is due by the first Monday in March.

Once more along the lines of proper receipting into correct account lines, the Auditor's office monitors Treasurer receipting to match the Collector settlements. This comes after the Auditor's office certifies those settlements themselves for accuracy. So far in 2019, we note the below exceptions:

- a. December 2018 settlement, receipt #36056 on 1/15/19. Should be Fund 100-440-505, but was entered in 100-420-505.
- b. Levee bond district settlement (only done once a year near the end of the Collector's term), receipt #36222 on 2/21/19. Should be Fund 100-420-505 for \$15,211.08, but \$50.79 was entered in 100-440-505 and \$15,160.29 was entered in 100-405-502.
- c. Also, on the same receipt #36222, another \$16.23 should be Fund 285-420-505, but was entered in 285-440-505.
- d. February 2019 settlement, receipt #36392 on 3/15/19. Should be Fund 220-405-701, but was entered in 220-405-641.
- e. Also, on same receipt #36392, \$3,966.85 should be Fund 285-420-505, but was entered in 285-440-505.
- f. Also, on same receipt #36392, should be Fund 943-420-925, but was entered in 943-499-502.
- g. April 2019 settlement, receipt #36786 on 5/15/19. Should be Fund 100-440-505, but was entered in 100-420-505.

Conclusion: As with the Budget Ordinance Compliance conclusion, the Auditor, Collector, and Treasurer communicate on a constant basis to get these monthly settlements on target. The high level of volume processed in the Treasurer's office inherently leaves room for these needed corrections. This is one of the reasons why the Auditor's office exists, as an added check on County finances. To reiterate, the County-wide team effort is a must in serving the public.



Victor Hurlbert, CGAP

Clay County, Missouri Auditor

1 Courthouse Square,
Liberty, MO 64068

Phone: (816) 407-3592

Fax: (816) 407-3591

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