

All Justices of the Peace Present

Presentation by **Tammy Honeycutt** of Goad and Company – *Appendix 1*

- Goad and Company was engaged by the Craighead County Judge to perform audit of county payroll practices and procedures from 2004-2012.
- Audit found that late filings on the part of Craighead County led to mistakes by both Craighead County and the IRS.
- Craighead County has paid a total of \$333,000 to the IRS in penalties, of which \$88,000 has been refunded resulting in the net payment currently being \$245,000.
- Comments from past Legislative Audit Reports were discussed – *Appendix 1*.
- Goad and Company found discrepancies among Craighead County journal entries including numerous math errors.
- An isolated incident of money being put into the wrong bank account that was later corrected was cited.
- Audit found many discrepancies in 941 IRS reports.
- Final report will be released in no less than 90 days.

Justice **Barbara Weinstock** questioned what years had been reconciled. **Honeycutt** answered that all years with the exception of 2004 and 2012 had been completed. **Weinstock** also questioned Legislative Audit report of marriage license fees not being paid to the state. **Honeycutt** answered that the audit was merely reporting past comments from Legislative Audit.

Justice **Ray Kidd** asked if there was any indication as to whether Craighead County would pay any additional IRS penalties, or receive any additional IRS refunds. **Honeycutt** had no opinion. **Kidd** also asked whether any money was ultimately unaccounted for. **Honeycutt** said all money was accounted for.

Honeycutt said that past Quorum Courts had received these Legislative Audit reports but no action was ever taken. **Kidd** asked whether all Justices of the Peace receive this report – numerous Justices of the Peace confirmed that they did. Justice **Weinstock** stated that questions had been asked by the court before concerning these reports, but no further action was ever taken.

Justice **Kidd** raised questions again concerning the non-payment of marriage fees to the state. **Tony Thomas**, Executive Assistant to the County Judge, answered that these fees had not been paid at the time of the Legislative Audit, but were late paid.

End of Goad and Company Report

County Judge **Ed Hill** welcomed new Justices of the Peace **Kidd**, **Josh Longmire**, and **Gary Watkins**. All Justices of the Peace introduced themselves.

Resolution 13-1 (Appendix 2) concerning the appointment of **William John Hudson, Rickey Darrell Davis, Thomas Roy Elkins, and Charles Sheets** to the Valley View Fire Protection District. All Justices voted in favor (13-0).

Resolution 13-2 (Appendix 3) concerning a proposal to amend the Craighead County employment personnel policy.

- Justice **Mike Hawkins** motioned to table the resolution so that new Justices of the Peace could have more time to read and review it. It was seconded by Justice **Longmire**. The resolution was never voted upon.
- Justice **Kenny Hendrix** stated that the county should look for other ways to save money.
- Justice **Watkins** questioned how more money could be cut.
- Justice **Jim Bryant** asked other Justices of the Peace with ideas to write-up an opinion on how to cut back on public service so that the Public Service Committee could review it.
- Justice **Ken Stacks** stated that if enacted it would be 10 years before the savings become significant in the budget, and noted that a window was missed to change the policy before new employees began the first of the year.
- Justice **Watkins** said that we should look at options.
- Justice **Kidd** said that good insurance is a big part of recruiting and retaining quality personnel.
- Justice **Weinstock** said that this policy was originally intended to be enacted before the beginning of the year. Also that consistently increasing insurance costs makes not addressing this issue putting off the inevitable. Not considering ways to lower insurance cost could prevent future raises for employees.
- Justice **Bob Blankenship** said that personnel at the road department are afraid they may lose their health insurance.
- Justice **Stacks** said that we have to start somewhere and if we do not we may be forced to address the issue in the future.
- Justice **Weinstock** stated that in the past the Quorum Court has considered gradually implementing changes over time.
- Justice **Kevin Hoke** said that without good health benefits it may be difficult to hire future quality employees.
- Justice **Kidd** said that health insurance is as important as salary. The policy change may not cause us to lose people, but it may make it difficult to hire new people in the event of retirement or attrition.
- Justice **Bryant** questioned why there are not other things we can cut besides employee benefits.
- Justice **Stacks** said that we are not prepared and motioned for the resolution to be pulled. It was seconded by Justice **Hawkins**. The motion for the resolution to be pulled passed

12-0 with Justice **Weinstock** abstaining. **Thomas** stated that the proposal will be sent back to the Public Service Committee.

- Justice **Weinstock** stated that there is no need to continue to do work on this resolution if court is not in favor of it.

Judge **Hill** announced the committee appointments for 2013. See *Appendix 4*.

Justice **Blankenship** motioned for the court to adjourn. It was seconded by **Bryant**.

-Meeting Adjourned.

Craighead County
Payroll Tax Reporting Agreed Upon Procedures
City Council Meeting
January 8, 2013

Goad & Company was engaged on August 4, 2012 by the Craighead County Judge to apply agreed-upon procedures which were specified by the Judge to the payroll tax reporting of Craighead County for the period 2004-2012. The purpose of the engagement is to assist the Judge in verifying the accuracy of payroll tax reporting and timely deposit remittance in accordance with the Internal Revenue rules and regulations. In addition, the engagement is intended to provide recommendations over internal control for payroll tax reporting and remittance policies and procedures.

I would like to thank the County Judge and his staff, especially Tony Thomas, and the former County Clerk and her staff for the cooperation and assistance they have provided during our engagement. Records have been provided promptly when retrievable and personnel have been available whenever needed.

Because the agreed-upon procedures do not constitute an examination, we will not express an opinion on payroll tax reporting compliance, timeliness of payroll tax deposit remittance, or internal control for payroll tax reporting and remittance policies and procedures. We have no obligation to perform any procedures beyond those specified by the Judge.

We are offering an interim report of general comments and/or findings at this time and cannot issue a final report due to availability of needed and requested documents. The 4th quarter 2012 reports are not yet due and have not yet been prepared by the County Clerk's office and the IRS has not released the complete 4th quarter's account transcript. In addition, the late filing of the County's reports, especially for 2004, contributed to the IRS making errors in misapplying deposits and reports to the wrong quarters. Our office continues to work with the IRS advocate assigned to the County's account and we have been informed that reconciliation procedures are in process to clear the 2004 errors but may take up to 90 days or more.

We have prepared a cumulative reconciliation by year for the period 2004 through June 30, 2012 of the 941 payroll tax reports and the IRS account transcripts. The 3rd quarter 2009 941 is the only missing data in the reconciliation. We have requested a copy from the IRS but have not yet received the document. It was previously reported by the media that the County had submitted subsequent tax payments over \$328,000. We have determined that the total to date is \$333,000 but that the IRS has also issued refunds of approximately \$88,000. The net \$245,000 is comprised of \$61,000 additional liability and \$184,000 in late payment or late filing interest or penalties. These amounts are subject to change when the IRS completes the 2004 period reconciliations.

Craighead County, AR
Division of Legislative Audit
Report on Compliance, Internal Control over
Financial Reporting and Other Management
Issues

Audit Report Comments

2003 January 21, 2005

- **Did not reconcile appropriation journals to warrants**
- **Financial statements contained numerous errors**

2005 April 4, 2007

- **Did not reconcile appropriation journals to warrants**
- **Marriage license fees not remitted to the State Treasurer**
- **Bank accounts not reconciled**
- **Cash disbursement journal not maintained**
- **Some deposits not made timely**
- **Payroll reports not reconciled**

2006 October 4, 2007

- **Payroll reports not reconciled**
- **Some withholdings not remitted**

2007 October 15, 2008

- **Payroll reports not reconciled**
- **Some withholdings not remitted**

2009 July 21, 2010

- **Bank accounts not reconciled**
- **Payroll reports not reconciled**
- **Some quarterly payroll reports not available**
- **Some payroll taxes not remitted timely**

2011 July 25, 2012

- **Quarterly payroll reports not filed timely**
- **Unemployment taxes not remitted timely**
- **Reports not reconciled**
- **\$288,264 paid to IRS on February 29, 2012 for taxes, penalties, and interest for the period 2003 through 2009.**

RESOLUTION NO. 2013-01

A RESOLUTION APPROVING THE APPOINTMENTS OF FOUR (4) BOARD MEMBERS TO THE BOARD OF DIRECTORS OF THE VALLEY VIEW FIRE PROTECTION DISTRICT.

WHEREAS, ACT 742 OF THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS, STATES THAT THE COUNTY JUDGE OF EACH COUNTY IS THE APPROPRIATE PERSON TO APPOINT AND REAPPOINT BOARD MEMBERS TO THE VALLEY VIEW FIRE PROTECTION DISTRICT BOARD OF DIRECTORS.

WHEREAS, THE SAID COUNTY JUDGE DOES HEREBY MAKE THE FOLLOWING APPOINTMENTS TO THE BOARD OF DIRECTORS OF THE VALLEY VIEW FIRE PROTECTION DISTRICT FOR THE FOLLOWING TERMS DETAILED BELOW:

William John Hudson
279 CR 108
Jonesboro, AR 72404
Two (2) year term - Exp. 2015

Rickey Darrell Davis
1128 Hwy. 349
Jonesboro, AR 72404
Three (3) year term - Exp. 2016

Thomas Roy Elkins
1647 CR 209
Jonesboro, AR 72404
Four (4) year term - Exp. 2017

Charles Sheets
1680 CR 150
Jonesboro, AR 72404
Five (5) year term Exp. 2018

BE IT HEREBY RESOLVED BY THE CRAIGHEAD COUNTY QUORUM COURT THAT THE ABOVE DESCRIBED TERMS BE VALID UPON THE APPROVAL OF THE QUORUM COURT AND FILING IN THE COUNTY CLERK'S OFFICE. EXPIRATION WILL BE AS STATED ABOVE, IN JANUARY OF THE YEAR THAT IS STATED FOR THE EXPIRATION DATE OF EACH PERSON'S TERM.

Dated this 8TH day of January, 2013.

APPROVED: ED Hill
JUDGE ED HILL
CRAIGHEAD COUNTY JUDGE

ATTEST: Kade Holliday
KADE HOLLIDAY
CRAIGHEAD COUNTY CLERK

FILED
JAN 09 2013
KADE HOLLIDAY
COUNTY & PROBATE COURT CLERK

BE IT ENACTED BY THE QUORUM COURT OF CRAIGHEAD COUNTY, ARKANSAS,
AN ORDINANCE TO AMEND THE COUNTY EMPLOYMENT/PERSONNEL POLICY.

SECTION 1. That the Public Service Committee has discussed implementing changes in the employee health coverage for newly hired employees hired by Craighead County.

SECTION 2. That increased costs related to employee health coverage has led to the need for changes that will aid in controlling costs related to health coverage.

SECTION 3. Whereas, Section 6 item E of the Employment/Personnel Policy for Craighead County currently reads as follows:

The County pays the full cost of group hospitalization insurance for all full-time employees and one-half of the additional cost of family group hospitalization insurance for full-time employees that elect family coverage. Other optional policies, such as life insurance, are available to employees that choose to pay for the additional coverage.

SECTION 4. Whereas, the Public Services Committee members have unanimously agreed that Section 6 item E of the Employment/Personnel Policy for Craighead County should now read as follows:

The County pays the full cost of group hospitalization insurance for all full-time employees. Family group hospitalization insurance for full-time employees that elect family coverage and other optional policies (such as life insurance) are available to employees that choose to pay for the additional coverage.

SECTION 5. Whereas, employees with a hire date before the passage of this Ordinance shall experience no change in benefits due to the passage of this Ordinance. Examples include but are not limited to the following:

1. A current full-time employee who does NOT carry family group hospitalization coverage may carry family hospitalization coverage in the future with one half the cost paid by the County.

2. Employees hired before the passage of this ordinance who transfer to another department may carry family hospitalization coverage in the future with one half the cost being paid by the County.
3. Employees hired before the passage of this ordinance who are then elected to public office may carry family hospitalization coverage in the future with one half the cost being paid by the County.

The Quorum Court has provided the examples above to show the intent of the new coverage is to ONLY impact employees with an original hire date after December 31, 2012.

Section 6. Be it hereby approved by the Quorum Court that the changes shown above be entered permanently into the Employment/Personnel Policy. This amendment shall update the current Personnel/Employment Policy as amended by previous ordinances.

Dated this day _____, 2012

Appendix 1-4

Public

Fred Bowers –Chair

Ken Stacks – Vice Chair

Josh Longmire

Barbara Weinstock

Financial

Bob Blankenship – Chair

Jim Bryant – Vice Chair

Kenneth Hendrix

Gary Watkins

Kevin Hoke

Road

Michael Hawkins – Chair

Terry Couch – Vice Chair

Max Render

Ray Kidd