



# Thomas A. Schweich

Missouri State Auditor

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## Daviess County

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June 2013  
Report No. 2013-051



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Daviess County

Policies and Procedures	Accounting controls and procedures need improvement. The County Clerk made an error in calculating the railroad and utility tax distribution for fiscal year 2012, so taxes were distributed incorrectly for four school districts. After we informed the County Clerk, the Clerk notified the school districts and put plans in place to correct the error. Prior to February 2013, the County Collector-Treasurer had administrative access rights in the property tax system which gave her unlimited access to all information in the system and allowed her to potentially make changes to individual tax records. Because the County Collector-Treasurer is responsible for collecting tax monies, good internal controls require that she not have the ability to alter or delete tax rates, assessed values, and property tax billings. The county pays invoices for fuel purchases without comparing the invoices to individual fuel tickets obtained at the time of purchase, which increases the risk of theft or misuse going undetected.
Daviess-DeKalb Regional Jail	One clerk is responsible for receiving, recording, depositing, disbursing, and reconciling monies for the inmate account with no supervisory review. Monthly lists of liabilities are not prepared for the inmate account, and liabilities are not reconciled with cash balances. The Jail Commission does not review budget-to-actual reports to adequately monitor the status of the jail budget, and in 2012 actual disbursements exceeded budgeted disbursements by \$290,703. Open meeting minutes do not cite the specific statute and subsection allowing the closure of the meeting, and on some occasions issues were discussed in closed meetings that are not allowable under the Sunshine Law. The Jail Commission did not publish its financial statements or provide financial information to the counties for inclusion in the counties' published statements for 2012, as required by state law.
Prosecuting Attorney	The Prosecuting Attorney does not properly perform or document monthly bank reconciliations, and auditors identified several errors when they reviewed the bank statements and computer system records. In addition, a liabilities list is not prepared and reconciled to the available cash balance.
Senate Bill 40 Board	The Senate Bill 40 Board budget documents do not reasonably reflect the anticipated disbursements and the ending cash balance. For 2012, disbursements were overestimated by \$240,921, and the Senate Bill 40 Board Treasurer said the Board directed her to include all available funds as budgeted disbursements to avoid having to amend the budget. The Board Treasurer performs a yearly reconciliation but does not perform monthly bank reconciliations, which impairs the Board's ability to detect and correct errors. The Senate Bill 40 Board did not publish its financial statements for 2012, as required by state law.

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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.
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In the areas audited, the overall performance of this entity was **Fair**.\*

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American Recovery and Reinvestment Act (Federal Stimulus)	Daviess County did not receive any federal stimulus monies during the audited time period.
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\*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 website: <http://auditor.mo.gov>**

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# Daviess County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Daviess County

We have audited certain operations of Daviess County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Daviess County for the 2 years ended December 31, 2012. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. 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 Daviess County.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Lori Melton, M.Acct., CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Richard Mosha, MBA Joshua Shope, M.Acct.

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# Daviess County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Policies and Procedures**

Accounting controls and procedures in various county offices need improvement.

**1.1 Railroad and utility taxes** The County Clerk made an error in calculating the railroad and utility tax distribution for the year ended December 31, 2012. Taxes were distributed incorrectly for four school districts based on an incorrect formula related to the debt service levy in the calculations. As a result, one school district was underpaid \$9,992, while the remaining three school districts were overpaid. After we informed the County Clerk of the error, the County Clerk notified the school districts and plans to correct the error were put into place.

To ensure all future apportionment calculations are correct and proper payments are made, the County Clerk should implement procedures to review all calculations for accuracy.

**1.2 Computer access** Access to the property tax system was not adequately restricted prior to February 2013. The County Collector-Treasurer had administrative access rights in the property tax system, which provided her with unlimited access to all information in the system and allowed her to potentially make changes to individual tax records. Because the County Collector-Treasurer is responsible for collecting tax monies, good internal controls require she not have administrative access rights to be able to alter or delete tax rates, assessed values, and property tax billings. The County Collector-Treasurer indicated she thought she could only make address changes and was unaware she had additional access. When this access issue was discussed with the County Collector-Treasurer in February 2013, she had the software programmer change the access rights so she does not have the ability to change property tax records.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

A similar condition was noted in our prior audit report.

**1.3 Fuel purchases** Invoices for fuel purchases are paid without comparing the invoices to individual fuel tickets obtained at the time of the purchase. According to accounting records, the county purchased fuel costing \$58,044 during the year ended December 31, 2012. Fuel is purchased on charge accounts and with credit cards, but the individual fuel tickets, signed by employees making the purchases, are not submitted to the County Clerk's office and reviewed for reasonableness prior to payment.

Requiring individual fuel tickets be submitted and compared to items charged on the monthly vendor billing will help provide assurance that all



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fuel billed was actually charged and used by county employees. To decrease the risk of theft or misuse of fuel occurring without detection and the possibility of paying incorrect fuel billings, the county should establish procedures for fuel reconciliations and investigate any discrepancies.

## Recommendations

- 1.1 The County Clerk work with the school districts to correct errors in the railroad and utility tax distribution. Also, the County Clerk should ensure future apportionments are computed properly and accurately.
- 1.2 The County Commission ensure property tax system access rights are limited to only what is needed for the users to perform their job duties and responsibilities.
- 1.3 The County Commission require individual fuel tickets be submitted to the County Clerk and reconciled with fuel billings and investigate any discrepancies.

## Auditee's Response

*The County Clerk provided the following response:*

- 1.1 *Errors in the railroad and utility tax distribution have been corrected with money repaid by the school districts and the proper distribution completed. In addition, the formula error has been corrected.*

*The County Commission provided the following responses:*

- 1.2 *Property tax system access rights have been corrected to limit to only what is needed for the users as of February 2013.*
- 1.3 *Gallons of fuel purchased, as documented on fuel tickets and/or vehicle logs, will be verified with invoices in the future.*

## 2. Daviess-DeKalb Regional Jail

Controls at the Daviess-DeKalb Regional Jail are in need of improvement. Similar conditions to sections 2.1 and 2.3 were included in the most recent DeKalb County report.<sup>1</sup>

The citizens of Daviess and DeKalb Counties approved a half-cent sales tax in November 2005, to provide regional jail services and court facilities and equipment for the two counties. Sales tax receipts were \$907,230 in 2012. A four member commission consisting of the Presiding Commissioner and the Sheriff from both counties oversees jail operations. If the jail is unable to

<sup>1</sup> SAO Audit Report 2012-17, *DeKalb County*, issued in March 2012.



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Management Advisory Report - State Auditor's Findings

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## 2.1 Segregation of duties

meet financial obligations, Daviess and DeKalb Counties become equally liable for all debts pertaining to the jail.

Duties involving the inmate account, which consists of commissary activities and bonds, are not adequately segregated nor are there supervisory reviews of these records. The duties of receiving, recording, depositing, disbursing, and reconciling monies for the inmate account are the responsibility of one clerk.

Internal controls would be improved by segregating the duties of receiving, depositing, and disbursing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented by the Jail Administrator and Jail Commission.

## 2.2 Liabilities

Monthly lists of liabilities are not prepared for the inmate account, and consequently, liabilities are not reconciled with cash balances. The December 31, 2012, bank balance was \$15,473. Upon our request, the jail clerk identified the liabilities in the account. The clerk was able to reconcile the liabilities, including inmate balances, outstanding checks, and commissary profits, to the bank balance.

Monthly lists of liabilities should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Discrepancies should be promptly investigated.

## 2.3 Budget oversight

The Jail Commission does not review budget-to-actual reports to adequately monitor the status of the jail budget, and as a result, during 2012 amounts budgeted for disbursements were overspent by \$290,703. Budgeted disbursements for 2012 totaled \$2,536,106 while actual disbursements totaled \$2,826,809. Without reviewing budget-to-actual information, the Jail Commission cannot effectively monitor the financial operations of the jail.

Budget documents are an essential tool for the efficient management of jail finances. Actively utilizing budget-to-actual status reports when making spending decisions is necessary to improve the effectiveness of the budgets as a planning tool and ensure compliance with state law. In addition, monitoring the budget and financial operations of the jail is essential to the county since the county will be liable for debts the jail cannot cover.

## 2.4 Sunshine law

Open meeting minutes did not cite the specific statute and subsection allowing for the Jail Commission to go into closed session. Further, instances were identified where the closed meeting minutes disclosed issues discussed that are not allowable under the Sunshine Law. For example, topics improperly discussed related to distribution of cash from vending



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Management Advisory Report - State Auditor's Findings

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machine profits awarded to employees at Christmas, and the number of hours retired employees could work before affecting retirement status.

The Sunshine Law, Chapter 610, RSMo, requires the reason for the closed meeting to be cited in the open meeting. Additionally, the Sunshine Law limits discussion topics and actions in closed meetings to only those specifically allowed by state law.

## 2.5 Published financial statements

The Jail Commission did not publish its financial statements or provide financial information to the counties for inclusion in the counties' published statements for the year ended December 31, 2012. Section 50.800, RSMo, provides details regarding the various information required to be provided in county annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of county financial activities and show compliance with statutory requirements.

## Recommendations

We recommend the County Commission work with the Daviess-DeKalb Regional Jail Commission to ensure:

- 2.1 Accounting duties are segregated to the extent possible or documented supervisory or independent reviews of the accounting records are performed.
- 2.2 Monthly lists of liabilities are prepared and compared to the reconciled bank balance, and any differences are promptly investigated and resolved.
- 2.3 The budget is monitored adequately.
- 2.4 Open meeting minutes cite the specific statute and subsection used for entering closed session and items discussed in closed meetings comply with the Sunshine Law.
- 2.5 Financial statements are published annually.



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## Auditee's Response

*The County Commission, Daviess-DeKalb Regional Jail Commission, and Jail Administrator provided the following responses:*

- 2.1 Duties involving the inmate account will be reviewed and supervised by the Jail Administrator or the assistant administrator, including depositing and reconciling monies for the inmate account, at least once a month.*
- 2.2 We will request from our commissary program developer a report that can be generated in the computer to list all liabilities, including inmate balances, outstanding checks and commissary profits that can be reconciled to the bank balance.*
- 2.3 The budget will be monitored by the Jail Commission. An accounting firm has been contracted to review the books and budget at the end of every quarter and report to the Jail Commission.*
- 2.4 According to the Sunshine Law, the agenda and minutes will include specific statutes and subsections as to why the Board needs to have a closed session. Also, only those topics will be discussed in that closed session.*
- 2.5 The financial statements will be available to each county and will be published annually.*

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## 3. Prosecuting Attorney

The Prosecuting Attorney does not properly perform or document monthly bank reconciliations. The Prosecuting Attorney indicated bank reconciliations were performed, but documentation of the reconciliations was not generated from the computer system and retained. In addition, our review of bank statements and computer system records identified issues which should have been identified during a proper bank reconciliation. There were multiple checks entered incorrectly in the computer system. One deposit that cleared the bank was not included on the records in the computer system. In addition, a liabilities list is not prepared and reconciled to the available cash balance in the checking account. The most recent liabilities list available was prepared for February 2012. The bank balance in the checking account at December 31, 2012, was \$19,892 while the book balance was \$3,727. Given the discrepancies noted in our review of bank statements and records, it is unlikely all transactions were properly identified and handled.

Without generating and retaining a printed copy of the monthly reconciliation, a current outstanding check list, and a liabilities list, the Prosecuting Attorney does not have documentation to support that the accounting records are in balance and sufficient cash is available to pay all liabilities.



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A similar condition was noted in our prior audit report.

## Recommendation

The Prosecuting Attorney perform and document a proper reconciliation between the bank balance and accounting records monthly. In addition, month-end liabilities should be identified and compared to the cash balance, and any discrepancies should be promptly investigated and resolved.

## Auditee's Response

*The Prosecuting Attorney provided the following written response:*

*Based on the last audit, I purchased software to handle the accounting needs of this office. All deposits and checks were logged into the software. Each month, cashed checks were marked on the program as well, and reconciliation was completed. Unbeknownst to me, the particular software purchased has issues with reconciliations, and a glitch in recordings. This was not discovered until I attempted to retrieve reconciliations for the auditors. As the Auditor's office witnessed, attempts to retrieve information resulted in the balance in the computer balance sheet being greatly different than the bank balance. After several hours of work, and consultation with tech support, I was unable to retrieve the previous balance and reconciliation information.*

*Fortunately, this office maintains very accurate records of every payment received, and the corresponding payment for restitution, as well as documentation of uncashed checks, overpayments, and restitution held in the account. Because we have several cases in which one or more defendant is paying a large amount of money to more than one victim, the balance in the restitution account often varies greatly. Each deposit made is logged, as is the corresponding payment to the victim or other entity. Monthly, a report is prepared regarding the above and filed with the Treasurer.*

*Within the next few months, I will take the records in my office, including the monthly reports, bank statements, records of payments, and restitution balances, and reaccount for the balance information that the software did not maintain. As with the previous audit, I cannot account for the substantial account balance prior to me taking office, as they cannot be identified due to a lack of records prior to 2007.*



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## 4. Senate Bill 40 Board

Accounting controls and reporting compliance are in need of improvement.

### 4.1 Budget

Budget documents do not reasonably reflect the anticipated disbursements and the ending cash balance. Budgeted disbursements are significantly overestimated, and as a result, the actual ending cash balances were much higher than the projected ending balances reflected on the budget documents.

The Senate Bill 40 Board Treasurer indicated she was directed by the Board to include all available funds as budgeted disbursements to avoid having to amend the budget. Budgeted disbursements for the year ended December 31, 2012, totaled \$338,836 while actual disbursements totaled \$97,915, for an overestimation of \$240,921. Over-budgeting disbursements results in an inaccurate estimation of the Board's financial position.

For budgets to be of maximum assistance to the Senate Bill 40 Board and to adequately inform county residents of the Board's operation and anticipated financial condition, budgets should reflect reasonable estimates of receipts and disbursements and the anticipated ending cash balance.

### 4.2 Bank reconciliations

Bank reconciliations are not performed in a timely manner. The Board Treasurer performs a yearly reconciliation but does not perform monthly reconciliations throughout the year.

Timely preparation of monthly bank reconciliations is necessary to ensure bank accounts are in agreement with the accounting records and to detect and correct errors.

A similar condition was noted in our prior audit report.

### 4.3 Financial statements

The Senate Bill 40 Board did not publish its financial statement for the year ended December 31, 2012. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the Board's financial activities and show compliance with statutory requirements.



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Management Advisory Report - State Auditor's Findings

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## Recommendations

We recommend the Senate Bill 40 Board:

- 4.1 Ensure reasonable estimates are used for disbursements when preparing the budget.
- 4.2 Ensure bank reconciliations are performed monthly.
- 4.3 Publish financial statements annually as required by state law.

## Auditee's Response

*The Senate Bill 40 Board provided the following responses:*

- 4.1 *Future budgets will include more reasonably budgeted expenditures.*
- 4.2 *Bank reconciliations will be kept on a monthly basis in the future.*
- 4.3 *The Senate Bill 40 Board will provide financial statements to the Daviess County Clerk for publication without reference to specific applicants, per Health Insurance Portability and Accountability Act (HIPAA) regulations.*

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# Daviess County

## Organization and Statistical Information

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Daviess County is a township-organized, third-class county. The county seat is Gallatin.

Daviess 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 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 18 full-time employees and 8 part-time employees on December 31, 2012. The townships maintain county roads.

In addition, county operations include the Daviess-DeKalb Regional Jail District Commission, Senate Bill 40 Board, and Senior Citizens' Services Board. The Jail Commission includes the Presiding County Commissioners of Daviess and DeKalb Counties as well as the Sheriff of each county.

### Elected Officials

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

Officeholder	2013	2012
Randy Sims, Presiding Commissioner	\$	30,349
David Cox, Associate Commissioner		27,593
Carl Carder, Associate Commissioner		27,593
Georgia Maxwell, Recorder of Deeds		39,768
Linda Steward, County Clerk		42,544
Andrea Gibson, Prosecuting Attorney		50,590
Ben Becerra, Sheriff		46,438
David W. McWilliams, County Coroner		12,073
Linda S. Houghton, Public Administrator		21,707
Reta J. Rains, County Collector-Treasurer, year ended March 31,	41,298	
Betty Harmison, County Assessor, year ended August 31,		43,058

### Financing Arrangements

In December 2011, the Daviess-DeKalb Regional Jail District Commission refinanced the loan for the jail facility, for \$1,860,000 of Missouri Lease Refunding Certificates of Participation, Series 2011, to pay for jail services, court services, and equipment for the region. At December 31, 2012, the Daviess-DeKalb Regional Jail District Commission owed \$1,435,000 in



Daviess County  
Organization and Statistical Information

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principal and \$61,357 in interest on these certificates. The certificates are to be paid in full in 2016.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Daviess County did not receive any federal stimulus monies during the year ended December 31, 2012.