



Office of Missouri State Auditor
Nicole Galloway, CPA

Adair County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Adair County

Inmate Account Liabilities	The Sheriff's office does not prepare a monthly list of liabilities for the inmate account, and consequently, liabilities are not reconciled to the account's reconciled bank balance.
County Procedures	The county does not reconcile Road and Bridge department fuel use to fuel purchases. The county did not report the amount of city commissions paid to the County Collector or subject the payments to payroll tax withholdings as required.
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.

Adair County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Inmate Account Liabilities4 2. County Procedures5
---	---

Organization and Statistical Information	7
---	---



NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Adair County

We have audited certain operations of Adair County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Adair County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

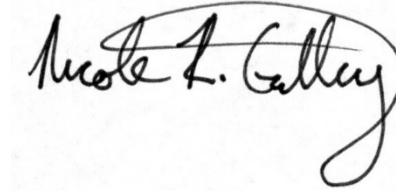
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Adair County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping 'y' at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
Audit Manager:	Todd M. Schuler, CPA Lori Melton, M.Acct., CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Philip V. Osadchuk, MAcc Hunter O'Donnell, M.Acct. Charles J. Miller

Adair County Management Advisory Report State Auditor's Findings

1. Inmate Account Liabilities

The Sheriff's office does not prepare a monthly list of liabilities for the inmate account, and consequently, liabilities are not reconciled to the account's reconciled bank balance. Upon our request, office personnel generated a list of inmate balances totaling \$2,996 as of June 30, 2018. The reconciled bank balance at June 30, 2018 was \$21,375. The Sheriff distributed commissary net proceeds of \$11,500 and paid the commissary vendor \$2,300 in July 2018. The remaining \$7,575 exceeded the identified liabilities (inmate balances) by \$4,579. The Deputy Administrator indicated this balance represents commissary net proceeds and amounts due to the commissary vendor; however, no records were available to support these amounts.

Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained.

Recommendation

The Sheriff prepare a monthly list of liabilities for the inmate account and reconcile it to the reconciled bank balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.

Auditee's Response

The inmate bank account is reconciled on a monthly basis and checks are issued to the appropriate vendors, i.e., Swanson Services Corporation and Tele-Connect Inc. The remaining cash balance either belongs to retained earnings (which is transferred to the Adair County Treasurer on a quarterly basis), Swanson Services Corporation for money still owed for commodities purchased (money in "transit" via invoices), or the inmates themselves in their commissary account, for both commissary and phone purchases--\$4,579. Additionally, the retained earnings account is NEVER completely taken to \$0 to ensure funds are available in an emergency.

The Cobra Banker software is proprietary software owned by Swanson Services Corporation and Trinity Services Group. The Finance Coordinator has access to various types of pre-defined reports with very limited capability to manipulate these reports. Several different reports were produced and provided to the audit staff, even after they had departed. The information requested was also discussed with the representatives of Trinity Services Group. In the future, the Finance Coordinator will reconcile the account's Ledger Balance Sheet—Date Specific to the ending balance of the Midwest Bank statement as agreed to in the audit exit conference.



2. County Procedures

Procedures for monitoring fuel use and reporting commissions paid need improvement.

2.1 Fuel use

The county does not reconcile Road and Bridge department fuel use to fuel purchases. During the year ended December 31, 2017, fuel purchases totaled approximately \$157,000 for the Road and Bridge department.

Fuel purchased by the Road and Bridge department is stored in bulk fuel tanks. Eight of the 12 county bulk fuel tanks are not equipped with fuel meters. Without fuel meters, the amount of fuel dispensed cannot be determined, thus fuel pumped from the tanks is not accounted for properly or monitored by county officials.

In addition, the Road and Bridge department does not use available records to reconcile fuel use with fuel purchases. Even though 4 of the 12 tanks are metered, department personnel do not use fuel pumped information available to reconcile with fuel purchases. Also, the department does not maintain mileage logs for applicable vehicles and equipment.

Procedures for reconciling fuel use to fuel purchases as well as maintaining fuel use and mileage logs are necessary to ensure vehicles and equipment are properly utilized; prevent paying vendors for improper amounts; and decrease the risk of loss, theft, or misuse of fuel occurring and going undetected.

2.2 County Collector's city commissions

The county did not report the amount of city commissions paid to the County Collector or subject the payments to payroll tax withholdings as required. During the year ended December 31, 2017, the county paid the County Collector \$21,956 in city property tax commissions without reporting this amount on her W-2 form or withholding payroll taxes.

The county's current practice of handling city commissions in this manner is in violation of a strict interpretation of payroll tax regulations. The county is at risk of incurring additional payroll liabilities plus interest and penalties by utilizing the current practice. IRS regulations require all compensation paid to employees be subject to payroll tax and reported on W-2 forms. In addition, the County Commission and County Collector should consider these additional costs to the county and reevaluate the existing city tax collection contracts.

Recommendations

The County Commission:

- 2.1 Require fuel meters on all bulk fuel tanks and fuel and mileage logs to be maintained, and ensure logs are reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be promptly investigated.



Adair County
Management Advisory Report - State Auditor's Findings

- 2.2 Ensure commissions paid to the County Collector are subject to payroll taxes and properly reported on W-2 forms. The County Commission and County Collector should consider these additional costs and reevaluate the existing city tax collection contracts.

Auditee's Response

- 2.1 *The Road and Bridge supervisor monitors fuel use via electronic fuel tracking on the machines. He does this on a monthly basis. Bulk fuel purchases are recorded in the computer and have paper copies for every purchase and he can go through the logs for the last 4 years. We estimate the cost to upgrade all fuel tanks at approximately \$15,000. We believe this to be cost prohibitive to replace all at this time. We will purchase tanks in the future with fuel gauges as they are replaced due to failure.*

- 2.2 *The County Commission provided the following response:*

The County Collector is a contractor for the City of Kirksville. Therefore, the City of Kirksville should be providing a 1099 to the Collector. Putting this wage through the county payroll would cost Adair County funds to be used to pay monies the City of Kirksville should be responsible for based on their contract.

The County Collector provided the following response:

The contract language allows for the County Collector to charge and collect the additional 1.5 percent commission. The County Collector reports to the County Clerk the amount of Commission received on the annual report of County officials compensation form. The Collector also reports the amount collected to her personal accountant. I will consider the recommendation of implementing 1099 forms.

Adair County

Organization and Statistical Information

Adair County is a county-organized, third-class county. The county seat is Kirksville.

Adair 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 62 full-time employees and 16 part-time employees on December 31, 2017.

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	2018	2017
Stan Pickens, Presiding Commissioner	\$	37,051
William J. King, Associate Commissioner		34,745
Mark Thompson, Associate Commissioner		34,745
Pat Shoush, Recorder of Deeds		51,593
Sandra Collop, County Clerk		51,593
Matt Wilson, Prosecuting Attorney		137,745
Robert T. Hardwick, Sheriff		57,348
Lori J. Smith, County Treasurer		51,593
Brian C. Noe, County Coroner		18,295
Rhonda Noe, Public Administrator		51,593
Sonja Harden, County Collector (1), year ended February 28,	64,769	
Donnie Waybill, County Assessor, year ended August 31,		48,252
David W. Borden, County Surveyor (2)		

(1) Includes \$21,677 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.