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Missouri State Auditor

Montgomery County



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Office of
Missouri State Auditor
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The following findings were included in our audit report on Montgomery County.

The county does not have a written policy and effective monitoring procedures regarding vehicle usage. In addition, revenue received by the road and bridge department was not turned over to the county in a timely manner. Some county employees are provided meals at no cost from the jail. The County Clerk does not maintain centralized leave records for county employees or receive time sheets from the Sheriff's department. During the years ended December 31, 2007 and 2006, the county made administrative transfers of \$5,000 each year from the Emergency Management Fund to the General Revenue Fund without statutory or contractual authority.

County property records and physical inventory procedures for capital assets are not adequate.

The Prosecuting Attorney policies and procedures related to bank reconciliations, receipts, deposits, disbursement of restitution monies, and outstanding checks are in need of improvement.

Open items listings are not prepared for the Sheriff's accounts and both accounts contain unidentified monies. Procedures for outstanding checks of the inmate account are not adequate.

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YELLOW SHEET

MONTGOMERY COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Montgomery County

We have audited certain operations of Montgomery County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, have been engaged to audit the financial statements of Montgomery County for the two years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the two years ended December 31, 2007. The objectives of our audit were to:

1. Determine if the county has adequate internal controls over significant management and financial functions.
2. Determine if the county has complied with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.
4. Determine the extent to which recommendations included in our prior audit report were implemented.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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, 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 History, 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.

The accompanying Management Advisory Report presents our findings arising from our audit of Montgomery County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MONTGOMERY COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Policies and Expenditures
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Controls over the road and bridge department are in need of improvement. Some county employees are provided meals at no cost from the jail. Concerns were noted over time sheets and leave records. In addition, an administrative transfer was made without statutory authority.

- A. The county does not have a written policy and effective monitoring procedures regarding vehicle usage.
 - 1. Numerous road and bridge vehicles are owned and approximately \$130,000 was spent on fuel for each of the two years ended December 31, 2007 and 2006. The county does not have a formal written policy on the proper use of vehicles and vehicle usage logs are not maintained.
 - 2. The road and bridge department supervisor is allowed to use a county vehicle to commute to and from work. The County Commission indicated this is necessary because the employee is on-call 24 hours a day. However, the county does not have a written policy addressing the use of vehicles for commuting purposes. In addition, vehicle logs were not maintained and the amount of personal (commuting) mileage is not included on the employee W-2 form as a fringe benefit.

Without adequate vehicle usage logs, the county cannot effectively monitor the use of vehicles or determine that maintenance and fuel costs for vehicles are reasonable and represent legitimate and appropriate expenses.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used in compliance with county policies and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

The Internal Revenue Service (IRS) reporting guidelines provide that personal commuting mileage is a reportable fringe benefit. The county may be subject to penalties and/or fines for failure to report all taxable benefits. A formal written county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

- B. On March 27, 2008, the road and bridge department sold scrap metal for \$897 to a salvage yard without the approval of the County Commission. The revenue from this sale was not turned over to the county in a timely manner. Around April 10, 2008, when the County Commission became aware the metal was sold, they inquired as to why the money had not been turned over to the county. The money was turned over to the county on April 14, 2008, by the road and bridge supervisor who also resigned. The situation is being investigated by the Missouri State Highway Patrol (MSHP).

To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, all monies should be transmitted to the county intact on a timely basis.

- C. Employees of the Sheriff's department and another county employee are being provided meals at no cost from the jail. The Jailer indicated that employees who are on duty at the jail during meal times are provided meals. He estimated the number of meals to be around 10 per day; however, documentation of the number of meals provided to employees is not maintained. The cost per meal ranges from \$1.39 to \$2.30 depending on the number of meals served. The food service agreement does not address providing meals to county employees and the number of meals provided to employees is not documented. The county's personnel policy does not address whether employees are to be provided meals from the jail. A written policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.
- D. The County Clerk does not maintain centralized leave records for county employees or receive time sheets from the Sheriff's department.
1. The County Clerk maintains records of vacation and sick leave earned, taken or accumulated for the road and bridge department only. Each individual office is responsible for maintaining these records. In addition, during 2007, vacation leave balances were not adequately reviewed as six road and bridge employees had vacation leave balances over the one year maximum accrual established in the county's policy manual.
 2. The County Clerk does not receive time sheets for employees of the Sheriff's department. Instead, the Sheriff's department sends a letter to the County Clerk indicating the amount each employee is to be paid. One instance was noted where the amount paid for overtime did not agree to the overtime amount recorded on the time sheet. The employee said he had forgotten to update his time sheet for compensatory time used which would have reduced the overtime amount paid during the pay period.

Centralized records are needed to ensure payroll amounts are correct, policies are being uniformly followed, employees vacation and sick leave records are accurate, potential leave liabilities are being monitored, all employees are treated equitably, and leave time used does not exceed leave time earned and

accumulated. In addition, such records also aid in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act.

- E. During the years ended December 31, 2007 and 2006, the county made administrative transfers of \$5,000 each year from the Emergency Management Fund to the General Revenue Fund without statutory or contractual authority. The county had no documentation to support how the administrative transfer was determined or what expenses were incurred that needed to be reimbursed. The Emergency Management Fund receives \$43,000 from Ameren each year to maintain their Local Radiological Emergency Response Plan. According to the County Commission, Ameren is aware of the transfer, but it is not specifically authorized in the contract. By transferring monies to the General Revenue Fund without supporting documentation, the county cannot ensure compliance with the agreement to only spend the money on their Local Radiological Emergency Response Plan.

Section 50.515, RSMo, allows administrative transfers from certain county funds to the General Revenue Fund to reimburse for actual administrative expenses incurred. However, the Emergency Management Fund is not one of the allowed funds per this statute. To ensure administrative transfers are in accordance with state law, this transfer should be discontinued.

Similar conditions to A and C were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Adopt a written policy regarding proper and allowable use of county vehicles. Usage logs should be maintained on all road and bridge vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, the County Commission should ensure compliance with IRS reporting requirements related to personal commuting mileage.
- B. Ensure monies are transmitted from the road and bridge department to the county in a timely manner.
- C. Establish a written policy regarding providing meals from the jail to county employees.
- D. Ensure centralized time sheets and leave records are maintained for all employees. In addition, leave balances should be periodically reviewed to ensure employees do not accumulate or use more leave time than is allowed by county policy.
- E. Discontinue the administrative transfer from the Emergency Management Fund to the General Revenue Fund.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will consider adopting a policy for proper and allowable use of county vehicles. We will consider putting usage logs in vehicles to keep track of mileage and fuel. We feel our current procedures are sufficient for our dump trucks as we have GPS tracking and other information so that we feel dump trucks are properly used. We will review the IRS guidelines for the road and bridge department supervisor's vehicle to see if any changes need to be made.*
- B. *It is our policy for any monies received to be turned over timely. This did not occur in this situation. When the matter was brought to our attention, we took steps to ensure the monies were turned over and notified the MSHP. This matter is still under investigation by the MSHP. We will continue to do what we can to ensure monies are turned over in accordance with our policy.*
- C. *We will review the Sheriff's department policy regarding this to see if a change in our policy is needed. The other employee is no longer receiving lunches.*
- D. *The County Clerk will review procedures and develop a system to ensure leave records are maintained for all employees and to ensure time sheets are obtained. We will make sure the policies regarding leave balances are followed. We will reiterate to the employees that leave needs to be used or will be lost.*
- E. *We anticipate incorporating this transfer into our contract with Ameren to allow us to continue making this transfer.*

2.

Capital Assets

The County Commission or its designee is responsible for maintaining a complete and detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. While the County Clerk maintains a computerized inventory listing of capital assets held by county officials, the capital asset listings have not been updated, nor has a physical inventory been completed since the summer of 2004. Additionally, the capital asset records were not updated to reflect changes that were discovered during the physical inventory. The county has not developed a policy to define who is responsible for inventory records, the procedures to be followed, and the content of the records. Our review found at least \$84,600 of capital assets (voting equipment, vehicles, computer equipment, etc.) purchased during the two years ended December 31, 2007, that were not added to the capital asset listing. In addition, property records do not always include the necessary information for some assets, such as the date and method of disposal, and property items were not always properly numbered, tagged, or otherwise identified. Also, although records show assets were disposed of through

surplus auctions, written authorization from the County Commission was not obtained for these dispositions.

Adequate capital assets records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. In addition, property control tags should be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county. Also, written authorizations from the County Commission should be obtained for dispositions.

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions. In addition, property control tags should be affixed and written authorization should be obtained from the County Commission for the disposition of assets.

AUDITEE'S RESPONSE

The County Commission indicated we will try to do a better job of getting all assets recorded on the capital asset listing by following the suggestions indicated. We will document approval of capital asset dispositions. For the voting equipment, a list was provided to the Secretary of State's office, but these assets were not added to the capital asset listing and these items were not tagged as county property.

3. Prosecuting Attorney's Accounting Controls and Procedures

Policies and procedures related to bank reconciliations, receipts, deposits, disbursement of restitution monies, and outstanding checks are in need of improvement. The Prosecuting Attorney's office deposits approximately \$33,000 annually in fees and restitution payments. However, the amount of restitution payments received and forwarded to victims instead of being deposited is not known as a listing of these monies received is not maintained.

- A. Formal bank reconciliations are not performed monthly for the bank account maintained. In addition, no outstanding check list or book balance is maintained. As a result, there was no information available to perform a bank reconciliation which could then be used to reconcile to a monthly listing of liabilities. As of December 31, 2007, the bank account balance was \$1,055. At our request, the Prosecuting Attorney attempted to perform a bank reconciliation for February 2008. As part of this process, a listing of all checks issued since January 1, 2005, was prepared to determine which checks had cleared the bank and which checks were still outstanding. This review determined that outstanding checks totaled \$1,228 as of December 31, 2007, indicating a shortage of \$173 in the account.

Also, monthly open items (liabilities) listings are not prepared and reconciled to the cash balance. Preparing an open items listing is necessary to ensure records are in balance and that sufficient cash is available to pay all liabilities.

Adequate reconciliations between liabilities and reconciled cash balances are necessary to ensure the cash balance is properly identified and monies are sufficient to meet liabilities. Without these reconciliations, the Prosecuting Attorney has no assurance that all transactions have been properly recorded in the bank account. To provide this assurance, a book balance should be maintained and reconciled to the bank balance each month. In addition, a listing of open items should be prepared and reconciled to the reconciled bank balance.

- B. The following concerns were noted regarding receipting procedures:
1. Receipt slips do not consistently agree to monies received. Bad check payors are instructed to submit two money orders to the Prosecuting Attorney, one for restitution to the victim and a second for fees due to the county. We noted that some receipt slips were written for the total received, some for only the county fees received, and some for only the restitution received. Additionally, we noted some instances in which two receipt slips were issued, one for county fees and one for restitution. Because of these discrepancies in recording, collections per the receipt slip books do not match the amount deposited by the Prosecuting Attorney.
 2. A March 13, 2008, cash count determined that some monies are not receipted. A check on hand at the time of the cash count from the Circuit Court was not receipted. The bad check clerk indicated that procedures are to not receipt monies received from the courts and to receipt only monies received from private parties.

3. Receipt slips do not always indicate the method of payment. While the predominant method of payment received are money orders, cash and checks are occasionally received.
4. Receipt slips were not issued in sequential order. While reviewing receipt slips issued from July 27 through October 2, 2006, two receipt slips in this sequence were actually issued in January and February of 2007.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued in sequential order for all monies received immediately upon receipt. The receipt slips should indicate the method of payment, the receipt slip numbers should be accounted for, and the composition of receipts should be reconciled to the composition of bank deposits.

- C. Receipts are not deposited intact on a timely basis. The bad check clerk indicated that currently deposits are made monthly. A cash count performed on March 13, 2008, included twelve payments dating back to March 3 totaling \$619. However, a deposit on September 22, 2006, included \$940 in receipts dated from July 10 to September 1, 2006. The next deposit, on October 20, 2006, included \$2,755 of receipts dated from August 3 to September 28, 2006, indicating that some funds received in August and September were not deposited intact.

To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, all monies should be deposited intact on a timely basis.

- D. Money orders received for repayment of bad checks are not deposited but instead are forwarded directly to the victim and documentation is not obtained from the merchant to ensure payments are received.

Good internal control procedures require that all receipts be deposited to an official account and distributed through issuance of a check; and that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order. Failure to do so increases the risk that loss or misuse of funds will not be detected on a timely basis.

- E. Procedures have not been established to resolve old outstanding checks. The listing of outstanding checks prepared at our request indicated fourteen checks were outstanding as of December 31, 2007, and totaled \$1,228. Four of these checks, totaling \$545, were issued in 2006.

Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure bank reconciliations, outstanding check listings, and open items listings are prepared monthly and reconcile the open items listing to the reconciled bank balance. Any differences should be investigated and resolved. In addition, a book balance should be maintained for the bank account.
- B. Require that receipt slips be issued for all monies received. The receipt slips should indicate the method of payment and the total amount of monies received. In addition, receipt slips should be issued in sequential order.
- C. Ensure all receipts are deposited intact on a timely basis.
- D. Deposit all receipts to the bank account and distribute monies by issuing a check. If money orders are turned over directly to victims, documentation should be obtained.
- E. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

AUDITEE'S RESPONSE

The Montgomery County Prosecuting Attorney resigned on April 30, 2008. Since then, the Prosecuting Attorney for Warren County and the Prosecuting Attorney for Audrain County are serving as interim Prosecuting Attorneys for Montgomery County. The interim Prosecuting Attorney from Warren County provided the following responses.

Since I am an interim Prosecuting Attorney, I will suggest the following to the office staff but leave the ultimate decisions up to whoever is appointed the Prosecuting Attorney for Montgomery County.

- A. *I will suggest that bank reconciliations, outstanding check listings, and open items listing be prepared monthly and open items be reconciled monthly. I will suggest differences are investigated and a book balance be maintained.*
- B. *I will suggest that receipt slips be issued for all monies received and the method of payment and the total amount received should be indicated on receipt slips.*
- C. *I will suggest that deposits are made at least weekly.*
- D. *The Prosecuting Attorney's office has indicated they anticipate going with CARPEL (case management system) in October 2008 which contains a restitution/bad check program. When this system is obtained, the system will be reviewed and if the system allows, I will suggest that all receipts are deposited and then distributed by check. If*

money orders are forwarded I will suggest that documentation be obtained to show the money order has been forwarded.

- E. *I will suggest that outstanding checks are investigated after six months and reissued if payees can be located. If the payee can not be located, monies will be distributed in accordance with state law.*

4. Sheriff's Accounting Controls and Procedures
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Open item listings are not prepared for the Sheriff's accounts and both accounts contain unidentified monies. Procedures for outstanding checks of the inmate account are not adequate.

A fee account is maintained for the receipt of monies from bonds, gun permits, garnishments, civil and criminal paper, and inmate phone commissions. The Sheriff's department received approximately \$318,000 and \$297,000, during the years ended December 31, 2007 and 2006, respectively.

An inmate account is also maintained for amounts collected from inmates at the time of their arrest and any additional funds received by the inmates, and held in trust until their release. Inmates may use these monies for purchases from the jail commissary. The Sheriff's department received monies totaling approximately \$102,000 and \$114,000, during the years ended December 31, 2007 and 2006, respectively.

A.1. Monthly open items (liabilities) listings are not prepared and reconciled to cash balances for the fee account. The reconciled cash balance as of December 31, 2007 was \$10,995. Fees totaling \$6,429 were turned over to the County Treasurer in January 2008, leaving a \$4,566 difference of unknown open items. The Sheriff's bookkeeper indicated the only open items in the account should be garnishments that have been collected but not turned over to the applicable party. An open items listing including garnishments prepared by the Sheriff's department, for March 6, 2008, indicated unknown open items of approximately \$1,800.

2. Monthly open items (liabilities) listings are not prepared and reconciled to cash balances for the inmate account. On March 26, 2008, upon our request, the Jail Bookkeeper prepared from the jail computer program an open items listing totaling \$2,497 due to inmates. The book balance of the inmate account on that date totaled \$2,667, indicating unknown open items of approximately \$170.

A listing of liabilities should be prepared and reconciled to the cash balance on a monthly basis to ensure accounting records are in balance and all monies in the account are properly identified. Differences between the open items listings and cash balances should be investigated and resolved.

- B. The outstanding check listing prepared is not adequate and procedures have not been established to resolve old outstanding checks from the Sheriff's inmate account. Upon our request, the Sheriff's bookkeeper provided a listing of checks, including some written in 2004, believed to be outstanding. She stated the list totals \$3,927; however, we were not able to find this total on the listing or verify the total from the list, due to the lack of adequate detail.

A number of outstanding checks may belong to illegal immigrants who have been deported by the Immigration and Naturalization Service (INS). INS has notified the Sheriff that outstanding checks reverting to unclaimed property from these individuals should be turned over to INS.

An outstanding check listing needs to be prepared monthly and included as part of the bank reconciliation to document the outstanding checks at the time of the reconciliation. In addition, old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law and/or INS directives.

A condition similar to A was also noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Prepare an open items listing on a monthly basis and reconcile it to the cash control record and to the reconciled cash balance.
- B. Prepare a monthly listing of outstanding checks and include the listing with the bank reconciliation. In addition, the Sheriff should establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law and/or INS directives.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *We agree and are working on implementing this recommendation. Any amounts that can not be identified after approximately six months will be turned over in accordance with state law.*
- B. *We are in the process of implementing these recommendations. Some monies have already been turned over to the INS and we will continue to work on investigating old outstanding checks and reissue the checks or turn the checks over in accordance with state law.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

MONTGOMERY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Montgomery County on findings in the Management Advisory Report (MAR) of our audit report issued for the 2 years ended December 31, 2003.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Overspending Budgets

Actual expenditures were in excess of approved budgeted expenditures for several funds. In addition, unbudgeted transfers were identified and some expenditures were not properly classified in the budget to actual reports.

Recommendation:

The County Commission, County Clerk, and Associate Circuit Court ensure all expenditures are appropriately classified in the budgets and refrain from authorizing disbursements in excess of budgeted amounts. If the county receives additional funds, which could not be estimated when the budget was adopted, the county should amend its budget by following the procedures required by Section 50.622, RSMo.

Status:

Partially implemented. Only three small funds had disbursements in excess of budgeted amounts and expenditures were properly classified. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Expenditures

- A. The road and bridge department did not maintain vehicle logs and the Sheriff's department daily activity reports did not indicate the operation and maintenance costs of the patrol cars.
- B. Some fuel charge tickets were not located to support monthly fuel invoices.
- C. A road and bridge employee was allowed to use a county vehicle to commute between home and work. Records of mileage incurred were not maintained and this mileage was not included as a fringe benefit.
- D. Employees of the Sheriff's department were provided meals at no cost from the jail while on duty; however, documentation of the number of meals provided to employees was not maintained. In addition, other county employees could

purchase meals from the jail for less than our calculated meal cost. The county's personnel policy did not address these issues.

Recommendations:

The County Commission:

- A. Require the road and bridge and Sheriff's departments to maintain usage logs on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, fuel usage should be compared to the number of miles driven to evaluate reasonableness and the fuel efficiency of the county's vehicles, and should be reconciled to fuel purchases.
- B. Ensure adequate documentation is maintained to support invoices paid.
- C. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.
- D. Consult with the Sheriff and determine whether Sheriff's department employees should be provided meals at county expense and if necessary, update the county personnel policy. In addition, the County Commission should periodically determine the cost of providing meals and adjust the amount charged to county employees accordingly.

Status:

- A. Partially implemented. Vehicle logs are maintained by the Sheriff's department. However, the road and bridge department does not maintain vehicle logs. See MAR finding number 1.
- B. Implemented.
- C&D. Not implemented. See MAR finding number 1.

3. Banking Practices

The county had not established procedures to maximize interest earnings and had not entered into written agreements with some of its depository banks. Monies in numerous accounts were located in six different banks throughout the county.

Recommendation:

The County Commission establish procedures to maximize interest earnings whenever possible. In addition, the County Commission, along with the County Treasurer, should reduce the number of bank accounts maintained to as few as needed to efficiently account

for the county's monies. Also, the County Commission should enter into written agreements with its depository banks.

Status:

Partially implemented. Although the number of banking institutions and accounts has been reduced and steps have been taken to maximize interest earnings, bids have not been solicited for and formal depository agreements have not been entered into with banking institutions. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Public Administrator's Salary

The Public Administrator received a salary of 90 percent of the amount set forth in statute, to correspond with the salaries paid to other county officials. There was no documentation from legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum.

Recommendation:

The County Commission consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

Status:

The Public Administrator's salary is now 100 percent of the amount set forth in statute.

5. Fixed Asset Procedures and Controls

Fixed asset records have not been updated and a physical inventory of assets had not been completed since December 1997. A policy had not been developed to define who is responsible for inventory records, the procedures to be followed, and the content of the records. Purchased items, totaling approximately \$471,400, were not recorded and were not tagged as county property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Not implemented. See MAR finding number 2.

6. Apportionment of Railroad and Utility Taxes

Errors were made when calculating railroad and utility taxes distributed to various school districts resulting in incorrect payments to the various school districts.

Recommendation:

The County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these errors.

Status:

Implemented. The County Clerk sent letters to the overpaid school districts requesting repayment along with a copy of the computations showing the overpayment made. The overpayment was returned by the school districts, received by the County Treasurer, and redistributed to the underpaid school districts.

7. Associate Circuit/Probate Division's Controls and Procedures

A. Accounting duties were not adequately segregated. Two individuals were primarily responsible for receiving, disbursing and depositing monies, preparing banks reconciliations, and maintaining accounting records. There were no documented reviews of the accounting records performed by the Associate Circuit/Probate Division Judge.

B. Receipts were not deposited timely as deposits were made approximately once per week.

Recommendations:

The Associate Circuit/Probate Division:

A. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.

B. Ensure that deposits are made intact daily or when accumulated receipts exceed \$100.

Status:

Implemented.

8. Sheriff's Fee Account Controls and Procedures

A. An open items listing was not maintained to ensure that all monies were properly identified and reconciled to the cash balance on a monthly basis.

- B. The Sheriff's department paid approximately \$2,000 of state prisoner mileage reimbursement money to deputies for transporting prisoners using a county-owned vehicle on county time. Because the county paid all costs related to transporting prisoners, any reimbursement received from the state should have been deposited into the county treasury.

Recommendations:

The Sheriff:

- A. Prepare an open items listing on a monthly basis and reconcile it to the cash control record and to the reconciled cash balance.
- B. Ensure that officers are not receiving reimbursement for mileage when county vehicles are used to transport prisoners. In addition, ensure all reimbursements relating to transporting prisoners are remitted to the County Treasurer. Any disbursements to Sheriff employees should be paid through the normal county expenditure process, which requires the approval of the County Commission. These disbursements should be limited to actual and necessary expenses incurred.

Status:

- A. Not implemented. See MAR finding number 4.
- B. Implemented.

9. Sheriff's Inmate and Commissary Controls and Procedures

- A. Receipt slips were not issued immediately upon the receipt of inmate monies. Receipt slips were not issued for some inmate monies and some receipts were not properly recorded in the accounting records.
- B. Receipts were not deposited timely. For the months reviewed, deposits ranged from four to seven times per month.
- C. Inmate signatures were not always obtained for cash distributions made to them from their accounts.
- D. The total cash balance for all inmates was not reconciled to the bank balance.
- E. The Sheriff's department did not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances.

Recommendations:

The Sheriff:

- A. Issue prenumbered receipt slips for all inmate monies immediately upon receipt and account for their numerical sequence. Record all transactions to accounting records as they occur.
- B. Ensure deposits are made intact daily or when accumulated receipts exceed \$100.
- C. Obtain inmate signatures on the individual ledger pages for all distributions.
- D. Reconcile the individual inmate balances to the bank balance monthly.
- E. Ensure perpetual inventory records are maintained and periodically reconciled to a physical inventory.

Status:

- A. Partially implemented. Receipt slips are not issued immediately, but rather the following day. Transactions are posted to the records when the prior day's transactions are processed each morning. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.
- C. Partially implemented. Inmate signatures were obtained when the balance was refunded; however, the inmate's signature was not obtained in cases where the remaining balance is small and transferred to another inmate. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Partially implemented. Although performed, there is a unidentified difference. See MAR finding number 4.
- E. Not implemented. Although the commissary inventory is the property of the Reserve Deputies Association and not the county, the use of county resources (storage space and employee time to process orders) suggests a minimal level of controls be implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

10. Health Center

- A. Actual expenditures were in excess of approved budgeted expenditures.
- B. The Health Center Board did not have formal depository contracts with its depository banks.

- C. Additions of fixed assets were not always recorded to the fixed asset listing as they occurred, property tags were not always affixed to assets when acquired, and property leased by the health center were not maintained on the fixed asset listing.
- D. The annual published financial statements did not include the appropriate level of detail as required by statute.

Recommendations:

The Health Center Board:

- A. Not authorize expenditures in excess of budgeted amounts and take appropriate action when it appears budgets are going to be exceeded. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.
- B. Enter into written depository agreements with all depository banks.
- C. Record all additions of general fixed assets as they occur and affix property tags to assets at the time of purchase.
- D. Publish annual information for the Health Center Fund in accordance with state law.

Status:

The Health Center was not included in the scope of the current Montgomery County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

MONTGOMERY COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Montgomery County is a county-organized, third-class county and is part of the Twelfth Judicial Circuit. The county seat is Montgomery City.

Montgomery 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 judicial courts, 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's population was 12,136 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 119,266,430
Personal property	32,899,824
Railroad and utilities	30,087,139
Total	<u>\$ 182,213,393</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Montgomery County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
General	.0050	2013	None	
Capital Improvements	.0050	2014	None	
Dispatching	.0025	None	None	

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

Officeholder	2008	2007
County-Paid Officials:	\$	
Charles W. Korman, Presiding Commissioner		29,060
Rich Daniels, Associate Commissioner		26,400
John W. Noltensmeyer, Associate Commissioner		26,400
Sheila See, Recorder of Deeds		41,000
Pamela A. Cartee, County Clerk		41,000

James A. Whiteside, Prosecuting Attorney	49,000
Robert (Bob) Davis, Sheriff	44,000
Donna Huenefeld, County Treasurer	41,000
David Colbert, County Coroner	12,000
Ann Scarlet, Public Administrator	25,000
Anita L. Sullivan, County Collector , year ended February 29,	41,000
Jerome P. Overkamp, County Assessor (1), year ended August 31,	41,355
Bart Korman, County Surveyor (2)	0

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Patricia Bufka, Circuit Clerk	51,197
Kelly C. Broniec, Associate Circuit Judge	101,090

The county entered into a lease agreement with the Montgomery County, Missouri Public Facilities Authority, a not-for-profit corporation on August 1, 1994. The terms of the agreement called for the corporation to issue bonds to be used to construct the Montgomery County Jail and for the bank to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund from sales tax revenues. The term bonds portion of the original issue was refinanced in June 1998. The bonds are scheduled to be paid off in 2015. The remaining principal and interest due on the bonds at December 31, 2007 was \$2,602,443.

The county entered into a lease agreement with Firstar Bank to lease purchase the Courthouse Annex Building on July 17, 2000. The terms of the agreement called for the bank to purchase the building and the bank to lease the building back to the county for payments totaling the principal and interest on the purchase price of the building. Payments are made from the Capital Improvements Fund from sales tax revenues. The lease purchase is scheduled to be paid off in 2009. The remaining principal and interest due on the lease-purchase agreement at December 31, 2007 was \$59,799.