



Susan Montee, CPA
Missouri State Auditor

Bollinger County



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Office of
Missouri State Auditor
Susan Montee, CPA

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The following findings were included in our audit report on Bollinger County:

The General Revenue Fund remains in weak financial condition. The cash balance of the General Revenue Fund at December 31, 2007, was \$56,818. To improve the financial situation, the county voters approved a new general purpose sales tax without a roll back provision; however, the legality of this sales tax is questionable.

The county voters have authorized under Section 67.547, RSMo, three separate sales tax levies totaling 1 1/8 percent, which appear to exceed the allowable statutory maximum. An Attorney General's Opinion states that a county cannot enact a sales tax that exceeds 1/2 percent under this state law. In addition, the county did not rollback the General Revenue property tax rate sufficiently as required by law.

Property tax system procedures and controls are not sufficient. The County Clerk does not maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's annual settlements or adequately review property tax additions and abatements.

The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to cash balances. A comparison of the February 28, 2008, reconciled bank balance to a listing of identified liabilities showed an unidentified balance of approximately \$10,900 in the County Collector's account. The annual settlements filed for the years ended February 28, 2008 and 2007, contained errors in amounts reported, which resulted in the amount reported as distributions exceeding collections. In addition, the 2008 and 2007 settlements showed tax book differences of \$2,057 and \$102,356, respectively. The County Collector was not aware that a school district in the county qualified for Proposition C withholdings and did not perform the necessary calculations. As a result, the county's Assessment Fund and General Revenue Fund received less withholdings and commissions than allowed.

Centralized records of time sheets and vacation leave, sick leave, and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. Time sheets are not prepared by some employees and some time sheets are not signed by a supervisor. The county has not established a written policy allowing the use of county vehicles for commuting purposes and requiring detailed logs which distinguish between business and personal usage. The Road and Bridge Supervisor uses a county vehicle for commuting and this benefit is not reported on his W-2 form. In addition, payments to sheriff's deputies serving as guards are not processed through the county's payroll system.

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YELLOW SHEET

The county did not solicit bids or perform other price comparison procedures for some purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts or inquiries) or reasons to support sole source purchase determinations.

Archive Board minutes document motions made, but do not record who made or seconded the motion or votes taken. In addition, the board minutes are not signed by the Board Secretary or the Board President to attest to the completeness and accuracy. As a result of poor controls over receipts, the Archive Board did not realize that \$203 in receipts were missing. Prenumbered receipt slips are not issued nor are monies consistently recorded on the ledger, the method of payment is not indicated on the ledger, and the composition of receipts is not reconciled to the composition of deposits and transmittals. Some monies received are not deposited intact or in a timely manner. In addition, some monies received are withheld from deposits to make purchases. Bank reconciliations are not performed and bank statements for December 2007 and December 2006 could not be located. In addition, the Archive Board's check register does not contain the necessary information, such as check numbers, to reconcile the bank account. The Archive Board does not maintain supporting documentation for some disbursements.

Also included in the report are recommendations related to written contracts, fuel and vehicle controls and procedures, and the Prosecuting Attorney's and Senate Bill 40's accounting controls and procedures.

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BOLLINGER COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bollinger County

We have audited certain operations of Bollinger County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Charles Buchanan, CPA, PC, Certified Public Accountants, has been engaged to audit the financial statements of Bollinger County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 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, 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 Bollinger County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Debra S. Lewis, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

BOLLINGER COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County's Financial Condition and Sales Tax

The General Revenue Fund remains in weak financial condition. In addition, the county has authorized sales tax rates which exceed the maximum allowable and has not sufficiently reduced its general revenue property tax levy for the sales taxes with rollback requirements.

A. As noted in our prior reports, Bollinger County's General Revenue Fund is in weak financial condition. The following chart shows receipts, disbursements, and cash balances for the 2 years ended December 31, 2007:

Cash Balance, January 1, 2005	\$ 18,259
Receipts	1,420,914
Disbursements	<u>(1,417,463)</u>
Cash Balance, December 31, 2006	21,710
Receipts	1,389,544
Disbursements	<u>(1,354,436)</u>
Cash Balance, December 31, 2007	\$ <u><u>56,818</u></u>

The county has made some improvement; however, part of this improvement was due to authorizing a sales tax levy for general purposes that may not be allowable (see part B below) and not sufficiently rolling back the property tax levy in 2007 (see part C below). In April 2007, the citizens approved a new sales tax under Section 67.547, RSMo, which does not require a roll back of property taxes and should increase receipts of the county; however, the legality of this sales tax is still questionable (see part B below). The 2008 budget reflects an estimated ending cash balance of \$55,151.

The County Commission should closely monitor the financial condition of the General Revenue Fund by reviewing disbursements and reducing discretionary amounts as much as possible.

A similar condition was noted in our prior reports.

B. The county voters have authorized three separate sales tax levies under Section 67.547, RSMo, and the total sales tax rate imposed under this section appears to exceed the allowable statutory maximum.

- In April 1989, voters approved a 1/2 percent general sales tax levy. This sales tax does not have a rollback provision. Under this tax, the General Revenue Fund received approximately \$303,000 in 2007.

- In April 2003, voters approved a 1/2 percent sales tax levy for replacing the roof at the courthouse and the sheriff's office, repairing the courthouse, and retiring county debt, with any funds in excess to be used for general purposes. Per the ballot, the county was required to roll back its property tax levy for 50 percent of the sales taxes received. This sales tax levy expired in October 2007. Under this tax, the General Revenue Fund received approximately \$258,000 in 2007.
- In August 2006, voters approved a 1/8 percent sales tax levy for funding senior citizens services. This sales tax does not have a roll back provision. Under this tax, the Senior Citizens Fund received approximately \$64,000 in 2007.
- In April 2007, voters approved a 1/2 percent sales tax levy to replace the sales tax which expired in October 2007. This sales tax does not have a roll back provision. Under this tax, the General Revenue Fund received approximately \$45,000 from October to December of 2007.

Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds 1/2 percent under Section 67.547, RSMo. With the new additional general operations and the senior citizens sales taxes approved under Section 67.547, RSMo, the county is imposing total levies of 1 1/8 percent (5/8 percent above the statutory maximum allowed). The county needs to review the various sales tax levies to determine which are valid. While the County Commission has tried to improve the financial condition of the county by imposing the new sales tax for general operations, it may need to eliminate one or more of these sales tax levies, and consider passing a sales tax levy under another section of law.

- C. The county did not rollback the 2007 General Revenue property tax rate for the additional sales tax as provided in the ballot issue passed in April 2003. In addition, the County Clerk included the voluntary rollback amount, in addition to the sales tax rollback amount, in her rollback calculations for the original general sales tax passed under Section 67.505, RSMo.

The county is required to compute the annual property tax levy to meet the 50 percent rollback requirement, and certify to the State Auditor's Office the annual property tax levy including the amount the levy is required to be rolled back, as well as any voluntary rollback. For 2004 through 2006, the county certified the sales tax reductions and voluntary reductions as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Sales tax reduction	.1352	.2879	.2913	.2074
Voluntary reduction	.0650	0	0	.0339

If the voluntary rollback is included, the county rolled back \$51,943 less than required during the 4 years ended December 31, 2007. However, utilizing only the amounts certified as sales tax reduction, the county rolled back \$120,084 less than required during the 4 years. If the county considers the voluntary reduction to be part of the sales tax reduction calculation, it should be certified as sales tax reduction to the State Auditor's Office to clearly show compliance with state law.

The County Commission was aware the General Revenue property tax levy had not been reduced in 2007 for the additional sales tax; however, the Commission believed the property tax levy had been voluntarily reduced more than required in the year it began and the voluntary reduction would carry forward and cover the excess in 2007.

The county should review its past designations of sales tax rollback and voluntary rollback to determine its position on the purpose of the rollbacks. Although the taxpayers voted to change the additional sales tax in April 2007 to a tax without a rollback provision, the county should continue to rollback its property taxes until this liability is reduced to zero.

WE RECOMMEND the County Commission:

- A. Closely monitor the financial condition of the county and consider various alternatives of increasing receipts and reducing disbursements.
- B. Consult with legal counsel to review the various sales tax levies and determine which are valid and what further steps to take.
- C. Continue to roll back property taxes until the sales tax liability is reduced to zero. In addition, the county should properly distinguish between sales tax and voluntary reductions on certified tax forms to clearly show compliance with state law.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We have been closely monitoring the financial condition of the county for several years and will continue to do so.*
- B. *The citizens voted for and passed this sales tax; therefore, we do not plan to attempt to change it.*
- C. *We will have the County Clerk double check her calculations for this. In addition, we do consider the voluntary rollback amounts to be part of the sales tax reduction calculations and will properly reflect this on the certified forms in the future.*

Property tax system procedures and controls are not sufficient. The County Clerk does not maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's annual settlements or adequately review property tax additions and abatements.

- A. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other record summarizing property tax transactions and changes. In addition, no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected reporting errors in the County Collector's annual settlements (see MAR finding number 4).

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

- B. Controls over property tax additions and abatements are not adequate. Addition and abatement requests are prepared by the Assessor and submitted to the County Collector who posts the changes to the property tax system. The County Collector then prints out the personal property and real estate property tax additions and abatements at the end of the year for the County Commission's review.

No review and approval of change requests and/or court orders submitted by the Assessor and comparisons to changes actually made to the property tax system by the County Collector are performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Section 137.260, RSMo, requires tax books only be changed by the County Clerk under order of the County Commission. Controls should be established requiring the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax system, and to charge these amounts to the County

Collector. Further, court orders should be approved timely by the County Commission for all additions and abatements to the property tax system.

WE RECOMMEND the County Commission:

- A. And the County Clerk monitor property tax system activities and perform a thorough review of the County Collector's settlements. In addition, the County Clerk should maintain a complete and accurate account book with the County Collector.
- B. Develop procedures to ensure changes to the property tax system are properly approved and monitored. In addition, addition and abatement court orders should be reviewed and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will monitor and review the annual settlement more closely in the future.*
- B. *The Assessor will start preparing and making changes to the tax books for additions and abatements with the implementation of the new system in January. In addition, we will approve the additions and abatements on a monthly basis.*

The County Clerk indicated:

- A. *I will work on creating an account book and reviewing the annual settlement in more detail.*

3.

Payroll Records and Procedures

Centralized records of time sheets and vacation leave, sick leave, and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. Time sheets are not prepared by some employees and some time sheets are not signed by a supervisor. The Road and Bridge Supervisor uses a county vehicle for commuting and this benefit is not reported on his W-2 form. In addition, payments to sheriff's deputies serving as guards are not processed through the county's payroll system.

- A. Centralized records of time sheets and vacation leave, sick leave and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. The County Clerk indicated these records are supposed to be maintained by each individual office; however, adequate records are not maintained by some offices and the balances are not reported to the County Clerk. In some offices, the employees maintain their own records and do not report the information to the respective official.

Centralized records are needed to ensure employees are meeting expectations of county employment, policies are uniformly followed, and potential leave and/or compensatory time liabilities are monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act (FLSA).

- B. Supervisory approval is not recorded on some employees' time sheets. In addition, full-time secretaries in the Prosecuting Attorney's Office do not prepare time sheets.

Detailed time sheets, signed by the supervisors, document and support hours actually worked, provide information necessary to monitor overtime worked and leave and compensatory time usage and balances, and are beneficial in demonstrating compliance with county policies and FLSA requirements. Supervisory approval is necessary to ensure time reported was actually worked. Time sheets should be signed by all employees, verified for accuracy, approved and signed by the applicable supervisor, and filed with the County Clerk's office.

- C. The county has not established a written policy allowing the use of county vehicles for commuting purposes and requiring detailed logs which distinguish between business and personal usage. The County Road and Bridge Supervisor is allowed to use a county vehicle to commute to and from work. Per the County Clerk, the Road and Bridge Supervisor is on call 24 hours a day for emergency situations. The amount of personal (commuting) mileage is not reported on the employee's W-2 forms as compensation nor is a detailed log maintained. In addition, the county has not documented an analysis to demonstrate that the commuting policy results in a financial benefit to the county.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. IRS guidelines also require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, 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.

- D. Sheriff's deputies serving as guards in the transportation of prisoners are paid \$25 for trips to Farmington or Cape Girardeau Mental Health Centers and \$50 for trips to the Fulton prison.

These payments are not processed through the county's payroll system. As a result, these payments are not reported on the employee's W-2 form and payroll

deductions are not withheld from the payments. In addition, some of the deputies making these trips are considered off duty, thus these hours are not recorded on their timesheets. The county has not documented why these additional hours would not qualify as overtime hours per the FLSA.

The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on their W-2 form. In addition, to ensure compliance with the FLSA and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process.

Conditions similar to A, B and D were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require centralized payroll records be maintained by the County Clerk's office.
- B. Require all county employees to prepare time sheets. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- C. Develop a comprehensive county vehicle policy which requires vehicle logs be maintained and ensures compliance with IRS reporting requirements related to personal commuting mileage.
- D. And the Sheriff review this situation. Deputies who serve as guards should be paid through normal payroll procedures, all payments should be included on W-2 forms, and all hours worked should be recorded on timesheets.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will check into obtaining a payroll software package that can keep track of leave amounts or updating our current package. If it is affordable, we will implement this recommendation. The Road and Bridge Department has already started keeping better track of leave.*
- B. *We will have the County Clerk send a letter to all offices indicating that employees and supervisors need to sign all time sheets.*
- C. *We will research this matter and start recording the personal miles on his W-2 form if required.*
- D. *We will discuss this with the Sheriff.*

The County Clerk indicated:

- A. *I will send out a letter to each office stating they need to keep track of leave and submit it to my office monthly.*

The Sheriff and Sheriff-Elect indicated:

- D. *We will discontinue paying the \$25 incentive payment.*

4. County Collector Accounting Controls and Procedures

Monthly liability listings are not prepared and reconciled with cash balances. In addition, the County Collector's annual settlements contained errors for the years ended February 28, 2008 and 2007. Concerns were noted with the County Collector's procedures for calculating some withholdings and fees.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2008 and 2007, property taxes and other monies totaling approximately \$4.8 and \$4.6 million, respectively, were collected.

- A. The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to cash balances. A comparison of the February 28, 2008, reconciled bank balance to a listing of identified liabilities showed an unidentified balance of approximately \$10,900 in the County Collector's account. Upon our request, the County Collector investigated the unidentified balance and discovered that approximately \$4,800 of the difference was surplus tax sales monies which had never been turned over to the County Treasurer as required. However, he was unable to identify the remaining unidentified balance. The County Collector should continue to investigate the unidentified balance and disburse any remaining monies in a reasonable manner to the political subdivisions.

Monthly reconciliations of the cash balances to liabilities are necessary to ensure cash balances are sufficient to cover liabilities. If a difference is discovered, it should be investigated in a timely manner. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. In addition, Section 140.230, RSMo, requires the County Collector to turnover surplus tax sale monies to the County Treasurer.

- B. The annual settlements filed for the years ended February 28, 2008 and 2007, contained errors in amounts reported which resulted in the amount reported as distributions exceeding collections by \$701,007 and \$503,405, respectively.

Delinquent taxes and abatements of \$584,383 and \$116,624, respectively, were included in the distributions amount on the 2008 annual settlement.

In addition, the 2008 and 2007 settlements showed tax book differences of \$2,057 and \$102,356, respectively. The following differences were noted on the February 28, 2008 settlement:

- The wrong year was used for charges for back taxes for both real estate and personal property. Charges were overstated by \$47,844 and \$30,444 for real estate and personal property, respectively.
- Penalties and interest, license, bank interest, and fee amounts of \$87,043 were included in collections but only \$59,850 was included in charges, resulting in understated charges of \$27,193.

Also, current delinquent tax collections of \$119,382 and \$121,887 were credited to back taxes instead of current taxes for real estate and personal property, respectively. When these errors are corrected on the February 28, 2008, annual settlement, collections equal distributions; however, there remains a tax book difference of \$49,537 as follows:

Type of Tax	Difference (charges under credits)
Current real estate	\$ (9,210)
Current personal property	(9,828)
Back real estate	(15,707)
Back personal property	(14,792)
Total	\$ (49,537)

The County Collector should continue to investigate the tax book differences on the annual settlements.

Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector is charged with collecting.

- C. The County Collector was not aware that a school district in the county qualified for Proposition C withholdings and did not perform the necessary calculations. As a result, the county's Assessment Fund and General Revenue Fund received less withholdings and commissions than allowed. Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school taxes due to a statewide education sales tax known as Proposition C. For the purposes of computing Proposition C withholdings and commissions, the County Collector should use ratios of unadjusted and adjusted school tax levies.

The County Collector should calculate the proper amounts of withholdings and commissions for the prior years and make applicable adjustments to the distributions to the school district, General Revenue Fund, and Assessment Fund.

WE RECOMMEND the County Collector:

- A. Prepare a monthly listing of liabilities, reconcile the listing to the reconciled bank balances, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted. In addition, the County Collector should pay out the surplus on tax sales.
- B. Ensure annual settlements are complete and accurate.
- C. Recalculate Proposition C commissions and assessment withholdings and make corrections for amounts improperly distributed. Procedures should be adopted to ensure future Proposition C withholdings are computed properly.

AUDITEE'S RESPONSE

The County Collector indicated:

- A. *We have already implemented this recommendation. We have started reconciling to liabilities and have paid out the surplus monies identified. We plan to continue to investigate the remaining difference noted.*
- B. *We always try to ensure the annual settlement is complete and accurate and will continue to do so in the future. In addition, we hope that implementation of a new tax system in January and the use of a monthly settlement package will aid us in clearing up the problems noted.*
- C. *We have already implemented this recommendation to ensure Proposition C is properly calculated now and in the future. We plan to determine how much difference this makes on commissions, withholdings, etc., and if it determined to be significant, we will attempt to recalculate prior years.*

5.

County Disbursements

The county does not have adequate procedures regarding the procurement of purchases and professional services. In addition, the county did not enter into or modify written contracts for some services.

- A. The county did not solicit bids or perform other price comparison procedures for some purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to

compare prices (i.e., phone contacts or inquiries) or reasons to support sole source purchase determinations.

Bids were not obtained or adequately documented for the following purchases:

Prisoner meals (2007 total)	\$30,181
Plat books	14,306
Printing of ballots	10,602
Tractor	17,703
Culverts	6,286

The County Clerk indicated that bids were not obtained on culverts and ballots since there was only one company in the county that could supply them; however, this was not documented in the County Commission minutes or in the disbursement files.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500 or more, from any one person, firm or corporation during any period of 90 days. Advertising for bids is required for purchases exceeding \$6,000. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. Additionally, sole source procurement situations should be properly documented in the commission minutes.

- B. The county did not always enter into or update written contracts when appropriate. The Prosecuting Attorney is part time and uses his private practice office for county business. The county reimburses the Prosecuting Attorney \$100 each month for part of his telephone service, but does not have a contract regarding this reimbursement.

Also, the county entered into a written contract with the Emergency Management Director in June 2004, regarding the services he provides to the county. This contract was to be on-going until one or both parties should find reason to modify or cancel the agreement; however, the County Commission increased the amount paid to the director, from \$100 per month to \$150 per month, at the end of 2005 without updating the written contract.

Contracts which fully stipulate the terms of the agreements, and rights and responsibilities of the parties are necessary to ensure the county is provided services in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties, remedial actions in the

event of noncompliance, criteria for detail to be included in billings, and the dates or events upon which billings may be submitted. In addition, when any stipulations of the agreement change, the contract should be updated.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made. Additionally, sole source procurement situations or other reasons for not following bid requirements should be adequately documented.
- B. Enter into and update written contracts when appropriate.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We feel that we bid adequately but will document the bids better in the future.*
- B. *We have already updated the emergency management contract. We will ensure contracts are updated in the future.*

6.

Fuel and Vehicle Controls and Procedures

Procedures are not adequate to account for fuel usage and records of fuel usage for Sheriff's Department vehicles and Road and Bridge Department vehicles and equipment are not adequately reviewed. During 2007 and 2006, the county expended approximately \$170,500 and \$151,000, respectively, on gas and diesel fuel.

- A. Mileage logs are not maintained and odometer readings per dispatch logs are not compared to the monthly fuel statements for Sheriff's Department vehicles. In addition, odometer readings are not used to calculate miles per gallon for reasonableness. The Sheriff's Department deputies purchase fuel for vehicles with fuel purchasing cards and the county receives a monthly billing statement for these purchases. While statements for the fuel purchasing cards include odometer readings for each vehicle, such readings appeared inconsistent with previous readings. The Sheriff's Department deputies do not prepare mileage logs for the vehicles; however, they call in their odometer reading at the beginning and end of each shift which is recorded in the dispatch log. These odometer readings are not compared to the monthly billing statement or used to review miles per gallon.

Without comparison of fuel records to daily odometer records, the county cannot effectively monitor that vehicles are used for official business only, fuel costs for vehicles are reasonable, and fuel billings represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred

for the various vehicles, the county cannot evaluate the optimal number of county vehicles needed and when vehicles need to be replaced. The Sheriff's Department should compare odometer readings per the dispatch logs to the monthly billing statement for accuracy and review the miles per gallon per vehicle for reasonableness. Any unusual fluctuations in the miles per gallon should be investigated and the results documented.

- B. While fuel usage logs are maintained by the Road and Bridge Department for fuel tanks at the road and bridge shed, no reconciliation of these logs to fuel purchases is performed. In addition, no logs are maintained for the diesel fuel tanks located throughout the county. The county maintains gasoline and diesel fuel tanks at the county road and bridge shed and five diesel fuel tanks throughout the county for use in vehicles and equipment of the Road and Bridge Department.

To ensure the reasonableness of fuel disbursements, the county should maintain complete records of fuel usage, reconcile them to fuel purchases, and investigate any differences. Failure to account for fuel purchases and usage could result in loss, theft, or misuse of fuel.

WE RECOMMEND the County Commission:

- A. Ensure proper reviews and reconciliations of fuel records to odometer records are performed for all Sheriff's Department vehicles.
- B. Maintain complete records of fuel usage, reconcile the records to fuel purchases and fuel on hand, and investigate any differences.

AUDITEE'S RESPONSE

The County Commission indicated:

These recommendations have been implemented.

7. Archive Board Accounting Controls and Procedures

Board minutes are not adequately detailed or signed by the Board Secretary and Board President. In addition, the board's procedures related to accounting duties, processing of monies, and bank reconciliations are in need of improvement.

The Archive Board is appointed by the County Commission and maintains the archived records of the county. If a citizen wants a copy of an archived county record, they can obtain a copy at the Archive Board Office. The county budgets approximately \$1,300 for the board each year and the board also maintains a bank account for the monies received from the sale of books about the history and geological information of Bollinger County and its citizens. Monies received for copies of archived records are transmitted to the

County Treasurer for deposit. During 2007 and 2006, approximately \$2,600 and \$4,000, respectively, was collected by the board for copies and sales of books.

- A. Archive Board minutes document motions made, but do not record who made or seconded the motion or votes taken. In addition, the board minutes are not signed by the Board Secretary or the Board President to attest to the completeness and accuracy.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board. In addition, minutes should be signed by the board members to show the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

- B. The Archive Board's controls and procedures over monies collected are in need of improvement.

- 1. As a result of poor controls over receipts, the Archive Board did not realize that \$203 in receipts were missing. Archive volunteers maintain a ledger where they record receipts (copy monies, book sales, donations, and research fees) in total for the day and disbursements (cash and checks). Prenumbered receipt slips are not issued nor are monies consistently recorded on the ledger, the method of payment is not indicated on the ledger, and the composition of receipts is not reconciled to the composition of deposits and transmittals. Without these records and controls, the board cannot ensure all monies collected are ultimately recorded and deposited or transmitted.

We traced receipts for March, April, and May 2007, to deposits to the Archive Board's bank account and/or to turnovers to the County Treasurer and \$203 was not deposited or transmitted.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be reconciled to the ledger daily. The composition of receipts should be reconciled to the composition of deposits and/or transmittals. Any differences should be investigated in a timely manner. In addition, the board should continue to investigate the \$203 in unaccounted for monies.

- 2. Some monies received are not deposited intact or in a timely manner. Monies are normally collected each business day, but deposits are normally made only once a month or once every two months. The average

deposit amount during 2007 was approximately \$140. In addition, some monies received are withheld from deposits to make purchases.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and on a timely basis. If a petty cash fund is needed, one should be formally established and maintained on an imprest basis.

- C. Bank reconciliations are not performed and bank statements for December 2007 and December 2006 could not be located (duplicate copies were obtained from the bank). In addition, the Archive Board's check register does not contain the necessary information, such as check numbers, to reconcile the bank account.

We performed a bank reconciliation for December 31, 2007, and discovered the following problems:

- A check in the amount of \$155 and a deposit of \$106 were not included on the 2007 check register.
- A check in the amount of \$736 was listed on the check register in the amount of \$650, a difference of \$86.

These errors would have been caught more timely if monthly bank reconciliations were performed.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved in a timely manner.

- D. The Archive Board does not maintain supporting documentation for some disbursements. Reimbursements to board members for the purchase of microfilm in the amount of \$120 and a subscription to an internet website in the amount of \$175 were paid without supporting documentation. While approval of some disbursements is noted in the board minutes, the board's approval of individual disbursements is not adequately documented.

The monies in this bank account represent public funds and the board has a fiduciary responsibility to ensure disbursements are appropriate, reasonable, and supported by adequate documentation. Without obtaining and properly reviewing adequate documentation, the Archive Board cannot determine the validity and propriety of the disbursements. In addition, documentation of board approval of individual disbursements is necessary to ensure monies are spent only for county business.

WE RECOMMEND the Archive Board:

- A. Ensure complete and accurate minutes of the board's meetings are maintained, including but not limited to, a record of any votes taken and other information required by state law. In addition, minutes should be signed to attest to their accuracy.
- B.1. Issue prenumbered receipt slips for all monies received or record all receipts on the ledger and reconcile the composition of daily monies collected to the receipt slips or ledger and to deposits. In addition, the board should consult with legal counsel to determine its options in relation to any possible investigation of the missing monies.
 - 2. Deposit all monies intact on a timely basis, and if a petty cash fund is needed, maintain it on an imprest basis.
- C. Ensure bank reconciliations are prepared on a monthly basis. In addition, the Archive Board should retain all accounting records related to the bank account, including bank statements, and ensure that the check register contains all necessary information and is accurately prepared.
- D. Require adequate supporting documentation be maintained for all disbursements and document the board's approval for individual disbursements.

AUDITEE'S RESPONSE

The Archive Board indicated:

- A. *This recommendation will be implemented. We have been working on this and have made some improvements. We will begin showing votes taken.*
- B.1. *We have established procedures to record all monies received on a ledger. However, we do not plan to pursue the missing monies at this time. This happened prior to the current board and we would like to start new.*
 - 2. *We deposit intact now and will establish a petty cash fund for minor purchases.*
- C. *This recommendation will be implemented.*
- D. *This recommendation has already been implemented.*

8. Senate Bill 40 Board Accounting Controls and Procedures

The Senate Bill 40 Board policies and procedures related to disbursements, board meetings, and approval of budgets are in need of improvement. The Senate Bill 40 Board

receipts were approximately \$105,000 each year from property taxes, charges for services, and interest in 2007 and 2006.

- A. The Senate Bill 40 Board has not established by-laws governing when board meetings should be held. During 2007, the board did not have any meetings. The board did not hold a meeting until March 2008, and as a result, the 2007 budget and tax levy were approved after the end of the calendar year. In addition, the board did not approve disbursements in 2007 (see part B below).

By establishing by-laws and procedures regarding the regularity of board meetings the board can ensure that it is handling the approval of budgets, disbursements, tax levies, contracts, and all other business of the board in a timely manner and in accordance with various state laws.

- B. Accounting duties are not segregated. The Board President prepares bank reconciliations and deposits, reviews invoices, approves disbursements, and prepares and signs checks. The board does not review invoices or approve disbursements. According to board minutes, the board receives a financial report at meetings to review, but as previously noted, meetings are not held on a regular basis.

To ensure proper recording of all transactions, the duties of handling, recording, disbursing, and reconciling monies should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person should review and initial bank reconciliations and agree recorded receipts to deposits. In addition, the board should review and approve all disbursements.

WE RECOMMEND the Senate Bill 40 Board:

- A. Establish by-laws and procedures regarding the frequency of board meetings. In addition, the board should ensure budgets and tax levies are approved timely.
- B. Segregate accounting duties to the extent possible and ensure all disbursements are reviewed and approved by the board.

AUDITEE'S RESPONSE

The Senate Bill 40 Board representatives indicated:

- A. *At the next board meeting, the President will suggest a schedule of meetings. In addition, we will ensure budgets and tax levies are approved timely.*
- B. *We will request the board appoint someone to review the bank reconciliation. In addition, we will better document the board's approval of disbursements.*

9.**Prosecuting Attorney Accounting Controls and Procedures**

An adequate system to account for all bad checks received has not been established. During the years ended December 31, 2007 and 2006, the Prosecuting Attorney's office handled receipts for bad check restitution and fees totaling approximately \$17,800 and \$22,200, respectively.

An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition of the bad checks, has not been established. Currently, merchants complete an unnumbered complaint form when the bad check is turned over to the Prosecuting Attorney for collection. The complaint form and information regarding the handling of each case is maintained in individual case files and all pending case files are stored together. No identifying or tracking numbers are assigned to the complaint forms or bad checks, nor is a log maintained to ensure all bad checks or complaint forms received are processed.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by some type of other process established by the Prosecuting Attorney.

WE RECOMMEND the Prosecuting Attorney develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

We have never lost a check in 10 years of prosecuting. We have a small number of vendors here and feel our current system is working properly. Vendors would inform us if monies were not received.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

BOLLINGER COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Bollinger County on findings in the Management Advisory Report (MAR) of the 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. County's Financial Condition and Sales Tax

The General Revenue Fund was in weak financial condition. Due to the county's weak financial condition, the County Commission submitted to the voters of Bollinger County a one-half of one percent sales tax for replacing the roof at the courthouse and the sheriff's office, repairing the courthouse, and retiring county debt, with any funds in excess to be used for general purposes.

With this additional general operations sales tax, the county was apparently imposing a levy of one-half of one percent above the statutory maximum allowed by Section 67.547, RSMo.

Recommendation:

The County Commission review the overall sales taxes being levied and ensure they are in accordance with state statutes. In addition, the County Commission should consider passing a sales tax under another Section of RSMo, and closely monitor the financial condition of the General Revenue Fund.

Status:

Not implemented. See MAR finding number 1.

2. Personnel Policies and Procedures

A. The county did not enter into a written agreement with the Prosecuting Attorney regarding the number of secretaries paid by the county. In addition, adequate supporting documentation, such as employee time sheets, was not maintained by the Prosecuting Attorney for filing with the County Clerk.

B. Sheriff's deputies serving as guards in the transportation of prisoners during off duty hours were paid \$25 for trips to Farmington or Cape Girardeau Mental Health Centers and \$50 for trips to the Fulton prison. These payments were not processed through the normal county payroll procedures, were not subject to payroll withholdings, and were not reported on the respective W-2 forms.

- C. Only timesheets completed by the Sheriff's office and Road and Bridge employees included documentation of supervisory approval. In addition, records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

Recommendations:

The County Commission:

- A. Ensure a written agreement is entered into with the Prosecuting Attorney documenting each party's contractual obligations. In addition, timesheets should be required of the secretaries to support salary reimbursements for the agreed upon percentage.
- B. And the Sheriff review this situation. Deputies who serve as guards should be paid through normal payroll procedures and all payments should be included on W-2 forms.
- C. Require all timesheets include supervisory approval and require records be maintained by the County Clerk's office of annual, sick, and compensatory leave earned, used, and accumulated.

Status:

- A. Partially implemented. The Prosecuting Attorney has entered into an agreement with the county regarding the number of secretaries that will be paid from county revenue; however, timesheets are not prepared and filed with the County Clerk. See MAR finding number 3.

B&C. Not implemented. See MAR finding number 3.

3. Budgetary Practices

- A. The County Commission approved expenditures in excess of budgeted amounts for the General Revenue Fund for the year ended December 31, 2002, and for the Road and Bridge Fund for the years ended December 31, 2003 and 2002.
- B. The county did not budget emergency expenditures for the year ended December 31, 2003.

Recommendations:

The County Commission:

- A. Refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was

adopted, the County Commission should amend its budget by following procedures required by state law.

B. Ensure emergency funds are budgeted in the General Revenue Fund.

Status:

Implemented.

4. Road and Bridge Maintenance Plan

A formal maintenance plan for county roads and bridges was not prepared.

Recommendation:

The County Commission prepare and document a maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the commission should review the progress made in the repair and maintenance of roads to make appropriate decisions on future projects.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Computer Controls

The County did not have a formal emergency contingency plan for the computer system.

Recommendation:

The County Commission ensure a formal contingency plan for the county's computer system is developed.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Recorder's Accounting Procedures

Receipts were not posted to the computer system or deposited on a timely basis.

Recommendation:

The Recorder of Deeds ensure all receipts are posted to the accounting system in a timely manner and deposited daily or when receipts exceed \$100.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Sheriff's Accounting Procedures

Adequate oversight of accounting functions was not provided by the Sheriff. A clerk and the dispatchers performed all cash custody and record-keeping for civil and criminal fees, and bonds. There was no documented review of the accounting records performed by the Sheriff.

Recommendation:

The Sheriff provide adequate oversight for the accounting functions performed by employees.

Status:

Partially implemented. The Chief Deputy provides oversight of receipts; however, oversight of disbursements is not performed. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Circuit Clerk's Accounting Procedures

The Circuit Clerk's office held approximately \$11,000 in a certificate of deposit from a case from the 1970's.

Recommendation:

The Circuit Clerk review this case with the Circuit Judge and Prosecuting Attorney to determine what actions can be taken by the court. If the heirs cannot be located, the monies should be disposed of in accordance with state law.

Status:

Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

BOLLINGER COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Bollinger County is a county-organized, third-class county and is part of the Thirty-Second Judicial Circuit. The county seat is Marble Hill.

Bollinger 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 12,029 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 69,419,960
Personal property	28,038,590
Railroad and utilities	<u>12,081,929</u>
Total	<u>\$ 109,540,479</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.

Bollinger 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	None	None	
General	.0050	None	None	
Senior citizens' services	.00125	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:	\$	
Wayne Johnson, Presiding Commissioner		22,864
Larry P. VanGennip, Associate Commissioner		18,784
Wayne Whitener, Associate Commissioner (1)		18,551
Dana Fulbright, Recorder of Deeds		31,220
Diane H. Holzum, County Clerk		31,220
Stephen P. Gray, Prosecuting Attorney		37,190
Terry Wiseman, Sheriff		34,652
Naomi Null, County Treasurer		31,220
Charles Hutchings, County Coroner		9,048
Larry L. Welker, Public Administrator		18,200
Robert Anderson, County Collector (2), year ended February 28 (29),	31,866	
James M. Bollinger, County Assessor (3), year ended August 31,		31,908
John W. Reilly, County Surveyor (4)		

(1) Kelly Francis was appointed Associate Commissioner in January 2008.

(2) Includes \$646 of commissions earned for collecting drainage taxes.

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

(4) Compensation on a fee basis.

State-Paid Officials:

Sharon Lutes, Circuit Clerk	51,197
Scott Thomsen, Associate Circuit Judge	101,090