



Susan Montee, CPA
Missouri State Auditor

Wayne County



January 2009
Report No. 2009-03

auditor.mo.gov



Office of
State Auditor Of Missouri
Susan Montee, CPA

January 2009

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

The General Revenue Fund's financial condition is declining. This financial condition would be worse if the general revenue property tax levy had been properly rolled back during the four years ended December 31, 2007. In addition, the county is proceeding with the construction of a new jail facility with a lease purchase arrangement which may further strain the General Revenue Fund's financial condition

Personnel and payroll records and procedures are not adequate. Not all county officials follow the county policies for time and leave accumulation and the Circuit Clerk/Ex Officio Recorder did not require employees to enter time worked and/or leave taken on timesheets. Officials do not always review and approve timesheets; instead, a facsimile stamp of the official signature is applied by employees, reducing internal controls over payroll. Leave records are not provided to the County Clerk by the Road and Bridge Department employees. In addition, some individuals who appear to be county employees were paid as contractors circumventing Internal Revenue Service (IRS) rules and regulations.

Bids were not always solicited or advertised by the county, nor was bid documentation always retained for some purchases. Adequate supporting documentation was not always obtained and reviewed for some disbursements. Disbursements for some funds are approved only by the Treasurer and an elected official which is not the normal county disbursement process. Further, IRS rules and regulations were not followed for some mileage reimbursements. Finally, some county contracts are not in writing as required.

Problems with the county's budgetary practices have been noted in the past several audit reports and budgetary problems continue to exist. The Special Road and Bridge Fund budget was unrealistic and did not adequately project the anticipated financial activity and ending cash balance. Actual disbursements exceeded budgeted amounts for several funds. Although budget amendments were prepared for some funds, some amendments were prepared after actual disbursements had exceeded the original budgeted amounts.

Formal policies and procedures over both the sale of culverts and providing grading services to the public have not been adopted. In addition, the county does not maintain a record of all culvert sales or grading services provided. Further, while the county maintains mileage, vehicle, and equipment logs, we noted one instance where such records were not maintained when a culvert was installed on a private road. As a result, the full cost of providing the services on the private road could not be determined.

(over)

YELLOW SHEET

The County Commission has not established a written policy related to the handling and accounting for capital assets. Procedures and records to account for county property are not adequate.

There is no statutory authority to maintain the Special Law Enforcement Fund for the deposit of assessments made in consideration for reduced charges filed on traffic tickets. Other concerns in the Prosecuting Attorney's office include accounting duties are not adequately segregated, bad checks fees are not transmitted to the County Treasurer on a timely basis, and money orders received are not recorded and restrictively endorsed immediately upon receipt. Also, receipt slips are not issued for court ordered restitution payments, no sequential summary record of restitution receipts and disbursements is maintained, and a log or other record is not maintained to account for all bad check complaints filed and their ultimate disposition.

A shortage of \$345 was not detected in the Recorder of Deeds' office on a timely basis due to various weaknesses including bank reconciliations were not prepared since September 2007, the method of payment received was not always accurately recorded in the accounting records, and the composition of the receipts was not reconciled to the composition of deposits. Receipts are not deposited intact on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Receipts are not always entered into the electronic accounting system and some monthly disbursements were not disbursed on a timely basis. Copy monies received and monies received for compact discs are not recorded upon receipt in a log and the method of payment for these fees is not recorded. In addition, written contracts do not exist to support agreements between the Recorder of Deeds and local abstract companies and no records are maintained to account for overpayments that are retained and not refunded.

The Sheriff's procedures relating to processing of monies and accounting for commissary inventories are in need of improvement. Receipts for civil process fees are not recorded or deposited on a timely basis. The method of payment is not consistently indicated on receipt slips, and checks are not restrictively endorsed immediately upon receipt. Personal checks were cashed out of cash receipts, causing receipts to not be deposited intact. Monthly listings of liabilities are not prepared for the Sheriff's accounts and reconciled to the cash balances. Profits from the Sheriff's Jail Commissary Account are used to make purchases outside the control of the normal county disbursement process. Bond forms are not prenumbered, and the recipients signature on the receipt slip is not always obtained to acknowledge receipt when a cash bond is refunded the same day. In addition, the Sheriff did not maintain a running inventory of items purchased from vendors, items sold to inmates, and inventory balances.

Also, included in the report are recommendations related to the Public Administrator's salary, the County Clerk's accounting controls and procedures, and the Senate Bill 40 Board.

All reports are available on our Web site: www.auditor.mo.gov

WAYNE COUNTY

TABLE OF CONTENTS

		<u>Page</u>
STATE AUDITOR'S REPORT		1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS		4-30
<u>Number</u>	<u>Description</u>	
1.	County Sales Tax and Financial Condition	5
2.	Personnel and Payroll Records and Procedures.....	6
3.	County Disbursements	9
4.	Budgetary Procedures	12
5.	Road and Bridge Policies and Procedures	14
6.	Public Administrator's Salary.....	15
7.	Property Records and Procedures	16
8.	County Clerk's Accounting Controls and Procedures	17
9.	Prosecuting Attorney's Accounting Controls and Procedures.....	18
10.	Recorder of Deeds' Accounting Controls and Procedures	21
11.	Sheriff's Accounting Controls and Procedures.....	25
12.	Senate Bill 40 Board	29
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....		31-41
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....		42-44

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County

We have audited certain operations of Wayne County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Wayne 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, 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 Wayne 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: Randall Gordon, CPA, CGAP
In-Charge Auditor: Daniel Vandersteen, CPA
Audit Staff: Terese Summers, CPA
Matthew Schulenberg
Tina Gildehaus

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

WAYNE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Sales Tax and Financial Condition

The General Revenue Fund's financial condition is declining. This financial condition would be worse if the general revenue property tax levy had been properly rolled back during the 4 years ended December 31, 2007. In addition, the county is proceeding with the construction of a new jail facility with a lease purchase arrangement which may further strain the General Revenue Fund's financial condition.

The 2008 budget for the General Revenue Fund projects a zero cash balance at December 31, 2008. The General Revenue Fund's cash balance decreased from \$134,188 at December 31, 2003, to \$44,339 at December 31, 2007. In addition, the General Revenue Fund owes the Special Road and Bridge Fund \$294,937 as of December 31, 2007.

Wayne County voters enacted a ½ percent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. To meet the rollback requirement, the county reduced Special Road and Bridge tax levies to provide part of the required General Revenue Fund property tax collection reduction. Revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo, to be used only for improving and maintaining county roads and bridges. It does not appear proper to reduce property taxes restricted for use in the Special Road and Bridge Fund to account for sales tax revenues deposited to the General Revenue Fund.

In addition, the County Commission is proceeding with the construction of a new jail facility through a lease purchase arrangement which may further strain the General Revenue Fund's financial condition. While cost feasibility studies were performed for the project, such studies did not formally consider all operating costs that may be incurred such as utilities and a possible need for increased staffing for the jail. Further, no cost analysis or consideration of future billing revenues for holding prisoners for other counties has been projected nor have any written contracts been negotiated for the housing of these inmates.

It does not appear monies are sufficient to payback the amounts owed to the Special Road and Bridge Fund, adequately reduce the property tax levy in the General Revenue Fund in future years, and construct a new jail without some increase in revenues or a reduction in expenditures.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Repay the Special Road and Bridge Fund \$294,937 from the General Revenue Fund. In addition, subsequent property tax levy rollbacks should be made from the General Revenue Fund.
- B. Ensure the financial condition of the General Revenue Fund is sufficient to pay for the increased costs associated with a new jail before commencing with the jail construction project.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue working on and studying ways to resolve this problem and work towards repayment of the monies to the Special Road and Bridge Fund. However, given our current financial condition, resolution of this issue will be difficult.*
- B. *We believe the cost of the new jail will be less than the costs of continuing to operate as we currently are by paying other counties for boarding of prisoners.*

2. Personnel and Payroll Records and Procedures
--

Personnel and payroll records and procedures are not adequate. Not all county officials follow the county policies for time and leave accumulation and the Circuit Clerk/Ex Officio Recorder did not require employees to enter time worked and/or leave taken on timesheets. Officials do not always review and approve timesheets; instead, a facsimile stamp of the official signature is applied by employees, reducing internal controls over payroll. Leave records are not provided to the County Clerk by the Road and Bridge Department employees. In addition, some individuals who appear to be county employees were paid as contractors circumventing Internal Revenue Service (IRS) rules and regulations.

- A. Although there is an established written personnel policy, county officials do not always comply with the policy. The policy indicates timesheets need to be filled out completely and timesheets should include a place to record sick leave, compensatory time, and vacation time used and accumulated totals at the end of the month. The personnel policy includes information on vacation leave, sick leave, and overtime accrual and use including the number of days of leave for employees based upon the length of employment. The following items do not comply with the county's personnel policy:
 - The Prosecuting Attorney allowed her employees to accumulate sick leave in excess of the maximums established by the county's personnel policy. One employee was allowed to accumulate 8 additional days of sick leave

in excess of the 35 day maximum allowed by county policy for this employee.

- The Prosecuting Attorney allowed her employees to accumulate vacation leave in excess of the maximums established by the county's personnel policy. One employee was allowed to accumulate 15 additional days of vacation leave in excess of the 25 day maximum allowed by county policy for this employee.
- The former Circuit Clerk/Ex Officio Recorder allowed an employee to submit timesheets that were incomplete and did not always indicate the number of hours worked or leave amounts taken. Prior to this employee assuming the position of the elected County Recorder in 2007, the county paid this individual's accumulated vacation leave of 15.5 days at a rate of \$63.92 per day, or a total of \$991. Since timesheets and leave records were not always properly completed for this individual, it is not clear whether the payment of accumulated vacation leave was proper.
- The former Circuit Clerk/Ex Officio Recorder allowed the same employee to accumulate sick leave in excess of the maximums established by the county's personnel policy. The employee was allowed to accumulate 20 additional days of sick leave in excess of the 35 day maximum allowed by the county's personnel policy.

By not requiring full compliance with the county's personnel policy, the County Commission may be putting the county at risk of incurring additional liabilities beyond what is established by the policy. In addition, the inconsistent application of the personnel policy may lead to inequitable treatment of employees.

- B. Some officials, such as the Sheriff and the Circuit Clerk/Ex Officio Recorder (for 2006), are not actually signing timesheets to show approval, but are allowing employees to apply a signature stamp to indicate supervisory approval. The personnel policy requires timesheets to be filled out and signed by the employee and the elected official.

Allowing employees to apply a signature stamp to their own timesheets to indicate supervisory review and approval reduces controls over the county payroll and could lead to improper payroll claims. Access to signature stamps should be limited to authorized persons to ensure proper supervisory review and approval of employee timesheets actually occurs.

- C. Leave records are not provided to the County Clerk by the Road and Bridge Department employees. One department employee performed work on a private road on a day he had taken personal leave; however, the records supplied by the County Clerk's office do not provide adequate support to determine if leave was taken. Summary leave records are maintained by the Road and Bridge Supervisor

on an office calendar showing the days employees took personal leave, vacation, or sick leave. This information is not always submitted to the County Clerk's office for a centralized record of leave to allow accumulated leave amounts to be determined for each employee.

Without centralized and complete leave records, the County Commission cannot ensure that employees' vacation leave, sick leave, and overtime records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Centralized leave records aid in determining final pay for employees leaving county employment or in the event disputes arise and in demonstrating compliance with the federal Fair Labor Standards Act (FLSA).

- D. The county may not have correctly identified the employment status of individuals hired to perform bailiff and cook duties for the Sheriff's department during the years ended December 31, 2007 and 2006. It is unclear whether these individuals are employees or contractors of the county. No payroll taxes were withheld from these individuals' compensation; however, the county required the individuals to complete a standard county timesheet similar to other Sheriff's employees. An IRS form 1099-MISC was issued to these individuals treating these individuals as contractors; however, the county did not request an opinion from legal counsel to determine if these individuals served as contractors or as county employees. Payments to the bailiffs totaled \$7,307 for each of the years ended December 31, 2007 and 2006. Payments to the cook totaled \$926 for the year ended December 31, 2007. In addition, the payments for the cook were made to the Sheriff's department office manager and these hours could be considered overtime.

The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. In addition, the FLSA provides all covered employees working overtime are entitled to time and one-half in wages or in compensatory time. The county needs to ensure it complies with IRS regulations. The failure to correctly identify and handle such arrangements may result in noncompliance with the FLSA and not properly withholding and paying various taxes.

WE RECOMMEND the County Commission:

- A. Ensure county officials comply with county personnel policies including adhering to established guidelines and maximums for vacation and sick leave.
- B. Ensure access to signature stamps is limited and that employee timesheets are reviewed and approved by an appropriate supervisor.

- C. Require the Road and Bridge Supervisor submit summary leave records to the County Clerk monthly to ensure centralized leave records are maintained for all employees.
- D. Consult with legal counsel to ensure compliance with IRS regulations and the FLSA regarding independent contractors and employees.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will do our best to ensure personnel policies are adhered to, including adhering to established guidelines and maximums for vacation and sick leave.*
- B. *We are attempting to correct this problem.*
- C. *This will be done.*
- D. *We will review this issue with legal counsel.*

3. County Disbursements

Bids were not always solicited or advertised by the county, nor was bid documentation always retained for some purchases. Adequate supporting documentation was not always obtained and reviewed for some disbursements. Disbursements for some funds are approved only by the Treasurer and an elected official which is not the normal county disbursement process. Further, IRS rules and regulations were not followed for some mileage reimbursements. Finally, some county contracts are not in writing as required.

- A. Bids were not always solicited or advertised by the county, nor was bid documentation always retained by the County Clerk for some purchases. In addition, each official is responsible for bidding their office purchases; however, one purchase made for the Sheriff's department was not bid. The following are examples of items purchased during the years ended December 31, 2007 and 2006, without bid documentation:

Items Purchased	Cost
County purchases:	
Gravel (amount for 2007 only)	\$29,642
Gravel screen	23,000
Dump truck	20,000
Commissary supplies	17,600
Special Law Enforcement Fund:	
Used patrol car	4,500

The County Clerk, County Commission, and Sheriff indicated bids are sometimes solicited through telephone calls or other direct contact with vendors; however, documentation of these contacts was not retained or recorded in the County Commission minutes.

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 ninety 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 state law and support decisions made.

- B. Adequate supporting documentation was not obtained and reviewed by the County Commission for some disbursements. For example, a travel related expense was supported only by a summary voucher requesting payment and did not include a copy of the hotel invoice. Also, a summary voucher was used to request mileage reimbursements for a contract for monitoring and patrolling the Wappapello Lake area in which the Sheriff's department did not provide supporting detail regarding the date, mileage, and purpose of the trips. The total mileage payment associated with the lake patrolling was \$25,780 in 2007 and \$14,841 in 2006.

Without obtaining and properly reviewing adequate supporting documentation, the County Commission cannot determine the validity and propriety of the disbursements.

- C. Although the County Treasurer has possession of the Drug Court, Law Enforcement Restitution, Sheriff's Agency, Sheriff's Civil, and Sheriff's Revolving Funds, the County Commission and County Clerk do not review supporting documentation or approve the disbursements. Only the Treasurer and an elected official or board approve the disbursements for these funds. In addition, some instances were noted where supporting documentation was not always adequate.

Funds handled only by the Treasurer circumvent the appropriation process and checks and balances system in place for most other county funds.

- D. The Sheriff's department office manager and dispatch supervisor received monthly reimbursement of mileage expenses for taking work home, totaling \$1,040 and \$2,415, respectively, for the year ended December 31, 2007. The Sheriff did not require these individuals to submit itemized reports indicating the date of trips, nature of business, and locations traveled for the monthly expenses

but instead only the total mileage was indicated on a voucher and the monthly payments did not vary from month to month.

We saw similar instances of inadequate support for mileage reimbursements for the County Commissioners for performing road and bridge survey work. The County Commissioners who supervise the road districts receive \$200 monthly for mileage reimbursements and the reimbursement requests only indicate the total dollar amount and do not include detailed itemization of the trips taken.

The IRS specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income and reported on the W-2 forms for these employees.

- E. Some county contracts are not in writing as required by state law. No written agreements exist with other counties for the boarding of Wayne County prisoners for which \$73,728 and \$58,974 was paid in 2007 and 2006, respectively. Payments totaling \$17,975 were made to the Wayne County Improvement Corporation, relating to the new jail construction project, without a written contract. Also, a written contract was not obtained for \$1,000 paid to an individual for preparation of a grant to help with funding for the Drug Court.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation to be provided. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

Conditions A and B were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases, including those related to the Sheriff's department purchases, in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- B. Ensure adequate supporting documentation is obtained for all disbursements.
- C. And County Treasurer ensure that all disbursements handled by the County Treasurer are processed through the same appropriation process and checks and balances system that are in place for other county funds and ensure adequate supporting documentation is obtained.

- D. Require individuals to submit itemized mileage expense reports or report the mileage reimbursements as compensation to the IRS.
- E. Enter into written contracts outlining the details of the various agreements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue working to improve bidding procedures and documentation thereof. We do try our best to ensure we obtain the best prices for goods and services purchased.*
- B. *We will strive to ensure adequate supporting documentation is obtained for all disbursements.*
- C. *We will try to ensure all disbursements handled by the County Treasurer are processed through the normal county disbursement process. However, it may be difficult to obtain this level of oversight for funds controlled by other officials.*
- D. *This has been implemented.*
- E. *We currently have a written contract with the Wayne County Improvement Corporation. We will attempt to ensure written contracts are obtained for other county arrangements.*

The County Treasurer provided the following response:

- C. *When I took office in January 2007, it appeared that the former County Treasurer had always worked with the elected official or agent in charge of the fund when disbursing money from these funds. When I approached the County Commission, the advice received was to make them aware of any request that I questioned, which I have done several times. I am, however, willing to work with the County Commission to develop a plan to comply with this recommendation.*

4.	Budgetary Procedures
-----------	-----------------------------

Problems with the county's budgetary practices have been noted in the past several audit reports and budgetary problems continue to exist. The Special Road and Bridge Fund budget was unrealistic and did not adequately project the anticipated financial activity and ending cash balance. Actual disbursements exceeded budgeted amounts for several funds. Although budget amendments were prepared for some funds, some amendments were prepared after actual disbursements had exceeded the original budgeted amounts.

- A. The approved budget document did not adequately project anticipated disbursements and ending cash balances of the Special Road and Bridge Fund for

the 2 years ended December 31, 2007. The budgets significantly overestimated disbursements as noted in the following table:

	Year Ended December 31,	
	2007	2006
Budgeted Disbursements	\$ 2,438,356	3,010,565
Actual Disbursements	1,379,514	2,005,053
Overestimated Disbursements	\$ 1,058,842	1,005,512

In addition, the County Clerk and County Commission annually budget to spend all available resources of the Special Road and Bridge Fund, resulting in an estimated zero ending cash balance. Actual ending cash balances of the Special Road and Bridge Fund were \$107,126 and \$57,599 at December 31, 2007 and 2006, respectively.

Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. To be of maximum assistance to the County Commission and to adequately inform the public, the budgets should accurately reflect the actual beginning balances, estimated receipts and disbursements, and projected ending balance.

B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2007	2006
Special Law Enforcement	\$ 12,147	858
Prosecuting Attorney Training	N/A	547
Law Enforcement Restitution	10,053	N/A
Circuit Clerk's Interest	1,124	N/A
Victims of Domestic Violence	N/A	75
Tax Maintenance	450	N/A

The County Commission receives monthly budget to actual reports from the County Clerk. However, some funds are held outside the control of the County Commission and may not be adequately monitored. In addition, although budget amendments were prepared for some funds, the budget amendments were not formally prepared until late in the year after actual disbursements had exceeded the original budgeted amounts.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual

comparison reports need to be reviewed and used when making spending decisions throughout the year.

Condition B was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure the budgets include reasonable estimates of receipts and disbursements and projected ending balances.
- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The overestimated disbursements are mainly due to large BRO projects that did not start in the year originally anticipated. However, we will strive to ensure budgets include reasonable estimates of receipts and disbursements and projected ending balances.*
- B. *We will attempt to monitor this situation closely. However, it may be difficult to ensure this is done for funds maintained by other officials.*

5. Road and Bridge Policies and Procedures

Formal policies and procedures over both the sale of culverts and providing grading services to the public have not been adopted. In addition, the county does not maintain a record of all culvert sales or grading services provided. Further, while the county maintains mileage, vehicle, and equipment logs, we noted one instance where such records were not maintained when a culvert was installed on a private road. As a result, the full cost of providing the services on the private road could not be determined.

Individuals may purchase culverts from the county at cost; however, they are not always required to pay the county for the labor and mileage associated with the transport and hauling of the culvert. Furthermore, the services are provided without regard to the actual cost incurred to provide such services. In addition, the county residents avoided paying sales tax on these purchases. The county should not allow such sales to be incurred using its sales tax-exempt status. Doing so violates the terms of the county's sales tax exemption letter.

The County Commission should develop formal written policies to document the procedures applicable to these services; including the maintenance of a record of all

culvert sales or grading services provided and individual mileage, vehicle, and equipment logs. Failure to adopt formal policies and procedures over sales to the public could result in lost revenues and inequitable treatment to county citizens. In addition, the County Commission should ensure that adequate reimbursement is received to ensure recovery of any associated costs for the services provided.

WE RECOMMEND the County Commission refrain from selling culverts and providing grading services to county residents. If the sale of culverts and providing grading services continues, formal policies and procedures over sales to the public should be developed. One complete record of all sales of culverts and their installation along with grading services provided should be maintained to track to whom these services have been provided and ensure adequate reimbursement is being received for such services. In addition, the County Commission should ensure mileage, vehicle, and equipment logs are maintained and reviewed by supervisors to ensure vehicles and equipment are used only for county business.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We have discontinued the practice of selling culverts. Further, county policy prohibits the grading of private roads. In addition, we will ensure mileage, vehicle, and equipment logs are maintained and reviewed by supervisors to ensure vehicles and equipment are used only for county business.

6. Public Administrator's Salary

The Public Administrator began receiving an annual salary of \$25,000 in 2005 and continued receiving that salary through 2007. Per Section 473.742, RSMo, the Public Administrator's salary of \$25,000 is based upon the handling of 26 to 39 letters (cases); however, documentation indicating the number of letters handled by the Public Administrator was not retained by the Salary Commission and thus, it is unclear how the Public Administrator's salary was determined. Our review of the Public Administrator's recent case load indicated approximately 16 cases were handled. Based on 16 cases, the salary should have been \$20,000 annually. However, it is not known how many cases were handled at the time the salary was determined.

WE RECOMMEND the County Commission obtain and retain appropriate documentation to support the salary paid to the Public Administrator. In addition, the County Commission should consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will ensure appropriate documentation is obtained and retained to support the salary of the Public Administrator in the future. We will also review the issue of the Public Administrator's salary with legal counsel.

7. Property Records and Procedures

The County Commission has not established a written policy related to the handling and accounting for capital assets. Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Although the County Clerk does maintain capital asset listings for each office, they are not complete and procedures have not been established to ensure their accuracy.

The County Clerk maintains inventory listings of capital assets held by county officials. To aid in the recordkeeping process, the County Commission had a practice of sending yearly memos to all elected officials and department heads requesting the performance of physical inventories; however, the sending of yearly memos and actual conduct of physical inventories has not been completed by all officials and department heads since 2005. As a result, the records indicate that listings have not been turned in to the County Clerk by most officials or department heads.

Capital assets are added to the inventory listings when a physical inventory is performed instead of when an item is purchased. As a result, several capital assets purchased during the 2 years ended December 31, 2007, were not added to the listing, including a gravel screener costing \$23,000, a Sheriff's patrol car costing \$11,750, and a computer costing \$1,495. Capital asset purchases are not reconciled to capital asset records and records are not maintained in a manner that balances can be reconciled from period to period. In addition, property records do not include the necessary information for assets, such as the date and method of disposal, and property items were not properly numbered, tagged, or otherwise identified.

Adequate capital asset 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 capital assets 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. Property control tags should also be

affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

Similar conditions were also noted in our prior report.

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 to all capital asset items.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We are not sure we need a formal written capital asset policy. However, we will continue trying to ensure other officials comply with annual written requests for inventories and inspections of their capital assets. We will attempt to ensure capital asset purchases are periodically reconciled to capital asset additions. We will also strive to ensure property tags are affixed on all capital assets.

8. County Clerk's Accounting Controls and Procedures

Weaknesses were noted in controls over receipts, and inventory records are not maintained to account for plat books.

Fees collected by the County Clerk's office during the years ended December 31, 2007 and 2006, totaled approximately \$4,600 and \$5,400, respectively.

- A. The method of payment (i.e., cash, check, and money order) is not consistently indicated on receipt slips and the composition of receipts issued is not reconciled to the composition of distributions to the County Treasurer. In addition, the numerical sequence of receipt slips is not accounted for properly. As a result, three December 2007 receipts totaling \$108 were not distributed to the County Treasurer until March 2008.

Without consistently indicating the method of payment on all receipt slips, reconciling the composition of receipts issued to the composition of distributions to the County Treasurer, and accounting for the numerical sequence of receipt slips issued, the County Clerk cannot ensure all monies collected are ultimately recorded and distributed.

- B. Inventory records are not maintained to account for plat books. Five hundred plat books were purchased in May 2005 at a total cost of \$5,575 (approximately \$11 each). These plat books were sold for \$35 each. Records were not sufficient to account for the plat books as a log of plat books sold or given away was not maintained.

To ensure all monies collected are accounted for adequately, the County Clerk should reconcile the number of plat books on hand to the total number of plat books sold or given away. Any differences should be investigated.

WE RECOMMEND the County Clerk:

- A. Ensure the method of payment is recorded on receipt slips and the composition of receipts is reconciled to monthly distributions. In addition, the County Clerk should ensure the numerical sequence of receipt slips is accounted for properly.
- B. Maintain adequate and complete records of the number of plat books sold, given away, or used by the county and periodically reconcile the number of plat books reported on the inventory to the number of plat books on hand.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *The instances noted were isolated in nature; however, we have taken steps to ensure the method of payment is always recorded on receipt slips and the composition of receipts is reconciled to monthly distributions. We are also currently ensuring the numerical sequence of receipt slips is accounted for properly.*
- B. *These recommendations have been implemented with our purchase of new plat books in 2008 and we will continue maintaining adequate and complete records and procedures for plat books in the future.*

9. Prosecuting Attorney's Accounting Controls and Procedures

There is no statutory authority to maintain the Special Law Enforcement Fund for the deposit of assessments made in consideration for reduced charges filed on traffic tickets. In addition, accounting duties are not adequately segregated, bad checks fees are not transmitted to the County Treasurer on a timely basis, and money orders received are not recorded and restrictively endorsed immediately upon receipt. Also, receipt slips are not issued for court ordered restitution payments, no sequential summary record (cash control) of restitution receipts and disbursements is maintained, and a log or other record is not maintained to account for all bad check complaints filed and their ultimate disposition.

The Prosecuting Attorney received bad check processing fees totaling approximately \$25,000 and \$21,600 during the years ended December 31, 2007 and 2006, respectively. In addition, assessments received in consideration of reduced charges filed on traffic tickets totaled approximately \$36,000 and \$22,000 during the years ended December 31, 2007 and 2006, respectively. Also, court ordered restitution and bad check restitution monies are received; however, summary records were not maintained to account for restitution monies received.

- A. Defendants frequently make "assessments" to the Special Law Enforcement Fund in consideration from the Prosecuting Attorney for reduced charges filed on traffic tickets. Some of these assessments often exceed \$300, and result in no points being added to the defendants driving record. There is no statutory authority to maintain the Special Law Enforcement Fund for the deposit of such assessments. A Law Enforcement Restitution Fund has also been established, as allowed by Section 50.565, RSMo, which provides payment of assessments by defendants for certain offenses, indicates certain traffic offenses where a payment of an assessment cannot be received, and limits the amount received to not exceed \$300.
- B. Accounting duties are not adequately segregated. While one clerk usually performs the bad check duties, one clerk handles the ticket cases, and one clerk handles criminal restitution and donations, any of the three clerks may perform all of the duties of receiving, recording, and disbursing monies. In addition, the Prosecuting Attorney does not perform periodic documented reviews of the records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, recording, and disbursing monies. If proper segregations of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- C. Bad check fees are not transmitted to the County Treasurer on a timely basis. Fees are generally transmitted once or twice a month. In May 2007, no bad check fees were transmitted to the County Treasurer. In addition, money orders received for bad check fees and donations are not recorded and restrictively endorsed immediately upon receipt. These monies are recorded and endorsements are applied at the time of transmittal to the County Treasurer.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted daily or on a timely basis and money orders should be recorded and restrictively endorsed immediately upon receipt.

- D. Receipt slips are not issued for court ordered restitution payments. In addition, no sequential summary record (cash control) of restitution receipts and disbursements is maintained. Money orders received for restitution payments are

made payable to the victim and a copy of the money order is filed in the applicable case file. The transaction is recorded on an individual fee sheet within the file; however, a summary cash control record is not maintained.

To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly. In addition, a cash control should be maintained for restitution transactions and periodically reconciled to the case files to ensure accuracy.

- E. A log or other record is not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition. A bad check complaint log would provide a record of all complaints filed with the Prosecuting Attorney and provide more assurance that all receipts and disbursements related to these cases are properly handled.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequentially numbered complaint form should be assigned to each bad check received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the date the check was received by the prosecutors office, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

Conditions similar to B-E were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Discontinue assessments to the Special Law Enforcement Fund. Assessments should be in accordance with state law and deposited into the Law Enforcement Restitution Fund.
- B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Transmit fees to the County Treasurer intact on a timely basis and record and restrictively endorse money orders received immediately upon receipt.
- D. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips. In addition, a cash control record should be established for restitution transactions and reconciled periodically to the case files.
- E. Maintain a log to account for all bad check complaints filed.

AUDITEE'S RESPONSE

The Acting Prosecuting Attorney provided the following responses:

- A. We will take this recommendation under advisement.*
- B. No funds are received by or payable to the Prosecuting Attorney. Any payments are money orders made payable to the "Wayne County Treasurer" and stamped with a restrictive endorsement for the Treasurer "For Deposit Only". However, we will ensure periodic supervisory reviews are performed and documented.*
- C. We will transmit monies weekly and restrictively endorse "For Deposit Only" on money orders payable to the Wayne County Treasurer upon receipt. Monies are now being recorded into the CARPEL (case management system) upon receipt for audit purposes.*
- D. We do not accept any cash or payments to the Prosecuting Attorney. All payments are in the form of money orders, either payable directly to the victim or to the Wayne County Treasurer. Payments to the Wayne County Treasurer are restrictively endorsed "For Deposit Only". We will maintain a log of restitution transactions using the CARPEL system and retain a photocopy of the money order.*
- E. In July 2008, we started with the CARPEL system which is a bad check tracking system that will satisfy the need to maintain a log.*

10. Recorder of Deeds' Accounting Controls and Procedures
--

A shortage of \$345 was not detected on a timely basis due to various weaknesses including bank reconciliations were not prepared since September 2007, the method of payment received was not always accurately recorded in the accounting records, and the composition of the receipts was not reconciled to the composition of deposits. Receipts are not deposited intact on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Receipts are not always entered into the electronic accounting system and some monthly disbursements were not disbursed on a timely basis. Copy monies received from the general public and monies received from abstract companies for compact discs (CDs) are not recorded upon receipt in a log and the method of payment for these fees is not recorded. Written contracts do not exist to support agreements between the Recorder of Deeds and local abstract companies. Finally, no records are maintained to account for overpayments that are retained and not refunded.

During the years ended December 31, 2007 and 2006, the Recorder of Deeds collected approximately \$101,200 and \$105,700, respectively, for recording marriage licenses, deeds, tax liens, and interest.

- A. Bank reconciliations have not been prepared since September 2007 because the Recorder of Deeds could not balance the reconciliation at that time. Since bank reconciliations had not been prepared, a \$345 shortage in the account at December 31, 2007, was not detected on a timely basis. The shortage occurred due to various weaknesses in controls (see parts B-D). The Recorder of Deeds took steps to correct the shortage in March 2008 by covering the shortage out of overpayments received. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis.
- B. Cash and checks are accepted for the payment of fees; however, the method of payment received is not always accurately recorded in the accounting records. As a result, the composition of receipts could not be reconciled to the composition of deposits. To ensure all receipts are properly accounted for and deposited, the method of payment received should be accurately recorded in the accounting records, and the composition of monies received should be reconciled to the composition of the deposits.
- C. Receipts are not deposited intact and on a timely basis. For example, a deposit dated December 24, 2007, included \$2,271 in receipts dating back to August 2007. This deposit was for receipts that were found in a desk drawer in December. Also, a deposit dated March 3, 2008, included \$986 in receipts dating back to December 2007. Again, this deposit was for receipts that were found in a desk drawer. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. Further, the Recorder of Deeds indicated she does not deposit cash until accumulating \$50 or more. This is done to allow for change funds to be on hand.

To ensure against the loss or misuse of funds, deposits should be made intact on a timely basis, and all checks and money orders should be restrictively endorsed immediately upon receipt. If a change fund is determined to be necessary, it should be maintained at a reasonable and constant amount.

- D. Receipts are not always correctly entered into the electronic accounting system, and therefore, are not always accounted for or included in the deposit. Disbursements to the state and county for fees collected and properly entered into the electronic accounting system are not always made timely.
 - 1. Numerous instances were noted where a program command to automatically enter the amount of the receipt was not used. Although the recorded document was electronically entered into the system, fees collected for the document were not accounted for when the program's receipt command was not used and the resulting receipt reports indicated no monies were collected for these transactions. This, combined with the method of payment received not always accurately recorded in the accounting records, the composition of receipts not reconciled to the

composition of deposits (see part B), and receipts not deposited intact and on a timely basis (see part C), resulted in instances where it appeared more monies were received than deposited.

2. Disbursements to the state and county for fees collected and properly entered into the electronic accounting system are not always made timely. The fees collected for August 2007 were not disbursed until the end of September 2007. The Recorder of Deeds indicated she typically waits two to three weeks after the end of the month before making the disbursements. As a result, an audit conducted by the County Employees Retirement Fund (CERF) found that monies collected were not submitted to the County Treasurer soon enough to permit the County Treasurer to remit monies to CERF by the 20th of the month following the month in which the collections were made.

State law requires that all fees collected be properly accounted for and distributed monthly to the state and the County Treasurer. Timely disbursement of fees collected is necessary to provide adequate controls over account balances and to increase the likelihood that discrepancies are detected in a timely manner.

- E. Copy monies received from the general public and monies received from abstract companies for CDs containing copies of documents are not recorded upon receipt in a log, and therefore, the method of payment for these fees is not recorded. When CD monies are received from abstract companies, the checks are endorsed and transmitted to the County Treasurer. Copy monies received from the general public are deposited with that day's receipts. Monies received from abstract companies for CDs totaled approximately \$10,250 during the two years ended December 31, 2007.

Failure to record all monies received increases the risk that errors, loss, or misappropriation of funds will not be identified in a timely manner. In addition, Section 59.250, RSMo, requires the Recorder of Deeds to keep a full account of all fees of every kind received. Further, the method of payment should be indicated and reconciled to the composition of deposits or transmittals.

- F. No written contracts exist between the Recorder of Deeds and two local abstract companies. The Recorder of Deeds indicated that verbal agreements have been in place for at least four years whereby CDs containing deed information are provided, at least weekly, to two local abstract companies for \$225 per month each.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

- G. Overpayments of \$25 or less are retained and no refund is made to the payor. In addition, no record is maintained accounting for the amount of overpayments

received. Further, there are times when cash equal to the amount of an overpayment is withheld from the deposit and stored in the office vault. As previously noted (see part A), some of the accumulated overpayment monies were used to correct a shortage in the account in March 2008.

While it may not always be efficient to make refunds for some levels of overpayment, the propriety of retaining overpayments at the current level of \$25 or less is questionable. In addition, accounting controls should be established regarding overpayments, a log should be maintained, overpayments should be deposited, and these monies should be paid to the County Treasurer as an accountable fee as part of the monthly disbursements. Further, as previously discussed and recommended (see part C), all receipts should be deposited intact on a timely basis.

Due to the poor records in the Recorder of Deeds' Office as indicated above, we were unable to determine if all monies were properly accounted for and distributed.

WE RECOMMEND the Recorder of Deeds:

- A. Prepare monthly bank reconciliations to ensure accounting records agree with bank records and discrepancies are discovered and investigated on a timely basis.
- B. Ensure the method of payment is accurately recorded in the accounting records, and the composition of monies received is reconciled to the composition of the deposits.
- C. Ensure all receipts are deposited intact on a timely basis, and restrictively endorse all checks and money orders immediately upon receipt. In addition, if a change fund is determined to be necessary, it should be maintained at a reasonable and constant amount.
- D.1. Ensure all monies collected are properly entered into the electronic accounting system and deposited.
 - 2. Ensure disbursements to the state and county are made on a timely basis.
- E. Ensure that copy monies received from the general public and monies received from abstract companies for CDs are recorded upon receipt in a log, the method of payment is documented, and the composition of monies received is reconciled to the composition of the deposits.
- F. Enter into written contracts with abstract companies.
- G. Review the propriety of retaining overpayments at the level of \$25 or less. In addition, a log should be maintained to account for any overpayments retained

and overpayments should be deposited and also disbursed to the County Treasurer monthly as an accountable fee.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following responses:

- A. *Bank reconciliations are now being done monthly.*
- B. *We are ensuring that when cash is received that the appropriate field is entered so that cash is shown as the type of receipt. In addition, we are ensuring that the composition of receipts is reconciled to the composition of deposits.*
- C. *Deposits are being made daily and we no longer maintain a change fund. We may have missed endorsing a few checks or money orders but normally checks and money orders are restrictively endorsed when receipted.*
- D.1. *All monies are now being properly entered into the electronic accounting system.*
 - 2. *Disbursements are made within a few days after the end of the month.*
- E. *CD monies from the abstract companies are being receipted in a manual receipt slip book and then the monies are turned over to the County Treasurer. Copy monies are now entered into the electronic accounting system along with its composition and disbursed monthly along with other receipts.*
- F. *We are in the process of getting a contract with all abstract companies.*
- G. *Overpayments are no longer accepted. The check is returned with a request for the correct amount. When the correct amount is received, the document is recorded.*

11. Sheriff's Accounting Controls and Procedures

The Sheriff's procedures relating to processing of monies and accounting for commissary inventories are in need of improvement. Receipts for civil process fees are not recorded or deposited on a timely basis, resulting in lost revenues of \$202. The method of payment is not consistently indicated on receipt slips, and checks are not restrictively endorsed immediately upon receipt. Personal checks were cashed out of cash receipts, causing receipts to not be deposited intact. Monthly listings of open items (liabilities) are not prepared for the Sheriff's accounts and reconciled to the cash balances. Profits from the Sheriff's Jail Commissary Account are used to make purchases outside the control of the normal county disbursement process. Bond forms are not prenumbered, and the recipients signature on the receipt slip is not always obtained to acknowledge receipt when a cash bond is refunded the same day. In addition, the Sheriff did not maintain a

running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances.

During the years ended December 31, 2007 and 2006, the Sheriff collected approximately \$166,300 and \$94,300, respectively, for bonds and civil and criminal fees. In addition, inmate commissary deposits were approximately \$20,000 annually.

- A. Receipts for civil process fees are not recorded or deposited on a timely basis. Instead, checks received as payment for process fees are held until the bookkeeper has time to properly record and deposit the monies. As a result, approximately \$1,600 was not recorded until up to over two years subsequent to the time the fees had been paid to the Sheriff. The delay in properly accounting for these monies resulted in lost revenues of \$202.

In July 2006, the bookkeeper discovered in various locations within the office approximately \$1,400 of checks held for as long as 11 months. After discovering these checks, approximately \$1,392 was recovered by depositing or rebilling the stale dated checks. The remaining \$46 was not recovered. In addition, in April 2008, the bookkeeper discovered another \$156 in checks held for as long as over two years. Because of the age of these checks, no effort was made to recover the amounts.

Failure to record and deposit all monies received on a timely basis increases the risk that errors, loss, or misappropriation of funds will not be identified in a timely manner.

- B. The method of payment (i.e., cash, checks, or money orders) is not consistently indicated on receipt slips, the composition of receipts is not reconciled to the composition of deposits, and checks are not restrictively endorsed immediately upon receipt. In addition, two instances were noted where personal checks were cashed causing receipts to not be deposited intact.

Without consistently indicating the method of payment on all receipt slips, reconciling the composition of receipts to the composition of deposits, ensuring checks received are restrictively endorsed immediately upon receipt, and prohibiting the cashing of personal checks, the Sheriff cannot adequately ensure all monies collected are accounted for and deposited.

- C. Monthly listings of open items (liabilities) are not prepared and reconciled to the cash balances for the Sheriff's accounts. Open items listings prepared for the Sheriff's Special (fee) Account as of March 31, 2008, at our request, indicated the \$9,189 account balance exceeded identified open items by approximately \$4,880. Open items listings prepared for the Sheriff's Jail Commissary Account as of March 31, 2008, at our request, identified all monies in the account. We also requested the Sheriff to prepare an open items listing for the Seizure Account, but he was unable to do so. The Seizure Account has maintained an unidentified

balance of \$6,646 since August 2005, prior to the beginning of the current Sheriff's term of office.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available to meet liabilities. The Sheriff should attempt to identify all open items. Any unidentified monies should be disposed of in accordance with state law.

- D. Profits from the Sheriff's Jail Commissary Account are used to make gasoline and jail purchases outside the control of the normal county disbursement process. Fuel purchases totaling \$1,805 along with some other purchases were made from this account. Making disbursements from this account circumvents the county's normal budgeting and disbursement processes. Further, profits in the Sheriff's Jail Commissary Account represent accountable fees and there is no statutory authority for the Sheriff to make disbursements from accountable fees.
- E. Bond forms are not prenumbered. In addition, the Sheriff does not always obtain acknowledgment of receipt, such as the recipients signature on the receipt slip, when a cash bond is refunded the same day, prior to deposit.

To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, bond forms should be prenumbered. Further, to ensure cash disbursements are properly accounted for, a signed receipt slip should be obtained from individuals receiving cash payments.

- F. Commissary services are provided whereby inmates are allowed to purchase snacks and personal items. However, a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances is not maintained.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be performed periodically and reconciled to the inventory balances.

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

WE RECOMMEND the Sheriff:

- A. Record and deposit all monies received on a timely basis.
- B. Indicate the method of payment on all receipt slips, restrictively endorse all checks and money orders immediately upon receipt, and ensure the composition of monies received is reconciled to the composition of the deposits. In addition,

the Sheriff should ensure receipts are deposited intact and discontinue the practice of cashing personal checks.

- C. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any unidentified monies should be disposed of in accordance with state law.
- D. Discontinue the practice of making disbursements from accountable fees.
- E. Issue prenumbered bond forms. If cash disbursements are necessary, adequate documentation should be maintained to support the transaction.
- F. Maintain inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We will do this as timely as we can. However, there will be times when a few days or more may pass before we can process our civil process monies as we may have to wait for one of our clerks to be present.*
- B. *We will indicate the method of payment on all receipt slips, restrictively endorse all checks and money orders immediately upon receipt, and ensure the composition of monies received is reconciled to the composition of deposits. We will also ensure receipts are deposited intact and we will prohibit the practice of cashing personal checks out of cash receipts.*
- C. *We will prepare monthly listings of open items and reconcile the listing to the cash balance as best we can. We will investigate differences, including discussing disposition with the Prosecuting Attorney, and dispose of any unidentified monies in accordance with state law.*
- D. *We have discontinued the practice of making disbursements from accountable fees. Although this practice has been discontinued, the purchases noted above were related to either transporting of prisoners or items needed for the jail.*
- E. *If it becomes financially feasible for us to order prenumbered bond forms, we will do so. We will continue to investigate our options for how we can properly process and account for bonds.*
- F. *We will maintain inventory records for commissary items and reconcile such records to periodic inventory counts. We will then follow up on any differences noted in this process.*

The Senate Bill 40 Board does not always obtain or retain bid documentation for items bid by the sheltered workshop and paid for by the Senate Bill 40 Board. In addition, the Senate Bill 40 Board did not publish its financial statements for the years ended December 31, 2007 and 2006.

- A. The Senate Bill 40 Board does not always obtain or retain bid documentation for items bid by the sheltered workshop and paid for by the Senate Bill 40 Board. The Senate Bill 40 Board minutes indicate the sheltered workshop manager had obtained phone bids for some items; however, documentation of these bids was not always obtained or retained by the Senate Bill 40 Board. Bid documentation was not provided for the purchase of a used truck which cost \$11,000 and for the installation of fire and smoke alarm systems which cost \$7,292 for the year ended December 31, 2007.

Section 50.660, RSMo, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Senate Bill 40 Board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in Senate Bill 40 Board business. Documentation of the various proposals received, and the Senate Bill 40 Board's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- B. The Senate Bill 40 Board did not publish its financial statements for the years ended December 31, 2007 and 2006. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure adequate supporting documentation is obtained for all disbursements including documentation of bids, to ensure the validity and propriety of disbursements and compliance with state purchasing laws.
- B. Publish its financial statements annually as required by state law.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following responses:

- A. *We will ensure, in the future, adequate supporting documentation is obtained for all disbursements, including documentation of bids.*

- B. *We will work with the County Clerk and provide the necessary information to him so that the Senate Bill 40 information is published along with the county's other funds.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

WAYNE 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 Wayne County on findings in the Management Advisory Report (MAR) of our prior 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 Sales Tax and Financial Condition

The county's General Revenue Fund financial condition was declining. Due to an inadequate general revenue property tax levy reduction in 2003 and 2002, the General Revenue Fund owed the Special Road and Bridge Fund \$68,997. In addition, the construction of a new jail was considered even though it did not appear the county had sufficient monies to construct a new jail without some increase in revenues or a reduction in expenditures.

Recommendations:

The County Commission:

- A. Repay the Special Road and Bridge Fund \$68,997 from the General Revenue Fund. In addition, subsequent property tax levy rollbacks should be in the General Revenue Fund or sufficient monies paid to the Special Road and Bridge Fund.
- B. Ensure the financial condition of the General Revenue Fund is sufficient to pay for the increased costs associated with a new jail before commencing with the jail construction project.

Status:

Not implemented. See MAR finding number 1.

2. County Expenditures and Conflict of Interest

- A. Bids were not always solicited or advertised by the county, nor was bid documentation always retained by the County Clerk for numerous purchases. In addition, each official was responsible for bidding their office purchases; however, several purchases for the Sheriff's office were not bid.
- B. Adequate supporting documentation was not obtained and reviewed by the County Commission for some expenditures, while other expenditures approved by the County Commission had insufficient detail.

- C. The county paid the Western District County Road Overseer \$5,300 on October 7, 2003, for a 1992 truck to be used for road and bridge purposes. The truck was previously owned by the Western District Commissioner who sold the truck for \$2,500 to the overseer on October 6, 2003. No public notice was given and no bids were requested.

Recommendations:

The County Commission:

- A. Solicit bids for all purchases (including the Sheriff's office purchases) in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- B. Ensure adequate supporting documentation is obtained for all expenditures.
- C. Review the transactions for propriety, and in the future, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest.

Status:

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

C. Implemented.

3. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for several funds.
- B. Actual expenditures exceeded the budgeted amounts in several funds. In addition, the County Commission amended various budgets to reflect increased expenditures made during the year; however, the expenditures of some funds exceeded the original budgets prior to the county's official budget hearing amending the budgets.
- C. The 2003 Sheriff's Donations Fund budget reflected a deficit budgeted ending fund balance of \$1,497.
- D.1. The published financial statements did not include the financial activity of several funds because these funds were not under the control of the County Commission.
- 2. Expenditures were not listed by vendor for most funds and some funds were not included in the published financial statements.

Recommendations:

The County Commission:

- A. Ensure budgets are obtained or prepared for all county funds.
- B. Refrain from authorizing expenditures in excess of budgeted amounts. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office. In addition, ensure budget amendments are made prior to incurring actual expenditures.
- C. Discontinue appropriating expenditures in excess of available resources.
- D.1. Ensure all county funds are held in the custody of the County Treasurer and disbursed through the county's expenditure system.
 - 2. Ensure financial information for all county funds is properly reported in the annual published financial statements and expenditures are listed by vendor.

Status:

A&C. Implemented.

B. Not implemented. See MAR finding number 4.

D.1. Partially implemented. While county funds are held in the custody of the County Treasurer, some are not disbursed through the county's disbursement system. See MAR finding number 3.

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

4. Officials' Salaries

A. The county had not taken action on mid-term salary increases given to the Associate County Commissioners in 1999.

B. Actions of the salary commission in approving a \$8,100 raise for the County Treasurer were not supported by a written legal opinion.

C. The Public Administrator did not elect to receive either a salary or fees as compensation and continued to receive a salary as well as compensation from fees.

D. The Sheriff received \$3,908 in additional compensation from overtime and other payments during the year ended December 31, 2003. These payments were received

as the Sheriff acted as the project director for the Public Safety Partnership and Community Policing Grants.

Recommendations:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.
- B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.
- C. Require the Public Administrator to elect to receive either a salary or fees. In addition, consult with legal counsel to ensure proper amounts were paid and to seek reimbursement for any overpayments.
- D. Review the appropriateness of paying the Sheriff additional compensation and consider obtaining reimbursement of the additional compensation.

Status:

- A. Not implemented. The county has chosen to not pursue repayment of these amounts. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. While the county indicated they consulted with and reviewed the situation with legal counsel, no written documentation of this process was retained. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. While the Public Administrator elected to receive a salary in 2005, the county has not sought or received reimbursements for any overpayments. In addition, it is unclear how the current salary of the Public Administrator was determined. See MAR finding number 6.
- D. Partially implemented. Additional compensation was not paid to the Sheriff during the current audit period. While the County Commission stated it received a legal opinion from the Prosecuting Attorney indicating the county's actions were legal, no written documentation of this process was retained. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Personnel Policies and Procedures

The county's written personnel policies did not specifically address compensatory time and overtime related to law enforcement personnel.

Recommendation:

The County Commission work with the Sheriff to adopt personnel policies related to law enforcement personnel.

Status:

Partially implemented. The county remains in the process of formally adopting personnel policies related to law enforcement personnel. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Property Records and Procedures

The county's fixed asset records were not adequate and complete and some county offices did not conduct timely annual physical inventories. Some fixed asset purchases were not included on the fixed asset listings. Also, fixed asset purchases were not reconciled to fixed asset records, records were not maintained in a manner that balances could be reconciled from period to period, and records did not indicate the date and method of fixed assets dispositions.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting, record keeping, and reconciliation procedures, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Status:

Not implemented. See MAR finding number 7.

7. Sheriff's Accounting Controls and Procedures

A. Checks and money orders received were not always restrictively endorsed immediately upon receipt.

B. Receipts were not posted to the cash control ledger on a timely basis.

- C. Receipts were not always deposited intact on a timely basis. In addition, the composition (cash, check, and money orders) of receipts was not reconciled to the composition of deposits.
- D. The Sheriff had not established procedures to routinely follow up on old outstanding checks.
- E. A listing of accrued costs owed to the county was not maintained by the Sheriff's office and monitoring procedures related to unpaid accrued cost were not adequate. In addition, some jail board costs may have been charged as court costs to the defendant if ordered by the judge, but these billings were not tracked.

Recommendations:

The Sheriff:

- A. Restrictively endorse all checks and money orders immediately upon receipt.
- B. Post all receipts to the cash control ledger on a timely basis.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, reconcile the composition of receipts to the composition of deposits.
- D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- E. Maintain a complete listing of unpaid accrued costs and establish procedures to routinely follow-up and pursue timely collection.

Status:

- A-C. Not implemented. See MAR finding number 11.
- D. Partially implemented. While the Sheriff resolved the old outstanding checks, routine procedures were not established to investigate checks outstanding for a considerable time. At December 31, 2007, there were seven checks totaling \$49 which had remained outstanding for over one year. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Not implemented. While the Sheriff does not maintain a listing of unpaid accrued costs nor has he established procedures to routinely follow-up and pursue timely collection, the volume of accrued costs has diminished due to most fees being collected before the services are provided. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Sheriff's Commissary Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated.
- B. Prenumbered receipt slips were not issued for some monies received. In addition, the composition of receipts was not reconciled to the composition of deposits.
- C. Receipts were not always deposited on a timely basis. In addition, checks and money orders received were not always restrictively endorsed immediately upon receipt.
- D. The Sheriff had not established procedures to routinely follow up on old outstanding checks.
- E. The Sheriff's office did not maintain inventory records of commissary items.
- F. The Sheriff did not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items were retained in the commissary account.
- G. Monthly listings of open items (liabilities) were not reconciled to cash balances.
- H. At March 16, 2004, 196 inmates had closed accounts totaling approximately \$1,932. This indicated that the inmates were released from the county jail but the balance of their commissary account was not claimed.
- I. Several purchases of flowers totaling \$535 were made during the two years ended December 31, 2003. In addition, the Sheriff's office was unable to locate commissary invoices for the year ended December 31, 2002.

Recommendations:

The Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Issue prenumbered receipt slips for all monies received. In addition, reconcile the composition of receipts to the composition of deposits.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, restrictively endorse all checks and money orders immediately upon receipt.
- D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

- E. Maintain inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
- F. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.
- G. Prepare and reconcile a listing of liabilities of the commissary account, including individual inmate balances, to the total monies on deposit in the commissary account on a monthly basis.
- H. Attempt to resolve unclaimed balances of closed inmate accounts and establish routine procedures to investigate inmate balances unclaimed for a considerable time.
- I. Ensure all expenditures are reasonable and necessary and a prudent use of public funds. In addition, records should be retained in a secure location in accordance with state law.

Status:

A-D,
F, H,
&I. Implemented.

E&G. Not implemented. See MAR finding number 11.

9. Prosecuting Attorney's Accounting Controls and Procedures

- A. Defendants frequently made “donations” to the Special Law Enforcement Fund in consideration for reduced charges filed on traffic tickets and other criminal cases.
- B. Accounting duties were not adequately segregated.
- C. Bad check fees were not transmitted to the County Treasurer on a timely basis. In addition, money orders received for bad check fees and donations were not recorded and restrictively endorsed immediately upon receipt.
- D. Receipt slips were not issued for court ordered restitution payments. In addition, no sequential summary record (cash control) of restitution receipts and disbursements was maintained.
- E. A log or other record was not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition.

Recommendations:

The Prosecuting Attorney:

- A. Review the practice of accepting "donations" as part of consideration for reducing charges filed or leniency.
- B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Transmit fees to the County Treasurer daily or when accumulated receipts exceed \$100. In addition, record and restrictively endorse money orders received immediately upon receipt.
- D. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips. In addition, establish a cash control record for restitution transactions and reconcile periodically to the case files.
- E. Maintain a log to account for all bad check complaints filed with the Prosecuting Attorney's office.

Status:

- A. Not implemented. Concerns related to assessments received were noted. See MAR finding number 9.
- B-E. Not implemented. See MAR finding number 9.

10. Health Center's Accounting Controls and Procedures

- A. The Health Center Board expended \$1,747 for employee incentives (Christmas dinners, employee's awards, etc.), \$770 for refreshments for Health Center Board meetings, and \$70 for flowers during the two years ended December 31, 2003. These expenditures did not appear to represent a prudent use of public funds and a necessary cost of operating the board.
- B. Additions of fixed assets were not recorded as they occurred and fixed assets disbursements were not reconciled to additions in the fixed asset records. In addition, property tags were not always affixed to assets when acquired.

Recommendations:

The Health Center Board:

- A. Ensure all expenditures are reasonable and necessary and a prudent use of public funds.
- B. Require all additions of fixed assets to be recorded as they occur, reconcile additions to the property records periodically, and affixed property tags to assets at the time of purchase.

Status:

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

11. Senate Bill 40 Board's Accounting Controls and Procedures

- A. The Senate Bill 40 Board expended approximately \$500 for gifts for employees of the Sheltered Workshop per the quarterly financial statement and \$32 for flowers during the two years ended December 31, 2003. These expenditures did not appear to represent a prudent use of public funds and a necessary cost of operating the board. In addition, adequate supporting documentation was not maintained regarding the \$500 in gifts.
- B. The Senate Bill 40 Board did not have adequate procedures to monitor and ensure monies in its various bank accounts were sufficiently collateralized.

Recommendations:

The Senate Bill 40 Board:

- A. Ensure all expenditures are reasonable and necessary and a prudent use of public funds. In addition, all expenditures should be supported by adequate supporting documentation.
- B. Develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

WAYNE COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Wayne County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Greenville.

Wayne 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 13,259 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 74,719,813
Personal property	28,516,520
Railroad and utilities	12,279,165
Total	<u>\$ 115,515,498</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.

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Capital improvements	.0050	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:	\$	
Brian M. Polk, Presiding Commissioner		23,918
James (Bill) Hovis, Associate Commissioner		21,918
Bud Snyder, Associate Commissioner		21,918
Charity Barks, Recorder of Deeds		33,210
Alan R. Lutes, County Clerk		33,210
Rebecca M. Burns, Prosecuting Attorney		39,327
Phillip P. Burton, Sheriff		36,705

Carol Hale, County Treasurer	33,210
Barbara A. Anderson, County Coroner	9,613
Harold Shrum, Public Administrator	25,000
Mary VanNoy-Hampton, County Collector, year ended February 29,	33,210
Frances K. Huitt, County Assessor (1), year ended August 31,	32,608

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

State-Paid Officials:

Darren T. Garrison, Circuit Clerk	51,197
Randy P. Schuller, Associate Circuit Judge	101,090

The county has entered into several lease purchase agreements for road and bridge equipment. At December 31, 2007, the balance of the leases total \$194,878. Principal and interest payments are made from the Special Road and Bridge Fund.