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Missouri State Auditor

Morgan County



November 2009
Report No. 2009-134

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

November 2009

The following findings were included in our audit report of Morgan County.

As similarly noted in our prior report, records and monitoring procedures for county vehicles and equipment and fuel use are not sufficient. The county has not established a written policy regarding allowable use of vehicles and documentation and reporting requirements. Mileage/use logs are not maintained for some vehicles and equipment and no bulk fuel inventory records are maintained. Fuel use is not reviewed or reconciled to fuel billings. In addition, the county does not report taxable benefits associated with county vehicles used for commuting purposes.

Significant problems were noted with the Sheriff's department records and procedures over inmate and commissary monies. Procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. Substantial amounts of U.S. Immigration and Customs Enforcement inmate monies are held in cash, placing these funds at risk of loss, theft, or misuse. The Sheriff's department does not track the profits from the sale of commissary items and does not generate monthly lists of liabilities from the inmate account computer system; consequently, profits and liabilities are not reconciled with cash balances. In addition, the Sheriff's department does not maintain inventory records of prepaid telephone cards purchased and sold to inmates and does not routinely follow up on outstanding checks of the inmate commissary account balance.

Accounting duties in the Sheriff's department are not adequately segregated, and depositing and transmittal procedures for bonds and civil fee monies are not sufficient. In addition, procedures are not in place to routinely identify month-end liabilities and reconcile to the bond bank account.

The County Commission pays credit card statements without supporting documentation for some charges or proper review and approval by county officials and department heads. The county has not executed current contracts with special road districts and does not monitor the districts' use of County Aid Road Trust and Marine Gas Tax revenues. Additionally, the county has not developed a long-term plan regarding the use of Neighborhood Improvement District maintenance levy monies.

Other findings in the audit report relate to property tax system controls, county property records and procedures, and accounting controls and procedures of the Associate Circuit Division, Prosecuting Attorney, and Senate Bill 40 Board.

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YELLOW SHEET

MORGAN COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Morgan County

We have audited certain operations of Morgan County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Casey and Company, L.L.C, Certified Public Accountants, has been engaged to audit the financial statements of Morgan County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2008. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying 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 Morgan County.



Susan Montee, JD, CPA
State Auditor

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MORGAN COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Vehicle and Equipment Policies and Procedures

Records and monitoring procedures for county vehicles and equipment and fuel use are not sufficient. Similar concerns were noted in our prior report and there have been no significant improvements made by the county. During the 2 years ended December 31, 2008, approximately \$382,000 was spent on fuel for the road and bridge department's 22 vehicles and various equipment (i.e., graders, loaders, backhoes, and tractors) and the County Commissioner's 3 assigned vehicles. Also during this time period, approximately \$241,000 was spent on fuel for the Sheriff's 28 vehicles and the 911 department's assigned vehicle. These disbursements for fuel are significant and do not represent the complete cost of operating and maintaining county vehicles and equipment; thus, review and monitoring procedures are essential.

- A. The county has not established a written policy and effective monitoring procedures regarding vehicle and equipment use and fuel costs. Mileage/use logs are not maintained for most vehicles and equipment and fuel use is not reviewed or reconciled to fuel billings. In addition, the county does not report taxable benefits associated with county vehicles used for commuting purposes.
- 1) Road and bridge department employees and County Commissioners dispense fuel into county-owned vehicles and equipment from bulk fuel tanks located at various road and bridge department sites in the county. Mileage/use logs documenting fuel use are not maintained for the vehicles and equipment and no bulk fuel inventory records or logs of fuel dispensed from the tanks are maintained. By not maintaining inventory records and mileage/use logs, the county cannot reconcile fuel purchases to fuel used and on hand.
 - 2) Sheriff's department employees and the 911 Administrator purchase fuel for county-owned vehicles with fuel purchasing cards and the county receives a monthly statement for these purchases. These statements are paid without comparison to individual fuel purchase receipts or records of fuel use, and without review by the Sheriff and the 911 Administrator. The 911 Administrator does not maintain a mileage/use log and does not submit fuel purchase receipts to the County Clerk's office. Although the Sheriff's department maintains an electronic fuel log in which employees are to enter the date, vehicle odometer reading, and the number of gallons dispensed for each fuel purchase; the electronic fuel log is not reconciled to monthly fuel statements.

In addition, our review of the Sheriff's department electronic fuel log determined fuel purchases for several vehicles are not included and it appears the log is not reviewed for reasonableness and accuracy. We also noted instances where odometer readings were not entered in the log and information in the log (i.e., odometer readings or number of gallons purchased) differed from the monthly fuel statements. In addition, we noted instances where the number of gallons purchased exceeded the fuel capacity for the applicable vehicle. For example, a deputy purchased 38 gallons of gasoline on October 8, 2008; however, the fuel capacity of the vehicle assigned to the deputy (Chevy Trailblazer) is approximately one-half the quantity of fuel purchased. The Sheriff indicated employees sometimes use their fuel purchasing cards to fuel other county vehicles at the same time they fuel their assigned vehicle, but these situations were not identified on the fuel log.

Prior to October 2008, the Sheriff's department did not ensure fuel purchasing cards were controlled and accounted for properly. In August 2008, due to concerns about the location of certain cards, the Sheriff's department obtained and reviewed a list of cards issued to the county from the fuel vendor. Two of the cards on the list could not be located and were deactivated. However, the Sheriff did not conduct an investigation to determine whether purchases had been made with the unlocated cards, who made the purchases, and whether the purchases were appropriate. Our review of the July 2008 fuel statement identified fuel purchases totaling \$564 with the two cards. Because the Sheriff's department did not properly control and account for the cards, or perform a review of monthly fuel statements and the fuel log, Sheriff department personnel were unable to determine who had possession of these cards during the time period of concern or if the purchases were proper.

- 3) Each of the County Commissioners and the 911 Administrator are assigned vehicles which are used for commuting purposes. The County Commission indicated these vehicle assignments are necessary to reduce response time when emergencies arise. However, because mileage/use logs are not maintained, business and commuting mileage is not documented. The Internal Revenue Service (IRS) reporting guidelines indicate commuting mileage is a reportable fringe benefit. The county may be subject to penalties and/or fines for failure to report all taxable benefits.

A formal written vehicle policy is needed to inform county officials and employees of the vehicles' allowable use, outline mileage/use log documentation requirements, address and define commuting use of vehicles, and identify applicable IRS guidelines and reporting requirements.

Maintenance and review of vehicle and equipment mileage/use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Vehicle and equipment mileage/use logs should provide sufficient details (e.g., the date, driver or operator; purpose and destination of each trip; daily beginning and ending odometer or hour meter readings; and fuel purchased and maintenance services performed) so the county can monitor vehicle and equipment use and monitor fuel and other operating costs. Vehicle mileage/use logs should clearly distinguish between business and commuting use so that taxable benefits can be reported on applicable officials' and employees' W-2 forms.

- B. The fuel charges for the 911 Administrator's assigned vehicle are incorrectly paid from the Law Enforcement Sales Tax Fund. Section 67.582, RSMo, provides disbursements from that fund are legally restricted to law enforcement purposes. These fuel charges totaled \$6,380 during the 2 years ended December 31, 2008. Because the monthly fuel statements are not sufficiently reviewed, the error was not detected by county employees.

WE RECOMMEND the County Commission:

- A. Establish written policies for county-owned vehicles and equipment, maintain appropriately detailed mileage/use logs and bulk fuel inventory records, develop monitoring procedures, and ensure compliance with IRS guidelines for reporting fringe benefits related to commuting use.
- B. Reimburse the Law Enforcement Sales Tax Fund from the 911 Fund for fuel expenses incorrectly charged to the Law Enforcement Sales Tax Fund and ensure future fuel expenses are paid from the proper funds.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We are currently developing policies and monitoring procedures and will work with the other officials to implement these recommendations.*
- B. *We are in the process of establishing a separate account for 911 fuel purchases; and beginning in January 2010, we will charge 911 fuel costs to the 911 Fund.*

2. Property Tax System Controls and Procedures

The County Clerk and the County Commission do not provide adequate monitoring of property tax system activities. For the 2 years ended February 28, 2009, property taxes

charged to the County Collector totaled approximately \$23 million each year. During the year ended February 28, 2009, property tax additions and abatements totaled approximately \$467,000 and \$303,000, respectively.

- A. The County Clerk does not maintain an account book or other records with the County Collector summarizing property tax transactions and changes. As a result, the County Collector's annual settlements cannot be adequately reviewed. The County Clerk indicated her review of the County Collector's annual settlements is limited to comparing collections to monthly collection reports submitted by the County Collector, and this review is not documented.

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

- B. Controls over property tax additions and abatements are not adequate. The County Assessor prepares court orders for additions and abatements, submits the court orders to the County Clerk, and posts the changes to the property tax system. The County Collector prints monthly reports of changes made to the property tax system and submits the reports to the County Clerk. However, the County Commission does not review or approve the court orders, and the County Clerk does not reconcile court orders for additions and abatements to actual changes made to the system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. A reconciliation of approved additions and abatements would satisfy the intent of these statutory provisions and provide confidence that changes to the property tax system records are proper.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND:

- A. The County Clerk maintain an account book with the County Collector and work with the County Commission to perform a thorough review of the County Collector's annual settlements.

- B. The County Commission and the County Clerk develop procedures to ensure all property tax additions and abatements are properly approved and monitored.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

- A. *The County Clerk will consult with other county clerks and develop an account book and begin using it to verify the County Collector's annual settlements beginning with the current tax year.*
- B. *The County Commission will begin approving additions and abatements, and the County Clerk will reconcile the court orders to changes to the system.*

3. County Property Records and Procedures
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As noted in our prior report, procedures and records to account for county property are not adequate.

The County Clerk has no procedures to identify property purchases and dispositions throughout the year. In January 2009, the County Clerk requested inventory reports from all county officials and departments, and received the reports from all except the Prosecuting Attorney and the road and bridge department. These reports had not been updated since previously requested in 2003. The County Commission maintains the road and bridge department inventory list on a more current basis for insurance purposes; however, the list was not submitted to the County Clerk. In addition, there are no procedures in place to ensure an annual physical inventory is performed by each county official and department; and most capital assets purchased since 2003 had not been numbered, tagged, or otherwise identified as county property.

Some problems were noted with the 2009 inventory reports. For example, the road and bridge department's inventory list had not been updated for three motor graders purchased in February 2008. In addition, the 911 department's inventory list did not include one laptop computer, while two laptop computers included on the inventory list could not be located in the 911 office. The 911 Administrator indicated one computer was at his house and the other was at the addressing manager's house. The 911 Administrator stated he uses his laptop computer after hours and while traveling to monitor the weather, which is part of his job duties; and the addressing manager uses her laptop computer for addressing, which she does by traveling throughout the county. The 911 inventory list did not sufficiently disclose the location of these computers.

Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk. Adequate capital asset records and procedures are necessary to ensure effective

internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to inventory reports from the various county departments would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Proper tagging of county property items and specific identification of property locations are necessary to reduce the possibility of improper personal use of county property.

WE AGAIN RECOMMEND the County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement a procedure for tracking and tagging capital asset purchases throughout the year.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following response:

We will work with other officeholders to develop a procedure for notifying the County Clerk upon the purchase of capital assets, whereby the County Clerk will track and record the purchases, and we will require officeholders to conduct annual physical inventories.

4. Sheriff's Inmate and Commissary Monies
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Significant problems were noted with the records and procedures over inmate and commissary monies.

The Sheriff operates a 130 bed jail, housing Morgan County inmates and inmates for two federal agencies – the U.S. Immigration and Customs Enforcement (ICE) and the U.S. Marshals Service (USMS). The Sheriff's department maintains the inmate monies and operates a commissary for inmates to purchase telephone cards, various snacks, and personal items.

While the Sheriff's department maintains county and USMS inmate monies in the inmate commissary bank account, the ICE inmate monies (primarily in the form of cash) are maintained in envelopes in a safe. Electronic records of the receipts, disbursements, and balance are maintained for each inmate. When monies are received on behalf of an inmate, a receipt slip is issued by the Sheriff's booking department and the amount received is posted to the inmate's account. When an inmate makes a purchase from the commissary, the disbursement is posted to the inmate's account. Approximately twice a month, the commissary bookkeeper prints a report of ICE inmate purchases, removes monies from the inmate envelopes to cover the purchases, and deposits those monies in the inmate commissary bank account. Deposits of county and USMS inmate monies and monies transferred from ICE inmate envelopes for commissary purchases totaled

approximately \$71,200 and \$60,900 during the years ended December 31, 2008 and 2007, respectively.

A. Procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. We noted the following concerns:

- 1) Substantial amounts of ICE inmate monies are held in cash, placing these funds at risk of loss, theft, or misuse. A review of monies collected from inmates from September 23, 2008, to November 6, 2008, noted receipts of ICE inmate monies totaled approximately \$29,200, representing over 80 percent of total inmate monies received (approximately \$35,700) during that time period. The Sheriff's department houses an average of 50 ICE inmates per day. The Sheriff indicated ICE inmate monies are maintained in cash because the ICE prefers the inmates be given their monies in cash upon release. ICE inmates are frequently deported to another country upon release, and it is easier for inmates to negotiate cash than checks. However, based on the number of ICE inmates released each day, it appears unnecessary to maintain all ICE inmate monies in cash.
- 2) Deposits of inmate monies are not timely, intact, or adequately documented. As a result, the Sheriff's department is unable to ensure all monies are deposited and accounted for properly.

When monies are received for ICE inmates, the commissary bookkeeper generally places the cash, checks, or money orders received in the respective inmate envelopes. To maintain ICE inmate monies in cash form; twice per month, the commissary bookkeeper removes any checks and money orders from inmate envelopes and replaces with cash in the same amount. The bookkeeper obtains the cash either by cashing the checks and money orders at the bank or cashing the checks and money orders from inmate commissary account cash receipts on hand (county and USMS inmate monies and monies transferred from ICE inmate envelopes for commissary purchases) and later depositing the checks and money orders into the inmate commissary account. The bookkeeper indicated she sometimes cashes the checks and money orders individually immediately when received, but generally only has time to cash the checks and money orders in batches twice a month. A review of bank documentation and receipt slips related to three September 30, 2008, commissary account deposits, consisting of 27 checks and money orders totaling \$2,432 and cash totaling \$286 primarily from ICE inmates, found most of the monies had been received more than 2 weeks prior to deposit, and some had been received more than 1 month prior to deposit. In addition, the checks and money orders are not restrictively endorsed until the deposit is prepared.

Receipt and deposit records do not provide sufficient details to demonstrate that inmate monies were properly deposited or placed in inmate envelopes. Inmate receipt slips do not require, and many do not indicate the method of payment (cash, check, or money order). Receipt slips also do not indicate whether the inmate is a county inmate, a USMS inmate, or an ICE inmate. In addition, the bookkeeper does not retain documentation showing when and how ICE checks and money orders are cashed, and does not maintain a record of monies transferred from ICE inmate envelopes for commissary purchases. Furthermore, a record of inmate monies comprising bank deposits is not prepared by the bookkeeper. Without these details and documentation, receipts cannot be readily agreed to deposits and monies held in inmate envelopes.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt. The Sheriff should consult with the ICE to establish alternative procedures for maintaining cash for ICE inmate releases. Consideration should be given to maintaining a cash fund, on an imprest basis, to maintain and disburse funds for ICE inmate releases.

To ensure all receipts are properly accounted for and deposited, the composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of deposits to the receipt and inmate records, and clearly demonstrate the proper handling of monies for different types of inmates.

- B. The Sheriff's department does not track the profits from the sale of commissary items and does not generate monthly lists of liabilities from the inmate account computer system; consequently, profits and liabilities are not reconciled with cash balances. In addition, the Sheriff maintains profits from the commissary fund outside the county treasury.

Inmate commissary profits consist of discounts received from the commissary and prepaid telephone card vendors. The inmate accounts are charged full price for the commissary items, and the vendors charge the Sheriff a discounted price. The discount amount (full price minus discounted price) represents a profit retained by the Sheriff. The Sheriff's department spends the profits on items for the inmates such as pizzas and movies. The bookkeeper estimated these disbursements average \$70 per week. The inmate commissary account balance increased from approximately \$15,900 at December 31, 2004, to \$31,300 at December 31, 2008. Based on information obtained from the commissary and telephone card vendors, profits (including complimentary telephone cards noted in C below) totaling approximately \$11,700 and \$7,700, were earned in the years ended December 31, 2008 and 2007, respectively.

The Sheriff's department maintains no record of the profits, including profits earned, disbursements, and balances. In addition, the Sheriff does not prepare a monthly list of liabilities. At December 31, 2008, the balance in the commissary bank account exceeded the balance in the county and USMS inmate accounts by approximately \$29,300. Sheriff's department personnel believe all monies exceeding the total of the inmate monies are profits available to be spent. However, without maintaining records of profits and generating lists of liabilities, and reconciling those amounts to the cash balance, there is no assurance commissary monies have been accounted for properly.

In addition, profits from the sale of commissary items represent accountable fees and should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to make disbursements from accountable fees.

- C. The Sheriff's department does not maintain inventory records of prepaid telephone cards purchased and sold to inmates. Batches of telephone cards are periodically purchased from telephone card vendors, and maintained by the bookkeeper until purchased by inmates. In addition, one vendor provided the Sheriff's department 1,200 complimentary telephone cards valued at \$12,000 during the period October 20, 2008, through May 14, 2009. Based on information obtained from the telephone card vendors, the Sheriff's department purchased or received telephone cards valued at approximately \$45,000 during the 2 years ended December 31, 2008.

A detailed inventory ledger is necessary to adequately account for telephone cards. Inventory records should document the beginning number of telephone cards, cards purchased, cards sold, and the ending balance of cards. Periodic physical inventory counts should be performed and reconciled to inventory records. Loss, misuse, or theft of telephone cards may go undetected without adequate inventory records and procedures.

- D. The Sheriff's department does not routinely follow up on outstanding checks of the inmate commissary account. As a result, the number and amount of old outstanding checks has increased. According to the December 31, 2008, bank reconciliation, outstanding checks over a year old totaled \$5,308. These old outstanding checks create additional and unnecessary recordkeeping responsibilities. The Sheriff should adopt procedures to routinely identify and follow up on outstanding checks and reissue checks if payees can be identified and located. If payees cannot be identified or located, these monies should be disposed of in accordance with state law.

Conditions similar to A.2, B, and D were noted in our prior audit.

WE RECOMMEND the Sheriff:

- A. Ensure all receipts are deposited intact on a timely basis, and work with the ICE to establish alternative procedures for maintaining cash for inmate releases. The Sheriff's department should ensure receipt and deposit records are adequately detailed, checks and money orders are restrictively endorsed immediately upon receipt, and receipt slips and records of monies transferred from ICE inmate envelopes are reconciled to deposits and inmate envelopes.
- B. Develop records to adequately track profits of commissary operations, generate monthly lists of liabilities, and reconcile the records and lists to the account balances. In addition, all profits should be turned over to the County Treasurer as accountable fees.
- C. Maintain inventory records for telephone cards and reconcile the records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
- D. Establish procedures to routinely identify and investigate outstanding checks. If the owner of the funds cannot be identified or located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We plan to implement an ICE inmate cash release pool and develop procedures to implement the other recommendations.*
- B. *We will develop a ledger to track profits of the commissary, consult with the computer system vendor about producing monthly reports of open items, and consult with the County Commission about expenditure of the profits.*
- C. *We think the risk of misuse is low because the cards have no value outside the jail; however, we will consider developing procedures to track the cards.*
- D. *We will attempt to locate the payees and remit the unidentified checks to the County Treasurer and monitor outstanding checks more timely in the future.*

5. Sheriff's Accounting Controls and Procedures
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Accounting duties are not adequately segregated, and controls and procedures over bonds and civil fees are in need of improvement.

In addition to the inmate commissary bank account (see Management Advisory Report finding number 4), the Sheriff's department maintains a bond bank account for bond monies and civil fees. Deposits into this account totaled approximately \$239,000 and \$264,000 during the years ended December 31, 2008 and 2007, respectively.

- A. As noted in two prior audits, accounting duties are not adequately segregated. One bookkeeper is responsible for the bond bank account and the other bookkeeper is responsible for the inmate commissary bank account. Each bookkeeper is responsible for recording, depositing, and disbursing monies; and preparing bank reconciliations for the bank account for which she is responsible. Supervisory or independent reviews of the various functions are not performed. The Sheriff indicated he reviews the bank statements and some bank reconciliations, but some of these documents lacked evidence of his review.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented independent or supervisory review of records by another employee or the Sheriff.

- B. Depositing and transmittal procedures for bonds and civil fee monies are not sufficient.
- 1) Bond receipts are received by the Sheriff's booking department, recorded on receipt slips and bond forms, and transmitted to the bond bookkeeper. However, the bond bookkeeper does not deposit these receipts until she has received the related bond form from the booking department, which she indicated is often several days to weeks after the monies are received. Our review of 41 bond receipts totaling \$20,349 in cash received from September 23, 2008, to November 6, 2008, determined these bond receipts were deposited an average of 23 days after receipt.
 - 2) Civil fee receipts are received directly by the bond bookkeeper. Of 21 receipts received during 1 week in October 2008, 3 receipts totaling \$76 were not deposited for 6 weeks.
 - 3) When performing deposits, the bookkeeper does not reconcile receipt slips issued to amounts deposited and still on hand. Our review noted a \$1,000 cash bond received in November 2008 of which only \$750 was deposited. The bond bookkeeper identified the error in February 2009 after realizing cash on hand exceeded current bond receipts, and deposited the remaining bond monies. Additionally, the Sheriff's department does not account for the numerical sequence of bond forms.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact and on a timely basis, the composition of

receipt slips issued should be reconciled to the composition of bank deposits, and the numerical sequence of bond forms should be accounted for properly.

Similar conditions were noted in our prior audit.

- C. Procedures are not in place to routinely identify month-end liabilities and reconcile to the bond bank account balance. At our request, the bond bookkeeper determined liabilities as of April 20, 2009. However, the reconciled cash balance of \$6,476 exceeded the identified liabilities by \$66. Liabilities should be identified monthly and reconciled to the cash balance to ensure all monies are accounted for properly, records are in balance, errors are detected and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities. Any unidentified differences should be investigated and resolved.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or implement documented independent or supervisory reviews of the accounting records.
- B. Deposit all monies intact on a timely basis, reconcile the composition of receipts and bond forms to the composition of bank deposits, and account for the numerical sequence of bond forms.
- C. Identify liabilities and reconcile to cash balances on a monthly basis. Any unidentified differences should be investigated and resolved.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I will review bank reconciliations and other accounting records periodically and will document my review by initials.*

B&C. We are in the process of implementing these recommendations.

6. County Procedures and Plans

The county's procedures for monitoring credit cards and payments to special road districts are in need of improvement. Additionally, the county has not adequately documented plans for use of Neighborhood Improvement District (NID) maintenance levy monies.

- A. The County Commission pays credit card statements without supporting documentation for some charges or proper review and approval by county officials and department heads. The county's 6 MasterCard and 17 Walmart

credit cards have been assigned to specific departments and employees for purchases of supplies and travel expenses. Total payments on these credit cards were approximately \$47,500 in 2008 and \$23,300 in 2007.

Some items charged did not contain adequate supporting documentation (e.g., invoices) and some supporting documentation did not contain evidence of review and approval by the county official or department head responsible for or knowledgeable about the purchase. The Deputy County Clerk and the County Commission's secretary receive monthly credit card statements from the vendors and are responsible for comparing invoices and supporting documentation received from county officials and department heads to monthly statements. However, they acknowledged this documentation is not always obtained from the officials and departments.

To ensure the validity and propriety of disbursements and compliance with statutory provisions, adequate supporting documentation and approval should be obtained for each charge.

- B. The county has not executed current contracts with special road districts and does not monitor the districts' use of County Aid Road Trust (CART) and Marine Gas Tax revenues. During the 2 years ended December 31, 2008, the county distributed a portion of its CART revenues to three special road districts within the county and a portion of its Marine Gas Tax revenues to one of these districts. County payments to the special road districts totaled approximately \$153,000 and \$235,000 during the years ended December 31, 2008 and 2007, respectively.

The contracts with the special road districts have not been updated since 2005. In addition, although the districts provide annual budgets to the county, the county does not obtain and review periodic financial reports of actual disbursements to ensure CART and Marine Gas Tax monies were properly spent.

Constitutional and statutory provisions restrict the use of CART monies to construction, reconstruction, maintenance, and repairs of county roads, bridges, and highways as directed by the County Commission; and restrict the use of Marine Gas Tax monies to construction, maintenance, and repairs of public roads in the county which connect a state highway with a lake having 100 miles of shoreline or more. Current written agreements, along with monitoring procedures, would help ensure monies are expended in compliance with the constitutional and statutory provisions and as intended by the County Commission.

A similar condition was noted in our prior report.

- C. The county has not developed a long-term plan regarding the use of NID maintenance levy monies. The county collects a maintenance levy on 13 NIDs and is currently accumulating these funds to help pay for future asphalt overlay

projects for the NIDs. As of December 31, 2008, the combined cash balance of the NID maintenance accounts exceeded \$1.1 million, with individual NID balances ranging from approximately \$21,000 to \$235,000. The County Commission has not performed a formal analysis to determine when or if sufficient monies will accumulate to fund future NID asphalt overlay projects. A formal plan documenting future maintenance costs and available funding sources would help the county monitor and plan for the future maintenance projects. Such a plan would demonstrate the county's intentions to the residents within the NIDs.

WE RECOMMEND the County Commission:

- A. Require a thorough review of all credit card statements prior to approving payment and ensure adequate supporting documentation is maintained.
- B. Enter into current written agreements and establish procedures to monitor the special road districts' expenditures of the county monies.
- C. Develop a long-term plan regarding the use of NID maintenance levy monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will implement a policy requiring adequate supporting documentation and appropriate purchase approval before payment, and we will disallow subsequent credit card use to those with outstanding documentation deficiencies.*
- B. *We will update the contracts and include in the contracts a requirement for the districts to report the prior year's actual expenditures on their current budgets.*
- C. *We will develop a 5 to 7 year plan as part of next year's budget based on each NID's road mileage and current prices.*

7. Associate Circuit Division's Accounting Controls and Procedures

Accounting controls and procedures in the Associate Circuit Division are in need of improvement. The Associate Circuit Division processes monies for bonds, court costs, and fines. During the 2 years ended December 31, 2008, the division processed receipts totaling approximately \$1.3 million.

- A. Accounting duties are not adequately segregated. The Associate Circuit Division supervisor is primarily responsible for making deposits and reconciling bank statements. The supervisor and other division clerks share the responsibility of receipting and recording monies, and preparing and signing checks. There are no

documented reviews of the accounting records performed by the Associate Circuit Judge.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented independent or supervisory review of records by another employee or the Associate Circuit Judge.

- B. The numerical sequence of receipt numbers in the Justice Information System (JIS) is not accounted for and voided transactions are not properly reviewed. The JIS assigns a sequential receipt number and generates a receipt slip each time a payment is entered. Some receipt numbers are later voided or discarded (transactions ended before completed). However, receipt listing reports which detail each receipt number issued, including discarded and voided receipt numbers, are not generated and reviewed to account for the numerical sequence of receipt slips and to review voided transactions. Without accounting for the numerical sequence of receipt numbers issued and reviewing voided transactions, the court cannot ensure all monies received are properly recorded and deposited.
- C. The division has four old bank accounts which have had minimal or no activity since a new checking account was opened in 2005, when the division adopted the state's JIS accounting system. Three accounts, with balances totaling \$23,186 at April 30, 2009, have had no recent activity. No attempt has been made by the division to identify or properly dispose of the monies in these accounts. Another account, the old bond account with a \$26,844 balance at March 31, 2009, has had minimal activity. The division maintains a spreadsheet in which liabilities for this account can be identified; however, no attempt has been made to dispose of these monies.

Maintaining old inactive accounts increases the risk of theft or misuse of funds. The Associate Circuit Division should attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.

- D. The division has not established procedures to routinely follow up on outstanding checks. As a result, at December 31, 2008, 10 primary account checks totaling \$503 were over 1 year old; and at March 31, 2009, 19 old bond account checks totaling \$1,650 were over 3 years old. These old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate any checks remaining over a specified period of time and reissue checks to those payees who can be readily located. If the payees cannot be located, the amounts should be disposed of in accordance with state law.

Conditions similar to A, C, and D were noted in our prior audit.

WE RECOMMEND the Associate Circuit Division:

- A. Adequately segregate accounting duties to the extent possible, or implement documented supervisory or independent reviews of the accounting records.
- B. Establish procedures to account for the numerical sequence of receipt numbers and review voided transactions.
- C. Attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.
- D. Establish procedures to routinely identify and investigate outstanding checks. If the payees cannot be located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Associate Circuit Division provided the following responses:

- A. *We will implement this recommendation as the courts are consolidated effective January 1, 2010.*
- B&D. *We have implemented these recommendations.*
- C. *We attempted to locate the payees previously. We will turn over unclaimed or unidentified properties properly and close the accounts.*

8. Prosecuting Attorney's Accounting Controls and Procedures

Accounting controls and procedures in the Prosecuting Attorney's office are in need of improvement. During the years ended December 31, 2008 and 2007, the Prosecuting Attorney's office processed receipts totaling approximately \$151,000 and \$107,000, respectively, for bad checks; and approximately \$98,000 and \$47,000, respectively, for victim restitution.

- A. As noted in the prior report, procedures are not in place to identify month-end liabilities and reconcile to cash balances. At our request, office personnel determined liabilities as of December 31, 2008. While the identified liabilities for the victim restitution account agreed to the reconciled account balance, the reconciled bad check account balance of \$7,811 exceeded identified liabilities by approximately \$2,900.

Liabilities should be identified monthly and reconciled to cash balances to ensure all monies are accounted for properly, records are in balance, errors are detected

and corrected on a timely basis, and sufficient funds are available for the payment of all liabilities. Any unidentified differences should be investigated and resolved.

- B. Although some improvements were noted and many of the old outstanding checks cited in the prior report were resolved, the Prosecuting Attorney's office still has no established procedures to routinely follow up on outstanding checks. As a result, at December 31, 2008, 11 bad check account checks totaling \$1,192 and 17 victim restitution account checks totaling \$1,379 were over 1 year old. These old outstanding checks create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate any checks remaining over a specified period of time and reissue checks to those payees who can be readily located. If the payees cannot be located, the amounts should be disposed of in accordance with state law.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Identify liabilities and reconcile to cash balances on a monthly basis. Any unidentified differences should be investigated and resolved.
- B. Establish procedures to routinely identify and investigate outstanding checks. If the payees cannot be located, the monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

The following will be followed by this office pertaining to money orders received and the checks paid to victims:

Month-end liabilities will be identified and reconciled to cash balances. Each month we shall confirm that: records are in balance, sufficient funds are available for the payment of all liabilities, and errors are detected and corrected; and all outstanding checks more than 180 days old shall be investigated and new checks shall be issued to those payees who can be readily located. If payees cannot be located, the amounts shall be disposed of in accordance with state law.

The "bad check restitution" account shall not be used for new deposits. New deposits shall be deposited into the "victim restitution" account. All payments will be posted to the receipt ledger whenever received. The payment will be posted into the restitution software by the bad check/restitution clerk. This clerk will write the restitution software receipt number on the receipt ledger sheet. All payments to victims will be issued by the restitution software. All deposits will be made by the legal assistant. Reconciliations to the "victim restitution" account will be made by a part-time contracted employee and approved by the office manager. The checking account will be reconciled monthly using an audit form.

The Senate Bill 40 (SB40) Board does not provide adequate oversight of the accounting functions performed for the SB40 Board Fund and does not adequately monitor payments to not-for-profit corporations (NFP).

The Board met twice in 2007 and once in 2008 to approve funding requests and conduct other board business. The majority of SB40 Board disbursements are to the Missouri Department of Mental Health and three NFPs to provide various services to the handicapped and/or developmentally disabled residents of Morgan County. SB40 Board disbursements totaled approximately \$175,000 and \$182,000 during the years ended December 31, 2008 and 2007, respectively; with over 60 percent paid to the three NFPs.

- A. The Board has not entered into written contracts with the three NFPs, and has not adequately monitored funding provided to one NFP. Disbursements to this NFP exceeded \$80,000 annually and were based on monthly invoices for 1/12 of the annual board-approved funding request (\$78,000), plus additional requests of funds to assist with purchasing new vans. The Board did not obtain periodic reports, supporting documentation, or other information from the NFP which would allow the Board to monitor and ensure funds were expended appropriately and for the benefit of Morgan County residents.

Section 205.970(6), RSMo, allows the Board to contract with NFPs to provide services to handicapped residents of the county. Without written contracts, there is less assurance the Board is receiving a reasonable level of services for the consideration paid. In addition, Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts should specify the services to be rendered, the manner and amount of compensation to be paid, and documentation and reporting requirements. Board review of periodic reports or other supporting documentation from NFPs is essential to ensure funds are used appropriately and in accordance with contract terms.

- B. The Board does not review bank reconciliations, bank statements, and canceled checks. The Board Treasurer receives the bank statements, prepares bank reconciliations, and provides periodic financial reports to the Board; however, the Board does not provide an independent review of these records. To safeguard against possible loss or misuse of funds, to ensure proper reconciliations are in place, and to ensure disbursement transactions are in agreement with board approvals, the Board should perform reviews of bank information and canceled checks.

WE RECOMMEND the Senate Bill 40 Board:

- A. Enter into written contracts with the NFPs which clearly detail the responsibilities of each party and establish monitoring procedures to evaluate the NFPs' use of funds and compliance with contract terms.
- B. Ensure periodic independent reviews of bank reconciliations and records are performed and documented.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following responses:

- A. *This recommendation will be implemented.*
- B. *We have implemented this recommendation.*

ORGANIZATION AND STATISTICAL INFORMATION

MORGAN COUNTY
ORGANIZATION AND STATISTICAL INFORMATION

Morgan County is a county-organized, third-class county and is part of the Twenty-Sixth Judicial Circuit. The county seat is Versailles.

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

Officeholder	2009	2008
County-Paid Officials:		
L.M. (Sonny) Earnest, Presiding Commissioner	\$	31,700
Warren Anderson, Associate Commissioner		29,700
Dan Murdock, Associate Commissioner		29,700
Cathy Daniels, County Clerk		45,000
Marvin W. Opie, Prosecuting Attorney		107,773
Jim Petty, Sheriff		50,000
Louella Pryor, County Treasurer		33,300
Gary Garber, County Coroner		16,000
Ray Forrest, Public Administrator		45,000
Kathy Francis, County Collector (1), year ended February 28,	49,980	
Bob Raines, County Assessor (2), year ended August 31,		45,688

(1) Includes \$4,980 of commissions earned for collecting city property taxes.

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

State-Paid Officials:

Cheryl L. Morris, Circuit Clerk and Ex Officio Recorder of Deeds	52,668
Kevin Schehr, Associate Circuit Judge	107,641