



Susan Montee, CPA  
Missouri State Auditor

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# Pike County



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February 2009  
Report No. 2009-19

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Office of the  
State Auditor of Missouri  
Susan Montee, CPA

February 2009

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

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The Sheriff maintains numerous funds outside the county treasury and does not prepare budgets for these funds. Accounting duties are not properly segregated in the Sheriff's Department and internal controls over receipts and disbursements are in need of improvement. In addition, monthly listings of open items are not prepared, commissary profits are not tracked, and physical inventory counts are in need of improvement. Also, the cost of providing meals to employees has not been analyzed.

Several concerns were noted regarding minutes of open and closed meetings including no minutes and not stating the reason for a closed meeting, not signing minutes, not voting to go out of closed session, and not including sufficient detail in open minutes regarding various purchasing decisions. In addition, minutes were not maintained for meetings held with the Lincoln County Commission.

The County Commission amended the 2006 budgets for two funds after disbursements exceeded the original budgets earlier in the year. The County Clerk does not maintain records of leave and compensatory time balances of the Sheriff's Department, or adequate supporting documentation for the Public Administrator's expense reimbursements. The Road and Bridge Department's petty cash fund is not maintained on an imprest basis and proceeds from the sale of scrap metal are placed in the petty cash fund instead of being transmitted to the County Treasurer. In addition, the Miscellaneous Fund contains a \$908 unidentified balance.

Procedures related to property tax records are in need of improvement. The County Clerk does not maintain an account book with the County Collector and does not prepare or verify the accuracy of the current or delinquent tax books. In addition, the County Collector's annual settlement for the year ended February 28, 2007, contained several errors.

Also included in the report are recommendations related to capital asset records and procedures and computer controls.

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YELLOW SHEET

PIKE COUNTY

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Pike County

We have audited certain operations of Oregon County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Devereux and Krauss, L.L.P, Certified Public Accountant, has been engaged to audit the financial statements of Pike 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.

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

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

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

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

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

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

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



Susan Montee, CPA  
State Auditor

The following auditors participated in the preparation of this report:

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

PIKE COUNTY  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1. County Commission Minutes</b>
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Concerns were noted regarding County Commission minutes of open and closed sessions. In addition, minutes were not maintained for meetings held with the Lincoln County Commission.

A. The following problems were noted with minutes for closed sessions:

- Minutes were not maintained for the closed session held on September 27, 2007. The open session minutes for that day indicate the meeting was closed to discuss a real estate transaction. In addition, the February 11, 2008, open session minutes do not state why the County Commission entered into closed session. The closed session minutes indicate the County Commission discussed a personnel issue.
- Minutes were not signed for the August 16, 2007, and August 20, 2007, closed sessions.
- The County Commission did not vote to go out of closed session on August 16, 2007.

The Sunshine Law, Chapter 610, RSMo, provides that minutes of closed meetings should be prepared and retained. In addition, the Sunshine Law requires the County Commission to announce publicly the reasons for going into closed session.

Also, all minutes should be signed by the County Clerk and the County Commission to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

B. Minutes were not maintained for meetings with the Lincoln County Commission. In 2007, an agreement was made between the Pike County and Lincoln County Commissions to hire a highway engineer that would work for both counties. While an engineer was never hired, the commissioners from both counties met numerous times to discuss the issue; however, minutes were not maintained for these meetings.

The Sunshine Law provides that any meeting of a public governmental body at which any public business is discussed or decided, or public policy is formulated is subject to the provisions of the open meetings law, which includes the requirement to prepare minutes. Complete and accurate minutes of the County

Commission's meetings are necessary to retain a record of the business conducted by the commission and to show approval or disapproval of the issues discussed at the meetings.

- C. Some commission meeting minutes do not include sufficient detail of matters discussed or actions taken. Some bid amounts are not listed, which creates uncertainty as to whether the lowest and best bid was accepted. Also, the minutes did not document that a sole source provider was used for a new console for the 911 system or for work performed on the county courthouse's antique doors. The county disbursed \$6,000 for the console and \$13,500 for the work on the antique doors. In addition, the minutes sometimes contain inaccurate information, such as incorrect amounts distributed to local organizations from a grant.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

A similar condition was noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure full compliance with all provisions of Chapter 610, RSMo, regarding public votes and closed sessions. In addition, the County Commission should ensure the minutes for all closed sessions are signed by the County Clerk and the County Commission.
- B. Ensure minutes for all commission meetings are maintained.
- C. Ensure minutes list bid details when approving bids, including sole source providers, and provide details of discussions that take place during meetings.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *This recommendation has already been implemented. The instances cited were isolated incidents and not typical of our procedures.*

*B&C. These recommendations will be implemented.*

The County Commission amended the 2006 budgets for two funds after disbursements exceeded the original budgets earlier in the year. The County Clerk does not maintain records of leave and compensatory time balances of the Sheriff's Department or adequate supporting documentation for the Public Administrator's expense reimbursements. The Road and Bridge Department's petty cash fund is not maintained on an imprest basis. In addition, the Miscellaneous Fund contains a \$908 unidentified balance.

- A. On December 19, 2006, the County Commission amended the budgets for the Help America Vote Act and the Pike County Family Farm Revolving Loan Funds increasing disbursements by \$182,660 and \$100,000, respectively. However, disbursements exceeded the original budget approximately four months prior to the amendment. Amendments made after disbursements have been made do not allow for the budget to be used as an effective management tool.

Case law provides that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate 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 ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures.

- B. Centralized records of vacation leave, sick leave, and compensatory time balances of Sheriff's Department employees are not maintained by the County Clerk. The Sheriff's Department maintains separate records of employee leave and compensatory time balances.

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

- C. Adequate supporting documentation was not maintained for some expense reimbursements to the Public Administrator. The Public Administrator is reimbursed for charges incurred on her personal telephones for county related business. However, phone bills are not on file in the County Clerk's office; only hand written calculations showing how much should be reimbursed are on file. In addition, reimbursement requests are not submitted by the Public Administrator in a timely manner. For example, eight months of expenses were submitted to the County Clerk in January 2007. County policy establishes reimbursement requests are to be submitted no later than quarterly.

All disbursements should be supported by paid receipts or vendor invoices to ensure the work is complete, goods are received, and the disbursements represent appropriate use of public funds. In addition, to ensure compliance with county policy, reimbursement requests should be submitted no later than quarterly.

A similar condition was noted in our prior report.

- D. The Road and Bridge Department's petty cash fund is not maintained on an imprest basis. The department supervisor is authorized to have a \$500 petty cash fund. Proceeds from the sale of scrap metal are placed in the fund instead of being transmitted to the County Treasurer. As a result, the fund had a balance greater than \$500 from February 2008 to August 2008, with the highest balance being \$2,196 on February 12, 2008. The County Commission is unaware of how much is spent and what is purchased since documentation is not submitted.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, any monies collected by the department should be transmitted to the County Treasurer in a timely manner.

- E. The county's Miscellaneous Fund contains an unidentified balance of \$908, which has been in the fund for more than five years. The County Treasurer should attempt to identify the amounts which have remained unidentified and distribute the monies in accordance with state statute. Various statutory provisions including Section 447.500 through 447.595, RSMo, provide for the disposition of unclaimed and unidentified monies.

**WE RECOMMEND** the County Commission:

- A. Ensure budget amendments are made prior to incurring the actual expenditures.
- B. Ensure the County Clerk maintains centralized leave records for all county employees.
- C. Ensure the County Clerk maintains vendor invoices or other adequate supporting documentation for all disbursements. In addition, the County Commission should ensure all reimbursement requests are submitted in a timely manner and in compliance with county policy.
- D. Ensure the Road and Bridge Department's petty cash fund is maintained on an imprest basis and monies collected by the department are transmitted to the County Treasurer in a timely manner.

- E. Work with the County Treasurer to identify the unidentified balance in the Miscellaneous Fund. Any monies remaining unidentified and unclaimed should be disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

*A,D*

*&E. These recommendations will be implemented.*

*B. The Sheriff's Department will begin submitting monthly reports of leave balances.*

*C. Supporting documentation is now maintained. The Public Administration is not reimbursed if she does not submit her expenses quarterly in accordance with county policy.*

*The County Treasurer provided the following response:*

*E This recommendation will be implemented.*

<b>3. Property Tax Records</b>
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Procedures related to property tax records are in need of improvement. The County Clerk does not maintain an account book with the County Collector and does not prepare or verify the accuracy of the current or delinquent tax books. In addition, the County Collector's annual settlement for the year ended February 28, 2007, contained several errors.

- A. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors went undetected as noted in Part C below.

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 record which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

- B. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector enters the tax rates which are obtained from the County Clerk, and also extends and prints the current and delinquent tax books. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

- C. Total distributions exceeded total collections by approximately \$428,000 on the County Collector's annual settlement for the year ended February 28, 2007. The difference is primarily due to approximately \$466,800 in previously protested taxes which were settled and distributed but misclassified on the annual settlement. In addition, a refund of approximately \$38,800 related to the settlement of the protested taxes was omitted from total distributions and contributed to the difference between total distributions and total collections.

Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism of accounting for all monies the County Collector was charged with collecting. In addition, Section 139.160, RSMo, requires the County Collector to "...settle his accounts of all monies received by him on account of taxes and other sources of revenue...". By incorrectly reporting collections and distributions, the County Collector had not provided the County Commission with an accurate and complete settlement.

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

**WE RECOMMEND:**

- A. The County Clerk maintain an account book with the County Collector in accordance with state law.
- B. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- C. The County Collector ensure settlements are complete and accurate. In addition, the County Commission and County Clerk should review the County Collector's annual settlement to ensure it is complete and accurate.

**AUDITEE'S RESPONSE**

*The County Clerk provided the following responses:*

- A. *This recommendation has been implemented.*
- B. *My office will enter the tax rates from now on and we have already started verifying the accuracy of the tax books.*

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

- C. *This recommendation will be implemented.*

*The County Collector provided the following response:*

- C. *I will ensure settlements are complete and accurate in the future.*

<b>4. Capital Assets</b>
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County capital asset records and procedures are in need of improvement. The county's property records and physical inventory procedures are not adequate and mileage logs are not maintained for three county vehicles.

- A. The capital asset records are not adequately updated and capital assets are not properly tagged or otherwise identified as county property. In addition, some disposition information such as dates, amounts, and method of disposal are not recorded in the capital asset records. Each year the County Clerk sends a memo to all county departments requesting them to perform inspections and physical inventories, and submit inventory reports to document these efforts. While the County Clerk receives inventory reports from each department, numerous reports are not accurate, and no procedures are in place to reconcile asset additions to the inventory records. A review of capital asset purchases from 2007 and 2006 revealed some assets were not added to the capital asset records by the end of 2007. Motor graders and a dump truck for the Road and Bridge Department and a patrol car for the Sheriff's Department were purchased but not added to capital asset records.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. An explanation of material changes from the previous inventory is to be attached to the department inventory reports.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for

determining proper insurance coverage. The comparison of periodic inventories to overall county capital asset records and reconciliation to assets purchased could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets.

- B. While information is maintained to support the fuel usage of most county owned vehicles, the county does not require mileage logs to be prepared for two vehicles used by the County Commission or a vehicle used by the Juvenile Office.

Without adequate mileage logs, the county cannot effectively monitor that vehicles are used for official business only, maintenance costs for vehicles are reasonable, and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate, 1) whether alternative methods for providing transportation (such as reimbursing mileage for use of a personal vehicle) might result in lower costs, 2) the optimal number of county vehicles needed, and 3) when vehicles need to be replaced.

Vehicle mileage logs should include trip information (i.e. employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating cost information. These logs should be reviewed by the County Clerk and County Commission to ensure vehicles are used only for county business and to evaluate operating costs.

**WE RECOMMEND** the County Commission:

- A. Work with the various county departments to ensure accurate physical inventory reports are submitted, the capital asset list is complete, additions to the list are tracked and reconciled to capital asset purchases, and dispositions are adequately recorded. In addition, procedures for tagging new capital assets throughout the year should be implemented.
- B. Require mileage logs for all county vehicles and ensure proper reviews of the logs are performed.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *We don't feel tags are necessary because most assets already have identifying numbers on them. We will try to ensure the asset list stays up to date.*
- B. *We will consider putting a mileage log in the white vehicle used by all elected officials.*

**AUDITOR'S COMMENT**

- B. Mileage logs should be maintained for all county vehicles to ensure vehicles are used only for county business.

**5. Computer Controls**

Computer systems and data are vulnerable to unauthorized use, modification, or destruction. Password procedures and computer security systems are not adequate in some county offices.

- A. Access to computer systems and data is not adequately restricted to only authorized users. Although the County Clerk, County Collector, County Treasurer, Assessor, and Recorder of Deeds require the use of passwords to access their respective computer systems, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. An ineffective password system increases the risk of unauthorized access and changes to the computer systems and county data.

Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs. Passwords are an effective, simple control to provide protection against improper access to computer systems and data. When properly managed in a controlled environment, passwords can provide effective security.

A similar condition was noted in our prior report.

- B. A security system is not in place in the County Collector's and Assessor's offices to shutdown their computers after a certain period of inactivity. An unauthorized individual could access an unattended computer and have unrestricted access to programs and data files. To help protect computer files, the current security system should be updated to shutdown computers after a certain period of inactivity.

**WE RECOMMEND** the County Commission:

- A. Work with the County Clerk, County Collector, County Treasurer, Assessor, and Recorder of Deeds to require unique passwords for each employee which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Work with the County Collector and Assessor to update the current computer security system to require their computers to shutdown after a certain period of inactivity.

## **AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *This recommendation will be implemented.*
- B. *The implementation of this recommendation will be left up to the Collector and the Assessor.*

*The County Clerk and the County Treasurer provided the following response:*

- A. *This recommendation will be implemented.*

*The Assessor provided the following response:*

*A&B. I will discuss these recommendations with the computer programmer.*

*The Recorder of Deeds provided the following response:*

- A. *I will discuss this recommendation with the computer programmer.*

*The County Collector provided the following responses:*

- A. *This recommendation will be implemented.*
- B. *I will discuss this recommendation with the computer programmer.*

<b>6. Sheriff's Accounting Controls and Procedures</b>
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The Sheriff maintains numerous funds outside the county treasury and does not prepare budgets for these funds. Accounting duties are not properly segregated in the Sheriff's Department and internal controls over receipts and disbursements are in need of improvement. In addition, monthly listings of open items are not prepared, commissary profits are not tracked, and physical inventory counts are in need of improvement. Also, the cost of providing meals to employees has not been analyzed.

The Sheriff's Department processes monies for conceal and carry permits, civil fees, bonds, grants, boarding and transporting inmates, employee meals from the jail's kitchen, and receipts intended for inmates. Receipts totaled approximately \$400,000 and \$387,000 for the years ended December 31, 2007 and 2006, respectively. Also, the department received and disbursed \$1,064,500 in proceeds from a land sale in 2006.

- A. The Sheriff maintains separate bank accounts for conceal and carry permit fees, DARE receipts, and scholarship donations outside the county treasury. As of December 31, 2007, the Sheriff maintained \$7,553 in the conceal and carry permit

escrow account; \$2,383 in the DARE account; and a total of \$521 in two scholarship accounts. These funds are not budgeted or reported to the County Commission.

Maintaining these funds outside the county treasury circumvents the budget and appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balances should be transferred to the County Treasurer and future receipts should be transmitted to the County Treasurer. In addition, Section 50.535, RSMo, requires the conceal and carry permit fees to be deposited into a separate interest-bearing fund known as the County Sheriff's Revolving Fund and Sections 50.525 to 50.745, RSMo (the county budget law), require counties to prepare annual budgets for all funds.

- B. Cash custody and recordkeeping duties are not adequately segregated. An office clerk receipts and deposits all monies, and prepares bank reconciliations. The Sheriff does not review any of the financial records.

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

- C. Prenumbered receipt slips are not issued for inmate monies and scholarship donations. While inmate monies are recorded in a log, the name of the person remitting the monies and the method of payment (cash, check, etc.) are not recorded, only the name of the intended inmate. This makes it difficult to agree the log to deposits due to the differences in the names on the log and the names on the checks and money orders. To ensure monies are handled properly, official prenumbered receipt slips should be issued for all monies received, the method of payment should be recorded on the receipt slips, and the composition of the receipt slips issued should be reconciled to the composition of the deposits.
- D. An excessive number of employees are authorized to sign checks from the Inmate Account. Because inmates can be released at any time and the Sheriff prefers to hand inmates a check for their account balance upon release rather than mailing the check, 20 employees are authorized to sign checks. Strong internal controls require limiting the number of authorized signatures. The Sheriff should evaluate the number of authorized signatures and determine a more reasonable number of employees that should be authorized.

- E. The Sheriff has not established procedures to routinely follow up on outstanding checks. At June 30, 2008, 148 checks totaling \$1,487 from three bank accounts were over one year old. The oldest outstanding check dates back to 1994. In addition, the Bond Account contains an unidentified balance of \$710 that has been in the account for over 20 years.

The old outstanding checks and unidentified balance create additional and unnecessary recordkeeping responsibilities. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time and any unidentified balances in the bank accounts. Old outstanding checks should be voided and reissued to those payees who can readily be located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

- F. Monthly listings of open items (liabilities) are not prepared and agreed to the reconciled Inmate Account cash balance. Department employees indicated they scan inmate balances and assume the balance remaining after individual inmate balances and outstanding checks are accounted for consists of commissary profit. However, records of commissary profit are not maintained, making it difficult to determine the actual amount of profit. The reconciled cash balance at August 8, 2008, was \$4,191 and inmate account balances totaled \$474; however, documentation was not maintained to confirm the remaining \$3,717 is actually commissary profits. In addition, the amount assumed to be profit each month is retained in the bank account outside the county treasury.

Without a record of commissary profits, the Sheriff cannot reconcile liabilities to cash balances to detect possible errors. Monthly reconciliations of liabilities and individual inmate accounts to the reconciled bank balance are necessary to ensure the bank account is in agreement with accounting records and to detect and correct errors on a timely basis. In addition, the commissary profit each month should be transmitted to the County Treasurer. Section 50.330, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer.

- G. The petty cash fund is not maintained on an imprest basis. According to a department employee, when the fund gets low, approximately \$150 in purchase receipt slips are submitted to the County Treasurer for reimbursement, resulting in a balance in the \$400 to \$450 range. Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies.
- H. When a change fund is needed for DARE fundraisers, a check made payable to cash for \$150 is issued from the DARE Account. While supporting documentation is maintained to show the amount deposited back into the account,

to reduce the risk of misuse of funds and improve accountability, the practice of writing checks made payable to cash should be prohibited and instead checks should be made payable to the cash custodian.

- I. The cost of providing meals to employees has not been analyzed to determine if the amount charged adequately recovers all costs. Currently, employees are allowed to purchase meals at the jail for \$1. By establishing a rate that is not based on actual costs to the county, it is possible the county is subsidizing the costs of these meals. To ensure the Sheriff is charging the proper amount to recover all costs, employee meal costs should be analyzed periodically and compared to the amount charged.
- J. Inventory records of inmate commissary items are not adequately maintained and periodic inventory counts are not performed. During a test count on August 28, 2008, 40 cans of root beer and 9 packages of brownies were counted. Inventory records indicated there should have been 26 cans of root beer and 20 packages of brownies on hand. The Sheriff indicated that employees do not update the inventory records each time an item is purchased or sold.

The inventory records should be updated each time an item is purchased or sold to an inmate. In addition, physical inventory counts should be conducted periodically and agreed to the inventory records. Such procedures are needed to lessen the possibility that instances of loss, misuse, or theft of inventory items will occur without being detected.

- K. A listing of winners of prizes and gift cards from various DARE fundraisers is not maintained. For the 2 years ended December 31, 2007, \$465 in prizes and gift cards were purchased and distributed; however, a listing of winners was not maintained to ensure the prizes and gift cards were not distributed to employees. Adequate documentation is necessary to ensure the propriety of these disbursements.

**WE RECOMMEND** the Sheriff:

- A. Transfer the balances of the DARE and scholarships bank accounts to the County Treasurer. In addition, the Sheriff should ensure conceal and carry permit fees are deposited into a County Sheriff's Revolving Fund in accordance with Section 50.535, RSMo, and budgets are prepared for all funds.
- B. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- C. Issue official prenumbered receipt slips for all monies received. In addition, the method of payment should be recorded and the composition of the receipts should be reconciled to the composition of deposits.

- D. Evaluate the number of employees authorized to sign checks on the Inmate Account and consider limiting the number of authorized signatures.
- E. Establish procedures to routinely follow up on outstanding checks. In addition, the Sheriff should attempt to contact the payees of old outstanding checks and investigate the unidentified balance in the Bond Account. If the payees cannot be located, the monies should be distributed in accordance with applicable statutory provisions.
- F. Prepare listings of open items monthly for the Inmate Account and reconcile the listing to the cash balance. In addition, commissary profits should be tracked and transmitted to the County Treasurer.
- G. Maintain the petty cash fund on an imprest basis.
- H. Discontinue the practice of making checks payable to "cash". If a check needs to be issued to establish a change fund, checks should be made payable to the cash custodian.
- I. Periodically review the costs of employee meals and establish a meal charge which will sufficiently recover costs.
- J. Ensure inventory records are updated each time a commissary item is purchased or sold. In addition, periodic physical inventory counts should be conducted and the results compared with the inventory records. Any differences between the book balances and physical counts should be investigated on a timely basis.
- K. Require adequate supporting documentation for all distributions of prizes and gift cards.

### **AUDITEE'S RESPONSE**

*The new Sheriff provided the following responses:*

*A&G. These recommendations have been implemented.*

*B. I now sign and date the bank reconciliations. I will also account for the numerical sequence of receipt slips when deposits are made.*

*C. I will change the inmate log to show who delivers the money. Scholarship donations are now turned over to the treasurer.*

*D. I will look into reducing the number of authorized signatures.*

*E. I have begun to implement this recommendation.*

- F. I will attempt to improve procedures within the parameters of the current accounting system.*
- H. This recommendation has been implemented. From now on I will request any change funds needed from the Treasurer since she holds the funds.*
- I. I will review the costs as recommended.*
- J. This recommendation will be implemented. The differences noted were at least partially due to employee purchases of commissary goods not being posted to the system.*
- K. This recommendation will be implemented.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

PIKE COUNTY  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Pike County is a county-organized, third-class county and is part of the Forty-Fifth Judicial Circuit. The county seat is Bowling Green.

Pike 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 18,351 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 129,005,555
Personal property	55,505,392
Railroad and utilities	44,533,944
Total	\$ <u>229,044,891</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.

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ .0050	None	50	%
Law enforcement	.0050	None	None	
Road and bridge	.0050	None	None	
Hospital capital improvement	.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:	\$	
Dan Miller, Presiding Commissioner		30,410
Curt Mitchell, Associate Commissioner		27,360
Roy J. Sisson, Jr., Associate Commissioner		27,360
Sherry McCarty, Recorder of Deeds		42,536
James Robert Kirkpatrick, County Clerk		42,536
Mark Fisher, Prosecuting Attorney		96,000
Jim Wells, Sheriff		46,000
Patti Crane, County Treasurer		42,536
James E. Turner, County Coroner		14,000
Nina Long, Public Administrator		41,500
Marty Morrison, County Collector, year ended February 29,	44,172	
Donna Prior, County Assessor (1), year ended August 31,		42,098
Marty Wasson, County Surveyor (2)		5,000

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

(2) Compensation on a fee basis.

State-Paid Officials:

Jerri Harrelson, Circuit Clerk	51,197
David Ash, Associate Circuit Judge	101,090

In December 2003, the county entered a 20-year lease purchase agreement with U.S. Bank, N.A. to pay for a capital improvement project for the county hospital. The terms of the agreement call for the county to lease the real estate to U.S. Bank, N.A. which will provide the funds to pay the cost of the project and then lease the building back to the county with lease payments equal to the amount due to retire the indebtedness. The lease is scheduled to be paid off in the year 2023. The remaining principal and interest due on the lease at December 31, 2007, was \$4,615,000 and \$114,564, respectively. The lease will be paid with proceeds from the one-half cent Hospital Capital Improvement sales tax which took effect on April 1, 2002.