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Missouri State Auditor

Livingston County



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

April 2009

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

The Enhanced 911 Fund is in poor financial condition and the county is providing substantial assistance to this operation from other county funds. The county provides dispatching services to all political subdivisions in the county at no charge and without written contracts, and has not performed a cost analysis of providing these services. In addition, the emergency telephone charge assessed is the maximum rate allowed, so without an alternative funding source it is unlikely the county has the ability to increase revenues. As a result, the Enhanced 911 Fund does not have sufficient revenues to support ongoing operating expenses and will not be able to build any reserves for obligations including future equipment upgrades and replacement, and unforeseen expenses.

The Circuit Court is not participating in the state's automated tax offset and debt collection programs, and is not properly monitoring activities related to court-ordered restitution collected by the Prosecuting Attorney's office.

The Sheriff's department does not reconcile the inmate bank account balance to the individual inmate account balances and various liabilities. Also, the numerical sequence of receipts slips is not accounted for properly.

Accounting duties are not adequately segregated in the Prosecuting Attorney's office. In addition, bad check restitution and fee monies are not posted to the accounting system timely, and an adequate system to account for all bad checks handled has not been established.

Throughout the audit period, the Collector-Treasurer had no procedure in place to reconcile the collector bank account balance to existing liabilities at month-end.

The Recorder of Deeds does not provide sufficient details in the accounting records to facilitate a reconciliation of daily deposits to the receipts records. Some discrepancies were noted between the abstract of fees and the deposits, and documented explanations were not provided in the records.

The Senate Bill 40 Board's budgetary procedures and documentation related to closed meetings need improvement.

The report has other audit findings related to the board of prisoner contracts and billings, and the County Commission's procedures for documenting closed meetings.

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

YELLOW SHEET

LIVINGSTON COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Livingston County

We have audited certain operations of Livingston County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Livingston 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, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when

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

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

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

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



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

| | |
|---------------------|--|
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| Audit Manager: | Regina Pruitt, CPA |
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

LIVINGSTON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

| | |
|-----------|--------------------------|
| 1. | Enhanced 911 Fund |
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As discussed in our prior audit report, the Enhanced 911 Fund is in poor financial condition. The county is providing substantial assistance to this operation from other county funds. In addition, the county does not have written contracts with the various political subdivisions in the county for which it provides dispatching services, has not performed a cost analysis of providing such dispatching services, and currently provides these services at no charge.

In April 1997, Livingston County voters approved an emergency telephone tax establishing a 15 percent tax added to the base phone line rate charged by the telephone companies. These tax monies are deposited into the county's Enhanced 911 Fund and used to operate the 911 Center which provides dispatching services to all political subdivisions in the county. The following table reflects the financial activity of the Enhanced 911 Fund.

| | | Budgeted | Actual | | |
|---------------------------|----|----------|---------|---------|---------|
| | | 2008 | 2007 | 2006 | 2005 |
| Beginning cash, January 1 | \$ | 35,572 | 8,293 | 26,090 | 16,993 |
| Receipts | | 157,100 | 178,723 | 166,248 | 172,545 |
| Disbursements | | 165,991 | 151,444 | 184,045 | 163,448 |
| Ending cash, December 31 | \$ | 26,681 | 35,572 | 8,293 | 26,090 |

The disbursement amounts presented above do not represent all costs of operating the 911 Center. A coordinator and two dispatchers are paid from the Enhanced 911 Fund, while several additional dispatchers are paid from the county's General Revenue (GR) and Law Enforcement Sales Tax (LEST) Funds. Dispatching salaries paid from the GR and LEST Funds totaled approximately \$119,500, \$114,000, and \$70,000 for 2007, 2006, and 2005, respectively. The county budgeted a combined total of approximately \$123,200 for dispatcher salaries from these funds for 2008. These dispatchers provide both emergency and non-emergency dispatching services, and at least the portion of their salaries related to emergency dispatching should be paid from the Enhanced 911 Fund. The telephone charge assessed is the maximum rate authorized, so without an alternative funding source it is unlikely the county has the ability to increase revenues generated for the 911 operation. As a result, the Enhanced 911 Fund does not have sufficient revenues to support ongoing operating expenses of the 911 Center and will not be able to build any reserves for future equipment upgrades and replacement, unforeseen expenses, etc.

The 911 Center currently provides dispatching services to all political subdivisions in the county at no charge and without the benefit of written contracts. The county does not

track the number of calls handled for the various political subdivisions or the volume of emergency and nonemergency dispatching services. Such information is necessary to determine the costs associated with dispatching services provided for the various entities and the appropriate funding levels from the Enhanced 911 Fund as compared to other county funds.

The County Commission is aware of the 911 funding situation and monitors the various county fund balances through review of quarterly budget reports. To date the use of GR Fund and LEST Fund monies to subsidize the 911 operations has not created a financial burden for either of those funds or resulted in the reduction of any services provided by those funds. However, should operational costs increase significantly or unforeseen expenses arise either for the 911 Center or operations financed with other county funds, the county may not have sufficient monies to continue subsidizing the 911 functions and may need to seek other funding options. It is clear revenues generated by the current telephone tax are not sufficient to fund all 911 services.

At a minimum, the county should enter into written contracts with other entities for non-emergency dispatching services and perform a cost analysis to determine the amounts, if any, that should be charged for providing these services. The cost analysis should also address the current and long-term impact on other county funds of subsidizing the 911 operation and whether additional cost allocations (for other than non-emergency dispatching) to other entities may be appropriate.

WE RECOMMEND the County Commission enter into contracts for non-emergency dispatching services, perform and document a periodic cost analysis of providing overall dispatching services to other entities, and consider charging for these services. Also, the County Commission should consider other possible funding alternatives.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The first step to improve the financial condition of the 911 fund is to consolidate the Public Service Answering Points (PSAPs). We had two emergency dispatching centers - one at the Sheriff's Department and one at the Police Department. These have been consolidated into one emergency dispatch center located at the Sheriff's Department. New equipment was purchased and renovations to the dispatch area including bullet proof glass and additional security were made to accommodate the handling of all 9-1-1 calls. We went on-line February 19, 2009.

We realize that additional funding is needed to support the 911 fund, but charging other entities for non-emergency dispatching services is not the direction that we wish to proceed. Many of these entities are barely able to operate with their current funding. We believe that the added support should come at the state level with a cell phone tax. Statistics show that 80 percent of the emergency calls received in 911 centers are made from cell phones.

Changes were made to county procedures to address problems discussed in our prior report; however, some significant purchases were not promptly recorded in the county's records and procedures related to capital assets still need some improvement.

The County Clerk maintains an overall inventory record of county capital assets. Each department is expected to prepare an inventory action request form for any acquisition, disposition, or transfer of a capital asset at the time these transactions occur and submit the form to the County Clerk's office. Each year the County Clerk sends a memorandum and current inventory list to all county departments requesting they perform inspections and physical inventories, and then return the listing with either a signature to denote its accuracy or accompanying documents to support changes needed to the inventory listing. As a result, updates to the overall inventory record may occur throughout the year when inventory action request forms are submitted or during the annual inventory process.

Some problems were noted with the county's process. The County Clerk does not have an ongoing procedure to track property purchases throughout the year and compare to annual inventory reports and/or inventory action request forms submitted by the various departments. Also, according to the County Clerk, the road and bridge supervisor verbally communicates additions and/or dispositions annually in October rather than submitting inventory action request forms throughout the year.

Our review identified some significant items were omitted from the county's overall capital asset listing as of February 2008.

| <u>Item purchased</u> | <u>Date of purchase</u> | <u>Amount</u> | <u>Department</u> |
|-----------------------|-------------------------|---------------|-------------------|
| Vehicle | September 2006 | \$ 21,807 | Sheriff |
| Flatbed trailer | July 2007 | 13,649 | Road and Bridge |
| Backhoe | November 2007 | 43,185 | Road and Bridge |

It appears the annual reporting by the road and bridge supervisor, failure to submit action request forms, and oversights which occurred during the 2006 and 2007 annual inventory processes resulted in these omissions. Because the County Clerk does not have an ongoing tracking process, these omissions were not detected.

The lack of complete property records and proper monitoring increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage. The County Clerk should develop procedures to track capital asset purchases and use this information to monitor the accuracy of inventory request forms and annual inventory reports, and ensure capital assets are promptly added to the overall inventory listing.

WE RECOMMEND the County Clerk ensure complete and accurate inventory records are maintained and implement a procedure for tracking capital asset purchases throughout the year.

AUDITEE'S RESPONSE

The County Clerk provided the following written response:

We feel that one of the main purposes of the county inventory is for insurance purposes. All of the items omitted from the capital asset listing were included on the county's insurance. A change has been made to ensure that all purchases over \$1,000 are included on the county's capital assets listing. The responsibility of preparing bills for payment and keeping the inventory records are divided among two individuals. There will be two reviews done for items purchased over \$1,000: one by the person preparing the bill for payment - if the bill is over \$1,000 a copy of the invoice will be made and one by the person maintaining the capital asset listing.

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| 3. Board of Prisoner Contracts and Billings |
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There are no current written agreements in effect for board of prisoner services provided to the city of Chillicothe and Linn County. In addition, board of prisoner rates charged to other political subdivisions are inconsistent and the county does not have documentation to show that rates cover the actual costs. Board of prisoner revenues collected from other counties and cities totaled approximately \$101,855 and \$122,500 for the years ended December 31, 2007 and 2006, respectively.

The county holds inmates for various surrounding counties and cities; however, the majority of the inmate billings pertain to Linn County and the city of Chillicothe. There were contracts with the city of Chillicothe and Linn County in the past; however, there are no current contracts in place. The county entered into a contract with Linn County in 2007; however, no contract was in place for 2006 and 2008. In addition, there has not been a contract with the city of Chillicothe since 2004. Because the county provides ongoing prisoner boarding services to the city of Chillicothe and Linn County, it is important that contracts be current and provisions be re-evaluated annually.

In addition, a review of billings showed that the county charges rates varying from \$30 to \$35 per day for boarding prisoners. Reasons given for the inconsistent rates included volume of prisoners held and verbal agreements with other political subdivisions. However, the county has not documented its analysis of these factors or actual costs when determining billing rates. To ensure costs are covered, the county should set a daily compensation rate based on the actual cost of providing the service, re-evaluate the rate periodically, and consider using the same rate for all billings to other political subdivisions.

The county should enter into contractual agreements with political subdivisions for which it provides ongoing board of prisoner services and consider establishing a consistent billing rate for all entities unless circumstances vary and reasons for differences are documented. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Our prior report discussed concerns regarding the county's board of prisoner contracts with the city of Chillicothe and Linn County and those recommendations should also be considered when developing new contracts.

WE RECOMMEND the County Commission and Sheriff enter into contractual agreements as appropriate and establish a consistent billing rate based on the cost of providing board of prisoner services.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The contract for boarding of prisoners with Linn County has been executed.

The County and City of Chillicothe are currently in negotiations for a contract for boarding of prisoner services. A meeting is scheduled for March 5th to further review the draft contract.

The County Sheriff provided the following response:

Contracting authority lies with the county commissioners and I/we stand behind their decisions past and present. We agree the county commissioners should continue to permit and receive input from the Sheriff and staff regarding practices and requirements needed for any specific contract related to the Sheriff's office and/or jail.

In 2008, the Livingston County Commission voted to charge all non-contracted agencies \$40 per inmate day for non-special needs inmate housing. The county's rate has not been changed in over 12 years and the newly established rate is not out of line. Related expenditures, such as employee salaries and benefits, utilities, fuel, insurance, equipment and food costs, have all increased. Other Missouri counties charge prisoner board rates which vary from \$30 to \$65 dollars per inmate day.

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| 4. County Commission Closed Meeting Minutes |
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The County Commission's procedures for documenting closed meetings need improvement to demonstrate compliance with statutory provisions. Reasons for closing meetings and votes regarding both meeting closure and return to open session are

documented within the county's regular meeting minutes. However, details regarding discussions held and actions taken, if any, are not generally provided in the closed meeting minutes. Such documentation is important to both demonstrate compliance with statutory provisions and provide information for future reference to the county should concerns or questions be raised regarding topics addressed in closed meetings. The Sunshine Law, Chapter 610, RSMo, provides guidance regarding closure of meetings and documentation requirements.

WE RECOMMEND the County Commission provide additional details in closed meeting minutes regarding discussions held and actions taken, if any.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

We have discussed this recommendation with our attorney. He has reviewed our procedure for closed meetings and has found it to be in compliance with the state statutes.

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| 5. Monitoring of Accrued Costs |
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The Circuit Court is not fully utilizing the capabilities of the Justice Information System (JIS), the Missouri courts automated case management system, to monitor accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) and maintain a complete record of all court actions and transactions related to each case. As of April 2008, the JIS showed an accrued costs balance of approximately \$608,500 for the Circuit Court. A significant portion of this total relates to board bills for which the county has received reimbursement from the state; however, the amounts continue to represent receivables due from defendants. In addition, court-ordered restitution which does not relate to juvenile cases is collected by the Prosecuting Attorney's office, and these financial transactions are not effectively monitored by the court or entered into the JIS.

- A. Because the court uses the JIS, it is eligible to participate in the state's automated tax offset and collection programs. However, the Circuit Court does not participate in these programs. Section 488.5028, RSMo, authorizes courts to report debts in excess of \$25 to the Office of the State Courts Administrator (OSCA) to seek an offset of an income tax refund. Effective July 1, 2006, Missouri Court Operating Rule 21.06 requires courts utilizing the JIS to participate in the tax offset program. Section 488.5030, RSMo, authorizes courts to contract with a collection agency to pursue past-due court-ordered penalties, fines, restitution, sanctions, and court costs. It also allows fees or costs associated with such collection efforts be added to the amount due, but such fees and costs cannot exceed 20 percent of the amount collected.

While the Circuit Clerk's office maintains a manual record and works with probation officers to ensure individuals are making payments to the court as

required prior to the expiration of their probationary period, and utilizes show cause orders and warrants as appropriate, the failure to utilize all available options to collect unpaid monies may result in lost revenues to the county.

- B. Monitoring efforts by the court over court-ordered restitution collected by the Prosecuting Attorney's office need improvement. There are no regular communications between the court and Prosecuting Attorney's office regarding the status of cases for which court-ordered restitution is due. Also, some case actions and financial transactions are not recorded in the JIS.

The process of collecting court-ordered restitution, except for restitution pertaining to juvenile cases, is handled by the Prosecuting Attorney's office. Once restitution is ordered by the Circuit Judge, the Prosecuting Attorney's office is responsible for collecting payments and maintaining receivable records. Although the Circuit Clerk's office refers the cases on which restitution is ordered to the Prosecuting Attorney, information regarding the restitution amount ordered and corresponding receipts and disbursements are not entered into the JIS, and a summary record of restitution cases referred to the Prosecuting Attorney is not maintained by the court. The Circuit Clerk indicated these procedures are not performed since collecting the restitution is not the responsibility of the court. In addition, there is no periodic reporting to the court by the Prosecuting Attorney's office regarding the status of the various cases or when restitution has been collected in full.

While it is a common practice for other offices to collect restitution and incarceration costs, tracking these receivable amounts in the JIS would provide a method for better collection efforts, allow the court to better monitor the effectiveness of the collection efforts, and provide more accountability over case transactions. Entering such information into the JIS would provide a complete centralized record of all court actions and financial transactions related to each case.

WE RECOMMEND the Circuit Clerk:

- A. Participate in automated collections programs made available by the state.
- B. Work with the Prosecuting Attorney to ensure receivable amounts and collections are properly monitored and tracked in the JIS to enhance collection efforts.

AUDITEE'S RESPONSE

The Circuit Judge and Circuit Clerk provided the following responses:

- A. *This recommendation will be implemented.*
- B. *This recommendation will be taken under consideration.*

The Prosecuting Attorney providing the following response:

- B. *Weekly information regarding court-ordered restitution collections and amounts still due will be provided to the court.*

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| 6. Sheriff's Inmate Bank Account Controls and Procedures |
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The inmate bank account balance is not reconciled to related liabilities. In addition, the numerical sequence of receipts slips is not accounted for properly. The Sheriff's department maintains a separate inmate bank account and software system to handle personal inmate monies and operate a commissary. For the years ended December 31, 2007 and 2006, receipts of this account totaled approximately \$60,600 and \$63,600, respectively.

- A. As noted in prior reports, the inmate bank account balance is not reconciled to the individual inmate account balances and various liabilities. The Sheriff's department uses a computer program to maintain records of inmate monies received, commissary purchases made, account deductions related to personal expenses such as haircuts or medical costs, and available cash balances. Any remaining personal monies are paid to the inmate upon release.

At our request, the Sheriff's department generated an inmate account balance status report as of April 2008, and attempted to reconcile the listing to the reconciled bank balance. However, the bank balance was \$4,920 and exceeded the total of the inmate account balances (\$967) by \$3,953. Reasons for the difference were not determined. A proper reconciliation would require consideration of various liabilities (i.e., commissary commissions due to the county and any unpaid commissary vendor or medical provider invoices) in addition to individual inmate amounts.

In addition, our review of some individual inmate accounts showed the computer system records were not always properly updated for refunds made upon release of the inmates. These and other discrepancies could be detected if proper reconciliations between liabilities and the bank account balance were performed.

To ensure proper accountability over inmate and commissary monies, and improve the likelihood of identifying and correcting errors timely, the individual inmate account balances and other liabilities should be compared to the reconciled bank balance monthly. Any discrepancies should be investigated and resolved.

- B. While prenumbered receipt slips are issued for inmate monies received, the numerical sequence is not accounted for properly. For example, receipt slip numbers used during 2006 ranged from number 141 to number 600 (for a total of 460 receipts slips); however, receipt records show that only 237 receipts slips

were actually issued. Large gaps existed in the records and blocks of receipt slips were issued out of sequence.

To adequately account for all monies received, prenumbered receipt slips should be issued in numerical sequence and accounted for properly.

WE RECOMMEND the Sheriff:

- A. Compare individual inmate account balances and various liabilities to the reconciled bank account balance monthly and resolve any discrepancies.
- B. Ensure receipt slips are issued in numerical sequence and accounted for properly.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We will perform a monthly comparison of inmate account balances and liabilities to the reconciled bank account balance, and will follow up on discrepancies as time and staffing permit. After appropriate efforts have been made to resolve any unidentified or unclaimed amounts, these will be disposed of as allowed by law.*
- B. *The officer(s) during the reported time frame mistakenly used the incorrect receipt book(s) when the previous book was full. Efforts are made, and will continue, to follow up on receipt number gaps and officers are reminded periodically of the importance of using the books in sequence.*

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| 7. Prosecuting Attorney's Accounting Controls and Procedures |
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Accounting duties are not properly segregated. Bad check restitution and fee monies are not posted to the accounting system timely, and an adequate system to account for all bad checks handled has not been established. The Prosecuting Attorney's office processed bad check restitution and fees totaling approximately \$80,000 annually during 2007 and 2006. In addition, court-ordered restitution monies collected by the Prosecuting Attorney's office totaled approximately \$21,500 and \$17,000 during 2007 and 2006, respectively.

- A. As noted in our prior report, accounting duties are not adequately segregated. One secretary is primarily responsible for handling court-ordered restitution and another secretary is primarily responsible for handling bad check restitution. Their responsibilities include receiving and recording monies, preparing deposits, preparing checks, and performing month-end reconciliations. There is no independent review of the accounting records and reconciliations.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and recording monies from the duties of depositing and disbursing monies. If duties cannot be adequately segregated, at a minimum, there should be supervisory or independent reviews of reconciliations between receipts and deposits and bank reconciliations.

- B. Bad check restitution and fee monies received are not posted to the computer system in a timely manner. Rather, transactions are recorded at the time that transmittals to the victim and County Treasurer are prepared. As a result, receipt records do not accurately present the actual date of receipt and timeliness of transmittals cannot be determined.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be posted to the accounting records promptly, and transmittals made timely.

- C. An adequate system to account for all bad checks received by the Prosecuting Attorney's office, as well as the subsequent disposition of the bad checks, has not been established. Currently, merchants complete an unnumbered complaint form when the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system and the complaint form and information regarding the handling of the case is maintained in the individual case file. Although the bad check computer system assigns a complaint number in numerical sequence, the system is not maintained in a manner to account for the sequential order of all bad check complaints entered. Without a tracking procedure, there is no assurance all bad check information is entered into the computer file. The Bad Check Clerk indicated that newer versions of the computer system have the capability to assign and account for a sequential number for each complaint entered; however, the office has not updated its system to utilize these capabilities.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by updating and utilizing the computer system's features.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties or ensure periodic independent reviews of the accounting records are performed and documented.
- B. Ensure receipts are promptly recorded on the computer system and transmitted to the County Treasurer and the victim on a timely basis.

- C. Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A&B. These recommendations will be implemented.

- C. Merchants will be required to come to my office to submit their complaint forms in person. A tracking number will be assigned immediately and used to track the status of the bad check.*

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| 8. Collector-Treasurer's Reconciliation Procedures |
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The Collector-Treasurer does not perform month-end reconciliation procedures to ensure the collector bank account balances are in agreement with identified liabilities. Property taxes, fees, and commissions processed by the Collector-Treasurer's office during the years ended February 28(29), 2008 and 2007, totaled approximately \$8.9 and \$8.4 million, respectively.

As similarly discussed in prior audit reports, throughout the audit period there was no procedure in place to reconcile the collector bank account balance to existing liabilities at month-end. At our request, the Collector-Treasurer performed such a reconciliation as of March 31, 2008, and determined the reconciled cash balance of approximately \$118,000 exceeded total liabilities by \$8.

Monthly reconciliations of liabilities to reconciled cash balances are necessary to ensure sufficient cash is available for the payment of all liabilities and provide assurance that cash receipts and disbursements are properly handled and accounted for. Any discrepancies should be promptly investigated and resolved.

WE RECOMMEND the Collector-Treasurer perform monthly reconciliations of liabilities to reconciled cash balances for the collector bank account and promptly investigate and resolve any discrepancies.

AUDITEE'S RESPONSE

The Collector-Treasurer provided the following response:

This procedure was suggested to my office during audit fieldwork and since that time it has been performed monthly and filed with the bank reconciliation. It is presumed that the newly elected Collector-Treasurer will continue this procedure.

9.**Recorder of Deeds' Accounting Controls and Procedures**

Discrepancies were noted between the abstract of fees and deposits. Receipts are not always deposited intact, all collections received are not promptly recorded, and the composition of receipts is not always recorded and is not reconciled to deposits.

The Recorder of Deeds' procedure is to deposit each day's receipts on the subsequent day. However, there is no procedure to reconcile daily deposits to the abstract of fees, and a review of selected bank deposits identified some discrepancies in amounts, composition, and other details. The discrepancies appear to relate to the Recorder of Deeds' procedures for handling over and under payments, and a lack of sufficient details in the accounting records to document the handling of these transactions. The Recorder of Deeds explained that when the office receives an overpayment, the document and corresponding required fees are entered on the abstract of fees, rather than recording the actual amount paid. Excess payments are handled differently depending on the amount of the overpayment. Overpayments of \$10 or less are generally retained and recorded on the abstract of fees as copy monies for transmittal to the county along with actual copy monies, while overpayments exceeding \$10 are resolved with the payor. In addition, underpayments are not recorded until sufficient monies are received to cover the required fees and the payment is not deposited until the underpayment is resolved. These monies are on hand and not recorded in any type of receipt record. We noted the December 18, 2007, deposit was \$86 short while the December 20, 2007, deposit was \$86 long. The Recorder provided an explanation of these differences and how the two related; however, the explanation was not supported by adequate documentation in the abstract of fees or elsewhere. Insufficient details in the records and retaining unrecorded monies on hand results in less assurance of proper handling.

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 daily deposits to the abstract of fees and clearly demonstrate the handling of over and under payments and refunds.

WE RECOMMEND the Recorder of Deeds ensure all monies are promptly recorded on the abstract of fees and develop a procedure to reconcile daily deposits to the abstract of fees to ensure amounts, composition, and other details are in agreement. In addition, the Recorder should ensure the records clearly identify overpayments and their disposition (refund or transmittal to the county) and make the public aware of this policy.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following response:

We are making strides to correct and carry out the accounting procedures as recommended.

Budgetary procedures need improvement and procedures related to board meeting minutes were not adequate and did not always comply with state law.

- A. The Senate Bill 40 Board's budgets do not include a beginning or estimated ending cash balance, and therefore do not adequately project the fund's financial condition. In addition, the budgets do not include the prior 2 year's actual receipts and disbursements and were not submitted to the State Auditor's office as required.

It is unclear if the documents provided to us during fieldwork were the final approved budget documents since the words "draft" and "proposed" were contained in the heading and there was no evidence of board approval. In addition, estimated amounts and line item classifications according to these budget documents differed from periodic budgeted income statements compiled by a Certified Public Accountant with which the board contracts. As a result, there is uncertainty regarding the budgeted amounts, and the board's ability to review for compliance and monitor the fund's financial condition is less effective.

To be of maximum assistance as a planning tool and to adequately inform the public, budgets should include all beginning available resources and actual receipts and disbursements of the prior 2 years. Section 50.590, RSMo, requires budgets to include the amounts for the last 2 completed fiscal years to provide a comparison with the estimates for the current fiscal year, and Section 50.740, RSMo, requires budgets to be submitted to the State Auditor's office.

- B. The board's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. While reasons for closing meetings are documented, the corresponding vote to close the meeting is not always documented. In addition, closed meeting minutes do not provide sufficient details regarding discussions and decisions made; and votes or final actions, if any, taken by the board during closed meetings are not always documented. Minutes were not available for one closed meeting.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. Finally, certain votes or final actions taken in closed session are required to be disclosed to the public.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure annual budgets are filed with the county and State Auditor's office as required. In addition, the board should ensure annual budgets contain all required information, including the beginning and projected ending cash balances and a comparative statement of actual receipts and disbursements for the 2 previous years.

- B. Ensure the vote to close a meeting is documented in open minutes, and minutes are retained for all closed meetings. In addition, the board should ensure sufficient details are provided in closed meeting minutes and that votes or final actions taken in a closed meeting are documented in the open meeting minutes.

AUDITEE'S RESPONSE

The Senate Bill 40 Board Treasurer and Executive Director provided the following response:

These recommendations will be implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

LIVINGSTON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Livingston County is a township-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Chillicothe.

Livingston 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 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 townships maintain county roads.

The county's population was 14,558 in 2000. The assessed valuation for the year ended December 31, 2007, was:

| | |
|------------------------|-----------------------|
| Real estate | \$ 105,509,262 |
| Personal property | 42,556,852 |
| Railroad and utilities | 10,240,960 |
| Total | <u>\$ 158,307,074</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.

Livingston 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 | .0025 | None | None | |
| Use tax | .0075 | 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: | \$ | |
| Eva Danner, Presiding Commissioner | | 30,465 |
| Ken Lauhoff, Associate Commissioner | | 28,465 |
| Kenneth Warren, Associate Commissioner | | 28,465 |
| Gordon Smith, Recorder of Deeds | | 43,129 |
| Kelly Christopher, County Clerk | | 43,129 |
| Michael P. Koenig, Prosecuting Attorney | | 50,677 |
| Steve Cox, Sheriff | | 47,442 |
| J. Scott Lindley, County Coroner | | 12,939 |
| Sherry Parks, Public Administrator (1) | | 43,129 |
| Deanna Kepner, County Collector-Treasurer, year ended March 31, | 43,487 | |
| Steve Ripley, County Assessor (2), year ended August 31, | | 42,711 |

(1) Includes fees received from probate cases.

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

State-Paid Officials:

| | |
|--|---------|
| Brenda Wright, Circuit Clerk | 51,197 |
| James Valbracht, Associate Circuit Judge | 101,090 |

In 2006, the county entered into a lease purchase agreement with United Missouri Bank to finance the purchase and installation of a new heating and cooling system. Principal and interest payments extend over a 15-year period and total \$656,000 and \$263,828, respectively. In August 2006, county voters approved a 3/4-cent county use tax and the county intends to use revenues generated from this tax to make the principal and interest payments.