



Susan Montee, JD, CPA

Missouri State Auditor

Maries County

September 2009
Report No. 2009-96



auditor.mo.gov



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

September 2009

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

Many of the findings contained in this audit report were identified in previous state audit reports of Maries County.

Cost of living adjustments (COLA) were given to all elected officials; however, an increase in pay equal to or greater than the COLA was not given to some employees. The elected officials received a 2.5 percent salary increase for each of the 2 years ended December 31, 2008, and the county employees received a 30 cents per hour pay increase. No calculations of the 30 cents per hour increase were performed to ensure all employees received at least a 2.5 percent increase. In addition, documentation was not retained for a \$3,000 reimbursement made to an Associate Commissioner for eligible medical deductible expenses.

The Sheriff's department controls over seized property and various accounting duties are in need of improvement. A complete log of evidence and seized property is not maintained, periodic physical inventories of seized property are not performed, and a court order on seized property was not followed. Procedures to identify month-end liabilities and reconcile to cash balances are not sufficient. Receipt slips for the regular and special civil accounts do not indicate the method of payment received, and the composition of receipts is not reconciled to the composition of deposits.

The county serves as the contract agent for the Missouri Department of Revenue (DOR) and receives fees for providing licensing services to the residents of the county. The license office controls over inventory and monies collected need improvement. The license office does not follow up on missing inventory items, or take adequate action to prevent further losses. For the 2 years ended December 31, 2008, the license office paid a total of \$2,356 to the DOR for missing inventory items. Charges for bad checks, short deposits, and late deposits totaling \$475 were also paid to the DOR for the 2 years ended December 31, 2008. The method of payment is not always accurately recorded and deposit slips do not indicate the amount of cash and checks deposited. The license office does not always remit county fees to the County Treasurer on a timely basis. Due to poor procedures and unexplained discrepancies between receipts and deposits, there is less assurance all monies were handled and accounted for properly.

Also included in the report were recommendations related to county budgetary procedures, capital assets, the property tax system, and Associate and Probate Division accounting controls and procedures.

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

YELLOW SHEET

MARIES COUNTY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-14
<u>Number</u>	<u>Description</u>
1.	County Compensation.....5
2.	Budgeting Procedures6
3.	Capital Assets.....7
4.	Property Tax System8
5.	Sheriff's Accounting Controls and Procedures9
6.	License Office's Accounting Controls and Procedures11
7.	Associate and Probate Division's Accounting Controls and Procedures...13
ORGANIZATION AND STATISTICAL INFORMATION	15-17

STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Maries County

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



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Kimberly Magner, M.Acct.
Audit Staff:	Denise Huddleston, MBA Kelli McBee

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

MARIES COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Compensation

The county did not perform calculations to ensure employees' increases in pay were proper, and documentation was not retained for a payment made to an Associate Commissioner.

- A. Cost of living adjustments (COLA) were given to all elected officials; however, an increase in pay equal to or greater than the COLA was not given to some employees. The elected officials received a 2.5 percent salary increase for each of the 2 years ended December 31, 2008, and the county employees received a 30 cents per hour pay increase. No calculations of the 30 cents per hour increase were performed to ensure all employees received at least a 2.5 percent increase. After reviewing the raises given to county employees, it appears the 30 cents per hour was at least a 2.5 percent increase for the majority of employees, but not all employees. Section 50.333.12, RSMo, allows a COLA that is the same percentage for all county officials but not to exceed the percentage increase given to all other county employees. To ensure and demonstrate compliance with state law, the county should document the method used to determine employee pay raises.
- B. Documentation was not retained for a payment made to an Associate Commissioner. A Health Reimbursement Agreement was established to reimburse eligible employees for medical deductible expenses incurred. A payment of \$3,000 was approved and paid in December 2008 to an Associate Commissioner without retaining adequate supporting documentation. The payment was approved based on a handwritten paper list the medical expenses. The County Clerk indicated all documentation to support the list was reviewed before approval of the payment, but the documentation was not retained.

All disbursements should be supported by paid receipts or vendor-provided invoices. Without adequate supporting documentation, the County Commission cannot determine the validity and propriety of the disbursements.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Ensure that COLA increases for officials do not exceed COLA increases for county employees.

- B. Ensure adequate supporting documentation is obtained to support all disbursements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will perform a calculation to ensure all employees receive a COLA of at least as much as the COLA raise for officials.*
- B. *We will obtain and retain documentation for all disbursements before approval of payment. Documentation for this disbursement was reviewed, but we did not make copies of the documentation although we should have.*

2. Budgeting Procedures

The County Commissioner's procedures for monitoring budgets are not adequate. Actual disbursements reflected on the county's budget documents significantly exceeded budgeted amounts in several funds as follows:

Fund	Year Ended December 31,	
	2008	2007
Special Road and Bridge	\$ 111,155	112,168
Road and Bridge #2	101,141	N/A
Record Storage	N/A	21,257
Special Sheriff	29,851	N/A
Citizen's Safety	N/A	28,057
HAVA	N/A	23,579

In addition, actual disbursements exceeded the budgeted amounts by smaller amounts in several other funds.

On a monthly basis, the County Clerk provides the various county officials a written report on the current status for each fund the official is responsible to monitor. If a budget amendment is needed, the official notifies the County Clerk to present the suggested budget changes to the County Commission for approval. If no amendment is suggested, the budgeted amounts remain unchanged. The County Commission and various county officials did not amend the budgets for these funds to reflect unexpected receipts and increased disbursements made during the year. In addition, although the 2008 budget documents for the Prosecuting Attorney Training Fund and the 2007 budget documents for the Prosecuting Attorney Delinquent Tax Fund and HAVA Fund projected no disbursement activity, disbursements were made from these funds.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which necessitate excess disbursements (i.e., emergencies,

unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Commission not authorize disbursements in excess of the budget. In addition, if valid reasons necessitate excess disbursements, the budget should be amended timely following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's office.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The County Commission will attempt to amend the budget for unexpected receipts and disbursements using the same process as the original budget to ensure disbursements do not exceed the amount budgeted.

3.

Capital Assets

The County Clerk maintains an inventory list of capital assets held by county officials; however, the list is not complete and has not been updated for property acquired or disposed of since 2002. In addition, there are no formal written procedures in place for disposing of county owned property items. While some of the capital asset dispositions (a computer, truck, and tractor, etc.) were noted in the County Commission minutes, written documentation with the detail supporting the sale of the items was not retained. Also, there are no procedures in place to ensure an annual inventory is performed by each official and property items are not always properly numbered, tagged, or otherwise identified as County property.

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 dispositions and use this information to ensure the accuracy of the overall capital asset list.

A similar condition was noted in our prior report.

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

AUDITEE'S RESPONSE

The County Clerk provided the following response:

We are working on a new electronic system for capital assets. This system will flag a purchase as it is processed for payment so our records are more accurate.

4. Property Tax System

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. 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.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

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

The County Clerk will try to set up an account book to verify amounts reported by the County Collector on the annual settlement. Also, the County Commission will use the account book to verify the annual settlements.

5.**Sheriff's Accounting Controls and Procedures**

The Sheriff's department controls over seized property and various accounting duties are in need of improvement. The Sheriff's department received monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts totaling approximately \$63,300 and \$39,800 during the years ended December 31, 2008 and 2007, respectively.

- A. A complete log of evidence and seized property is not maintained, periodic physical inventories of seized property are not performed, and a court order on seized property was not followed. On April 12, 1998, a 1985 automobile and \$2,979 cash were seized, and on October 6, 2004, a 1995 Nissan Maxima and \$25,000 cash were seized. A court order was issued October 27, 2004, stating the monies seized in 2004 should be transferred to the Federal Law Enforcement Agency; there was no judgment for the disposition of the other items. None of these items were recorded on the evidence log, and the monies from both traffic stops were held until November 2008, when the monies were deposited into the Sheriff's bond account. In December 2008, a check was written to the State Treasurer's Office Unclaimed Property Section for both amounts. The Sheriff's department could not locate or determine the disposition of the vehicles.

Considering the often sensitive nature of evidence and seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of items and monies confiscated and provide greater assurance assets are distributed in accordance with court orders and state law. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. In addition, periodic physical inventories should be performed and results compared to the inventory records to ensure evidence and seized property are accounted for properly.

- B. Procedures to identify month-end liabilities and reconcile to cash balances are not sufficient. Liabilities related to the special civil account, which includes amounts for serving summons and subpoenas for other counties and fees for transporting prisoners to state facilities, are not identified. The reconciled cash balance for the special civil account totaled \$2,580 at December 31, 2008. In addition, while a list of liabilities is prepared for the bond account, it does not reconcile to the cash balance. At December 31, 2008, the bond account reconciled cash balance was \$545, while the identified liabilities totaled only \$478, leaving an unidentified balance of \$67.

Liabilities should be identified at each month-end and reconciled to the cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for timely detection of errors. Discrepancies should be investigated promptly and appropriate action taken.

- C. Receipt slips for the regular and special civil accounts do not indicate the method of payment received, and the composition of receipts is not reconciled to the composition of deposits. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the method of payment should be documented on the receipt slips and the composition of receipts should be reconciled to the composition of deposits. Any differences should be investigated and resolved.

Condition B was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Maintain a complete inventory log of all seized property. A periodic inventory should be performed and compared to the list and any differences investigated. Court orders issued should be followed for disposition of seized property. The Sheriff should follow up on the disbursement of the \$25,000 to the State Treasurer's Office Unclaimed Property Section and rectify as appropriate.
- B. Identify month-end liabilities and reconcile with the bank account balances. Any unidentified differences should be investigated and resolved.
- C. Ensure the method of payment is recorded on receipt slips and the composition of monies received is reconciled to the composition of deposits. Any discrepancies should be investigated and resolved.

AUDITEE'S RESPONSE

The Sheriff, who took office on January 1, 2009, provided the following responses:

- A. *We are now keeping an evidence log for all seized property, and we will perform periodic inventories and investigate any differences. Any court orders regarding seized property will be followed. We will follow up on the \$25,000 and handle as appropriate.*
- B. *We will start keeping a liabilities list for the special civil account and reconcile it to the bank account balances. We will investigate differences in the special civil account and the bond account and resolve as appropriate.*
- C. *We will ensure the method of payment is recorded on receipt slips and ensure the composition of receipts is reconciled to the composition of deposits. Differences will be investigated, resolved, and documented.*

6.**License Office's Accounting Controls and Procedures**

The county serves as the contract agent for the Missouri Department of Revenue (DOR) and receives fees for providing licensing services to the residents of the county. The license office controls over inventory and monies collected need improvement. The license office collected county fees in 2008 and 2007 of approximately \$52,300 and \$53,800, respectively.

- A. As discussed in our prior report, the license office does not follow up on missing inventory items or take adequate action to prevent further losses. The license office performs a physical inventory twice a year and for any missing items such as handicapped tags, license plates, and stickers for various types of vehicles, the DOR charges the license office. These charges are paid from the county fees collected by the license office. For the 2 years ended December 31, 2008, the license office paid a total of \$2,356 to the DOR for missing inventory items.

Charges for bad checks, short (less deposited than receipted) deposits, and late deposits are also paid to the DOR. These charges, totaling \$475 for the 2 years ended December 31, 2008, are also paid from the county fees collected by the license office. Of this amount, \$230 was for bad checks, \$145 was for short deposits, and \$100 was for late deposits.

To prevent any further loss of inventory items and county fees, the license office and the County Commission should follow up on missing inventory items noted during the semi-annual inventory. Daily reconciliations of inventory to perpetual inventory records will also help prevent excessive missing inventory. The license office should ensure all sold items are recorded timely and accurately. In addition, the license office should ensure procedures set by the DOR are followed to eliminate additional charges and fees paid to the DOR for items such as bad checks, short deposits, or late deposits.

- B. The method of payment (cash, check and money order) is not always accurately recorded and deposit slips do not indicate the amount of cash and checks deposited. The composition of the deposits did not agree to the composition of the receipt records for the five deposits made during the period of November 3 through November 7, 2008, and two of the deposits appeared short. A closer review of these two deposits identified several concerns including, transactions marked as paid with cash when actually paid for by check, transactions paid by check with the customer receiving cash back without explanation in the records, and checks deposited which could not be traced specifically to the transaction summary report. Insufficient details in the records and discrepancies between receipt records and deposits result in less assurance of proper handling.

To ensure all receipts are accounted for properly and deposited, the method of payment received should be accurately recorded in the accounting records and the

composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of daily deposits to the transaction summary report and clearly demonstrate any cash refunds. Any discrepancies in composition or other details should be investigated and resolved.

- C. The license office does not always remit county fees to the County Treasurer on a timely basis. The license office only remitted monies to the County Treasurer on seven dates in 2008, and only monies collected for December 2008 were remitted timely. Some transmittals included receipts collected for more than one month. For example, receipts collected during July, August, and September 2008 were not remitted to the County Treasurer until November 2008.

Additionally, purchases for postage and advertising fees of \$114 were made using county fee account monies instead of through the General Revenue Fund and the transmittal to the county treasury was reduced by this amount. These monies are accountable fees and should be remitted to the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. Purchases should be made through the county's normal disbursement procedure.

Due to poor procedures and unexplained discrepancies between receipt records and deposits, there is less assurance all monies were handled and accounted for properly.

WE RECOMMEND the County Commission:

- A. Ensure the license office follows up on missing inventory items and takes necessary actions to prevent further losses. The County Commission should ensure the license office records inventory items timely and accurately and follows all DOR procedures to help eliminate additional fees paid to DOR.
- B. Ensure the license office accurately records method of payment in the accounting records and develops a procedure to reconcile daily deposits to the accounting records to ensure amounts, composition, and other details are in agreement. In addition, the County Commission should ensure any discrepancies are investigated and resolved by the license office.
- C. Ensure the license office remits monies to the County Treasurer on a monthly basis and the license office discontinues making purchases with fee monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We now have two full-time employees so administrative duties can be performed on a daily basis. This will also allow time to review to help eliminate additional fees paid.*

- B. *We will eliminate allowing checks to be written for more than the transaction in order to give cash back. We will record the method of payment accurately on receipts and ensure the composition of receipts agrees to the composition of deposits and any differences will be resolved.*
- C. *We will establish a deadline for turning over collections on a monthly basis and discontinue purchases outside the normal budget and county disbursement process.*

7. Associate and Probate Division's Accounting Controls and Procedures

Accounting controls and procedures need improvement. The Associate and Probate Division is responsible for processing receipts for criminal and civil cases, traffic tickets, garnishments, and bonds. Receipts for the Associate and Probate Division totaled approximately \$188,500 and \$189,000 during the years ended December 31, 2008 and 2007, respectively.

- A. As noted in our prior report, monies collected are not deposited on a timely basis. Deposits are made approximately once per week. Two months were reviewed and deposits averaged approximately \$5,000 for May 2008 and \$3,200 for April 2007.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis.

- B. Bank reconciliations are not prepared in a timely manner. The reconciliation for December 2007 was not performed until June 2008. In addition, the bank statement for January 2009 was still unopened in March 2009. The Office of State Courts Administrator (OSCA) assists the Associate and Probate Clerk with bank reconciliations most months. A copy of the monthly bank statement is faxed to OSCA, and an accountant at OSCA prepares the bank reconciliation and notifies the clerk that the reconciliation is complete. The clerk was unable to explain the reasons for various adjustments to the bank reconciliations and does not review what OSCA does to ensure agreement or understanding of the adjustments or the bank reconciliations.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. Discrepancies should be followed up on promptly and reasons for any adjustments documented.

- C. Monthly reports of liabilities are not generated from the computer system and compared to the cash balances. At our request, a list of liabilities was generated as of December 31, 2008. This list totaled \$19,124, which exceeded the reconciled cash balance of \$14,903 by \$4,221. No explanation was provided for this difference. We requested an additional list as of March 31, 2009, and

determined the March 31, 2009, reconciled cash balance of \$24,761 exceeded identified liabilities by approximately \$90.

Liabilities should be identified at each month-end and reconciled to the cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for timely detection of errors. Discrepancies should be investigated promptly and appropriate action taken.

WE RECOMMEND the Associate and Probate Division:

- A. Deposit receipts intact on a timely basis.
- B. Ensure bank reconciliations are performed in a timely manner, and any differences between the accounting records and reconciliations are investigated and resolved.
- C. Ensure liabilities are identified at each month-end and reconciled to the cash balances. Any discrepancies should be promptly investigated and resolved.

AUDITEE'S RESPONSE

The Associate Circuit Judge did not provide a response.

ORGANIZATION AND
STATISTICAL INFORMATION

MARIES COUNTY
ORGANIZATION AND STATISTICAL INFORMATION

Maries County is a county-organized, third-class county and is part of the Twenty-Fifth Judicial Circuit. The county seat is Vienna.

Maries 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:		
Ray Schwartze, Presiding Commissioner	\$	25,705
Glenn Dressendofer, Associate Commissioner		23,807
Ed Fagre, Associate Commissioner		23,807
Rhonda Brewer, County Clerk		36,071
Terry D. Schwartze, Prosecuting Attorney		42,716
Douglas DiNatale, Sheriff		39,868
Rhonda Slone, County Treasurer		36,071
David H. Martin, County Coroner		10,442
Eugene (E.J.) Meyer, Public Administrator		21,518
Jayne Helton, County Collector (1), year ended February 28,	36,858	
Judy Logan, County Assessor (2), year ended August 31,		36,488

(1) Includes \$787 of commissions earned for collecting city property taxes.

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

State-Paid Officials:

Mark Buschmann, Circuit Clerk and Ex Officio Recorder of Deeds	52,668
John Clayton, Associate Circuit Judge	107,641

As of December 31, 2008, the county had nine outstanding loans for 13 road and bridge equipment items, (including tractors, graders, brush cutter, and other), 4 Sheriff's department vehicles, and 12 computers. Payment on these loans will be made from the General Revenue

Fund and the Road and Bridge funds. The remaining principal and interest due on the loans at December 31, 2008, was \$971,994.