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Missouri State Auditor

Scotland County



September 2009
Report No. 2009-97

auditor.mo.gov



Office of the
Missouri State Auditor
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September 2009

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

The County Clerk does not prepare minutes for closed session meetings of the County Commission and no notice or agenda was posted for one closed session meeting. As discussed in prior audits, the County Commission open meeting minutes do not always include sufficient detail of matters discussed or actions taken, and it appears many motions passed are not included in the meeting minutes.

The county does not reconcile fuel use to fuel purchases, and records are not maintained of fuel used for some county vehicles. In addition, mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained by the road and bridge department to document the use of county-owned vehicles.

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books, which are prepared by the County Collector.

User identifications and passwords are not used in the County Clerk's and County Collector's offices, and passwords are not periodically changed in the County Assessor's office. Backup data is not always stored at a secure off-site location and is not always tested to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure.

In the Sheriff's office, monthly bank reconciliations are not performed and deposits are not made timely. The method of payment is not consistently indicated on receipt slips, and as a result, the composition of receipt slips issued cannot be reconciled to the composition of deposits. The costs for housing other counties' inmates at the county jail were not analyzed to determine if amounts charged adequately recover all costs. The Sheriff has verbal agreements with other counties for the boarding of inmates; however, Section 432.070, RSMo, requires all contracts be in writing. In addition, the Sheriff's office maintains a change fund of \$100 for bond receipts; however, the fund has not been used since at least 2001.

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YELLOW SHEET

SCOTLAND COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Scotland County

We have audited certain operations of Scotland County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Scotland 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 Scotland County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SCOTLAND COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. County Commission Minutes

Minutes are not prepared for closed session meetings, and one closed session meeting was not properly posted. The minutes maintained for open sessions do not always include sufficient detail of matters discussed or actions taken.

- A. The County Clerk does not prepare minutes for closed session meetings of the County Commission and no notice or agenda was posted for the August 2, 2007, closed session meeting. In addition, for two of the three closed session meetings held during the 2 years ended December 31, 2008, the open meeting minutes did not document the related vote for closing the meeting or cite the specific statute and subsection allowing the closure.

Section 610.021, RSMo, allows the commission to close meetings to the extent the meetings relate to specified subjects, including litigation, real estate transactions, and personnel issues, and Section 610.020, RSMo, provides that minutes of closed meetings should be prepared and retained. In addition, Section 610.022, RSMo, requires the county to give adequate notice of a closed meeting in addition to the specific reason for holding a closed meeting and that before any meeting may be closed, the question of holding the closed meeting and the reasons for the closed meeting including reference to a specific section of the chapter shall be voted on at an open session.

- B. As discussed in prior audits, the County Commission open meeting minutes do not always include sufficient detail of matters discussed or actions taken, and it appears many motions passed are not included in the meeting minutes. For example, while the minutes state a public hearing is held each January before the county budget is approved, the actual approval of the budget is not documented in the minutes, nor is the approval of the County Collector's annual settlements.

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 be limited to, the date, time, place, members present, members absent, and a record of voted 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.

WE RECOMMEND the County Commission:

- A. Ensure minutes are prepared and notices and agendas are properly posted for all closed session meetings. In addition, the open meeting minutes should document the vote and state the reasons for going into closed session.
- B. Ensure the minutes provide adequate details to support votes taken and decisions made, including documentation of all motions in detail.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We plan to implement the recommendation. We will also have Sunshine Law training through the Attorney General's office in September 2009.*
- B. *We will work to include all motions in the minutes. The details of discussions could be marginally improved, which we will try to do.*

2. County Vehicle/Fuel Use and Records

The county does not reconcile fuel use to fuel purchases, and records are not maintained of mileage incurred and fuel used for some county vehicles.

- A. Controls over fuel use are not adequate. During the 2 years ended December 31, 2008, the road and bridge department spent approximately \$268,000 on fuel for 17 trucks and various equipment (such as graders, tractors, and loaders). The county purchases fuel for non-diesel vehicles by using fuel cards at a local gas station and it purchases diesel in bulk and maintains two tanks on county property.

The road and bridge department does not maintain any type of fuel logs in the vehicles or equipment, nor does it maintain fuel inventory records or logs of fuel dispensed at the county's bulk fuel tanks. By not maintaining inventory records and fuel logs, the road and bridge department cannot reconcile fuel purchases made during the month to fuel used and on hand.

Complete fuel inventory records and use logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel use and disbursements, fuel logs should be maintained and periodically reviewed. Recorded use should be reconciled to fuel purchased and on hand. Failure to account for fuel use could result in theft or misuse going undetected.

- B. Mileage logs that include the purpose and destination of each trip and beginning and ending odometer readings are not maintained by the road and bridge department to document the use of county-owned vehicles.

Complete and detailed mileage logs for all county owned vehicles should be maintained, and a review of these records should be periodically performed to ensure all county-owned vehicles are used efficiently and appropriately.

WE RECOMMEND the County Commission:

- A. Ensure the road and bridge department maintains complete fuel use and inventory records, and fuel use logs are periodically reviewed for completeness and reasonableness of use and reconciled to fuel purchased and on hand.
- B. Require complete and detailed mileage logs be maintained for all county-owned vehicles and periodically analyze vehicle use to ensure county-owned vehicles are used efficiently and appropriately.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will put a log in every vehicle and piece of machinery to track fuel usage and mileage. We will also reconcile the logs to the fuel purchases made.

3. Property Tax Controls and Procedures
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The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector extends and prints the tax books and tax statements and verifies the accuracy of amounts to be collected. 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, she 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 perform reviews of the tax books and test individual tax statement computations may result in errors or irregularities going undetected.

A similar condition was noted in our prior report.

WE RECOMMEND 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.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I will start preparing the current and delinquent tax books.

4. Computer Controls

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

- A. User identifications and passwords are not used in the County Clerk's and County Collector's offices. In addition, while passwords are required to access the County Assessor's computers, the passwords are not periodically changed. The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system. To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals through the use of user identifications and passwords. A unique user identification and password should be assigned to each user of a system. These should be kept confidential and passwords should be changed periodically to help limit unauthorized access to computer files.
- B. Backup data is not always tested to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure. In addition, backup disks are not always stored at a secure off-site location. While backups are prepared for county assessment data, financial data, and property tax data, only the County Clerk and County Treasurer test their backups and only the backups of the county assessment data are stored at an off-site location.

Failure to store computer backup disks at a secure off-site location results in the backup disks being susceptible to the same damage as the data on the computer. Preparation of backup disks, preferably on a daily or at least weekly basis, periodic testing to ensure they are adequate, and storing them off-site, would provide increased assurance that county data could be recreated if necessary.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Work with the County Clerk, County Collector, and County Assessor to require user identifications and passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computers and data.
- B. Ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the other officials to establish user identifications and passwords and ensure passwords are changed every 30 days.*
- B. *We will work with the other officials to ensure backup data is tested and periodically taken off-site.*

The County Clerk provided the following responses:

- A. *I will work with the computer programmer to improve the password system.*
- B. *I will implement this recommendation.*

The County Treasurer provided the following response:

- B. *Backups are now taken to a bank lockbox weekly.*

5. Sheriff's Accounting Controls and Procedures
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The Sheriff's office procedures related to bank reconciliations, receipts, deposits, inmate costs, contracts, and change funds are in need of improvement.

The Sheriff's office processes monies for conceal and carry permits, civil fees, bonds, trailer inspections, phone commissions, calendar sales, and receipts intended for inmates. Receipts totaled approximately \$56,000 and \$75,000 for the years ended December 31, 2008 and 2007, respectively.

- A. Monthly bank reconciliations are not performed. Our review of 4 months of activity in the Sheriff's bank account and the respective monthly transmittals made to the County Treasurer noted each month had an unidentified balance of approximately \$140. Monthly reconciliations would have revealed the

unidentified balance and allowed the necessary corrections to be made on a more timely basis.

Monthly bank reconciliations and comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists. Any amounts which remain unidentified should be disposed of in accordance with state law.

- B. The method of payment (cash, check, and money order) is not consistently indicated on receipt slips. As a result, the composition of receipt slips issued cannot be reconciled to the composition of deposits. To adequately account for receipts and reduce the risk of loss or misuse of funds, receipt slips should indicate the method of payment and the composition of receipt slips should be reconciled to the composition of deposits.
- C. Deposits are not made timely. During the 2 years ended December 31, 2008, deposits were made one to three times per month and averaged approximately \$2,900. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited on a timely basis.
- D. The Sheriff's office occasionally houses inmates for other counties and bills them for these services. The following concerns were noted:
 - 1) While the Sheriff indicated the rate of \$35 per day is based on the amount surrounding counties charge for housing inmates, there is no documentation to show this rate adequately recovers the related costs.

By establishing rates that are not based on the county's actual cost of housing inmates, it is possible the county is subsidizing the cost of this service. To ensure the county is billing at a rate that adequately recovers all costs, amounts charged for incarceration should be analyzed periodically and compared to billing rates.
 - 2) The Sheriff has verbal agreements with other counties for the boarding of inmates. Section 432.070, RSMo, requires all contracts be in writing. Written agreements should be prepared with all political subdivisions for services provided. The agreements should be updated periodically, clearly specify the arrangements between parties for the services provided, and be approved by the County Commission.
- E. The Sheriff's office maintains a change fund of \$100 for bond receipts; however, according to office personnel the fund has not been used since at least 2001. To reduce the risk of loss or misuse of the fund, the Sheriff should dissolve the fund and disburse the monies to the County Treasurer for deposit in the county's General Revenue Fund.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are prepared on a monthly basis. In addition, the unidentified balance in the account should be investigated and an attempt made to identify the balance. Any amounts that remain unidentified should be disposed of in accordance with state law.
- B. Ensure the method of payment is recorded on all receipt slips, and the composition of receipt slips is reconciled to the composition of deposits.
- C. Deposit all receipts on a timely basis.
- D. Periodically review the costs of housing inmates and establish billing rates sufficient to recover costs. In addition, the Sheriff and the County Commission should ensure written contracts are obtained for all services.
- E. Dissolve the change fund and disburse the monies to the County Treasurer for deposit into the county's General Revenue Fund.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Bank reconciliations are now performed monthly. The unidentified balance is currently being investigated.*
- B. *This recommendation has been implemented.*
- C. *Deposits are now made at least weekly. Cash bonds are deposited the same day they are received.*
- D.1. *I feel \$35 per day is reasonable. However, I will determine total costs at the end of the year to establish a daily rate.*
 - 2. *I will check with the Sheriff's Association regarding housing contracts.*
- E. *The change fund is now being used and will continue to be maintained.*

The County Commission provided the following response:

- 5.D. *We will let the Sheriff negotiate contracts and we will support his decisions regarding contracts.*

ORGANIZATION AND
STATISTICAL INFORMATION

SCOTLAND COUNTY
ORGANIZATION AND
STATISTICAL INFORMATION

Scotland County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Memphis.

Scotland 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:		
Mike Stephenson, Presiding Commissioner	\$	20,056
Paul Campbell, Associate Commissioner		16,738
Win Hill, Associate Commissioner		16,738
Dana Glasscock, Recorder of Deeds		27,600
Betty Lodewegen, County Clerk		27,600
Kimberly Nicoli, Prosecuting Attorney		34,960
Wayne Winn, Sheriff		31,145
LaMayra Brown, County Treasurer		27,600
Ginny Monroe, County Coroner		7,026
Ellen Aylward, Public Administrator		12,516
Kathy Becraft, County Collector (1), year ended February 28,	33,493	
James Ward, County Assessor (2), year ended August 31,		28,177

(1) Includes \$2,807 of commissions earned for collecting city property taxes.

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

State-Paid Officials:

Anita Watkins, Circuit Clerk	52,668
Karl DeMarce, Associate Circuit Judge	107,641

In June 2006, the county entered into a \$109,011 lease purchase agreement for a motor grader. Principal and interest payments totaling \$30,749 are due annually for 4 years with an interest rate of 4.95 percent. The remaining principal and interest due on the lease at December 31, 2008, was \$61,498.