



Susan Montee, CPA
Missouri State Auditor

Caldwell County



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

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The following findings were included in our audit report on Caldwell County.

The County Clerk and County Collector-Treasurer have not developed adequate procedures to ensure all financial activity involving county monies is properly recorded in the accounting records and accurately reported in the county budgets and financial statements. Problems were identified with the bank reconciliations performed by the County Collector-Treasurer and she was unable to explain various reconciling items. Receipt and disbursement amounts did not agree between the Collector-Treasurer and County Clerk for various major funds. These differences were not identified by county officials due to lack of controls over financial reporting. In addition, other compliance and internal control problems in the Collector-Treasurer office were identified.

Budgets prepared by the County Clerk's office are inaccurate, do not present a true picture of the financial activity of some county funds, and do not include all information required by state law. The county revised the 2008 budget changing most of the actual receipt and disbursement figures for 2007, but it is unclear how these new amounts were derived. In addition, actual receipts, disbursements, and cash balances for 2007 for some funds still do not agree to amounts reported by the County Collector-Treasurer for 2007. Furthermore, the County Clerk does not maintain adequate supporting documentation for numbers reported in the county's budget. Budget to actual reports are not regularly prepared and reviewed by county officials, resulting in disbursements in excess of approved budgeted amounts for several funds. The county's annual published financial statements did not include some information required by law, and two county funds were deficit budgeted, which violates state law.

The County Commission and County Clerk do not provide adequate oversight of the activities of the County Collector-Treasurer. As a result, errors were not identified and investigated. Various problems were identified with the County Collector-Treasurer's bank reconciliations and passwords for the county's tax system are not changed periodically or kept confidential.

The county has not developed adequate procedures for the review and approval of disbursements and adequate oversight of these processes is not in place. In December 2008, a former employee in the County Clerk's office increased the amount of a bank loan payment by \$2,500 and received the extra money back in cash. Some monetary awards and gifts purchased with county funds were given to employees of the Detention Center, Sheriff's Department, 911 Center, and Prosecuting Attorney's office. These items were not reported on the employees' W-2 forms nor subjected to tax withholdings, and included: four laptop computers and software (\$3,200); cash bonuses (\$1,000) to some employees; a rifle (\$1,100) given to a deputy sheriff; and \$50 gift vouchers to all Sheriff's

YELLOW SHEET

Department, detention center, and 911 employees. Spending from the Sheriff's Civil Fees Fund was excessive in 2008 compared to the previous years the former Sheriff was in office, and in particular spending escalated after August 2008, when the former Sheriff lost the primary election. Approximately \$2,500 worth of give away items were purchased in May 2008 on a county credit card by the former Sheriff to be distributed at various county functions. These items were eventually paid for from the Sheriff's Civil Fees Fund and included several items which bore the former Sheriff's name. The County Commission indicated these items were campaign related giveaways. The former Sheriff was paid a total of \$725 to attend a Sheriff's training in October 2008 which he did not attend. In addition, some concerns were identified with county bidding, lack of contracts for services, and insufficient documentation for some disbursements.

Documentation to support transfers totaling over \$3.4 million from the Law Enforcement Sales Tax (LEST) Fund to the General Revenue Fund was insufficient to ensure amounts paid were reasonable.

The County Commission failed to comply with the Sunshine Law regarding the handling of closed session meetings and procedures for documenting and approving meeting minutes should be addressed.

The county does not adequately monitor the County Aid Road Trust (CART) and sales tax balances available to the 12 townships in the county to ensure adequate funds are available to pay invoices. The County Clerk did not ensure township boards' financial statements were published as required by state law.

Annual settlements were not filed in a timely manner and monthly bank reconciliations are not performed in the Public Administrator's office. The Public Administrator inconsistently charged fees depending on the availability of funds in the wards' estates, and lacked documentation to support the fees that were charged. The Associate Circuit Judge does not require the Public Administrator to submit supporting documentation for all disbursements.

The County Commission has not maintained adequate oversight of the Little Otter Creek Watershed Project. The county has not maintained adequate records of the amounts received, disbursed, and cash on hand. The planning for this project began in 2001, and cost estimates were prepared during that time period, but the county has not taken steps to update those original cost estimates. While annual costs of the project are reported in the county budget, the county has not adequately tracked the progress and costs to date of the project, compared to the original estimates. As of December 31, 2008, approximately \$2.5 million has been spent on the project.

Other findings in the audit report relate to travel expenses, payroll policies and procedures, capital assets, and controls and procedures of planning and zoning, the Circuit Clerk, the Sheriff, and the detention center.

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CALDWELL COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Caldwell County

We have audited certain operations of Caldwell County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Kevin Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Caldwell 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. 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 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 Caldwell 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

CALDWELL COUNTY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1. Financial Reporting and Collector-Treasurer Controls
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The County Clerk and County Collector-Treasurer have not developed adequate procedures to ensure all financial activity involving county monies is properly recorded in the accounting records and accurately reported in the county budgets and financial statements. During 2007 and 2006, the county used two different financial accounting systems but had predominately the same procedures in place for entering the data and reconciling activity. The financial system was changed in June 2007, and the county has experienced significant difficulties with implementing the controls necessary to ensure all financial activity of the county is recorded accurately and timely.

Lack of adequate bank reconciliations by the County Collector-Treasurer and lack of reconciliations between the accounting records maintained by the County Collector-Treasurer and County Clerk have resulted in inaccurate budgetary information which is discussed more thoroughly in the Management Advisory Report (MAR) finding number 2.

Additionally, the Collector-Treasurer has not established procedures to routinely follow up on outstanding checks, semi-annual settlements are not prepared, and receipt slips are not issued immediately upon receipt of some monies.

A. The County Collector-Treasurer does not reconcile the two pooled bank accounts to the cash balances of the applicable county funds. Additionally, several significant old items are part of the reconciliation and it is unclear why no follow up has been performed by the County Collector-Treasurer to clear them. Bank reconciliations were not performed at the end of 2006 and while reconciliations were performed monthly beginning in 2007, the December 31, 2007 and 2008, pooled cash reconciled balances did not agree to the County Collector-Treasurer's book balance for the funds maintained in the pooled cash accounts.

At December 31, 2008, the reconciled balance of both pooled cash accounts totaled \$1,518,208, while the book balances of the funds maintained in pooled cash totaled \$1,475,294. While the bank reconciliation report identified much of this difference related to wages and taxes payable, the County Collector-Treasurer was unable to explain how those amounts were determined and the County Clerk's office indicated there were no withholding taxes payable. The wages payable amount of \$66,284 is also used as an adjustment on the December 31, 2007, bank reconciliation, leading us to believe this adjustment is not accurate and should be investigated. Additionally, significant reconciling items were identified on the December 2008 reconciliation that the Collector-Treasurer could not explain. The amounts shown as outstanding deposits totaled over \$1.3 million,

and included numerous reconciling items dating back to 2007 which have not been investigated.

The County Collector-Treasurer should investigate the differences on the pooled cash bank reconciliations and take steps to review the various reconciling items and determine their propriety. Accurate bank reconciliations are necessary to ensure bank accounts properly reconcile with the accounting records and to detect errors on a timely basis.

- B. The County Clerk and County Collector-Treasurer do not reconcile the accounting records. Cash balances did not reconcile as a result of differences between receipts and disbursements recorded by each official. For example, the County Clerk's records showed transfers out of the Law Enforcement Sales Tax Fund (LEST) to the General Fund totaling \$1,698,577 for the year ended December 31, 2007, while the County Collector-Treasurer showed a LEST Fund transfer of \$1,774,334, the same amount approved by the County Commission. This error was not identified due to the lack of reconciliations between the Collector-Treasurer and County Clerk. The failure of these officials to reconcile their records has resulted in errors in actual amounts reported on the budgets prepared by the County Clerk going undetected. Some of the larger differences noted between the County Collector-Treasurer's and County Clerk's records are as follows:

Year Ended December 31,	Fund	County Collector- Treasurer's Actual per Fund Ledger	County Clerk's Actual per Budget	Difference
2007	General Revenue Receipts	\$ 3,033,170	2,486,323	546,847
2007	General Revenue Disbursements	2,996,464	2,786,342	210,122
2007	Special Road and Bridge Receipts	1,975,485	1,067,152	908,333
2007	Special Road and Bridge Disbursements	1,719,842	1,406,093	313,749
2007	Law Enforcement Sales Tax Receipts	2,868,421	2,777,321	91,100
2006	General Revenue Receipts	2,576,044	2,712,343	(136,299)
2006	General Revenue Disbursements	2,010,833	2,112,419	(101,586)
2006	Special Road and Bridge Disbursements	671,509	935,496	(263,987)
2006	Little Otter Creek Disbursements	601,807	1,096,914	(495,107)

We could not determine which numbers were accurate due to various weaknesses in the financial reporting system of the county.

Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Collector-Treasurer. To provide the type of check and balance system required by state law, ensure errors and omissions are detected on a timely basis, and provide accurate financial reporting, the County Clerk and the County Collector-Treasurer should regularly reconcile the accounting records.

- C. The County Collector-Treasurer has not established procedures to routinely follow up on outstanding checks. At December 31, 2007, 35 checks totaling \$24,711 had been outstanding for over 6 months, including some checks that had been outstanding for almost 2 years. Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo, or other applicable statutes that allow for the disposition of unclaimed monies.
- D. The County Collector-Treasurer has not prepared semi-annual settlements since taking office in April 2005. Considering the lack of an adequate monthly bank reconciliation (discussed in part A above), preparation of semi-annual settlements would give the County Collector-Treasurer another opportunity to investigate and resolve errors identified during the reconciliation process. Section 54.150, RSMo, requires the County Collector-Treasurer to settle accounts with the County Commission semiannually.
- E. The County Collector-Treasurer does not issue receipt slips immediately upon receipt for monies transmitted from other offices. The County Collector-Treasurer indicated offices drop monies off and she will sometimes count the monies later and issue a receipt slip. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued immediately upon receipt of monies.

WE RECOMMEND the County Collector-Treasurer:

- A. Reconcile the pooled accounts and ensure they agree to the combined cash balances of the various county funds. In addition, reconciling items and adjustments to the pooled cash account should be investigated to determine their propriety.
- B. And the County Clerk periodically reconcile the accounting records and ensure all reconciling items are documented and fully investigated.
- C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- D. Prepare settlements semiannually as required by state law.

- E. Issue receipt slips immediately upon receipt of monies.

AUDITEE'S RESPONSE

The County Collector-Treasurer provided the following responses:

- A. *I am investigating and working with the software provider to correct and resolve the reconciling items from the bank reconciliations. I am working to ensure the reconciled balance agrees to pooled cash.*
- B. *I agree and am working with the County Clerk to ensure all financial information posted to the system is documented and accurate.*
- C. *I am investigating these old outstanding checks and will dispose of them as soon as possible.*

D&E. I agree and will begin doing these procedures.

The County Clerk provided the following response:

- B. *I agree and am working with the County Collector-Treasurer to ensure all financial information posted to the system is documented and accurate.*

2. Budgetary Practices and Published Financial Statements
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County budgetary practices are poor and weaknesses in accounting controls have resulted in reporting inaccurate actual numbers. Additionally, the county approved disbursements in excess of available monies, did not include some funds in the published financial statements, and budgeted deficit balances for some funds.

- A. Budgets prepared by the County Clerk's office are inaccurate, do not present a true picture of the financial activity of some county funds, and do not include all information required by state law. Actual amounts presented for 2007 in the 2008 budget were significantly revised in August 2008 through a budget amendment necessitated by a review of the 2007 receipt and disbursement detail records maintained by the County Clerk's and County Collector-Treasurer's offices. The 2007 actual receipts and disbursements of numerous county funds were changed after some information was re-entered into the county's new financial accounting system. However, it is unclear how these new amounts were derived and many amounts still appear to be inaccurate. For example, actual sales tax receipts for the General Fund in 2007 were originally reported in the 2008 budget as approximately \$268,000. This amount was revised down to approximately \$153,000 in the revision, but the county is unable to explain why the amount changes so dramatically or provide detail as to how the amount was derived. The

County Clerk, by her own admission, presented the original 2008 budget with incorrect actual numbers.

In addition, actual receipts, disbursements, and cash balances for 2007 for some funds still do not agree to amounts reported by the County Collector-Treasurer for 2007. For example, 2007 actual amounts presented for the General Fund and the Peace Officers Training Fund in the 2008 budget revision did not agree to amounts presented by the County Collector-Treasurer. Also, the county failed to record proceeds from issuing bonds for the construction of the Little Otter Creek Watershed Project, resulting in the understatement of receipts and the cash balance by approximately \$2.5 million. Long term debt associated with the detention center and Little Otter Creek Project, totaling approximately \$4.5 million, was not properly disclosed in the 2007 or 2008 budget, or the 2008 revision.

Furthermore, the County Clerk does not maintain adequate supporting documentation for numbers reported in the county's budget. The County Clerk indicated some amounts came from the county's computer system and some amounts came directly from the County Collector-Treasurer. When the County Clerk tried to reproduce some of the support, many errors were found.

The county has a fiduciary responsibility to the citizens of Caldwell County to present the budget as a complete financial plan that is appropriate, reasonable, and supported by adequate documentation. In addition, Chapter 50, RSMo, requires the budget present a complete financial plan for the ensuing year.

- B. Budget to actual reports are not regularly prepared and reviewed by county officials, resulting in disbursements made in excess of approved budgeted amounts. Based on our review of the county budgets, 13 funds in both 2006 and 2007 went over budget with the most significant differences being the General Revenue, Special Road and Bridge, Law Enforcement Sales Tax, and Little Otter Creek Funds.

The County Clerk indicated budget to actual reports are prepared only at the end of the year when the next year's budget information is compiled and no monitoring of budget to actual amounts is performed throughout the year.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons, which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional revenues), 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 should be reviewed when making spending decisions throughout the year.

- C. The county's annual published financial statements did not include some information required by state law. Financial information for the Planning and Zoning Fund, Unclaimed Fees Fund, and ADA Chairlift Fund in 2006, along with Road and Bridge Sales Tax and Law Enforcement Sales Tax Funds in 2006 and 2007 were not published. Additionally, a statement at the end of the financial statement signed by the preparer declaring the information is complete and correct was not included.

Section 50.800, RSMo, provides details regarding the various information required to be included in the county's annual published financial statements, and requires receipts, disbursements, and beginning and ending balance information be presented for all county funds.

- D. Although Section 50.740, RSMo, requires balanced budgets, the County Commission budgeted a deficit of \$9,963 for the Election Fund for the year ended December 31, 2007, and a deficit of \$82,540 for the Road and Bridge Sales Tax Fund for the year ended December 31, 2006. In addition, Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting.

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

WE RECOMMEND the County Commission:

- A. Ensure the budget document contains complete and accurate information about the county's finances and available resources and agrees to the County Collector-Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's office and ensure adequate supporting documentation is maintained for amounts presented.
- B. Adopt procedures to compare budgeted and actual disbursements and ensure disbursements are not authorized in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budget properly amended and filed with the State Auditor's office.
- C. Ensure all required financial information for all county funds is properly reported in the annual financial statements in accordance with state law.
- D. Refrain from budgeting a deficit balance.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We agree and have already started to make significant changes in the controls over our financial reporting system. We will ensure all information in the budget is thoroughly*

reviewed before approval and submission to the State Auditor's office. Supporting documentation will be better maintained in the future.

- B. We will immediately begin reviewing budget to actual reports monthly for all county funds. We will discuss with other county officials as well the need to keep disbursements within budgetary limits.*
- C. We agree and will ensure all applicable information is included in the future.*
- D. We agree.*

3. Property Tax Books and Procedures

Concerns were noted with the County Clerk, County Collector-Treasurer, and County Commission review and approval during the processing of property taxes. In addition, confidential passwords to the property tax system are not maintained by various officials. The County Collector-Treasurer collected property taxes of approximately \$6.1 million and \$5.4 million during the years ended February 29, 2008 and February 28, 2007, respectively.

- A. Neither the County Commission nor the County Clerk performs a review of the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements. As a result, errors contained in the annual settlements were not identified and investigated. Total distributions were over reported by approximately \$295,000 and exceeded collections by approximately \$129,000 for the year ended February 28, 2007.

Section 139.160, RSMo, requires the collector to ". . . settle his accounts of all moneys received by him on account of taxes and other sources of revenue" 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-Treasurer, 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-Treasurer each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

B. During our review of the County Collector-Treasurer's bank reconciliation and list of liabilities for February 29, 2008, we noted the following concerns:

- The bank reconciliation showed no deposits in transit while the list of liabilities showed there was \$25,298 deposited on February 28 and 29, 2008. These monies were received in February and should have been reflected on the bank reconciliation as deposits in transit.
- The list of liabilities included \$5,292 in surtax for the year ended February 28, 2004. The County Collector-Treasurer indicated these monies were collected by the previous County Collector-Treasurer and never paid out.
- The list of liabilities included \$77 not identified.
- The list of liabilities included \$145 in outstanding checks not included on the bank reconciliation.

Complete and well documented bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved timely. The County Collector-Treasurer should investigate any differences and take appropriate action.

C. The County Assessor, County Clerk, and County Collector-Treasurer do not maintain confidential passwords to the property tax system nor do they change their passwords periodically. Unique passwords should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit unauthorized access to computer files.

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

WE RECOMMEND:

- A. The County Collector-Treasurer prepare accurate annual settlements and the County Clerk establish and maintain an account book with the County Collector-Treasurer. In addition, the County Commission should consider using the account book to verify the County Collector-Treasurer's annual settlements.
- B. County Collector-Treasurer ensure complete and accurate bank reconciliations and lists of liabilities are prepared on a monthly basis.
- C. The County Commission consult with the property tax system programmer and establish procedures including the use of unique passwords to restrict access to computer files to authorized individuals.

AUDITEE'S RESPONSE

The County Collector-Treasurer provided the following responses:

- A. *I am working to ensure annual settlements are accurate.*
- B. *I have resolved the outstanding surtax and it has been paid out. My account reconciles monthly and agrees to liabilities. I believe these other problems were timing issues and have now been resolved.*

The County Clerk provided the following response:

- A. *I will begin to maintain an accounting record to verify the annual settlement.*

The County Commission provided the following response:

- C. *This recommendation has been implemented.*

4. Disbursements

Improvement is needed in controls over disbursements and policies and procedures related to the procurement of goods and professional services.

- A. The county has not developed adequate procedures for the review and approval of disbursements and adequate oversight of these processes is not in place. Invoices are originally submitted to the County Clerk's office and approval documentation is prepared for the County Commission to sign, but it appears the prepared checks are not compared to the documentation and invoices by the County Commission. In addition, approval stamps are used by the County Commission to indicate its approval of disbursements, but controls over the use of these signature stamps are not in place.

In December 2008, a former employee in the County Clerk's office increased the amount of a bank loan payment by \$2,500 and received the extra money back in cash when making the payment. When this situation was discovered, the former employee was confronted by the County Clerk and Presiding Commissioner in January 2009, and the monies were repaid.

The county makes monthly payments to a local bank for loans associated with its detention center and a county vehicle. The request for payment was prepared for \$24,870, which is the normal monthly payment; however, the payment was processed by employees in the County Clerk's office for \$27,370, or \$2,500 more than required, and an accounts payable voucher was prepared for Commission approval, showing this increased amount as a miscellaneous charge posted to the Sheriff's Civil Fees Fund. The accounts payable voucher is stamped with

approval by one of the Commissioners and indicates it was approved by all three Commissioners. The County Commissioners indicated they often approve supporting documentation separate from approving and signing checks and were unclear how this payment was approved without anyone noticing the increased disbursement amount.

To reduce the risk of misuse of funds, the County Commission should ensure checks agree to supporting documentation and maintain control over signature stamps.

B. Some monetary awards and gifts purchased with county funds were given to employees of the detention center, Sheriff's department, 911 center, and Prosecuting Attorney's office. These gifts and awards totaled over \$8,000. The majority of these awards were funded by the Sheriff's Civil Fees Fund, which is under the control of the County Sheriff, but subject to approval by the County Commission. These items were not reported on the employees' W-2 forms or subjected to tax withholdings and included:

- Four laptop computers and software, with a total value of approximately \$3,200, were purchased by the former Sheriff in October 2008 through the Law Enforcement Sales Tax Fund. The County Commission and current Sheriff indicated these computers were given to county employees as gifts. They are not currently in the possession of the county and it is unclear who possesses them.
- The Detention Center Administrator was given a \$500 bonus from the Sheriff's Civil Fee Fund in December 2008.
- A rifle valued at \$1,100 was purchased with monies from the Sheriff's Civil Fees Fund in December 2008 and given to a deputy sheriff.
- Gift vouchers of \$50 were given to all Sheriff's department, detention center, and 911 center employees to buy personnel items from certain county vendors. The total amount spent on these vouchers was over \$2,600 funded by the Sheriff's Civil Fees Fund.
- The Prosecuting Attorney made extra payments totaling \$500 to three of his employees in November 2008 from the Prosecuting Attorney Bad Check Fund.

Since the monetary awards and gifts represent compensation, these payments should be subject to payroll tax withholding and reported on W-2 forms. In addition, the county should amend the applicable W-2 forms for payments not previously reported. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143,

RSMo, includes requirements for reporting wages and withholding state income taxes.

Gifts to employees are not a prudent use of county resources and do not appear necessary to the operation of the county. Extra payments given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution. In addition, Attorney General's Opinion No. 72, 1955 to Pray, states, ". . . a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

C. Spending from the Sheriff's Civil Fees Fund was excessive in 2008 compared to the previous years the former Sheriff was in office, and in particular spending escalated after August 2008, when the former Sheriff lost the primary election. The previous 3-year average of disbursements from the Sheriff's Civil Fees Fund was approximately \$10,500, while over \$37,000 was spent in 2008. Several disbursements made from the Sheriff's Civil Fees Fund in 2008 appeared unnecessary and/or inappropriate.

- Approximately \$6,700 was transferred to the General Fund in September 2008, to cover payments to deputies of the Sheriff's department for unused vacation time. The personnel policy for the Sheriff's department does not appear to authorize payment for unused vacation time and specifically says the hours cannot be carried forward from year to year and must be used or forfeited.
- Approximately \$2,500 worth of give away items were purchased in May 2008 on a county credit card by the former Sheriff to be distributed at various county functions. These items were eventually paid for from the Sheriff's Civil Fees Fund and included mini wallets, key rings, sports bottles and other similar items which bore the former Sheriff's name. The County Commission indicated these items were campaign related giveaways.
- The former Sheriff was paid a total of \$725 to attend a Sheriff's training in October 2008 which he did not attend. Of this amount, \$575 represented the registration fee and \$150 was for meals. The county confirmed with the Sheriff's Association that no one from Caldwell County attended the event and while repayment was requested, it was not received.
- In December 2008, \$800 was spent to cancel the contracts on four cellular phones used by the Sheriff's department. The county was unaware of this action until the new Sheriff took office in January 2009 and inquired where the cellular phones were located.

The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The County Commission should ensure funds are spent only on items which are necessary and beneficial to county residents.

- D. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the County Commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

Concerns were noted related to the following purchases:

<u>Items or Services</u>	<u>Cost</u>
Transportation bus	\$ 70,472
Little Otter Creek	
legal services	37,500
Drilling	28,555
Bat cleanup	19,850
Asphalt	13,608
Prisoner food	12,585
Bar screen	8,500
Election supplies	7,932
Computer software	7,745
Prisoner health care	6,000

The county indicated the bar screen, election supplies, and computer software were only available through one source, but this information was not documented.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- E. The county did not enter into formal written agreements for housing inmates. The county paid \$102,854 and \$10,732 during the years ended December 31, 2007 and 2006, respectively, to house Caldwell County prisoners at a private jail without a contract. The county collected approximately \$49,400 and \$40,900 during 2007 and 2006, respectively, for boarding prisoners from other counties without written contracts.

Section 432.070, RSMo, requires all contracts be in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party and should establish performance criteria which must be met prior to payment for work completed.

- F. Internal Revenue Service (IRS) Forms 1099-MISC were not issued to four individual contractors, who received combined payments totaling approximately \$43,700, with each contractor receiving in excess of \$600 per year. Sections 6041 and 6051 of the Internal Revenue Code require non-employee payments of at least \$600 or more in one year to an individual or unincorporated business be reported to the federal government on Forms 1099-MISC.
- G. Supporting documentation related to some disbursements was insufficient or not available. Detailed credit card receipts were not retained to support some credit card charges. For two items, no registration or training agenda was provided and no vendor invoices were subsequently provided. The County Commission approved the payment of \$2,000 for 40 hours of mowing related to the Little Otter Creek Project and there was no indication of when the mowing occurred.

These monies represent public funds and officials have a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation, the county cannot determine the validity and propriety of the disbursements. Proper reviews of bills by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end bills, and verification of receipt, are necessary to ensure the county is paying for legitimate goods or services.

- H. Employees are not required to submit invoices or an itemized expense report to support uniform allowances, and the allowances are not reported on W-2 forms. Uniform allowances paid to Sheriff's department and detention center employees totaled \$3,850 during the year ended December 31, 2007.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and require payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income to the employees. Alternatively, the County Commission could require employees to submit documentation of actual uniform expenses as they are incurred.

- I. Costs associated with travel on county business were regularly paid to employees and officials in advance and an accounting of those funds after the trip is not performed.

During May 2007, the County Clerk was advanced \$976 for mileage, meals, and parking for herself and two Deputy County Clerk's to attend a conference in St.

Louis. The County Clerk indicated she cashed the check and distributed even portions of the money between each deputy and herself, but maintained no record of the transaction. While the County Clerk was paid mileage to drive her personal car totaling \$235, she actually drove a county car. Due to personal reasons, one deputy did not attend the conference and reimbursed the county \$90 for meals and parking on May 30, 2007, but it is unclear how much may still be due from the deputy who did not attend the conference because there is no record of the amount she was given. In addition, a Deputy County Clerk took a family member with her to the conference since the other deputy could not attend and a third room was already reserved. The county paid for all three rooms on this trip. The costs associated with the deputy's daughter's room (\$204) and the \$235 for mileage paid to the County Clerk were reimbursed to the county in August 2008 after we brought this matter to the attention of county officials.

The County Commission should develop travel policies which will ensure county monies are only used to reimburse valid travel costs incurred. Travel costs should be reimbursed by the county based on the presentation of valid documentation to support such costs.

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

WE RECOMMEND the County Commission:

- A. Continue to work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover any missing funds. Additionally, the County Commissioners should improve oversight and review of all disbursements.
- B. Discontinue the practice of paying employee bonuses and awarding gifts and ensure all employee compensation is subject to payroll taxes and properly reported on W-2 forms.
- C. Ensure all disbursements are necessary and prudent uses of public funds.
- D. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- E. Ensure contracts are obtained and entered into for services received or provided.
- F. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.
- G. Ensure there is adequate documentation to support all disbursements from county funds and establish effective disbursement review procedures to ensure payments are only made for legitimate goods and services.

- H. Require the Sheriff's department and detention center employees submit reports of uniform expenses or report these allowances as other income on the employees' W-2 forms.
- I. Develop adequate policies and procedures related to travel expenses and cease paying travel costs in advance.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We are in the process of working with law enforcement officials regarding criminal prosecution and have already taken steps to improve our oversight of all disbursements.*
- B. *We will discuss these types of payments with the applicable elected officials. We do not condone payment of bonuses and will take steps to discontinue payments of bonuses in the future.*
- C. *These payments were done without the complete knowledge of the County Commission, and we have already implemented procedures to eliminate these types of payments in the future.*
- D. *We make every effort to bid purchases according to state law, and in the future, we will ensure variances from normal procedures are more adequately documented. The attorney for the Little Otter Creek Project has been working with the county since the inception of the project. Considering the long term nature of this project, we do not see the need to solicit proposals yearly.*
- E. *We agree and will ensure contracts are obtained in the future.*
- F. *We agree and will be more diligent in issuing Forms 1099-MISC as required by the Internal Revenue Code in the future.*
- G. *We will work with the County Clerk to ensure all documentation is maintained in the future and we have already implemented new disbursement approval procedures.*
- H. *We will discuss this issue with the Sheriff and make a determination by January 1, 2010.*
- I. *We have already changed travel policies, and reimbursements are made only with documentation and receipts.*

5.	Transfers
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Documentation to support transfers totaling over \$3.4 million from the Law Enforcement Sales Tax (LEST) Fund to the General Revenue Fund was insufficient to ensure amounts

paid were reasonable. The County Commission approved transfers of \$1,774,334 and \$1,695,788 for the years ended December 31, 2007 and 2006, respectively, from the LEST Fund to the General Revenue Fund to reimburse the General Revenue Fund for salaries related to the LEST Fund. However, the County Commission did not document the salaries which were reimbursed to support the basis for the amount of the transfers.

The monies in the LEST Fund are restricted for law enforcement purposes only. Without adequate supporting documentation, the County Commission has less assurance these monies are spent for their intended purpose.

WE RECOMMEND the County Commission ensure there is adequate documentation to support the amount and allocation of all disbursements from county funds.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will restructure payroll and make future disbursements directly from the Law Enforcement Sales Tax Fund and if any transfers are necessary in the future, they will be adequately supported.

6. Payroll Policies and Procedures

Time sheets are not adequately reviewed by the County Commission or the County Clerk's office and payroll information is not always accurately posted to the payroll register. County Clerk employees receive extra pay for working elections which is not subject to withholdings and is not reported on the employees' W-2 forms. In addition, time sheets are not required for all county employees and time sheets are not always signed by the employee or the supervisor.

- A. A documented review of time sheets is not performed by the County Commission or the County Clerk's office and payroll information does not always agree between time sheets and the payroll register. A comparison of hours recorded on a Deputy County Clerk's time sheets to hours actually paid according to the payroll register for December 2007 identified discrepancies. The time sheet indicated the employee worked 193.50 hours while the payroll register indicated 233.32 hours, resulting in the Deputy Clerk being overpaid approximately \$480, which has not been repaid to the county. Payroll functions are primarily performed by this deputy and no review is performed by an independent person.

The lack of adequate review procedures increases the potential for errors and discrepancies to go undetected. County officials have a fiduciary responsibility to perform thorough reviews over disbursement of county funds. The discrepancy could have been readily identified and corrected had a formal review procedure been in place.

- B. Instead of receiving overtime pay, deputy county clerks who serve as election workers during off hours are paid \$100 from the County Clerk's Election Account. For the 2 years ended December 31, 2007, payments for these tasks totaled at least \$865. Because these payments are not processed through normal county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 forms.

Any full-time county employee serving as an election worker during off hours should be compensated under normal county payroll procedures, documenting hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees including compensatory time earned, taken, or paid. It also requires that all non-exempt employees working overtime are entitled to time and one-half in wages or in compensatory time.

- C. Time sheets are not always signed by the employee and the supervisor. Of four time sheets reviewed, only one was signed by the employee or the supervisor. In addition, time sheets are not prepared by the Prosecuting Attorney's clerk.

Time sheets are necessary to document hours actually worked, substantiate payroll disbursements, and provide the elected official and county with a method to monitor hours worked. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

WE RECOMMEND the County Commission:

- A. Ensure documented reviews of time sheets and the payroll register are performed. In addition, the County Commission should pursue restitution for the overpayment of the former Deputy County Clerk and review prior payroll disbursements to ensure additional overpayments did not occur.
- B. And the County Clerk review this situation. Employees who serve as election workers during off hours should be paid overtime and all payments should be included on W-2 forms. In addition, the county should issue amended W-2 forms.
- C. Require time sheets be prepared by all county employees and ensure time sheets are signed by employees and approved by a supervisor.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Clerk's office has started a more detailed review of time sheets, and we are also reviewing every time sheet before approval. We will pursue restitution for any over payment.*
- B. *The County Commission indicated extra hours by election workers will be accurately accounted for and paid through normal payroll.*
- C. *Time sheets are now submitted by all employees. Employee signatures and approval of supervisors on time sheets have been implemented.*

The County Clerk provided the following response:

- B. *This issue has been investigated and resolved.*

7. Capital Assets

Records accounting for county property need improvement. Vehicle usage logs are also not maintained.

- A. Records accounting for county property need improvement. We noted the following problems regarding various capital asset records:
 - Property tags are not affixed to newly purchased assets immediately upon receipt.
 - The acquisition fund and serial numbers are not recorded in the capital asset records.
 - Documentation of annual physical inventories is not maintained.
 - Written authorization is not obtained from the County Commission for the disposition of capital assets.
 - Physical inventory reports received by the County Clerk were not accurate or complete. The county purchased a server at a cost of approximately \$4,000 and a prisoner transport vehicle and a van for approximately \$70,000 and \$19,700, respectively, that were not included on the physical inventory reports.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining

proper insurance coverage required on county property. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure assets are properly identified as belonging to the county.

- B. The Sheriff's department, Road and Bridge department, and county do not maintain vehicle usage logs for any of the 21 vehicles to document how the vehicles are used. Without adequate vehicle logs, the county cannot effectively ensure vehicles are used for official business only. Logs should identify the employee the vehicle is assigned to, the dates used, miles driven, destination, and purpose of the trips. Logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Establish a written policy related to handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.
- B. Ensure the Sheriff's department, Road and Bridge department, and county maintain logs for vehicles that include the purpose and destination of each trip, the daily beginning and ending odometer readings for vehicles or hour readings for equipment, and the operation and maintenance costs. In addition, the County Commissioners should ensure these logs are reviewed by a supervisor to make certain vehicles are used only for county business.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will develop policies for handling of capital assets by October 1, 2009.*
- B. *We will discuss the need to maintain vehicle logs with the Sheriff and the Road and Bridge department.*

Reasons for closing meetings and the corresponding vote to close the meeting are not always documented and minutes of closed meetings held are not always taken. Meeting minutes did not always include sufficient detail of matters discussed, and minutes are not signed.

- A. The County Commission held several closed sessions during 2007 and 2006. Open session minutes typically indicate the meeting is being closed, but the specific reason and a vote to close the meeting are not documented. In addition, minutes for the closed sessions are not maintained as required by state law. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that various statutory provisions are followed.

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.

- B. Meeting minutes did not always include sufficient detail of matters discussed and actions taken in open sessions. For example, the County Commission approved raises for county employees; however, there was no documentation of this vote.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, and place; members present and absent; and a record of votes taken. In addition, documentation of detailed discussions are necessary to retain a record of the business conducted and actions taken by the County Commission.

- C. County Commission meeting minutes are not signed by the Presiding Commissioner or the County Clerk. The minutes should be signed by the County Clerk and then by the County Commission to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the County Commission meetings.

WE RECOMMEND the County Commission:

- A. Ensure the vote to close a session is documented in open meeting minutes, along with the reason for closing the session, and minutes are maintained for all closed sessions.
- B. Ensure complete and accurate minutes of the County Commission's meetings are maintained; including, but not limited to, a record of any votes taken, and other information required by state law.
- C. Ensure the County Commission meeting minutes are signed by the County Clerk upon preparation and the County Commission upon approval.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We agree and will improve our handling of closed sessions.*
- B. *We are now keeping more detailed minutes and believe this issue is resolved.*
- C. *We will resolve this issue immediately.*

9. Township Controls and Procedures
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The county does not adequately monitor township use of County Aid Road Trust (CART) monies and sales tax monies, and the county did not ensure township road boards' financial statements were prepared and published as required by law.

- A. The county does not adequately monitor the CART and sales tax balances available to the 12 townships in the county to ensure adequate funds are available to pay invoices. According to county ledgers, 2 of the 12 townships had negative CART balances totaling approximately \$5,600 and 4 of the 12 townships had negative sales tax balances totaling approximately \$26,400 on December 31, 2007. Each township is allocated a portion of the CART and sales tax monies based on the number of road miles. These monies are held by the County Collector-Treasurer until the townships submit invoices for gravel purchases to the county for payment. While the county tracks the balance of CART and sales tax funds available to each township, the county does not compare available balances to the invoices submitted for payment, which in some instances resulted in negative balances. In addition, the County Clerk indicated the townships are not periodically notified of their available balance. The County Commission should adequately monitor and refrain from paying invoices which exceed the townships' available CART and sales tax balances.

- B. The County Clerk did not ensure township boards' financial statements were published as required by state law. Section 231.290, RSMo, requires the County Clerk to ensure a detailed account of the financial activity, along with an inventory of the township's property, is published in a local newspaper and filed with the County Clerk.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Closely monitor the township allocations and periodically notify the townships of their available balance. The practice of issuing checks in excess of the townships allocation of CART and sales tax monies should cease.
- B. And the County Clerk ensure all townships publish financial statements in a local paper in accordance with state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We have changed our procedures for monitoring the allocation of CART monies and sales tax to the townships. These types of problems are now resolved.*
- B. *We will ensure township financial statements are published in the future.*

The County Clerk provided the following response:

- B. *I have started a log to track which townships financial statements are published and will ensure all township financial statements are published in the future.*

10. Public Administrator Controls and Procedures

Annual settlements were not filed in a timely manner, monthly bank reconciliation are not performed, fees are not charged consistently, check registers do not always include all receipts and disbursements, and supporting documentation is not submitted for all disbursements.

- A. Annual settlements were not filed in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held, as well as financial activity for the year. The court notifies the Public Administrator of approaching settlement due dates; however, settlements were still filed late. We reviewed annual settlements due in 2006 or 2007, and identified seven settlements filed anywhere from 2 to 12 months late and three settlements that were not filed as of May 2008.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

- B. Monthly bank reconciliations are not performed. In addition, a review of the check registers maintained for some estates indicate the check registers do not include all receipt and disbursement activity and the correct cash balances.

Periodic bank reconciliations are necessary to ensure accounting records are in agreement with the bank and errors are identified and corrected on a timely basis. Furthermore, to provide an appropriate record of activity and to facilitate the preparation of bank reconciliations and settlements, the Public Administrator should ensure check registers maintained for each case present all receipts, disbursements, and correct cash balances.

- C. The Public Administrator inconsistently charged fees on cases, depending on the availability of funds in the wards' estates. The Public Administrator indicated a fee equal to 5 percent of the value of the estate should be collected, but there was no documentation of how the fees actually charged were calculated or documentation of the decision not to charge the fee. The Public Administrator indicated a fee is not charged to some estates due to lack of funds. Fees charged are collected by the Public Administrator and turned over to the county General Revenue Fund. Of the 36 settlements filed in the 2 years ended December 31, 2007, fees totaling approximately \$10,350 were assessed on only 11 settlements.

Without a written policy identifying how fees are to be calculated and a consistent application of fees, there is no assurance estates are handled equitably or fees are properly calculated.

- D. The Associate Circuit Judge does not require the Public Administrator to submit supporting documentation for all disbursements. For one settlement reviewed, the client was issued monies 45 times for a total of approximately \$4,800. While supporting documentation was retained by the Public Administrator, no supporting documentation was filed with the Public Administrator's settlements and reviewed by the Associate Circuit Judge.

Section 473.543, RSMo, requires the Public Administrator to file supporting documentation for all disbursements in excess of \$75 and indicates the court may require supporting documentation for disbursements of less than \$75. Without such documentation, it is difficult for the Associate Circuit Court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting

documentation be filed with the court. Record retention is necessary to ensure the validity of transactions and provide an audit trail.

WE RECOMMEND the Public Administrator:

- A. Ensure annual settlements are filed in a timely manner.
- B. Maintain a complete check register for each estate and perform monthly bank reconciliations.
- C. Work with the Associate Circuit Judge to develop written guidelines that identify the process for charging fees on estates. Written documentation of fee calculations should be prepared and maintained for all annual settlements and submitted to the Associate Circuit Court for approval.
- D. Ensure adequate documentation is filed with the annual settlements as required by state law.

AUDITEE'S REPOSENSE

The Public Administrator provided the following responses:

- A. *Notices of annual settlements were not received for a short period of time. The situation has been resolved. Future settlements will be filed in a timely manner.*
- B. *Bank reconciliations have been performed, but will be better documented in the future.*
- C. *I will discuss this issue with the Associate Circuit Judge, and we will determine if a change in our fee structure is needed.*
- D. *I will work with the Associate Circuit Judge to see how supporting documentation is to be handled.*

11.

Circuit Clerk Controls and Procedures

The Circuit Clerk has not established procedures to follow up on outstanding checks and manual receipts are not reconciled to the Justice Information System (JIS).

- A. The Circuit Clerk does not routinely follow up on outstanding checks. At December 31, 2007, five checks totaling \$571 had been outstanding for over a year.

Checks remaining outstanding over a specified period of time should be voided and reissued to those payees who can be readily located. If payees cannot be

located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo.

- B. Manual receipt slips are not reconciled to the JIS. Receipts are usually posted to the JIS as received. However, manual receipt slips may be issued when the computer system is not available. There is no independent review to ensure manual receipt slips are properly entered into the JIS and subsequently deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. In addition, official pre-numbered receipts slips should be obtained and used when manual receipt slips are necessary.

A condition similar to A was noted in our prior report.

WE RECOMMEND the Circuit Clerk:

- A. Routinely follow up on old outstanding checks.
- B. Ensure manual receipt slips are recorded on the JIS and accounted for properly.

AUDITEE'S REPOSE

The Circuit Clerk provided the following responses:

- A. *I agree and will investigate outstanding checks and either reissue to the payees or disburse the monies in accordance with Sections 447.500 through 447.595, RSMo. I will develop procedures annually to investigate outstanding checks in July of each year.*
- B. *This recommendation has been implemented.*

12. Planning and Zoning Office Controls and Procedures

The duties of cash custody and record keeping have not been adequately segregated in the Planning and Zoning Office. In addition, building permits issued are not accounted for and are not reconciled to the building permit receipt slips and monies transmitted to the County Collector-Treasurer. The petty cash fund is not maintained on an imprest basis. The county does not maintain adequate documentation to support the salary allocations of the Planning and Zoning Administrator/Janitor paid from the Special Road and Bridge Fund. The Planning and Zoning Office collects approximately \$17,000 annually.

- A. The duties of cash custody and record keeping have not been adequately segregated in the Planning and Zoning Office. The Planning and Zoning Administrator collects monies, records transactions, and prepares transmittals.

There are no documented reviews of the accounting records performed by a person independent of the receipting and accounting functions.

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

- B. The Planning and Zoning Administrator does not account for the numerical sequence of building permits issued and does not reconcile building permit receipt slips issued to the monies transmitted to the County Collector-Treasurer.

To provide additional assurance all monies are properly collected, recorded, and transmitted, the numerical sequence of building permits should be accounted for properly. In addition, building permits issued should be reconciled to the building permit receipt slips and building permit monies transmitted to the County Collector-Treasurer to ensure all building permit fees are received, recorded, and transmitted.

- C. The petty cash fund is not maintained on an imprest basis. The petty cash fund was established at \$100. A cash count on January 28, 2008, identified approximately \$31 in cash and \$91 of paid receipts totaling \$122 and resulting in a \$22 difference. Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies.

- D. The Planning and Zoning Administrator/Janitor was paid approximately \$26,000 annually from the Special Road and Bridge Fund although little of his work is related to roads and bridges. None of his salary was allocated to the General Revenue Fund, even though he performs various tasks related to general county government. While the employee completed time sheets, the time sheets do not contain detail to indicate the type of work performed to support the allocations.

To ensure restricted funds are used for the intended purpose and to support the allocation of salaries to the various county funds, detailed time sheets should be maintained to support the amount of salary charged to each county fund.

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

WE RECOMMEND the County Commission:

- A. Adequately segregate cash custody and record keeping duties to the extent possible. At a minimum, the County Commission should ensure documented supervisory reviews of the accounting records are performed.

- B. Require the numerical sequence of building permits be accounted for properly. In addition, the building permits issued should be reconciled to the building permit receipt slips and fees collected for all building permits.
- C. Maintain the petty cash fund on an imprest basis and ensure the monies are accounted for properly.
- D. Require detailed time sheets from the Planning and Zoning Administrator/Janitor to ensure payments are made from the appropriate fund.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will establish procedures to provide a documented review of the Planning and Zoning accounting records.*
- B. *We are now receiving a monthly report of all building permits issued and will request the permit numbers to be included on these reports. We will ensure the numerical sequence is accounted for in the future.*
- C. *We will discuss this concern and ensure it is resolved as soon as possible.*
- D. *The Planning and Zoning Administrator spends some time related to roads and bridges that is now documented on his monthly time sheets. We will reexamine the allocation of his salary to ensure restricted funds are spent properly.*

13.	Sheriff Controls and Procedures
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Bank reconciliations are not always completed and compared to a liabilities list, and the composition of receipts is not reconciled to the composition of deposit slips. Additionally, checks are not restrictively endorsed immediately upon receipt. The Sheriff's department collects approximately \$25,000 per year for fees and other miscellaneous receipts.

- A. Monthly bank reconciliations are not always prepared and lists of liabilities are not prepared and compared to the reconciled bank balance. Bank reconciliations for July 2007 through November 2007 were not completed for the Sheriff's fee account. The February 2008 bank reconciliation for the fee account showed a reconciled balance of \$3,049. While a list of liabilities is not prepared, identified liabilities at that time totaled \$2,905, leaving an unidentified difference of \$144.

The preparation of monthly bank reconciliations is necessary to ensure all monies are properly deposited, bank accounts are in agreement with the accounting records, and errors or discrepancies are detected on a timely basis. Lists of

liabilities should be prepared on a monthly basis and reconciled to the bank balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Any amounts which remain unclaimed or unidentified should be disposed of in accordance with state law.

- B. While receipt slips are issued for all monies received, the Sheriff's department does not periodically reconcile the composition of receipt slips issued to deposits. A periodic reconciliation of receipt slips to deposits is necessary to ensure all monies are properly accounted for and deposited.
- C. Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

A condition similar to B was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are prepared monthly and are compared to a list of liabilities.
- B. Ensure the composition of receipt slips issued is periodically compared to the composition of deposits.
- C. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I took office in January 2009. When these issues were brought to my attention, I took steps to ensure bank reconciliations were done monthly. I will ensure a comparison of the bank reconciliation to a liabilities list is performed monthly in the future.*
- B. *I will implement procedures for independent comparisons of receipts to deposits starting immediately.*
- C. *I agree and will begin doing this procedure.*

14. Detention Center Controls and Procedures

Accounting duties are not adequately segregated and monies held in the detention center's bank account should be disbursed in accordance with state law. The detention center does not prepare a list of liabilities, checks are signed in advance, and checks and money

orders are not restrictively endorsed immediately upon receipt. The Administrator is allowed to use a county vehicle to commute to and from work. Proceeds from the sale of commissary items are not turned over to the County Collector-Treasurer.

- A. The duties of cash custody and record keeping have not been adequately segregated in the detention center. The Detention Center Administrator receipts monies, writes and signs checks, prepares deposits, and prepares monthly bank reconciliations. There are no documented reviews of the accounting records performed by the Sheriff or someone independent of these functions.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Old outstanding checks are not distributed in accordance with state law. In February 2008, the detention center voided 197 checks, totaling approximately \$1,626, which had been outstanding for a long period of time, and added the amount back to the book balance. These checks have not been redistributed and no follow up has been performed to identify the proper payee of these monies. Old outstanding checks should be reissued to those payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo, or other applicable statutes that allow for the disposition of unclaimed monies.

- C. While monthly bank reconciliations for the detention center detainee account are prepared, they are not compared to a list of liabilities. A list of monies held for inmates is available and at March 31, 2008, the reconciled balance of the account of \$14,846 exceeded identified liabilities of \$5,998 by over \$8,800. Some of this excess is attributable to the outstanding checks added back to the book balance mentioned in part B, but there still remains over \$7,200 that appears to be accumulated commissary profit (see part H).

Lists of liabilities should be prepared on a monthly basis and reconciled to the bank balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Any differences should be investigated and resolved.

- D. Detention Center checks require two signatures; however, checks were sometimes signed in advance by the Detention Center Administrator. The Detention Center Administrator indicated he signed checks in advance to allow payment to detainees who are removed from the custody of the Detention Center at night, when two of the designated signers may not be available.

Signing checks in advance does not allow for proper review of the documentation supporting the disbursement and diminishes the control intended by dual

signatures. To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved.

- E. Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- F. The Sheriff's department does not periodically reconcile the composition of receipts to deposits. A periodic reconciliation of receipt slips to deposits by an independent person is necessary to ensure all monies are accounted for properly and deposited.
- G. The Detention Center Administrator is allowed to use a county vehicle to commute to and from work. Usage logs are not maintained or required for this vehicle. The Sheriff indicated this employee is on-call 24 hours a day for emergency situations.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal usage. Procedures have not been established to ensure IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- H. Proceeds from the sale of commissary items are not turned over to the County Collector-Treasurer. On March 31, 2008, there was in excess of \$7,000 in the detention center account that should have been turned over to the County Collector-Treasurer.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states, "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balance should be transferred to the County Collector-Treasurer and future receipts should be transmitted to the County Collector-Treasurer.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Sheriff should ensure documented supervisory reviews of the accounting records are performed.

- B. Routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Prepare a list of liabilities and compare the list to the reconciled bank balance. Any differences should be investigated and resolved.
- D. Discontinue the practice of signing checks in advance.
- E. Restrictively endorse checks and money orders immediately upon receipt.
- F. Periodically reconcile the composition of receipts to the composition of deposits.
- G. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.
- H. Monitor the profits earned on commissary sales and ensure all profits are disbursed to the County Collector-Treasurer in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I will ensure reviews of accounting records are done in the future.*
- B. *I will follow up on these checks and disburse the money according to state law.*
- C. *I will ensure lists of liabilities are prepared monthly, will begin comparing to the cash control balance monthly, and ensure any difference is investigated and disposed of properly.*
- D. *I will look into the necessity of signing checks in advance and will determine if a better procedure can be adopted for distributing prisoner money at odd hours.*
- E. *I agree and will do so immediately.*
- F. *I agree and will ensure these reconciliations are done.*
- G. *I will look into the need for employees to have commuter vehicles and will determine if any changes are to be made.*
- H. *I will develop procedures to track commissary profits and ensure those profits are deposited with the County Collector-Treasurer in the Law Enforcement Sales Tax Fund periodically.*

The County Commission has not maintained adequate oversight of the Little Otter Creek Watershed Project. The county has not maintained adequate records of the amounts received and disbursed, and cash on hand. The planning for this project began in 2001, and cost estimates were prepared during that time period, but the county has not taken steps to update those original cost estimates. While annual costs of the project are reported in the county budget, the county has not adequately tracked the progress and costs to date of the project, compared to the original estimates. As of December 31, 2008, approximately \$2.5 million has been spent on the project.

Little Otter Creek is a watershed lake planned for Caldwell County which will consist of one multiple-purpose reservoir and development of basic facilities for recreational use. The multi-purpose reservoir will provide locally controlled agricultural water management (rural water supply), fish and wildlife habitat enhancement, recreational development, and flood prevention. The lake will encompass 365 acres serving the 8,969 residents of Caldwell County. The total estimated cost of the project when planned was \$6,229,000.

Funding for the project is from two main sources. A federal grant was awarded totaling \$3,358,000, which requires the county to match from 45 to 90 percent, depending on the aspect of the project, along with certificates of participation (COP) for \$2.5 million. The COPs are being repaid with a 1/2 cent countywide sales tax voted on and passed August 6, 2002. The proceeds of the COPs are held by a trustee bank until valid disbursements are submitted and these monies are used by the county to provide the local match to draw down the federal grant funds. The county maintains no records of the balance of the funds held by the trustee bank. We were able to determine from annual reports from the bank that as of January 2009, the bank is holding approximately \$1.75 million related to this project. The county does not track the balance available and does not include these monies in the reported balance of the Little Otter Creek Fund.

Considering the amount of time that has passed since this project was originally planned and that cost estimates have not been updated, it is unclear whether the funding available to provide local match for the federal grant will be sufficient to complete the project. To determine if adequate funding will be available to complete the project, the county should update cost estimates, prepare better overall project financial reports, and periodically compare progress with the annual budget and overall project budget.

WE RECOMMEND the County Commission require monthly financial reports be prepared summarizing all activity of the project, which are periodically compared to the annual and overall project budget. In addition, cost estimates for the project should be updated and an evaluation of available funds should be made to ensure adequate funding will be available to complete the project.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will adopt procedures to receive monthly reports regarding the Little Otter Creek Project which will be compared to our budget. Due to increasing construction costs the new estimate is approximately \$7,500,000 and we are in the process of verifying that adequate funds will be available to complete the project.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CALDWELL COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

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

Caldwell 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 8,969 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 58,658,080
Personal property	24,613,167
Railroad and utilities	14,565,187
Total	<u>\$ 97,836,434</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.

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Road and bridge	.0050	2009	None	
Law enforcement	.0050	None	None	
Local parks and storm water control	.0050	None	None	
Use tax	.0015	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:		
Raymond Hartley, Presiding Commissioner	\$	25,760
Gerald McBrayer, Associate Commissioner		23,284
Donnie Cox, Associate Commissioner		23,284
Julie Hill, Recorder of Deeds		36,000
Beverly Bryant, County Clerk		36,000
Brady Kopek, Prosecuting Attorney		43,000
Kirby Brelsford, Sheriff		39,200
Gary Brown, County Coroner		9,800
Richard Lee, Public Administrator		19,600
June Grooms, County Collector-Treasurer, year ended February 28 (29),	34,602	
Beverly Alden, County Assessor (1), year ended August 31,		35,968

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

State-Paid Officials:

Carrie Miller, Circuit Clerk	51,197
Jason Kanoy, Associate Circuit Judge	101,090

In 2003, Caldwell County contracted with Caldwell County Development Company to finance the building of a detention center. Caldwell County entered into a 16-year lease-purchase agreement for \$2.3 million with Caldwell County Development Company to pay for the building. At December 31, 2007, Caldwell County owed \$1,944,635 in principal.

In 2007, Caldwell County contracted with First Bank of Missouri to finance the building of Little Otter Creek Watershed project. Caldwell County entered into a 25-year lease-purchase agreement for \$2.5 million with First Bank of Missouri to pay for the watershed project. At December 31, 2007, Caldwell County owed \$2.5 million in principal.