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Missouri State Auditor

Gasconade County



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YELLOW SHEET

Findings in the audit of Gasconade County

County Treasurer's Reconciliations

The County Treasurer does not reconcile receipts to deposits, and as a result, has not been able to identify the cause of differences between bank account balances and fund balances. The County Treasurer maintains three checking accounts, a savings account, and a certificate of deposit. The County Treasurer indicated that shortly after taking office in January 2007, he deposited some monies into the wrong bank accounts, and efforts to correct these errors and reconcile the bank balances and fund balances have been unsuccessful. The County Treasurer's settlement for the 6 months ended December 31, 2009, indicates the total of the county's bank accounts exceeded the total balances of the various county funds by approximately \$19,700.

Prosecuting Attorney's Controls and Procedures

Procedures are not adequate to ensure bad check restitution collected by the Circuit Clerk's office is reported to the Prosecuting Attorney's office. As a result, the Prosecuting Attorney and the Circuit Clerk both collected bad check restitution on the same case, resulting in an overpayment of \$810. There are no procedures to require supervisory approval of accounting adjustments to the Prosecuting Attorney's computerized accounting system. Some receipts are not recorded immediately upon receipt. There are no procedures to reconcile amounts recorded on manual receipt slips to amounts recorded on the computer system, and some receipts during 2008 and 2009 were not recorded in the accounting system. Bank reconciliations were not prepared from April 2008 to September 2009, and the bank account had an unidentified balance of \$114 at December 31, 2009.

Sheriff's Controls and Procedures

Accounting duties are not adequately segregated. Disbursements incurred by the Sheriff's office for advertising do not appear to represent a necessary use of county funds. During 2009 and 2008, the Sheriff's office purchased band booster advertisements totaling approximately \$1,000 per year, which were paid from the county's General Revenue Fund and approved by the County Commission. The County Commission discontinued paying for advertising from the General Revenue Fund in 2010, but the Sheriff has continued to purchase advertising from the Sheriff Department Law Enforcement Fund, which is controlled by the Sheriff and not by the County Commission.

Fund Transfers

The county has not documented a basis for transferring amounts from the Union Electric Fund to the General Revenue Fund. Disbursements from the Union Electric Fund are restricted for emergency preparedness and related items, and county officials indicated the transfers are to cover emergency preparedness expenses incurred in the General Revenue Fund. However, county officials or employees have not prepared documentation of the actual or estimated emergency preparedness expenses paid from the General Revenue Fund.

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Gasconade County

We have audited certain operations of Gasconade County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Casey-Beard-Boehmer PC, Certified Public Accountants, has been engaged to audit the financial statements of Gasconade County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2009. 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 Gasconade County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
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Gasconade County Management Advisory Report State Auditors Findings

1. County Treasurer's Reconciliations

The County Treasurer does not reconcile receipts to deposits, and as a result, has not been able to identify the cause of differences between bank account balances and fund balances. The County Treasurer's settlement for the 6 months ended December 31, 2009, indicates the total of the county's bank accounts exceeded the total balances of the various county funds by approximately \$19,700.

The County Treasurer maintains three checking accounts, a savings account, and a certificate of deposit. The County Treasurer indicated that shortly after taking office in January 2007, he deposited some monies into the wrong bank accounts, and efforts to correct these errors and reconcile the bank balances and fund balances have been unsuccessful. The County Treasurer prepares monthly reports of fund activity and reconciles the warrants issued by the County Clerk's office to checks issued; however, he does not reconcile the amounts recorded on his receipts ledger to bank deposits. The differences between the bank balances and fund balances have increased from \$900 at December 31, 2007, to \$17,100 at December 31, 2008, to \$19,700 at December 31, 2009, as recorded on the County Treasurer's semi-annual settlements.

To ensure all funds are accounted for properly, the County Treasurer should ensure all receipts and disbursements are accurately recorded and reconciled to bank deposits and to checks issued. The County Treasurer should investigate the unreconciled differences and make appropriate adjustments.

Recommendation

The County Treasurer perform complete and accurate reconciliations between the accounting records and bank records, and investigate and resolve differences in a timely manner.

Auditee's Response

The County Treasurer provided the following written response:

After careful consideration of the auditor's recommendations, I am working on the following to correct problems with bookkeeping errors:

- 1. With the approval of the County Commission, I would move all money into one checking account.*
- 2. I will request the County Commission approve a one-time adjustment to match funds with the bank balance, since there was not an accurate balance of the June 2006 and December 2006 semi-annual settlements prior to the beginning of my term of office. I did not go back further than one year prior to the former treasurer leaving office. The one-time adjustment would be done after transferring all funds into one account and receipt of bank statements showing the former accounts cleared.*



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3. *I will request the County Commission allow the purchase of a software program for my office by the start of 2011 that would show a balance of all funds for commission accessibility each week. Using a software program will help with the overall budget review. Until such time, I will continue working with the County Commission utilizing the warrant system.*

2. Prosecuting Attorney's Controls and Procedures

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected bad check restitution and fees and court-ordered restitution totaling approximately \$38,000 and \$46,000 during the years ended December 31, 2009 and 2008, respectively.

2.1 Bad check court cases

Procedures are not adequate to ensure bad check restitution collected by the Circuit Clerk's office for certain court cases is reported to the Prosecuting Attorney's office. The Circuit Clerk's office collects restitution on bad check cases filed in court prior to 2007, but does not report amounts collected to the Prosecuting Attorney's office. While the Prosecuting Attorney indicated the Circuit Clerk has responsibility to collect bad check restitution for certain court cases, the Prosecuting Attorney's office also maintains case files and sends delinquent notices for these particular cases. As a result, the risk is increased that the two offices will collect restitution for the same cases.

Our review of bad check court cases noted an \$810 overpayment for a bad check case. In June 2008, the Prosecuting Attorney's office collected full restitution of \$1,958 for a bad check case. This case was tried in court and the Circuit Clerk's office had previously collected partial restitution of \$850 (including various court fees) for the same case. As a result, the two merchants (victims) were overpaid a total of \$810.

The Prosecuting Attorney should work with the Circuit Clerk to recoup the overpayments and perform a review of bad check cases for any other overpayments. To ensure the proper amounts are collected on bad check court cases and to prevent future overpayments, the two offices should work together to ensure all bad check restitution collected by the Circuit Clerk is reported to the Prosecuting Attorney's office.

2.2 Accounting adjustments

There are no procedures to require supervisory approval of accounting adjustments to the computerized accounting system. For example, adjustments totaling \$2,327 were made in 2008 to reduce the amount owed on a bad check case, apparently based on phone conversations between the bad check clerk and the spouse of the defendant; however, there was no documentation or supervisory approval for the adjustment. Without better oversight of adjustments, the risk of improper handling of bad check cases and related monies increases.



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To ensure the validity and propriety of all accounting adjustments, supervisory review and approval should be required and adequate documentation retained for all adjustments.

2.3 Receipting procedures

Some receipts are not recorded immediately upon receipt. The bad check accounting system has a function to issue pre-numbered receipt slips; however, for mail and other receipts for which the payer does not request a receipt slip, the monies are sometimes not recorded in the computer system until the following day. In addition, the Prosecuting Attorney's office issues manual receipt slips when requested by the payer. There are no procedures to reconcile amounts recorded on manual receipt slips to amounts recorded on the computer system, and some receipts during 2008 and 2009 were not recorded in the accounting system.

To ensure all receipts are accounted for properly on a timely basis, the Prosecuting Attorney should consider utilizing the receipt slip function of the computerized accounting system and record all receipts on the system immediately upon receipt. If the Prosecuting Attorney believes it is not practical to utilize this computerized function, other procedures should be implemented to record all receipts immediately upon receipt, such as manual receipt slips or mail logs. Procedures should be adopted to ensure all amounts recorded on manual receipts slips or mail logs are reconciled to amounts recorded in the computer system.

2.4 Bank reconciliations

Bank reconciliations were not prepared from April 2008 to September 2009. Bank reconciliations have been prepared since October 2009, when the current bad check accounting clerk was hired.

It is the Prosecuting Attorney's current procedure to immediately disburse all receipts, so the account balance should normally be zero; however, the bank account had an unidentified balance of \$114 at December 31, 2009. The unidentified balance was significantly higher during the first three months of 2008 when bank reconciliations were previously prepared. The current bad check accounting clerk indicated steps have been taken to identify and disburse the majority of the unidentified balance.

Timely preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. The Prosecuting Attorney should continue to investigate and resolve any unidentified amounts held in the account.

Recommendations

The Prosecuting Attorney:

- 2.1 Work with the Circuit Clerk's office to recoup the restitution overpayments and refund \$810 to the defendant. Other bad check restitution cases should be reviewed for possible overpayments. In



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addition, the two offices should work together to ensure procedures are in place to prevent future overpayments.

- 2.2 Require supervisory review and approval for all accounting adjustments and retain adequate documentation to support adjustments.
- 2.3 Ensure all receipts are recorded in the computerized accounting system immediately upon receipt. If the Prosecuting Attorney determines it is not practical to utilize the prenumbered receipt slip function of the computerized system, all receipts should be recorded immediately upon receipt on either manual receipt slips or mail logs and reconciled to amounts recorded in the computerized system.
- 2.4 Prepare monthly bank reconciliations and ensure the month-end bank balances agree to the accounting records. Any unidentified amounts held in the account should be investigated and resolved.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

- 2.1 *The overpayment has been recouped. Furthermore, we do not believe this was entirely an oversight in our office as it was the Circuit Clerk's office responsibility to inform my office of payments received through them. We have accepted responsibility for the error and have recouped the overpayment. To ensure against future miscommunication, the Prosecuting Attorney's office now collects all bad check restitution.*
- 2.2 *The accounting adjustments were discussed between the Bad Check Administrator and the Prosecuting Attorney prior to any adjustments being made. In the future, comments will be entered into the system regarding why and what adjustments are being made along with approval of the Prosecutor. If there are any supporting documents they will be retained.*
- 2.3 *Computer or manual receipts have always been generated. However, this office will now immediately generate receipts from the computer when a payment is received. In the event a manual receipt needs to be issued we will record the computer receipt number in the manual receipt book so that the two receipts are correlated.*
- 2.4 *Since October 2009, bank reconciliations are done monthly with Prosecutor approval and initials. At the present time the bank account balance is \$60.11. We are working to identify the appropriate party for disbursement of those funds. Due to employee*



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turnover and the transition period between employees, the bank reconciliations and disbursements of receipts were not conducted per our office's standard procedures. This has been corrected as indicated.

3. Sheriff's Controls and Procedures

Accounting duties are not adequately segregated, and the propriety of some disbursements appears questionable. The Sheriff's office collected approximately \$52,000 and \$76,000 during the years ended December 31, 2009 and 2008, respectively.

3.1 Segregation of duties

Accounting duties are not adequately segregated. The office manager is primarily responsible for all accounting duties in the Sheriff's office, including billing and collecting monies, recording transactions, making deposits, preparing and signing checks, and completing month-end reports and reconciliations.

Similar conditions were noted in our prior audit reports, and the Sheriff indicated duties cannot be segregated due to a lack of office staff. In lieu of segregating duties, the Sheriff requested the County Treasurer review the monthly bank reconciliations. While the County Treasurer receives and reviews the monthly bank reconciliations for the Sheriff's fee account, he generally just reviews the mathematical accuracy of the reconciliations and does not compare the reconciled bank balance to the Sheriff's accounting records.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If adequate segregation cannot be achieved due to the limited staff available, the Sheriff's office should implement a documented independent or supervisory review to ensure the bank records are in agreement with the accounting records.

3.2 Questionable disbursements

Disbursements incurred by the Sheriff's office for advertising do not appear to represent a necessary use of county funds. During 2009 and 2008, the Sheriff's office purchased band booster advertisements totaling approximately \$1,000 per year, which were paid from the county's General Revenue Fund and approved by the County Commission.

The Sheriff's office manager explained the advertisements are purchased to increase public awareness of the Sheriff's department. Starting in 2010, the County Commission no longer allows payment for advertising from the General Revenue Fund. The Sheriff currently pays these expenses from the Sheriff Department Law Enforcement (Civil Fees) Fund, which is controlled by the Sheriff and not by the County Commission.



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The county residents have placed a fiduciary trust in county officials to ensure expenditures represent a necessary use of public funds. The Sheriff should evaluate the propriety of spending county funds on these types of items.

Recommendations

The Sheriff:

- 3.1 Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews are performed to ensure the bank records agree to the accounting records.
- 3.2 Ensure all disbursements from county funds represent necessary uses of county funds.

Auditee's Response

The Sheriff provided the following written responses:

- 3.1 *The Sheriff will personally review and initial all monthly bank records to ensure that the bank records and accounting records agree.*
- 3.2 *The Sheriff will personally ensure that all disbursements from county funds will represent the necessary use of county funds. In regards to the audit finding concerning advertisements done by the Sheriff's office, the Sheriff feels that community awareness programs are an integral part of the overall responsibility the Sheriff has to keep the citizens of Gasconade County informed of programs that are available to citizens and citizen groups and that the Sheriff will continue to support these awareness programs. The Sheriff understands that the County Commission will no longer allow for these types of disbursements.*

4. Fund Transfers

The county has not documented a basis for transferring amounts from the Union Electric Fund to the General Revenue Fund. During the 4 years ended December 31, 2009, the county transferred a total of \$9,556 from the Union Electric Fund to the General Revenue Fund.

Union Electric Fund receipts are primarily from the State Emergency Management Agency (SEMA) and from an electric company which operates a nuclear plant near the county. Disbursements from the fund are restricted for emergency preparedness and related items. The County Commission began budgeting and transferring monies from the Union Electric Fund to the General Revenue Fund in 2006. County officials or employees have not prepared documentation of the actual or estimated emergency preparedness expenses paid from the General Revenue Fund.



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To ensure monies transferred from the Union Electric Fund are spent for allowable purposes, documentation should be prepared to support the amounts transferred, such as actual or estimated emergency preparedness expenses paid from the General Revenue Fund.

Recommendation

The County Commission prepare documentation of actual or estimated emergency preparedness expenses paid by the General Revenue Fund to support amounts transferred from the Union Electric Fund to the General Revenue Fund.

Auditee's Response

The County Commission provided the following written response:

We are attempting to contact Ameren UE for written confirmation that this is an allowable expense from the funds they give Gasconade County; we only have verbal confirmation at this time.

We are also aware that Montgomery County has made similar transfers and a similar recommendation was made by the State Auditor. It's our understanding that Montgomery County is planning to negotiate a new contract with Ameren UE, which would include this issue, at which time Gasconade County would also update their contract.

Until that time, the County Commission will document what they consider other related expenses, ie: utilities, insurance, office space, hours spent by County Commission and/or County Clerk's office assisting emergency management functions. Any amount transferred will not exceed five percent referenced by Section 50.515, RSMo, as applicable to other specific county funds.

Gasconade County

Organization and Statistical Information

Gasconade County is a county-organized, third-class county and is part of the Twentieth Judicial Circuit. The county seat is Hermann.

Gasconade 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 law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

Elected Officials and Their Compensation Paid

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2010	2009
Ron Jost, Presiding Commissioner	\$	29,390
Jerry D. Lairmore, Associate Commissioner		27,390
Matthew Penning, Associate Commissioner		27,390
Joyce Gabathuler, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Lesia Lietzow, County Clerk		41,500
Ada Brehe-Krueger, Prosecuting Attorney		51,000
Randy Esphorst, Sheriff		46,000
Joey R. Gross, County Treasurer		41,500
Benjamin D. Grosse, County Coroner		14,000
Fay Owsley, Public Administrator		25,000
Shawn Schlottach, County Collector (2), year ended February 28,	47,089	
Joseph M. Mundwiller, County Assessor, year ended August 31,		41,500
Paul Dopuch, County Surveyor (3)		900

- (1) Compensation is paid by the state.
- (2) Includes \$5,589 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.