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Missouri State Auditor

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# Scott County

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Missouri State Auditor

## YELLOW SHEET

### Findings in the audit of Scott County

Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney's office does not maintain adequate records and controls are poor. As a result, there is little assurance monies were handled properly. Monthly lists of liabilities are not prepared and reconciled to the cash balance for the Restitution Account, and bad check restitution monies collected are not distributed on a timely basis. As a result, the account has unidentified monies that have not been properly distributed and victims and the county are deprived of the use of their monies. At our request, the Prosecuting Attorney's office prepared a liabilities list as of May 11, 2010, and the account had approximately \$17,500 in unidentified funds. The Prosecuting Attorney's office cannot reconcile receipts to deposits because no complete record of receipts is maintained. Prenumbered receipt slips are not issued for some monies collected, partial payments are not recorded in the electronic accounting system, and a log or list of receipts is not maintained. The Prosecuting Attorney does not retain all records for bad check restitution or follow up on old outstanding checks for the Restitution Account.
Sales Taxes	Scott County has imposed two separate sales taxes under Section 67.505, RSMo. This section allows counties to impose a rate of 1/4, 3/8, or 1/2 percent; however, it does not contain a provision for two sales taxes which together exceed the maximum allowed.
County Collector Controls and Procedures	Until March 2010, the County Collector did not prepare monthly lists of liabilities to reconcile to cash balances. As a result, distribution errors could be undetected and all monies collected have not been properly distributed to political subdivisions or the county. One password to the county's property tax system is shared between employees of the Collector's Office and the password is not periodically changed. As a result, the property tax system and data are vulnerable to unauthorized use, modification, or destruction.

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**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Scott County

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



Susan Montee, JD, CPA  
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The following auditors participated in the preparation of this report:

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# Scott County Management Advisory Report State Auditor's Findings

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## **1. Prosecuting Attorney Controls and Procedures**

The Prosecuting Attorney's office does not maintain adequate records and controls are poor. As a result, there is little assurance monies were handled properly. The Prosecuting Attorney could reduce the risk of loss, theft, or misuse by establishing proper controls and implementing the following recommendations.

The Prosecuting Attorney's office collected bad check restitution and fees and delinquent taxes totaling approximately \$50,000 and \$61,000 during the years ended December 31, 2009, and 2008, respectively.

### 1.1 Liabilities

A monthly list of liabilities is not prepared and reconciled to the cash balance for the Restitution Account, and bad check restitution monies collected are not distributed on a timely basis. As a result, the account has unidentified monies that have not been properly distributed and victims and the county are deprived of the use of their monies. At our request, the Prosecuting Attorney's office prepared a liabilities list and the account had approximately \$17,500 in unidentified funds at May 11, 2010. The Prosecuting Attorney's electronic system does not allow partial payments to be posted to a case, thus it is office policy to hold monies received until the entire amount due on the case has been collected. Personnel in the Prosecuting Attorney's office indicated some of the unidentified funds could be due to probation cases where a portion of the amount due had been received, but the cases were closed by the court and no further payments received. The portions received on the closed probation cases were not paid to the victims since the entire amount was not collected. The Prosecuting Attorney was unaware of this situation and indicated his personnel will review all case files to determine which cases have monies that should be paid to victims.

A complete and accurate list of liabilities should be prepared monthly for the bad check restitution account and reconciled to the book balance to ensure records are in balance and sufficient funds are available for payment of all liabilities. Further, the Prosecuting Attorney should attempt to identify the excess in the account. To expedite the distribution of restitution to victims and to reduce the amount of open items, the Prosecuting Attorney's office should consider distributing restitution payments to the victims on a more timely basis. If proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

A similar condition was noted in our prior audit report.

### 1.2 Receipting and depositing

The Prosecuting Attorney's office cannot reconcile receipts to deposits because no complete record of receipts is maintained. Prenumbered receipt slips are not issued for some monies collected, partial payments are not recorded in the electronic accounting system, and a log or list of receipts is not maintained. Receipt slips are only issued for monies paid in person at



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the Prosecuting Attorney's office and receipts are not posted to the accounting system until the entire amount due has been collected. Partial payments received are manually recorded on case history reports in case files until the full amount due is received, at which time the totals are posted to the accounting system, the cases are closed, and the case history reports are discarded.

We noted several discrepancies between amounts recorded on receipt slips and bank deposits. In two instances, the amount received per the receipt slip did not agree to the amount deposited. In another instance, the amount received could not be traced to a deposit slip. Prosecuting Attorney personnel indicated the money order received was probably forwarded directly to the victim instead of being deposited in this instance. However, no documentation was provided to show this occurred. None of the discrepancies noted were detected by a supervisor when reviewing deposits.

To ensure all monies collected are accounted for properly, the office should issue prenumbered receipt slips for all monies received, account for the numerical sequence of receipt slips issued, and reconcile receipt slips issued to monies deposited. Also, documentation should be maintained to clearly show when money orders received are made payable and forwarded directly to the victim.

### 1.3 Records of bad check restitution

The Prosecuting Attorney does not retain all records for bad check restitution. Copies of letters sent to victims with payments and money orders are not maintained in case files. To ensure the validity of transactions and provide an audit trail to account for all monies received and disbursed, copies of all supporting documentation should be retained.

### 1.4 Outstanding checks

Follow up on old outstanding checks has not been performed for the Restitution Account. As a result, at March 31, 2010, 116 checks totaling \$14,864 had been outstanding over one year, with some dating back to 2005.

Follow up on outstanding checks is necessary to ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

## Recommendations

The Prosecuting Attorney:

- 1.1 Require a complete and accurate list of liabilities for the Restitution Account be prepared and reconciled to the book balance monthly, and ensure restitution payments to victims are distributed on a timely basis. In addition, an attempt should be made to investigate unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.



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- 1.2 Require prenumbered receipt slips be issued for all monies received and the numerical sequence accounted for properly, money orders forwarded directly to the victim be properly documented, restitution logs be prepared and retained for all restitution cases, and receipt slips issued be reconciled to monies deposited.
- 1.3 Ensure adequate supporting documentation for receipts and disbursements, such as copies of money orders and letters to the victim, are maintained.
- 1.4 Follow up on old outstanding checks. Old outstanding checks should be voided and reissued to payees who can be readily located. If the payees cannot be located, the amount should be disbursed in accordance with state law.

## Auditee's Responses

*The Prosecuting Attorney provided the following written responses:*

- 1.1 *These recommendations are already being implemented. The correction to the balances will be completed in three phases: (1) The monies in the account from returned restitution checks from victims who have moved or closed businesses, will be forwarded within two weeks to either the victim or the State Treasurer to maintain for the victim. (2) The monies existing in the account not forwarded to a victim because of incomplete payments by a defendant or a probation case closed out by the court will be forwarded to the victim and accounted for in a separate ledger. If the check goes unclaimed, it will be forwarded to the State Treasurer to maintain for the victim. The closure on this process is scheduled for 90 days. (3) At the end of 90 days, the account will only have money in it for open items. The amount of money on deposit from partial payments for return is less than 1% of all restitution that has gone through the office the last 8 years.*

*We will implement this to business practices given our current software and merchant desires. Presently, our bad check software will only let us clear out checks fully paid for by a defendant. New software is being considered as replacement. We hold the other money to pay a full check to a merchant beginning with oldest check first. From experience, our merchants prefer to clear out the bad checks in whole for bookkeeping ease - transaction for transaction/check for check.*

1.2&

- 1.3 *These recommendations are being implemented.*

- 1.4 *The process on the 116 checks is currently being worked on as discussed in 1.1. To date, we have identified checks to go out*



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*totaling \$6,800 on 39 checks. The office will be working with a professional (to be announced) that will advise on the necessary improvements in the bookkeeping process that will address the Auditor's recommendations.*

## 2. Sales Taxes

Scott County has imposed two separate sales taxes under Section 67.505, RSMo.

- In August 1979, voters approved a one-half of one percent general sales tax under Section 67.505, RSMo. The General Revenue Fund received approximately \$1.6 million in 2009 from this tax.
- In February 2009, voters approved an additional one-half of one percent general sales tax under Section 67.505, RSMo, which expires on December 31, 2016, to replace the expired law enforcement sales tax. The General Revenue Fund received approximately \$526,000 from July 1, 2009, through December 31, 2009, from this tax. It appears most of this sales tax is used for law enforcement.

Both sales taxes were submitted to voters. As a result of these sale taxes, the General Revenue property tax levy has been reduced to zero. The resolutions or meeting minutes authorizing each of the issues to be placed on the ballot cited Section 67.505, RSMo, as the statutory authority. This section allows counties to impose a rate of 1/4, 3/8, or 1/2 percent; however, it does not include a provision for two sales taxes, which together exceed the maximum allowed. Attorney General's Opinion No. 61, 1989 to Thompson, addresses a different but similar county sales tax law and states a county cannot exceed the one-half of one percent tax rate.

While the County Commission tried to improve the financial condition of the county by imposing these sales taxes, it may have exceeded statutory authority. Without these tax revenues, the balance of the General Revenue Fund at December 31, 2009, would have only been approximately \$250,000.

### Recommendation

The County Commission should consult with legal counsel to review the various sales taxes imposed and determine which are valid and what further action to take.

### Auditee's Response

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

*After the Law Enforcement 1/2 cent sales tax expired, the County Commission sought to have the Law Enforcement sales tax extended, but it was voted down. At that time we changed the ballot language to have the 1/2 cent sales tax collection go into General Revenue to be received and*



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*disbursed by the County Commission. Before the ballots were printed, we had the ballot language reviewed by Legal Counsel. The County Commission chose this statute so that the property taxes could be waived. The ballot language stated that upon voter approval, local taxes would be reduced by waiving the county portion of real estate and personal property taxes. This is how the County Commission presented it to the voters and it passed in every precinct of the County. Voters saw a need for the 1/2 cent sales tax for Scott County to maintain Law Enforcement and E-911 on the level that has been established and also realized a savings on their local real estate and personal property taxes. After voter approval, the sales tax is the same amount paid from 2000-2008, under a Law Enforcement heading with a \$400,000 abatement of local taxes to Scott County residents. When the collections are disbursed, a majority goes to Law Enforcement and a portion to E-911 with the remainder staying in General Revenue. This is the only statute that allowed us to waive the County real estate and personal property taxes for the residents of Scott County.*

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### **3. County Collector Controls and Procedures**

A monthly liability list is not prepared and reconciled with the cash balance and passwords to the property tax system are not unique for each individual in the office nor is the password used changed periodically. The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Property taxes totaling approximately \$22 million are collected annually.

#### **3.1 Liabilities**

Until March 2010, the County Collector did not prepare a monthly list of liabilities to reconcile to the cash balance. As a result, distribution errors could be undetected and all monies collected have not been properly distributed to political subdivisions or the county. A comparison of the March, April, and May 2010, reconciled balances to identified liabilities shows unidentified balances of \$2,999, \$3,078, and \$3,117, respectively. The County Collector has tried to identify these differences, which are slowly increasing, but has been unable to determine the reason for the difference.

A monthly reconciliation of cash balances to liabilities is necessary to ensure cash balances are sufficient to cover liabilities and monies are properly disbursed. Without the preparation of such reconciliations and proper follow up on unidentified differences, there is less assurance cash receipts and disbursements have been properly handled and recorded.

#### **3.2 Passwords**

One password to the county's property tax system is shared between employees of the County Collector's office and the password is not periodically changed. As a result, the property tax system and data are vulnerable to unauthorized use, modification, or destruction. Unique passwords should be assigned to each user of a system, kept confidential, and changed periodically to help limit unauthorized access to computer files.



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Similar conditions  
previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The County Collector:

- 3.1 Prepare a monthly list of liabilities, reconcile the list to the reconciled bank balances, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted. Any unidentified differences should be investigated and resolved.
- 3.2 Ensure unique passwords are assigned to each employee and kept confidential. In addition, the assigned users should periodically change the passwords to prevent unauthorized access to the county's computer systems and data.

Auditee's Responses

*The County Collector provided the following written responses:*

- 3.1 *As per our discussion, I have generated new reports to reconcile the bank reconciliation with the monthly disbursement reports. This will be done monthly and be monitored to determine any changes in account balances. In the past the Bank Account was reconciled on one report and the monthly disbursements was a separate report. I believe this new reporting method will report any discrepancies.*
- 3.2 *In response to the password protection issue, I understand in an environment where you have several employees working out of the cash drawers, this may be an issue. At the present time, I only have a staff of three, myself and two clerks. I don't feel that issuing individual passwords for each employee at this time is needed. During the tax season (November-January) when part time help is brought in, I will look into changing the password monthly during this time period. During this time, each deputy works her own individual station so this should tract each deputy's collections. Part time help can view only and do not take collections, they would not be using a password protected program.*

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# Scott County

## Organization and Statistical Information

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Scott County is a county-organized, third-class county and is part of the Thirty-Third Judicial Circuit. The county seat is Benton.

Scott 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
James A. Burger, Presiding Commissioner	\$	34,803
Donald W. Kiefer, Associate Commissioner		32,610
Dennis E. Ziegenhorn, Associate Commissioner		32,610
Tom R. Dirnberger, Recorder of Deeds		49,407
Rita D. Milam, County Clerk		49,407
Paul R. Boyd, Prosecuting Attorney		109,366
Rick J. Walter, Sheriff		54,897
Glenda K. Enderle, County Treasurer		49,407
Scott C. Amick, County Coroner		17,568
Pamela S. Dirnberger, Public Administrator		49,407
Mark H. Hensley, County Collector, year ended February 28,	49,407	
Teresa M. Houchin, County Assessor, year ended August 31,		49,407