



Susan Montee, JD, CPA
Missouri State Auditor

Miller County



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YELLOW SHEET

Findings in the audit of Miller County

<p>Sheriff's Undercover Investigations and Other Disbursements</p>	<p>The Sheriff could not provide adequate documentation to support checks cashed for \$19,884 issued from the Sheriff's Discretionary Fund for undercover operations. Between May 9, 2006 and December 31, 2009, the Sheriff requested and cashed checks totaling \$21,738. The Sheriff indicated the cash was used for drug buys and paying informants; however, documentation to support the payments was only provided for \$1,854. For both 2008 and 2009, the Sheriff and the Mid-Mo Drug Task Force prepared annual summaries of disbursements for undercover operations; however, the summaries provided few details. The Sheriff did not properly account for monies returned by the Task Force on failed drug buy operations. We also identified credit card disbursements and travel advances from the Sheriff's Discretionary Fund for which there was no supporting documentation.</p>
<p>Sheriff's Accounting Controls and Procedures</p>	<p>Prior audit reports have addressed the inadequacy of the Sheriff's accounting procedures, and significant weaknesses in the Sheriff's accounting controls and procedures still exist. In May 2009, the Sheriff determined the existence of missing monies which resulted in an investigation and the payment of restitution totaling \$3,000 by two former employees. Weaknesses in controls and procedures allowed this situation to go undetected. Accounting duties are not adequately segregated, and the various receipt records are not adequately reconciled to ensure all receipts have been recorded and deposited. Procedures do not exist to identify month-end liabilities and reconcile liabilities to cash balances. In addition, the Sheriff does not have proper controls to ensure timely collection of amounts billed to other counties or cities for housing of inmates, and does not transmit civil fees to the County Treasurer on a monthly basis as required by state law.</p>
<p>Financial Condition</p>	<p>As noted in our prior audit report, the Jail Fund and Special Road and Bridge Fund continue to be in poor financial condition, and the financial condition of the General Revenue Fund has deteriorated. The county has relied on transfers from the Capital Improvement Tax Fund for operating expenses. The General Revenue Fund has also experienced a significant decrease in sales and use tax revenues.</p>
<p>Fuel Usage</p>	<p>As similarly noted in our prior audit, the county has not established effective monitoring procedures regarding fuel use. Mileage and fuel use logs are not maintained for most vehicles and equipment, and fuel use is not reviewed or reconciled to fuel purchases.</p>
<p>Payroll and Related Matters</p>	<p>County procedures require salaried employees to prepare and submit monthly timesheets by the 6th day of the following month; however, county employees are paid once every two weeks. As a result, the county makes numerous adjustments during subsequent pay periods when timesheets are submitted. Leave and compensatory time records for Sheriff's employees were not accurate and are not submitted to the County Clerk's office. The</p>



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county's personnel policy manual is out of date and concerns were noted with vacation leave and compensatory time balances.

Capital Assets

As noted in previous audits, procedures and records to account for county property are not adequate. The County Clerk does not have procedures to identify capital asset purchases and dispositions throughout the year. Capital asset records have not been updated and physical inventories have not been performed since 2003. Records lack some necessary information, and some capital assets are not numbered, tagged, or otherwise identified as county property.

County Collector's Accounting Controls and Settlements

The County Collector does not compare the reconciled bank account balances to existing liabilities on a monthly basis. The liabilities exceeded the reconciled bank balance by \$18,410 at February 28, 2010. The County Collector does not have proper controls for recording and handling insufficient fund checks. When a check is returned for insufficient funds, the County Collector does not reduce this amount from property tax collections, so these amounts are distributed to the taxing authorities even though the monies have not actually been received. The County Collector's annual settlements for the years ended February 28, 2009, and February 28, 2010, were not filed until June 17, 2009, and August 20, 2010, respectively, and contained several errors and omissions. While the County Clerk and the County Commission indicated they perform a review of the annual settlements, their review was not documented and did not detect the errors in the County Collector's settlements. The County Clerk does not maintain an account book or other records summarizing property tax transactions.

Prosecuting Attorney's Accounting Controls and Procedures

Procedures are not in place to routinely identify month-end liabilities and reconcile liabilities to cash balances. Unidentified amounts have been in the bank account since 2007. In addition, monies received are not always deposited or transmitted timely or maintained in a secure location.

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To the County Commission
and
Officeholders of Miller County

We have audited certain operations of Miller County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Miller 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, grant agreement, 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 Miller 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
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kim Magner, M.Acct.
Audit Staff:	Joseph Adrian
	Terese Summers, MSAS, CPA
	Travis Owens, CFE

Miller County Management Advisory Report - State Auditor's Findings

1. Sheriff's Undercover Investigations and Other Disbursements

The Sheriff did not adequately document numerous disbursements from the Sheriff's Discretionary Fund. At least \$19,884, which the Sheriff indicated was disbursed for undercover investigations between May 9, 2006, and December 31, 2009, could not be accounted for properly. In addition, some disbursements for credit card purchases and travel advances were not properly documented.

1.1 Undercover investigations

The Sheriff could not provide adequate documentation to support checks cashed for \$19,884 issued from the Sheriff's Discretionary Fund for undercover operations. Between May 9, 2006, and December 31, 2009, the Sheriff requested and cashed checks totaling \$21,738. The Sheriff indicated the cash was used for drug buys and paying informants; however, documentation to support the payments was only provided for \$1,854.

The following chart summarizes the amount of checks cashed for undercover investigations during the past 4 calendar years:

Year	Amounts Cashed for Undercover Investigations	Amounts Without Adequate Documentation
2006	\$ 1,415	250
2007	2,200	1,681
2008	9,135	9,000
2009	8,988	8,953
Totals	\$ 21,738	19,884

The Sheriff did not maintain a ledger of transactions showing the checks cashed and how the cash was spent. The Sheriff indicated he issued cash to officers with the Mid-Mo Drug Task Force for undercover operations but did not require the officers to sign for receipt of the monies. The only documentation the Sheriff provided was for cash disbursements of \$1,769, related to meal receipts and reports of specific informants who were paid. Since the Sheriff did not maintain a ledger, he did not periodically compare a ledger balance to actual cash on hand. Inadequate records of cash disbursed and on hand increases the risk of theft and misuse occurring and not being detected in a timely manner.

For both 2008 and 2009, the Sheriff and the Task Force prepared annual summaries of disbursements for undercover operations; however, the summaries provided few details. No summaries were prepared for 2006 and 2007. The two summaries provided case numbers for disbursements of \$8,015 but our review of these case files noted adequate documentation for only \$85 in disbursements.



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The Sheriff did not properly account for monies returned by the Task Force on failed drug buy operations. The Sheriff indicated when the Task Force returns cash for failed operations, he places the monies in safekeeping to use for future undercover operations rather than re-depositing the funds because he does not want the deposits to count against the \$50,000 annual limit for deposits to the Sheriff's Discretionary Fund per Section 57.280, RSMo. The County Treasurer has recently developed a method for recording cash re-deposits so the amounts will not count against the annual revenue limit, and the Sheriff stated he will now consider depositing returned monies to minimize cash held in his office.

In January 2010, the Sheriff implemented new procedures requiring all task force personnel to sign a purchase of information/purchase of evidence receipt documenting the officer's name and signature, intended purpose, investigation location, suspect information, and informant signature if applicable. In addition, the Sheriff started maintaining a ledger of all cash transactions and will reconcile the ledger to the amount of cash held in safekeeping. From January 1, 2010, to February 11, 2010, only \$185 had been requested by the Sheriff and disbursed for drug buys and informants for three cases, and all three cases had signed statements from the officer indicating the purpose of the disbursement.

Similar conditions
previously reported

Similar concerns were noted in our prior report and the Sheriff indicated he would implement improvements in accounting for drug buy and informant monies; however, significant undocumented transactions were allowed to occur during 2006 to 2009. Proper controls and documentation are necessary to ensure drug buy and informant disbursements are legitimate and accounted for properly.

1.2 Credit card and other
purchases

We identified additional disbursements from the Sheriff's Discretionary Fund for which there was no supporting documentation. Original invoices or other supporting documentation was not available for purchases made with the Sheriff's credit card for a plane ticket (\$335) and satellite radio service (\$120).

In addition, four representatives of the Sheriff's department attended federal court in St. Louis and received a total of \$1,000 in advance travel monies from the Sheriff's Discretionary Fund; however, there was no detailed documentation to support the expenses paid with these monies. Payments for expense reimbursements which are not documented are considered taxable benefits; however, the county has not reported these payments on the employees' W-2 forms.

To ensure the validity and propriety of disbursements, adequate supporting documentation, such as vendor invoices or receipts, should be retained for all purchases. In addition, Internal Revenue Service (IRS) regulations



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require reporting taxable compensation for undocumented employee expense reimbursements.

Recommendations

The Sheriff:

- 1.1 Maintain proper documentation to support all undercover investigation disbursements.
- 1.2 Ensure adequate supporting documentation is maintained for all credit card and other purchases. The county should determine if undocumented travel expense advances should be reported as taxable income to the applicable employees.

Auditee's Response

The Sheriff provided the following written response:

- 1.1 *The Sheriff is now keeping a ledger of all money taken from the Sheriff's Discretionary Fund for drug buy money. The officer taking the money is required to fill out a purchase of information/purchase of evidence receipt. The ledger will indicate how much money is taken, used, and unused/returned. The Sheriff will also be depositing any unused drug buy money back into the Sheriff's Discretionary Fund after 7 days.*
- 1.2 *All money paid from the Sheriff's Discretionary Fund will have documentation to show what the money was used for. Anything being purchased with the credit card or any other purchase will have documentation kept in the Sheriff's administration office.*

2. Sheriff's Accounting Controls and Procedures

Prior audit reports have addressed the inadequacy of the Sheriff's accounting procedures. Although some improvements were made, significant weaknesses in accounting controls and procedures still exist.

In May 2009, the Sheriff determined the existence of missing monies which resulted in an investigation and the payment of restitution by two former employees. The investigation determined that from 2007 to 2009, two clerks were responsible for missing conceal carry weapon (CCW) permit fee monies of \$2,760. The two clerks paid a total of \$3,000 in restitution and submitted their resignations. Information regarding the missing monies and the subsequent investigation was not provided to the Prosecuting Attorney and no charges have been filed. Weaknesses in controls and procedures as noted below allowed this situation to go undetected for almost 2 years.

The Sheriff's office collected civil and criminal process fees and inmate housing fees during the years ended December 31, 2009 and 2008, totaling approximately \$80,661 and \$83,046, respectively.



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2.1 Segregation of duties

Accounting duties are not adequately segregated in the Sheriff's office. The Sheriff's office maintains three bank accounts: one clerk performs all duties related to the fee and CCW permit accounts, and another clerk performs all duties related to the inmate account. Each clerk is primarily responsible for receiving monies, maintaining accounting records, preparing checks and deposit slips, and preparing month-end bank reconciliations. The Sheriff and Chief Deputy indicated they review the bank statements and reconciliations periodically; however, these reviews are not documented.

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 limited staff available, the Sheriff should implement a documented independent or supervisory review of the accounting records.

2.2 Receipt procedures

The Sheriff's office does not adequately reconcile various receipt records to ensure all receipts have been recorded and deposited. Some receipts, including cash bonds and inmate monies, are recorded on multiple records prior to deposit. For example, cash bonds may be recorded up to four times, including the initial recording by the jailers on prenumbered receipt slips, recording in the jail bond log, recording in the overnight drop box log, and final receipt by the clerk prior to deposit. Our review noted some prenumbered receipt slips were missing and not noted as voided, and some amounts deposited into the bank accounts were not recorded on applicable receipt slips or other accounting records.

The lack of reconciliations between the various records makes it difficult to ensure all monies are recorded and deposited. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be recorded immediately upon receipt on prenumbered receipt slips and the numerical sequence of receipt slips should be accounted for properly, and all receipt records should be reconciled to bank deposits.

2.3 Liabilities

Procedures do not exist to identify month-end liabilities and reconcile liabilities to cash balances. At our request, the Sheriff's office generated a liabilities report for each of the three bank accounts on various dates. We compared these reports to the cash balances and noted unidentified balances in each of the three accounts. As of April 7, 2010, the inmate account had an unidentified balance of \$325. As of March 9, 2010, the fee account had an unidentified balance of \$6,490. As of February 11, 2010, the CCW account had an unidentified balance of \$2,012.

Without regular identification and comparison of liabilities to cash balances, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or



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entities for which the monies were collected. Amounts which cannot be identified should be disposed of in accordance with state law.

2.4 Accounts receivable

The Sheriff does not have proper controls to ensure timely collection of amounts billed to other counties or cities for housing of inmates. As of April 7, 2010, the accounts receivable balance for board of prisoners totaled \$56,201. Of this amount, \$15,815 (28 percent) was for billings over 3 months past due.

The jail secretary bills other counties and cities monthly based on daily reports of inmates held for other agencies. Payments are to be made to the County Treasurer who receives copies of the monthly billing statements. The County Treasurer notifies the jail secretary upon receiving a payment to allow the secretary to update her records. The Sheriff's office does not prepare a summary listing of past dues amounts, and does not normally perform additional collection efforts such as follow-up phone calls or letters for unpaid bills. Additionally, current month billing statements do not include past due balances.

Procedures to monitor and follow up on past dues balances are necessary to ensure payment is properly received for the services billed. By not monitoring unpaid costs, the amounts due could remain uncollected and result in lost revenue.

2.5 Monthly transmittals

The Sheriff does not transmit civil fees to the County Treasurer on a monthly basis as required by state law. During 2009, the time between collection and transmittal ranged from 2 to 5 months with an average of 3.2 months. In addition, the transmittal for May 2007 was never completed and these monies are still held in the fee account.

Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury.

Similar conditions previously reported

Similar conditions to sections 2.1, 2.2, 2.3, and 2.4 were noted in our prior audit.

Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 2.2 Ensure prenumbered receipt slips are issued for all receipts and the numerical sequence is accounted for properly, and ensure all receipt records are reconciled to bank deposits.



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- 2.3 Identify liabilities and reconcile to cash balances on a monthly basis. Any unidentified differences should be investigated and resolved.
- 2.4 Adopt procedures to pursue collection of past due accounts receivable for board of prisoners.
- 2.5 Transmit fees monthly to the County Treasurer as required by state law.

Auditee's Response

The Sheriff provided the following written response:

- 2.1 *The Sheriff or Captain will be doing a monthly check of all bank reconciliations and one of them will be signing the bank reconciliation to ensure this is being done monthly.*
- 2.2 *All receipt records are now being reconciled. All voided receipt slips are being turned into the correct secretary and are kept on file.*
- 2.3 *The unidentified amounts have all been turned over to the County Treasurer and the accounts are now reconciled to liabilities.*
- 2.4 *The County Treasurer will notify the jail secretary of all unpaid jail bills. The entities that have not paid will be called to find out why payment has not been received.*

The bills that have been sent previously never had a due date. The invoice has now been changed to show a due date.

Also, there are times when an entity will make changes to the bill and send payment that is different from the original bill. This occurs because the state has been billed for the charges but we were not made aware of this. Follow up on these instances will be performed and the billing amounts will be changed as necessary.

- 2.5 *The Sheriff has caught up on sending monthly payouts to the County Treasurer and will continue to do so.*

3. Financial Condition

As noted in our prior audit report, the Jail Fund and Special Road and Bridge Fund continue to be in poor financial condition, and the financial condition of the General Revenue Fund has deteriorated. The following table reflects the ending cash balances of the various funds over the last 4 years and the projected ending cash balance for 2010, as reported in the county's audited financial statements and budget documents, respectively:



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Fund	Ending Cash Balance, Year Ended December 31,				
	2010 Budgeted	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Jail	\$ 5,225	700	9,826	85,417	485
Special Road and Bridge	17,533	87,263	302,994	164,263	56,996
General Revenue	115,415	77,035	103,100	341,683	298,776

While Jail Fund disbursements have remained fairly consistent, there has been a substantial decrease in receipts from boarding of prisoners since 2004 when the county discontinued housing federal prisoners. As a result, the county has had to transfer increasing amounts from the Capital Improvement Tax and General Revenue Funds to the Jail Fund.

In addition, transfers from the Capital Improvement Tax and the General Revenue Funds were used to supplement the Special Road and Bridge Fund during the years 2006 through 2008; however, the fund is still experiencing low balances. In addition, the county has been utilizing capital lease financing for the majority of its heavy equipment purchases. The lease obligations for the Special Road and Bridge Fund increased from approximately \$250,000 at December 31, 2005, to approximately \$1 million at December 31, 2009.

In addition to the increasing transfers to the funds mentioned above, the General Revenue Fund has also experienced a significant decrease in sales and use tax revenues. Sales and use tax revenues have decreased from \$2.2 million in 2005 to \$1.4 million in 2009. The county also continues to transfer General Revenue Fund monies to cover operating costs in other funds, including the 911 Fund.

The capital improvement sales tax is used mainly for debt service payments on the county courthouse and justice center; however, the county has transferred approximately \$700,000 annually from the Capital Improvement Tax Fund to subsidize other county operations, mainly the jail and 911 system.

It is essential that the County Commission continue to monitor the activity of the major county funds in the immediate and long-term future. Disbursements should be reviewed and options for maximizing revenues pursued.

Recommendation

The County Commission closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the Jail Fund, Special Road and Bridge Fund, and General Revenue Fund. The County Commission should perform long-term planning and take



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advantage of any opportunities to decrease disbursements and maximize revenues.

Auditee's Response

The County Commission provided the following written response:

The County Commission is closely monitoring the county's financial condition in this time of recession. The voters recently approved an extension of the capital improvement sales tax and the county re-financed the courthouse bonds which will reduce the county's debt payments.

4. Fuel Usage

As similarly noted in our prior audit, the county has not established effective monitoring procedures regarding fuel use. Mileage and fuel use logs are not maintained for most vehicles and equipment, and fuel use is not reviewed or reconciled to fuel purchases.

The Road and Bridge department and the Sheriff's department incur the majority of county fuel expenditures, and each of these departments maintain bulk fuel tanks for fueling vehicles and equipment. During the 2 years ended December 31, 2009, the county incurred significant fuel expenditures of approximately \$505,000 for the Road and Bridge department and approximately \$180,000 for the Sheriff's department. The Sheriff's department maintains mileage and fuel use logs for vehicles, but these logs are not reviewed by supervisors and are not used to reconcile to fuel purchased. The Road and Bridge department records fuel pumped from the bulk storage tanks to the fuel delivery tanker; however, there are no records of fuel pumped from the delivery tanker to the road and bridge vehicles and equipment. Neither department maintains bulk fuel inventory records. As a result, theft and misuse of fuel could go undetected.

Maintenance and review of vehicle and equipment mileage and fuel use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases are necessary to ensure vehicles and equipment are properly utilized, to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment use and fuel costs.

Recommendation

The County Commission require mileage and fuel use logs for all vehicles and equipment, review the logs for reasonableness, and reconcile fuel use to fuel purchased. Any significant discrepancies should be investigated.

Auditee's Response

The County Commission provided the following written response:

The County Commission is looking into using fuel logs for all vehicles and equipment. Metering devices will be needed for the fuel delivery trucks.



5. Payroll and Related Matters

Weaknesses were noted which reduced the effectiveness of the county's payroll processing and related controls.

5.1 Timesheets

County procedures require salaried employees to prepare and submit monthly timesheets by the 6th day of the following month; however, county employees are paid once every 2 weeks. As a result, the county makes numerous adjustments during subsequent pay periods when timesheets are submitted, such as pay adjustments for unexpected time off and adjustments to correct leave balances. This procedure increases the possibility of errors in employee pay and leave records.

Timesheet submission for each pay period is necessary to provide supporting documentation and assurance that payroll disbursements are proper, and leave records are accurate.

5.2 Leave records

Leave and compensatory time records for Sheriff's employees were not accurate and are not submitted to the County Clerk's office. Each official or department head is responsible for recording and accumulating employee leave and compensatory time balances, and all officials except the Sheriff submit leave and compensatory time records to the County Clerk's office. The County Clerk's office is responsible for processing all payroll transactions.

Our review noted some Sheriff department's leave and compensatory time records were inaccurate. Sheriff's department personnel indicated postings since June 2009 were inaccurate and they are in the process of correcting and updating the leave and compensatory time records for all employees. We also reviewed final payments for two terminated Sheriff's employees in 2009 (\$6,474 and \$3,389) which included payments for accumulated leave and compensatory time, and the accuracy of these payments could not be determined.

Accurate time and leave records are necessary to ensure employees receive proper compensation and leave benefits. Submission of leave and compensatory time records to the County Clerk helps verify that records are accurate and consistent with time sheet details, provides support for payroll transactions, and ensures all employees are treated equitably.

5.3 Personnel manual and payroll liabilities

The county's personnel policy manual is out of date and concerns were noted with vacation leave and compensatory time balances.

The County Commission has not updated the personnel policy manual since 1992. Various procedures currently performed by the county do not comply with policies as stated in the manual. Policies which are outdated or no longer followed include certain timesheet preparation and submission procedures and employee residency requirements.



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In addition, the county has not been enforcing its policies for maximum vacation leave accrual. The December 31, 2009, leave records indicate numerous county employees had accumulated a total of approximately 3,900 hours vacation leave above the maximum allowed by the personnel manual. Personnel of the County Clerk's office indicated that in practice the employees are paid for all unused vacation leave upon termination of county employment. In addition, county records indicate four employees accumulated a total of approximately 555 hours above the maximum compensatory time allowed by county policy and the Fair Labor Standards Act of 1938.

An up to date and clear personnel policy manual and enforcement of policies is necessary to ensure compliance and equitable treatment of all employees.

Similar conditions
previously reported

Similar conditions were noted in our prior two audit reports. While some improvements were noted, adequate steps have not been taken to address these matters.

Recommendations

The County Commission:

- 5.1 Require employee time sheets to be submitted for each pay period.
- 5.2 Require accurate centralized leave and compensatory time records for all employees.
- 5.3 Establish an updated personnel policy manual that reflects current county policies and ensure these county policies are enforced.

Auditee's Response

The County Commission provided the following written response:

- 5.1 *We will consider requiring time sheets for each pay period.*
- 5.2 *We will work with the other officeholders to obtain accurate leave and compensatory time records.*
- 5.3 *Updates to the personnel manual are in progress.*

The Sheriff provided the following response:

- 5.2 *Leave and compensatory time records have been updated and information will be provided to the County Clerk's office on a regular basis.*

6. Capital Assets

As noted in previous audits, procedures and records to account for county property are not adequate. The County Clerk does not have procedures to identify capital asset purchases and dispositions throughout the year. Capital



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asset records have not been updated and physical inventories have not been performed since 2003. Records lack some necessary information such as purchase date, acquisition cost, serial number, and disposal information. Some capital assets are not numbered, tagged, or otherwise identified as county property. In addition, an application to track capital assets on the county's computer system was purchased in July 2007 for \$835; however, the application has not been used due to staffing limitations.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Proper tagging of county property items and specific identification of property locations are necessary to reduce the possibility of improper personal use of county property. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

Recommendation

The County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking capital asset purchases and dispositions throughout the year. In addition, all capital assets should be adequately tagged and identified as county property.

Auditee's Response

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

The county is working on a plan to implements this recommendation.

7. County Collector's Accounting Controls and Settlements

Concerns were noted regarding the County Collector's accounting controls, and the County Commission does not adequately review the County Collector's annual settlements.

The current County Collector was appointed December 17, 2008, to complete the term of the former collector who resigned November 14, 2008. Our audit of the County Collector's office for the period March 1, 2006, to November 14, 2008, Report No. 2009-56, noted similar concerns related to accounting controls and annual settlements.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Property taxes and



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other monies totaling approximately \$20.7 million and \$17.8 million were collected and distributed during the years ended February 28, 2010 and 2009, respectively.

7.1 Bank accounts and liabilities

The County Collector does not compare the reconciled bank account balances to existing liabilities on a monthly basis. The County Collector indicated no comparisons have been performed since September 2009. Based on a review of the County Collector's records, we identified liabilities totaling \$507,950 at February 28, 2010, which consisted of February tax collections and undistributed surtax and interest, less amounts distributed to the taxing authorities for insufficient funds checks which have not been collected (see section 7.2). The liabilities exceeded the reconciled bank balance of \$489,540 by \$18,410. Our prior audit of the County Collector noted the reconciled bank balance exceeded liabilities by \$8,770 at February 28, 2009. The County Collector could not determine the reasons for the fluctuation between liabilities and the reconciled bank balances.

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 amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to identify and resolve errors.

7.2 Insufficient funds checks

The County Collector does not have proper controls for recording and handling insufficient fund checks. When a check is returned for insufficient funds, the County Collector does not reduce this amount from property tax collections, so these amounts are distributed to the taxing authorities even though the monies have not actually been received. The County Collector attempts to collect on these checks by letter or phone but does not typically turn over collection of the checks to the Prosecuting Attorney. At February 28, 2010, there were 15 insufficient funds checks totaling \$12,627 which had not been collected and the amounts had been distributed to the taxing authorities.

The County Collector indicated he was unaware of how to reverse insufficient funds check transactions in the computer system to decrease the distribution amounts to the political subdivisions and add the amounts back onto the tax books as uncollected; however, he indicated he recently learned the system does have this capability and will start utilizing these procedures. Adding these amounts back onto the tax books also ensures applicable penalties and interest on delinquent taxes will accrue prior to receiving payment.

Proper handling and follow-up on insufficient funds checks, including turning over collection to the Prosecuting Attorney, will help ensure taxes



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are not distributed prior to receipt and insufficient funds checks are collected and resolved in a timely manner.

7.3 Annual settlements

The County Collector's annual settlements for the years ended February 28, 2009, and February 28, 2010, were not filed until June 17, 2009, and August 20, 2010, respectively, and contained several errors and omissions as follows:

- 1) The annual settlement for the year ended February 28, 2009, did not include several miscellaneous taxes and fees, including tax sale advertising (\$4,710), lodging tax (\$182,066), protested tax distributions to political subdivisions (\$7,619) and excess proceeds from delinquent tax sales (\$115,155).
- 2) Charges for back taxes did not agree to the delinquent tax credits reported on the prior year annual settlement. Delinquent credits reported on the prior year settlement at February 28, 2008, were \$23,042 more than the charges carried forward to the current settlement for the year ended February 28, 2009. This amount represented personal property taxes outlawed during the year ended February 28, 2008, but not reported on the prior year settlement as outlawed and removed from the tax books.

After we brought these errors to the attention of the County Collector, he corrected these matters, and we noted no significant errors or omissions for the settlement subsequently filed for the year ended February 28, 2010.

Untimely, incomplete, and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector was charged with collecting.

To help ensure the validity of the tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements on a timely basis. Section 139.160, RSMo, requires the County Collector to settle accounts with the County Commission by the first Monday of March.

7.4 Review of annual settlements

While the County Clerk and the County Commission indicated they perform a review of the annual settlements, their review was not documented and did not detect the errors in the County Collector's settlements. The County Clerk does not maintain an account book or other records summarizing property tax transactions.

Section 51.150.1(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 records which summarize all taxes charged to the



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County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and the County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Similar conditions
previously reported

Similar conditions to sections 7.1, 7.3, and 7.4 were noted in Report No. 2009-56, *County Collector Miller County*, issued in June 2009.

Recommendations

- 7.1 The County Collector prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balances, investigate any unreconciled differences, and make appropriate adjustments to correct any differences noted.
- 7.2 The County Collector improve procedures for recording and handling insufficient funds checks, including adding the uncollected amounts back to the tax books, not distributing amounts to the taxing authorities until the amounts have been collected, and turning over collection of the checks to the Prosecuting Attorney.
- 7.3 The County Collector file complete and accurate annual settlements in a timely manner.
- 7.4 The County Clerk and County Commission monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

Auditee's Response

The County Collector provided the following written response:

- 7.1 *The first day of the audit when I met with the auditors, I mentioned that the reconciliation of my balance in the main collector's account to my liabilities showed a deficiency, and I was having trouble finding out why. We agreed that there was a problem regarding how we were reversing bad checks received for tax payments. Further, when talking with my staff and our software provider, it was discovered that my staff was never trained properly on how to reverse certain bad check transactions. This had been going on since we began using the software in December 2004.*

I did use a reconciliation method shown to me in early 2009, and it was used from approximately March 2009 to September 2009. I then stopped using it as the account was still out of balance because of the bad check issue. I will endeavor to reconcile the account properly.



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7.2 *I believe that now, since my staff and I know how to properly reverse transactions we will be accurate in the future. We will use the Prosecuting Attorney when necessary as well.*

7.3 *Since becoming collector, this has been the hardest part of the job to learn. Also, I found through talking to other collectors, that almost all of them do the report in different ways. I will endeavor to follow the instructions given to me.*

The outlawed taxes was simply an error on my part. I will include them on the report in the future.

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

7.4 *This recommendation is duly noted.*

8. Prosecuting Attorney's Accounting 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 \$477,000 and \$287,000 during the years ended December 31, 2009 and 2008, respectively.

8.1 Bank accounts and liabilities

Procedures are not in place to routinely identify month-end liabilities and reconcile liabilities to cash balances. As a result, the Prosecuting Attorney's office is unable to agree the reconciled cash balances to the related liabilities. Office personnel indicated amounts collected are normally disbursed the same month, but some amounts are held pending proper disposition. The balance at December 31, 2009, of \$6,462 was not identified to specific cases, and unidentified amounts have been in the bank account since 2007. The Prosecuting Attorney indicated occasional attempts to identify the proper disposition of these monies have been unsuccessful.

Without regular identification and comparison of liabilities to the reconciled cash balances, there is less likelihood errors will be identified and resolved in a timely manner. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected.

8.2 Timely deposits

Monies received are not always deposited or transmitted timely or maintained in a secure location. Receipts are placed in a desktop basket until deposited or transmitted to the County Treasurer. Deposits are normally made only a few times per month, and transmittals to the County Treasurer



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are made twice per month. For example, in December 2008, three deposits were made and each deposit averaged \$2,298, and in December 2009, eight deposits were made and each deposit averaged \$1,725. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited or transmitted timely and maintained in a secure location prior to deposit.

Recommendations

The Prosecuting Attorney:

- 8.1 Identify and reconcile liabilities to the cash balance on a monthly basis. Any unidentified differences should be investigated and resolved. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.
- 8.2 Ensure all monies are deposited or transmitted timely and kept in a secure location prior to deposit or transmittal.

Auditee's Response

The Prosecuting Attorney provided the following written response:

- 8.1 *We will implement a monthly reconciliation to cash balance procedure as recommended and identify outstanding liabilities at each month's end, noting any unidentified differences or discrepancies. Any differences or discrepancies will be investigated and resolved within the account following such reconciliation procedure each month. This office will continue to make reasonable efforts to resolve the outstanding open items which have accumulated over several years. We have contacted a local accounting firm with regard to performing an analysis and developing a tracing program to utilize existing original source data to identify the proper recipients of such funds. After all reasonable efforts have been exhausted; any remaining amounts will be disposed of in accordance with Missouri's unclaimed property law.*
- 8.2 *This office has already implemented the recommended procedure for physical safekeeping of money and negotiable instruments received for restitution in a secure location within the office pending deposit and will work on making more timely deposits of such funds, however, present staffing of the office will not permit making daily deposits. It is noted that notwithstanding the volume of over three quarters of a million dollars in restitution collected and remitted by the prosecuting attorney's office during the two years comprising the audit period, the vast bulk of those funds is processed by the use of prescribed money orders or cashier's checks which do not require deposit, and accordingly more frequent,*



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although not daily deposits are believed to be sufficient to safeguard the monies which must be cleared through the bank.

Miller County

Organizational and Statistical Information

Miller County is a county-organized, third-class county and is part of the Twenty-Sixth Judicial Circuit. The county seat is Tuscumbia.

Miller 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
Tom Wright, Presiding Commissioner	\$	31,700
Darrell Bunch, Associate Commissioner		29,700
Brian Duncan, Associate Commissioner		29,700
Deb Wiles, Recorder of Deeds		45,000
Clayton E. Jenkins, County Clerk		45,000
Matthew Howard, Prosecuting Attorney (1)		126,215
William Abbott, Sheriff		50,000
Phil Lawson, County Treasurer		45,000
Rick Callahan, County Coroner		16,000
Wilma Keeth, Public Administrator		25,000
William Harvey, County Collector, year ended February 28,	45,000	
Joseph Cochran, County Assessor, year ended August 31,		45,000
Gerard J. Harms Sr., County Surveyor (2)		

(1) Includes retroactive wages from 2007 and 2008 of \$5,090 and \$11,759, respectively.

(2) Compensation on a fee basis.

Financing Arrangements

The county has established six neighborhood improvement districts. General obligation bonds were issued to finance the projects. Although these are general obligation bonds of the county, special assessments have been levied on the property located in the districts to pay the debt principal and interest.

The county entered into an amended lease purchase agreement with Central Trust Bank on August 1, 2001. The terms of the agreement call for the



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county to lease the new justice center (which includes the courthouse and adjoining law enforcement center) to Central Trust Bank, then the bank leases the justice center back to the county with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$9,215,000 were issued by Central Trust Bank on behalf of the county and the proceeds of those certificates were used to construct a new justice center and to refund the outstanding Series 1996 Certificates of Participation issued to construct a new jail. The lease is scheduled to be paid off in 2016. The remaining principal and interest due on the lease at December 31, 2009, was \$5,160,000 and \$1,018,997 respectively. A one-half cent capital improvement sales tax was extended by the voters to provide funding for these obligations, and this sales tax expires in 2016.

On December 17, 2003, special revenue bonds totaling \$6,000,000 (\$500,000 Series A, \$2,500,000 Series B, and \$3,000,000 Series C) were authorized to finance the cost of improvements associated with the county tax increment financing district. The bonds are issued as needed and as of December 31, 2009, \$4,500,000 in bonds had been issued. Bond principal is due annually on October 1 and interest is due semi annually on April 1 and October 1. Interest rates of 5.5 percent apply to the series A bonds and 1 percent apply to the Series B and C bonds. Payments are remitted to the trustee bank to be applied to the bond payments and other costs associated with the tax increment financing district. The bonds are scheduled to be paid off in 2014. As of December 31, 2009, the remaining principal balances totaled \$4,344,000.

The county entered into various capital leases for Sheriff vehicles and Road and Bridge equipment. As of December 31, 2009, the total principle balance of the lease agreements was \$1,070,421. Final payments for the various leases are scheduled to occur from 2010 through 2015.