



Thomas A. Schweich

Missouri State Auditor

Pulaski County

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Pulaski County

Prosecuting Attorney Procedures

Although prior audit reports identified inadequacies in the Prosecuting Attorney's procedures, improvements have not been made and significant weaknesses still exist. Some receipts were not recorded in the accounting system or deposited timely, and money orders are not restrictively endorsed immediately. These weaknesses increase the risk of loss, theft, or misuse of funds. Fifty-nine receipts, totaling \$8,034, were not deposited or recorded in the accounting system. Auditors were eventually able to account for 40 of these receipts. However, the disposition of 19 receipts, totaling \$2,777, could not be verified.

Accounting duties are not adequately segregated, and the Prosecuting Attorney does not conduct a detailed review to ensure all monies are accounted for properly. The Prosecuting Attorney's office lacks an adequate system to account for the disposition of bad check complaint forms, and the auditors identified two complaint forms for which no collection actions had begun. The Prosecuting Attorney's office did not timely perform bank reconciliations and did not follow up on unreconciled differences or outstanding checks. The county owes the Missouri Office of Prosecuting Attorneys \$17,754 for fees collected on bad check cases dating back to June 2006.

Sheriff Procedures

The Sheriff's department lacks adequate controls and oversight for managing inmate monies. The cash on hand for inmates was \$200 less than the amount shown on inmate account logs. Accounting duties for civil service, inmate monies, and conceal and carry monies are not adequately segregated or reviewed. Receipt slips are not always issued, some receipt slips are unnumbered, and the numerical sequence of numbered receipt slips is not accounted for properly. Civil service fee receipts and conceal and carry permit fee receipts are not deposited timely and intact, increasing the risk of loss, theft, or misuse of funds. The Sheriff's department did not promptly return monies held in trust to released inmates and did not turn certain monies over to the County Treasurer as required by state law. The Sheriff's department should close two old inactive bank accounts with a total balance of over \$3,500. Our prior audit reports contained findings similar to most of the findings in this report.

Property Tax System

As noted in our prior audit report, the property tax system lacks adequate internal controls and procedures. Neither the County Clerk nor the County Commission reviews the activities of the County Collector or verifies the County Collector's monthly or annual settlements. Annual settlements do not include tourism taxes, and the County Clerk does not prepare or review the tax books. In addition, various aggregate abstract reports were not consistently prepared as required by state law.

County Procedures

The County Commission meeting minutes did not provide sufficient details to show how some issues discussed in closed meetings were allowable under the Sunshine Law. Outstanding checks are not adequately followed up.

The 2011 county budget understated the principal balance of the Neighborhood Improvement District bonds by nearly \$50,000.

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

<p>In the areas audited, the overall performance of this entity was Fair.* However, the audit revealed several shortcomings within the Prosecuting Attorney's office and the Sheriff's department.</p>

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

During the 2 years ended December 31, 2010, the county was awarded the following Federal Stimulus funds:

- A \$288,921 Recovery Act-Assistance to Rural Law Enforcement to Combat Crime and Drugs: Enhancing Rural Corrections, Detention and Jail Operations grant, of which \$99,527 was received. The county spent \$97,475 for jailor's salaries and other payroll-related expenses and \$2,052 for training.
- A \$170,502 Recovery Act-Assistance to Rural Law Enforcement to Combat Crime and Drugs: Improving Rural Law Enforcement Investigations grant, of which \$64,862 was received. The county spent \$60,963 for dispatcher and evidence technician salaries and other payroll-related expenses and \$3,899 for a barcode reading program.
- A \$58,610 Recovery Act-Edward Byrne Memorial Justice Assistance Grant Program Local Solicitation grant, of which \$57,309 was received and expended for rifles, ammunition and other equipment.
- The Senate Bill 40 Board received \$12,396 under Title V, Section 5011 of the Recovery Act which provided additional funding through the Medicaid Federal Medical Assistance Percentage grant and the Targeted Case Management Case grant for Medicaid expenditures and case management services.

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Pulaski County

We have audited certain operations of Pulaski County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Pulaski County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. 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 financial transactions.

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. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also 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.

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.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Pulaski County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Pulaski County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney Procedures

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's procedures. Improvements have not been made and significant weaknesses still exist. The disposition of receipts totaling \$2,777 was not properly documented. Procedures related to receipts, supervisory review, accounting for bad check complaint forms, and bank reconciliations are in need of improvement. In addition, fees collected on bad check cases have not been properly disbursed. Prosecuting Attorney receipts totaled approximately \$211,000 in 2010 and \$186,000 in 2009.

1.1 Receipts

Accounting records were not sufficient to verify the disposition of 19 receipts totaling \$2,777. The following control weaknesses were noted related to receipt records and procedures.

- Receipts are not deposited intact and some receipts were not recorded in the accounting system or deposited. While receipt slips are written when monies are received, the monies received are not reconciled to monies recorded in the accounting system or to monies deposited. Monies received are not always deposited intact with other receipts. Monies received from offenders are not deposited immediately upon receipt if: 1) a case has not been established, 2) the payment is a partial payment on an initial demand for payment of a bad check, 3) the offender has a zero case balance, or 4) the payment is due to another prosecuting attorney or to a court. Some receipts are deposited at later dates if a case is subsequently established.

Our review of January 2009 through July 2011 receipts identified 59 receipts totaling \$8,034 that were not deposited or recorded in the accounting system. However, the disposition of these receipts was not adequately documented. When monies received were forwarded to another Prosecuting Attorney's office or a Circuit Court, or were returned to the offender, documentation such as a receipt slip was not obtained to verify the disposition of the monies. Our review included sending confirmation requests to the offenders, calling the Prosecuting Attorney in another county, and contacting the Circuit Court. These contacts resulted in accounting for 40 of the 59 receipts. However, confirmation responses from four individuals indicated that seven payments totaling \$818 were not returned as indicated in the accounting records. Confirmation requests were not returned or information was not adequate regarding the other receipts. Ultimately, documentation was not sufficient and we could not verify the disposition of 19 receipts totaling \$2,777.

- Receipts are not recorded in the accounting system or deposited timely. Receipts are recorded in the accounting system when deposits are prepared. Deposits occurred approximately one or two times per week and often exceeded \$1,000.



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- Money orders are not restrictively endorsed immediately upon receipt. Money orders are received and recorded on a prenumbered receipt slip by one legal assistant and endorsed by a second legal assistant when the monies are recorded in the accounting system and prepared for deposit. However, the endorsement is not a restrictive endorsement and does not indicate "for deposit only."

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies receipted should be recorded in the accounting system timely, deposited intact timely, and disbursed by official check. In addition, monies receipted should be reconciled to the accounting system and to monies deposited. Finally, money orders should be restrictively endorsed immediately upon receipt.

1.2 Supervisory review

Accounting duties are not adequately segregated. One legal assistant receipts restitution, bad checks, and delinquent income tax monies and another legal assistant accounts for the numerical sequence of receipt slips, prepares deposits, records receipts in the accounting system, prepares disbursements, and performs the bank reconciliations. The Prosecuting Attorney does not perform detailed reviews to ensure all monies received are properly deposited, recorded in the accounting system, and disbursed to the appropriate party. Because the legal assistants are primarily responsible for all accounting functions, routine and thorough supervisory reviews are essential. As indicated above, our review identified 19 receipts totaling \$2,777 which were not deposited and for which the disposition could not be determined or verified.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected. Internal controls would be strengthened by the Prosecuting Attorney reviewing the receipting, recording, and disbursing functions. Documentation is necessary to demonstrate performance of the reviews.

1.3 Tracking procedures

An adequate system to account for the disposition of all bad checks submitted to the Prosecuting Attorney's office for collection has not been established. Our review identified two complaint forms in a case file that were not entered in the accounting system. As a result, the Prosecuting Attorney's office had not initiated collection on the bad checks indicated on the complaint forms. Currently, merchants complete an unnumbered complaint form when the bad check is turned over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer system, and the complaint form and information regarding the handling of the case is maintained in the individual case file. A sequential tracking number is not assigned. Without a tracking procedure, there is no assurance all bad check complaint forms are entered into the system.



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To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check, either through the use of a manual log or by utilizing the computer system.

1.4 Bank reconciliations

Bank reconciliation procedures are not adequate to ensure accounting records agree with bank records, errors are discovered on a timely basis, and outstanding checks are followed up on properly.

- Bank reconciliations were not prepared timely. Most of the 2010 bank reconciliations were prepared several months after the bank statement closing dates. As a result, bank reconciliations, which are prepared using the accounting system, include numerous outstanding transactions to account for receipts and disbursements made after the bank statement closing dates and the reconciliations are unnecessarily complicated.
- Unreconciled differences on the bank reconciliations are not properly investigated and resolved. The August 26, 2011, bank reconciliation indicated the book balance exceeded the reconciled bank balance by \$576 although as of December 27, 2010, there was only a \$4 difference. The Prosecuting Attorney could not provide further explanations for how the unreconciled differences occurred. Our review identified the following differences between book and bank transactions which account for the \$576 difference.

Transaction Description	Transaction Amount
January 26, 2011, Check order charge	\$ 471
July 6, 2011, Check order charge	38
July 25, 2011, Uncleared adjustment	74
August 2011, Interest earned	(7)
Total	<u>\$ 576</u>

In addition to the differences shown above, we noted other unreconciled differences occurred and were not corrected timely. For example, a \$117 check cleared the bank in January 2011 but was not removed from the outstanding check list until June 2011. Also, 83 checks totaling \$12,554 cleared the bank in October 2008, but were not removed from the outstanding check list until March 2009.

- Follow up on outstanding checks has not been performed. As a result, at June 27, 2011, 12 checks totaling \$2,158 had been outstanding over a year. Our review identified one check for \$905 had been returned to the



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Prosecuting Attorney's office by the victim on May 20, 2010. However, the returned check was not canceled in the accounting system nor had the offenders account been corrected to repost the \$905 in the offender's undisbursed balance as of August 2011.

Timely preparation and review of bank reconciliations including investigation and correction of unreconciled amounts is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. The Prosecuting Attorney should follow up on outstanding checks to ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

1.5 Bad check fees

The county has not made required payments to the Missouri Office of Prosecuting Attorneys (MOPS) for fees collected on bad check cases since January 2007, and as a result, owes MOPS \$17,754 as of August 31, 2011. MOPS fees collected by the Prosecuting Attorney's office between January 2007 and August 2011 were remitted to the County Treasurer for deposit in the Prosecuting Attorney User Fund. However, the current and former Prosecuting Attorney did not provide information to the County Clerk regarding the fees to be paid to MOPS. In addition, MOPS fees collected in June, July, and December 2006 were also remitted to the County Treasurer and deposited in the Prosecuting Attorney User Fund, but were not paid to MOPS.

Section 570.120.5(1), RSMo, provides for the Prosecuting Attorney to collect a fee of \$5 on each bad check received for prosecution. The MOPS fee must be transmitted at least monthly by the County Treasurer to the Missouri Director of Revenue for credit to the MOPS Fund.

Similar conditions previously reported

Similar conditions to points 1.1, 1.2, and 1.4 were noted in our two prior audit reports.

Recommendations

The Prosecuting Attorney:

- 1.1 Ensure all monies received are recorded timely in the accounting system, deposited intact timely, and disbursed by official check. In addition, monies receipted should be reconciled to entries in the accounting system and to the monies deposited. Money orders should be restrictively endorsed immediately upon receipt.
- 1.2 Perform and document supervisory reviews of the receipting, recording, and disbursing functions.
- 1.3 Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints filed.



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- 1.4 Ensure bank reconciliations are prepared and reviewed timely. In addition, the Prosecuting Attorney should investigate and resolve unreconciled differences on the bank reconciliations and follow up on outstanding checks.
- 1.5 Remit \$17,754 to the Missouri Director of Revenue for MOPS fees previously collected, and remit MOPS fees monthly as required by state law.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

Thank you for allowing me to comment on the findings of your audit. As I took office in January 2011, and this audit primarily focuses on the years 2009 and 2010, I am only able to comment on the situation as I found it at the beginning of this year and the changes we have made and continue to make to improve the Pulaski County Prosecutor's Office.

- 1.1 *When I assumed office in January 2011, I found significant issues and problems with the bad check program. Some of these are issues noted in the audit. The most significant issue I found was the failure to file or follow up on many of the bad checks complaints. The filing of these cases became our priority because of the possibility of the running of the statute of limitations, which would preclude us from the filing of these cases. The second problem I found was the inadequate receipting process and lack of procedures for receiving cashier's checks and money orders. For example, there were two receipt books with duplicate receipts and on one the words, "Stop due to mess on computer," written on the front. Finally, I found the accounting program that the office was using to be confusing and not adequate. This program made it difficult to reconcile the account. As was commented on in the report, these problems have resulted in many deficiencies over the past two years. However, it is important to note that despite these problems, all funds were accounted for and only .0074% of all funds collected and disbursed were not able to be verified and there is no allegation of any theft or misuse of these funds.*

As a result of these problems, and at my direction, the office is now following all of the recommendations of the audit report suggested in Recommendation 1.1. All monies are recorded by sequential receipts by one clerk, and deposited by a separate clerk in order to separate duties and reduce the possibility of fraud or misappropriation of restitution monies. Secondly, the office does not accept cash but only certified checks and money orders. Upon receipt, these are stamped with a restricted endorsement of "For Deposit Only." All monies received are now disbursed by official



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check. The account is reconciled on a monthly basis. Finally, the office is switching to a new and improved accounting system on January 1, 2012 that also works with the office case management system. This new program will allow the office to more easily account for all receipts and disbursements and integrate it with the case management system.

1.2 Upon assuming office, as stated above, there were a number of problems discovered with the bad check program. Immediately, a report was developed so that I could personally review the deposits and disbursements at least twice each month. As a result of the recommendations of the audit, I now personally review each bank statement and reconciliation. On January 1, 2012, the switch to the Karpel accounting and case management program, which creates much better reports, will assist in the monitoring of deposits and disbursements. I believe these changes are in accord with the recommendations of the audit.

1.3 Upon taking office, we conducted an inventory of numerous boxes of records that were disorganized and in storage. We found numerous bad check complaint forms from merchants that had not been acted upon, and the primary focus has been to pursue as many of those cases as was possible prior to the statute of limitations expiring. It is impossible to assign numbers to the bad check complaint forms when they are disbursed to merchants, as many of these forms are copied by merchants and are designed to be readily available. However, when the forms are received in the office, they are now assigned a case number through the same process as occurs in all other criminal cases referred to my office. This is done through the Karpel case management system, and on January 1, 2012, the bad check function of my office will be fully integrated into the Karpel case management program. This system will allow my office to track the disposition of all bad check complaints which are submitted to my office. Through these changes, I believe all issues raised in the audit will be resolved.

1.4 The bank reconciliations are now prepared and reviewed on a monthly basis. The account is reconciled to date. Reconciliation reports are now presented to the Prosecuting Attorney for review and if any problems are found, they are investigated. Any outstanding checks not cashed are investigated and if the rightful owner is not found, the money will be turned over to the State unclaimed property fund in a timely fashion. On January 1, 2012, the switch to the Karpel accounting and case management system will allow for better tracking of bank reconciliations. These changes address the recommendations raised in the audit.



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1.5 *It is unclear why the prior Prosecuting Attorney stopped the payments to MOPS as required by statute. Upon learning of this issue, I determined the amount owed for 2011 and a payment was immediately made to the State Treasurer. All payments for 2011 are now current. In addition, we developed a report to send to the County Treasurer informing her of the amount to pay each month. As to the payments for 2007-2010, I must leave that decision to the County Commission as all funds for those years were turned over to the County's General Revenue fund in each of those years.*

2. Sheriff Procedures

Procedures related to inmate monies, supervisory reviews, receipts, deposits, disbursements, and bank accounts need improvement. Sheriff receipts totaled approximately \$286,000 in 2010 and \$329,000 in 2009.

2.1 Inmate monies

Cash totaling \$1,392, was held in the Sheriff's vault in trust for inmates as of June 28, 2011. Cash on hand held for inmates was \$200 less than the balances recorded on the inmate account logs. The lack of adequate controls and the absence of proper oversight allowed this discrepancy to remain undetected. In addition, records are inadequate to account for all inmate monies received and returned to inmates. A reconciliation of monies on hand in the inmate envelopes to the inmate manual account logs is not performed. Our review indicated cash shortages for four inmates ranging from \$2 to \$144 and cash balances for three additional inmates exceeded the inmate manual account logs by as much as \$5.

Receipt slips are issued when inmate monies are received, and a manual account log is used to document cash held in the Sheriff's safe in trust for inmates and the release of monies from the safe to the inmates. However, all monies receipted are not recorded on the inmate logs and inmate signatures are not always obtained to document authorization to disburse monies. Some monies are released to inmates immediately upon receipt for use in the jail commissary vending machines. These receipts and disbursements are not recorded in the inmate logs or verified by inmate signatures. In addition, although inmate signatures are obtained when inmates withdraw monies for use in the jail vending machines, signatures are not obtained when monies are withdrawn to purchase prepaid telephone cards.

To reduce the risk of loss, theft, or misuse of funds, all monies received should be deposited in an official bank account. In addition, all inmate monies received should be recorded on the inmate account logs and all disbursements should be clearly documented on the log. The inmate's signature should be obtained on the log each time monies are disbursed. Any cash balances which remain on hand should be periodically reconciled to the inmate logs.



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2.2 Supervisory review

Accounting duties are not adequately segregated for civil service, inmate monies, or conceal and carry monies. The duties of recording receipts in the accounting records, preparing deposits or maintaining inmate cash funds, and accounting for the numerical sequence of receipt slips are primarily performed by one individual for each of these receipt sources. The Sheriff does not perform detailed reviews to ensure all monies received are properly deposited or placed in the respective inmate's cash envelopes, recorded in the accounting records, and disbursed to the appropriate party.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the Sheriff should develop a system to review monies received that would include reconciling all monies received to deposits, transmittals, or entries on the inmate account logs.

2.3 Receipts

Receipt procedures need improvement. Various individuals collect monies for bonds, conceal and carry weapon permits, sales of prepaid telephone cards to inmates, and inmate funds and periodically remit those monies to the Chief Deputy. In addition, the Chief Deputy collects monies for serving civil papers and other miscellaneous receipts.

- The Sheriff issues unnumbered receipt slips for cash bonds received at the jail.
- Receipt slips were not issued for inmate monies until February 2011, although inmate monies were collected throughout the 2 years ended December 31, 2010. As a result, documentation is not adequate to demonstrate that inmate monies were properly maintained and distributed on behalf of the inmates.
- The numerical sequence of receipt slips for civil paper service, inmate monies, and conceal and carry permits are not accounted for properly. Three separate receipt books are maintained by various individuals for these three receipt sources. However, no one accounts for the numerical sequence of the receipts to ensure all civil paper service receipts are properly deposited, all inmate monies received are properly recorded in the inmate account logs, and all conceal and carry permit monies received are properly deposited or transmitted to the Chief Deputy.

To properly account for all monies received, the Sheriff should ensure all monies received or transmitted are recorded on prenumbered receipt slips immediately upon receipt and account for the numerical sequence of all receipt slips.

2.4 Deposits

Civil service fee receipts and conceal and carry permit fee receipts are not deposited intact.



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- Civil service fee receipts, which may include payments in the form of cash, are held for long periods of time and are not deposited intact or timely. Civil service fees are paid before the civil papers are served; however, the fees are held by the Chief Deputy until the civil papers are served and are then deposited. Deposits were made on five different days during December 2010, and the amounts deposited averaged approximately \$4,100. At June 15, 2011, the undeposited civil service fees receipts totaled \$4,125, including \$130 in cash, and 44 checks dated between January 20, 2011, and June 14, 2011.
- The deposit and transmittal of state and county conceal and carry permit fees collected are not performed at the same time. Although received on the same day, the state fee may be deposited to the conceal and carry bank account on a different day than when the county fee is transmitted. The county fee is subsequently deposited to the Sheriff's fee account but these receipts are not deposited intact. As a result, the verification of monies on hand and the ultimate disposition of monies is made more difficult.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact and in a timely manner.

2.5 Disbursements

Monies are not disbursed on a timely basis.

- In July 2011, cash totaling \$293 was held in the safe for 17 inmates that had been released from jail. The release date for one inmate could not be determined because the inmate's records could not be located by the Sheriff. The release date for six individuals was in 2010 and ten individuals in 2011. These closed account balances create additional and unnecessary record keeping responsibilities.
- A \$400 electronic funds transfer was received from the Social Security Administration on October 22, 2010, due to the incarceration of an individual who was receiving Social Security benefits. However, these monies had not been turned over to the County Treasurer as of July 2011.
- Interest totaling \$1,106 earned on the bank accounts has accumulated during the 2 years ending December 31, 2010, and had not been turned over to the County Treasurer as of July 2011.

To ensure monies held in trust for inmates is properly returned to inmates, an attempt should be made to disburse inmate accounts to inmates upon their release. The Sheriff should also attempt to locate prior inmates with account balances and disburse the inmate funds to the inmates. If the inmates cannot be located, the amounts should be disbursed to the state



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Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo. In addition, all accountable receipts and interest earned should be turned over to the County Treasurer monthly to reduce the risk of misappropriation of assets.

2.6 Inactive bank accounts

The Sheriff has two old inactive bank accounts which should be closed.

- The old inmate account was used prior to 2010 for holding inmate monies received, and had a balance of \$2,560 as of May 31, 2011. Bank reconciliations were not performed during the 2 years ended December 31, 2010, and the Sheriff is unsure when the last reconciliation was performed for this account. Our review determined there was an unidentified balance of \$128 in the account at December 31, 2010.
- The old fee account had a balance of \$945 as of December 31, 2010. This balance consisted of 47 checks which had been outstanding over a year.

To reduce the risk of loss, theft, or misuse of funds, inactive bank accounts should be reconciled and outstanding checks should be followed up timely. The Sheriff's Department should attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.

Similar conditions previously reported

Similar conditions to points 2.2 and 2.3 were noted in our prior audit report and similar conditions to points 2.4, 2.5, and 2.6 were noted in our two prior audit reports.

Recommendations

The Sheriff:

- 2.1 Deposit all inmate monies in an official bank account and ensure inmate monies are accounted for properly by recording all inmate monies received on the inmate account log and requiring the inmate signatures on the logs each time monies are withdrawn. In addition, the Sheriff should implement procedures to ensure independent reconciliations are periodically performed between monies held in trust for inmates and the inmate account logs.
- 2.2 Perform supervisory reviews to ensure receipt slips in the inmate, conceal and carry, and control receipt books are accounted for properly and agree to monies deposited, transmitted, or recorded in the inmate account logs.



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- 2.3 Issue prenumbered receipt slips immediately on receipt of all monies received. In addition, the Sheriff should account for the numerical sequence of receipt slips.
- 2.4 Deposit all monies intact timely and distribute monies by official check.
- 2.5 Ensure attempts are made to resolve unpaid balances of closed inmate accounts and inmate account balances are disbursed when an inmate is released. If the payees cannot be located, these monies should be disposed of in accordance with state law. In addition, the Sheriff should turn over all receipts and interest to the Treasurer monthly.
- 2.6 Ensure bank reconciliations are prepared for all old bank accounts monthly. In addition, the Sheriff should investigate unidentified balances and follow up on old outstanding checks in the bank accounts. Unclaimed monies should be disposed of in accordance with state law, and the accounts should be closed.

Auditee's Response

The Sheriff provided the following written responses:

- 2.1 *We will retrain the jail staff and require all money deposited by receipt on a numbered receipt. Inmates will sign for the money or it will not be given to them. The Sheriff will account for the numerical sequence of the receipts. The Sheriff will consider best practices for the office giving consideration to the use of a bank account. However, the cash envelope system currently appears to work the best.*
- 2.2 *The Sheriff and senior staff will review and reconcile receipts to deposits monthly on a test basis. The conceal and carry weapon permits (CCW) money procedure has already been changed and the County Treasurer picks up the money daily. Unfortunately due to budget issues we still only have two employees in the main office that handle our cash flow.*
- 2.3 *The numbered receipt books have been ordered for inmate accounts. The civil fee and CCW accounts have always used prenumbered receipts. The Sheriff will check the receipt number sequence on a regular basis. I have asked the Pulaski County Circuit Clerk who supplies the receipt book we use to accept cash bonds for her office via our on duty dispatch people after the courthouse has closed to give us a numbered receipt book. She agreed to do so.*



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- 2.4 *As stated the CCW money is now picked up and deposited daily by the County Treasurer. The civil fee checks are immediately stamped for deposit only as we receive them. It is my policy to hold these checks in a secure location until the job is complete. Then only one accounting transaction is required to close out that case. The clerk can zero balance at any time. In your report I did not see any undeposited civil fee checks listed for the audit years of 2009 and 2010 that were covered by this audit. This is no mention of any funds missing. The only checks listed as not deposited were active cases from 2011 that we are still working on.*
- 2.5 *We are behind in the closure of these inmate accounts. We will work to close these accounts out as soon as possible with our current budgeted personnel. The \$400 has been turned over and interest has been turned over and interest will be remitted yearly.*
- 2.6 *We shall reconcile and close out the old bank accounts as soon as possible.*

3. Property Tax System

The County Clerk and the County Commission do not provide adequate monitoring of property tax system activities. The County Collector's annual settlements were not complete, and aggregate abstracts were not filed with the Missouri Department of Revenue (DOR) and the State Tax Commission (STC). Annual settlements prepared by the County Collector indicated that for the years ended February 28, 2011 and 2010, approximately \$16.7 million and \$15.2 million, respectively, was collected.

3.1 Account book

Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The prior County Clerk had a computer spreadsheet to summarize taxes charged and collected and had posted activity through November 2010 prior to her leaving office; however, the new County Clerk had not updated the spreadsheet since he took office. In addition, no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector each year are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are



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intended to establish checks and balances related to the collection of property taxes.

3.2 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector extends and prints the tax books and tax statements and verifies the accuracy of amounts to be collected. The County Collector is responsible for collecting property tax monies, and good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books. Failure to perform reviews of the tax books may result in errors or irregularities going undetected. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

3.3 Annual settlements

Annual settlements for the 2 years ended February 28, 2011, do not include several miscellaneous taxes and fees, including tourism tax totaling approximately \$666,000 in 2011 and \$609,000 in 2010.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and the County Commission to properly verify these amounts, it is imperative the County Collector file accurate and complete annual settlements. Section 139.160, RSMo, requires the collector to settle accounts of all moneys received on account of taxes and other sources of revenue.

3.4 Aggregate abstracts

The Land and Personal Tax Aggregate Abstract and the Railroad and Utility Aggregate Abstract were not prepared for the 2010 and 2009 tax years. The Back Tax Aggregate Abstract was not prepared for the 2011 tax year. Section 137.295, RSMo, provides for the County Clerk to prepare these reports and forward them to the DOR and STC.

Similar conditions previously reported

Similar conditions to points 3.1, 3.2, and 3.3 were noted in our prior audit report.

Recommendations

- 3.1 The County Commission and the County Clerk monitor property tax system activities and perform a thorough review of the County Collector's settlements. In addition, the County Clerk should maintain a complete and accurate account book with the County Collector.



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- 3.2 The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- 3.3 The County Collector file complete and accurate annual settlements.
- 3.4 The County Clerk prepare and file the tax aggregate abstracts with the DOR and STC in a timely manner.

Auditee's Response

The County Commission provided the following response:

- 3.1 *The County Commission agrees and will implement monthly and annual reviews of the County Collector's collection reports and the County Clerk's account book.*

The County Clerk provided the following responses:

- 3.1 *He agrees. Since assuming duties of the County Clerk's office in 2011, and becoming aware of the duties related to the account book, he has updated and maintained an account book to verify the Collector's monthly and annual collection reports.*
- 3.2 *He agrees and will implement procedures to verify the accuracy of the tax books.*
- 3.4 *He agrees and will ensure these reports are prepared and submitted in a timely manner.*

The County Collector provided the following response:

- 3.3 *She is not charged with the collection of specific amounts of Tourism Tax and had not considered the collections that were remitted to the County Treasurer each month to be reportable revenues. However, she will begin including the Tourism Tax collections and distributions in the Collector's annual settlement reports.*

4. County Procedures

Procedures related to closed meetings, outstanding checks, and county budgets are in need of improvement.

4.1 Closed meetings

The County Commission meeting minutes did not provide sufficient details to show how some issues discussed in closed meetings were allowable under the Sunshine Law. We identified six instances where the closed meeting minutes disclosed some issues discussed that did not appear to be allowable under the Sunshine Law. For example, the County Commission discussed general issues about inmate medical care contracts, a



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Sunshine Law document request for records on three county roads, courthouse cleaning issues, legal bills to be paid, and budget issues.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session.

4.2 Outstanding checks

The status of outstanding checks is not followed up. The prior County Treasurer had not performed bank reconciliations for September 2009 through December 2010. As of August 2011, the current County Treasurer had performed a reconciliation of the July 2011 bank statement but had not prepared reconciliations for the January 2011 through June 2011 bank statements. The July 2011 reconciliation indicated, at July 31, 2011, 306 checks totaling \$6,434 had been outstanding over a year with one check dating back to 2001.

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

A similar condition was noted in our prior audit report.

4.3 County budgets

The payments and outstanding principal balances reflected in the county budget long-term debt schedules for 2008 through 2010 were not accurate for the Neighborhood Improvement District bonds. Beginning with the 2008 bond activity schedules, the payments reported in the county budgets incorrectly included accumulated interest amounts. The payments reported should only have included the principal portion of the payments. As a result, the principal balance reported in the 2011 county budget at December 31, 2010, was understated by nearly \$50,000.

Accurate county budget information is necessary to ensure the county, its citizens, and other users of the county budgets have accurate data to assist in making properly informed decisions.

Recommendations

- 4.1 The County Commission ensure only allowable topics are discussed in closed meetings.
- 4.2 The County Treasurer routinely follow up on outstanding checks. In addition, old outstanding checks should be voided and reissued to payees who can be readily located. If the payees cannot be located, the monies should be disposed of in accordance with state law.



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- 4.3 The County Commission and County Clerk ensure information reported in the county budget is accurate and agrees to external supporting documents when possible.

Auditee's Response

- 4.1 *The County Commission provided the following response:*

The County Commission agrees and will ensure information discussed in closed sessions is clearly documented and allowed by state law.

- 4.2 *The County Treasurer provided the following written response:*

Upon entering the Treasurer's Office on January 3, 2011, I was aware that bank statements had not been reconciled and outstanding checks as well had not been tracked.

I made it my priority with the first 60 days to start the reconciliation process (which involved the current bank account, as well as the previous bank account), by tracking the outstanding payroll, accounts payable, and Treasurer's warrant checks, jury script checks, voided checks, stop payments, and re-issued checks, from September 2009 through December 2010. I also started tracking check status from January 2011 to the present, which is the start of my term. Without the outstanding check information, I could not even begin to reconcile bank statements starting January 2011 let alone prior to my term. This resulted in 5 separate outstanding check lists from 2 separate banks and 3 separate years. To date bank accounts have been reconciled from October 2011 back to June 2011, January 2011, February 2011, and March 2011.

I took action to settle as many of the outstanding checks as possible. I first provided the banking facilities with a list of outstanding checks I compiled. These lists were verified as outstanding and stop payments were put on those checks written from the current account. The prior account list (closed on April 15, 2010), was verified as still outstanding. No additional action was taken on these checks as all county checks are printed with a 6 month void notation. As of October 5, 2011 bank correspondence showed none of the checks had cleared.

The next action taken was notifying the various entities (cities, school districts, fire districts, employees, citizens), of outstanding funds in their name. Stop payments were placed on checks, and those checks were re-issued, in the amounts of several thousands of dollars. I also began to work on locating as many persons possible with outstanding jury script checks. I sent out letters to last known



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addresses on file, placed phone calls, and contacted family members to try to locate individuals. Due to a transient community, many of them Military members, persons move with no forwarding information. I currently am in the process of turning over unclaimed funds in accordance with State Statute. This process will be complete by year end 2011.

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

They agree and will ensure information reported on the county budget is accurate.

Pulaski County

Organization and Statistical Information

Pulaski County is a county-organized, third-class county. The county seat is Waynesville.

Pulaski 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. The county employed 75 full-time employees and 12 part-time employees on December 31, 2010.

In addition, county operations include the Senate Bill 40 Board, the Senior Citizens Service Board, and eight Neighborhood Improvement Districts.

Elected Officials

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

Officeholder	2011	2010
Don McCulloch, Presiding Commissioner	\$	34,670
Bill Farnham, Associate Commissioner		32,670
Rickey Zweerink, Associate Commissioner		32,670
Rachelle Beasley, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Diana Linnenbringer, County Clerk		49,500
Deborah A. Hooper, Prosecuting Attorney		96,000
J. B. King, Sheriff		55,000
Morris Roam, County Treasurer		49,500
Mikel Hartness, County Coroner		16,600
Loretta Rouse, Public Administrator		49,500
Terri Mitchell, County Collector (2), year ended February 28,	56,055	
Roger Harrison, County Assessor , year ended August 31,		49,500
John Mackey, County Surveyor (3)		140

- (1) Compensation is paid by the state.
- (2) Includes \$6,555 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.



Pulaski County
Organization and Statistical Information

Financing
Arrangements

The county has established eight Neighborhood Improvement Districts. The county issued general obligation bonds to finance the projects and levied special assessments on the property located in the districts to pay the debt principal and interest. The bonds are repaid for four of the eight districts as of December 31, 2010. The remaining principal due for the other four districts at December 31, 2010, was \$208,000.

The county has entered into several lease purchase agreements for road and bridge equipment. At December 31, 2010, the principal balance of the leases totaled \$227,438. Principal and interest payments are made from the Special Road and Bridge Fund.

The county entered into a 0 percent interest lease purchase agreement with the Missouri Department of Transportation for purchase of real estate including a maintenance shed. At December 31, 2010, the principal balance of the lease totaled \$19,130. Payments are made from the Special Road and Bridge Fund.

The county entered into a loan from the Courthouse Sales Fund to the General Revenue Fund in 2008. At December 31, 2010, the principal balance of the loan totaled \$100,000. Interest on the loan is charged at the same rate the county receives on its deposits.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs: Enhancing Rural Corrections, Detention and Jail Operations grant totaling \$288,921 was awarded by the U.S. Department of Justice for payroll and payroll-related expenses to allow the Sheriff's Department to hire additional jailers. During the year ended December 31, 2010, \$99,527 was received. The county spent \$97,475 for jailors' salaries and other payroll-related expenses and \$2,052 on training.

A Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs: Improving Rural Law Enforcement Investigations grant totaling \$170,502 was awarded by the U.S. Department of Justice for payroll and payroll-related expenses to allow the Sheriff's Department to hire additional dispatchers, hire an evidence technician, and purchase a barcode reading program to enhance the tracking of seized property. During the year ended December 31, 2010, \$64,862 was received. The county spent \$60,963 for dispatcher and evidence technician salaries and other payroll-related expenses, and \$3,899 on a barcode reading program.

A Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program Local Solicitation grant totaling \$58,610 was awarded by the U.S.



Pulaski County
Organization and Statistical Information

Department of Justice for the purchase of equipment in the Sheriff's Department. During the year ended December 31, 2010, \$57,309 was received and expended for rifles, ammunition, and other equipment.

These grants affected the local economy by providing employment for eight individuals. Per discussions with county personnel, employment is difficult to find in Pulaski County and it is a real possibility that the individuals who received employment due to these grants would not have been able to find employment elsewhere in Pulaski County. At this point in time, these positions do not appear to be sustainable and the positions may be vacant when the ARRA grant monies are fully expended. Other revenue streams to continue to employ these individuals in their current capacity have not yet been identified. The General Revenue Fund has a limited balance and it does not appear the General Revenue Fund could support the payroll costs for these individuals.

For the years ended December 31, 2010 and 2009, the Senate Bill 40 Board received \$12,396 under Title V, Section 5001 of the Recovery Act which provided additional federal funding through the Medicaid Federal Medical Assistance Percentage grant and the Targeted Case Management grant. These grants were awarded by the Missouri Department of Mental Health. The payments were made for Medicaid expenditures reported between October 1, 2008, and December 31, 2010, and for case management services provided.