



# Thomas A. Schweich

Missouri State Auditor

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## Caldwell County

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Caldwell County

County Procedures	The lack of procedures to monitor the results of actual property tax reductions for sales tax collections and errors made in sales tax reduction calculations resulted in property tax reductions being insufficient to offset sales taxes received by a total of \$262,714 between 2008 and 2011. Administrative service fee transfers from the Special Road and Bridge Fund to the General Revenue Fund were excessive. Procedures related to closed County Commission meetings did not always comply with the Sunshine Law.
Property Tax Controls	Prior to June 2012, the County Collector-Treasurer had unlimited access to all information in the system and made changes to individual tax records. The County Collector-Treasurer posted certain abatements of personal and real estate taxes in the tax system totaling \$1,440 in 2011 and \$44,895 in 2010, but proper segregation of duties requires that adjustments be made by those independent of the collection process.
Prosecuting Attorney Accounting Controls and Procedures	The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks, and as of December 31, 2011, 29 checks, totaling \$4,095, had been outstanding for over a year. Monthly lists of liabilities are not prepared and reconciled with cash balances.
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.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	During the audit period, Caldwell County was awarded a \$32,260 Recovery Act: Edward Byrne Memorial Justice Assistance Grant, all of which was received and expended for computer equipment.
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\*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 Caldwell County

We have audited certain operations of Caldwell County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp and VanHoy LLC, Certified Public Accountants, was engaged to audit the financial statements of Caldwell County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. 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 contracts 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 Caldwell County.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Nathaniel Fast, M.Acct., CPA
	Tabitha Wacker, MBA

# Caldwell County Management Advisory Report State Auditor's Findings

## 1. County Procedures Procedures related to property tax rollback, administrative transfers, and closed meetings need improvement.

1.1 Property tax levy reduction The county has not established procedures to monitor or assess the results of actual property tax reductions for sales tax collections. In addition, errors were made in the sales tax reduction calculations. As a result, property tax reductions were not sufficient to offset sales taxes received by a total of \$262,714 for the years 2008 through 2011.

	Year Ending December 31,			
	2011	2010	2009	2008
Required property tax reduction	\$ 96,669	100,203	106,788	108,313
Actual property tax reduction	0	17,804	34,037	85,150
(Under)/Over collection	96,669	82,399	72,751	23,163
Prior years (under)/over collection	166,045	83,646	10,895	(12,268)
Total property tax (under)/over collection	\$ 262,714	166,045	83,646	10,895

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Caldwell County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement and in the following year calculate any excess property taxes collected, based upon actual sales tax collections. The county then certifies to the State Auditor's office the annual property tax levy, including the amount the levy is required to be reduced for sales tax collections, as well as any voluntary reductions. For 2008 through 2011, the county certified the sales tax reductions and voluntary reductions as follows:

	2011	2010	2009	2008
Sales tax reduction	\$ 0.0000	0.0136	0.0302	0.0762
Voluntary reduction	0.0000	0.0628	0.0462	0.0683
Actual tax levy	0.2323	0.2300	0.2300	0.2300

The County Clerk indicated she was instructed by the County Commission to set the levy at approximately 23 cents. While calculations were made by the County Clerk to estimate the required sales tax reduction, these calculations were not accurate. In 2008, 2009, and 2010, the County Clerk did not use the correct gross property tax amount in her calculations. Also in 2010, the County Clerk incorrectly calculated the adjustment for prior years' sales tax collections and mistakenly utilized the calculated tax rate as the sales tax reduction. The voluntary reductions taken in 2008 and 2010 resulted in a reduction of the county property tax levy ceiling. In 2011, the county did not perform any rollback calculations or take a sales tax reduction, as the ceiling was down to 23.23 cents, which is approximately the county's desired general revenue property tax levy.



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The county should review the classification of past designations of sales tax and voluntary reductions and ensure future property tax certifications properly reflect the purpose of property tax reductions. In addition, the County Clerk should ensure the proper amounts are utilized as the reductions when setting the tax rates for the year.

## 1.2 Transfers

Administrative service fee transfers from the Special Road and Bridge (SRB) Fund to the General Revenue (GR) Fund were excessive. During the years ended December 31, 2011 and 2010, the county budgeted and made administrative service fee transfers of \$70,000 and \$90,000, respectively, from the SRB Fund to the GR Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRB Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for related administrative services to the SRB Fund, and shall not exceed 5 percent of the SRB Fund budget.

Although the administrative service fee transfers were less than 5 percent of SRB Fund budgeted disbursements, the transfers exceeded 5 percent of actual disbursements for the years ended December 31, 2011 and 2010, by a total of \$56,931. This situation resulted from anticipated bridge construction which was budgeted for but not completed.

## 1.3 Closed meetings

County procedures related to closed meetings were not always in compliance with the Sunshine Law. The County Commission held 28 closed meetings during 2011 and 2010.

- Reasons for closing meetings and the corresponding votes to close the meetings were not always documented. During the 2 years ended December 31, 2011, the minutes of several open sessions did not document a vote to close the meeting. In addition, no minutes were maintained for two of the closed sessions.
- Some topics discussed in closed meetings were not allowable. For example, the County Commission closed meetings to discuss a county employee working a four day work week, economic development in the county, the Prosecuting Attorney handling child support enforcement duties, and deputies entering surrounding counties and making arrests.

Chapter 610, RSMo, provides the question of holding a closed meeting and the reason for the closed meeting be voted in an open meeting and requires minutes be prepared for all closed meetings. The law also provides a list of topics for which meetings can be closed.



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A similar condition was noted in our prior audit report.

## Recommendations

The County Commission:

- 1.1 Reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reduction for excess property taxes of \$262,714 collected in 2011 and prior years.
- 1.2 Base administrative transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund. In addition, the County Commission should transfer \$56,931 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of excessive transfers.
- 1.3 Ensure the reason and the corresponding vote for entering closed session is documented and minutes are kept for all closed sessions. In addition, discussions in closed meetings must be limited to allowable topics and only those topics indicated as the reason for closing the meeting.

## Auditee's Response

*The County Commission provided the following responses:*

- 1.1 *We agree and have already taken action to begin correcting this issue. The 2012 tax levy has already been adjusted to correct for a portion of this problem and the remaining amount will be corrected when setting tax levies in the next three years.*
- 1.2 *The bridges which have been on hold the last couple years are to be completed in 2013 and we anticipate reducing the administrative transfer next year to refund to the Special Road and Bridge Fund the \$56,931.*
- 1.3 *We agree and have already taken steps to comply with the various provisions of the Sunshine Law.*

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## 2. Property Tax Controls

Controls and procedures over the property tax system need improvement. The office of the County Collector-Treasurer processed property taxes totaling approximately \$8.5 million annually for the 2 years ended February 29, 2012.

### 2.1 Computer access

Access to the property tax system was not adequately restricted prior to June 2012. The County Collector-Treasurer had administrative access rights in the property tax system, which provided her with unlimited access to all information in the system and allowed her to make changes to individual tax records (see section 2.2). Because the County Collector-Treasurer is responsible for collecting tax monies, good internal controls require she not



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have system access rights to be able to alter or delete tax rates, assessed values, and property tax billings. The County Collector-Treasurer indicated she was aware she had such access to the system. When we brought the risks of this access issue to her attention in June 2012, she had the software programmer change the access rights so she no longer has the ability to change property tax records.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

## 2.2 Tax book changes

The County Collector-Treasurer indicated she posted certain abatements of personal and real estate taxes in the tax system totaling \$1,440 in 2011 and \$44,895 in 2010.

When outlawing personal property taxes and for certain real estate taxes where the tax sale proceeds were less than the taxes due, the County Collector-Treasurer would post the abatement to the tax system once approved by the County Commission. Typically, abatements of taxes are posted to the property tax system by the County Clerk, but since these abatements were not taxpayer initiated abatements and were for delinquent taxes that would not be paid, the County Collector-Treasurer made the changes herself. However, because the County Collector-Treasurer is responsible for collecting tax monies and to ensure proper segregation of duties, adjustments to tax records should be made by those independent of the collection process.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission.

## Recommendations

- 2.1 The County Commission ensure property tax system access rights are limited to only what is needed for users to perform their job duties and responsibilities.
- 2.2 The County Collector-Treasurer refrain from posting the abatement of any taxes.

## Auditee's Response

*The County Commission provided the following response:*

- 2.1 *We have already taken steps to resolve the access issues identified and believe this concern has been resolved.*

*The County Collector-Treasurer provided the following response:*

- 2.2 *We have already changed procedures and all abatements are now posted correctly by the County Clerk.*



### **3. Prosecuting Attorney Accounting Controls and Procedures**

Controls and procedures in the Prosecuting Attorney's office are in need of improvement.

#### **3.1 Outstanding checks**

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. As a result, at December 31, 2011, 29 checks, totaling \$4,095 had been outstanding for over a year with some checks dating back to 2000.

Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law. Old outstanding checks should be voided and reissued to those payees who can be readily located, and amounts remaining unclaimed should be disposed of in accordance with state law.

#### **3.2 Liabilities**

Monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances. A list of liabilities was prepared at our request which totaled \$5,987 at December 31, 2011, while the reconciled bank balance totaled \$6,120 at that date, leaving an unidentified difference of \$133.

Without regular identification and comparison of liabilities to the cash balance, 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 entities for which the monies were collected. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of as provided by state law.

### **Recommendations**

The Prosecuting Attorney:

- 3.1 Establish procedures to routinely follow up and reissue old outstanding checks and dispose of unclaimed monies in accordance with state law.
- 3.2 Identify liabilities and reconcile to cash balances on a monthly basis. Any discrepancies should be promptly investigated and resolved.



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## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

- 3.1 *I am currently in the process of preparing the necessary paperwork to dispose of all of the old outstanding checks and will monitor this annually in the future.*
  
- 3.2 *I will ensure a listing of liabilities is prepared and compared to the cash balance monthly and my office has already investigated the difference noted by the Auditors and plans to disburse those monies in accordance with state law.*

# Caldwell County

## Organization and Statistical Information

Caldwell County is a township-organized, third-class county. The county seat is Kingston.

Caldwell County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining 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 55 full-time employees and 12 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include the Little Otter Creek Board (a watershed project board).

### Elected Officials

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

Officeholder	2012	2011
C.R. (Bud) Motsinger, Presiding Commissioner	\$	27,080
Donnie Cox, Associate Commissioner		25,080
Gerald McBrayer, Associate Commissioner		25,080
Julie Hill, Recorder of Deeds		38,000
Beverly Bryant, County Clerk (1)		38,162
Brady C. Kopek, Prosecuting Attorney		45,000
Jerry Galloway, Sheriff		42,000
Dana Brown, County Coroner		11,000
Richard Lee, Public Administrator		20,000
June Grooms, County Collector-Treasurer (2), year ended March 31,	38,605	
Beverly Alden, County Assessor , year ended August 31,		38,000

(1) Includes \$162 of commissions earned for preparing city property tax books.

(2) Includes \$605 of commissions earned for collecting city property taxes.

### Financing Arrangements

In April 2011, Caldwell County combined and refinanced several loans for the detention center, entering into a 16-year lease-purchase agreement for approximately \$1.9 million with the Caldwell County Development Company to pay for the construction and improvements of the detention



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center facility. At December 31, 2011, Caldwell County owed \$1,874,243 in principal and an additional \$761,652 in interest.

In 2007, Caldwell County contracted with First Bank of Missouri to finance the building of Little Otter Creek Watershed project. Caldwell County entered into a 25-year lease-purchase agreement for \$2.5 million with First Bank of Missouri to pay for the watershed project. At December 31, 2011, Caldwell County owed \$2.315 million in principal and an additional \$1.4 million in interest.

**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, 2011:

A \$32,260 Recovery Act: Edward Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice for purchasing equipment for the Sheriff's department. During the 2 years ended December 31, 2011, \$32,260 was received and expended for computer equipment.