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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Wayne County

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Wayne County

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County

We have conducted follow-up work on certain audit report findings contained in Report No. 2013-06, *Wayne County*, issued in January 2013, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed the supporting documentation submitted by county officials, and held discussions with county officials. Documentation provided by the county included budgets, bank statements, receipt and deposit records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during May and June, 2013.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Wayne County

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Financial Condition

The county's General Revenue Fund was in poor financial condition. The General Revenue Fund owed \$432,896 to the Special Road and Bridge Fund as a result of the county's sales tax rollback methodology. The General Revenue Fund experienced significant cash flow problems, and as a result, the county had to borrow monies from other county funds and a local bank to pay bills.

The financial condition of the General Revenue Fund was further strained by the additional costs associated with a new jail that opened in June 2009. The loan resolution security agreement for the new jail required \$4,399 to be deposited annually into a debt reserve account until the accumulated balance is \$43,990. The required deposits had not been made for 2009, 2010, and 2011.

During the 2 years ended December 31, 2011, the county transferred a total of \$19,511 from the Sheriff's Revolving Fund to the General Revenue Fund. The Sheriff indicated these monies were transferred to assist the county in paying various expenses of the Sheriff's office; however, there was no supporting documentation to demonstrate if these monies were expended in accordance with state law.

Recommendation

The County Commission perform long-term planning, closely monitor the county's financial condition, and continue to take the necessary steps to improve the financial condition of the General Revenue Fund. In addition, the County Commission should establish a debt reserve account and repay the Sheriff's Revolving Fund \$19,511 from the General Revenue Fund. Also, the county should refrain from interfund borrowing from restricted funds.

Status

In Progress

Although the County Clerk and the County Commission have made efforts in this area, the county's financial condition remains poor. The county had to borrow \$255,000 from a bank during 2012 to meet obligations. The County Clerk indicated the cash balance at June 30, 2013, was \$118,803; however, this was before sales tax monies were transferred out for courthouse renovations. The county plans to replace the roof on the courthouse this fall. In addition, the General Revenue Fund still has significant liabilities. The amount owed to the Special Road and Bridge Fund due to the sales tax methodology increased during 2012, and \$19,511 has not been repaid to the Sheriff's Revolving Fund.

However, the County Clerk and County Commission indicated the bank loan was repaid in June 2013, no interfund borrowing has occurred since June 2012, and the debt reserve account has been established and annual deposit requirements are up to date. The County Commission expects the



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new sales tax passed in April 2012 to provide an additional \$100,000 per year for the General Revenue Fund beginning in 2013.

2. County Sales Tax

The General Revenue Fund had not reimbursed the Special Road and Bridge Fund for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 2002, and \$432,896 was owed as of December 31, 2011. Additionally, as of December 31, 2011, property tax levies had not been adequately reduced by \$39,607.

Recommendation

The County Commission and County Clerk adequately reduce property tax levies for 50 percent of all General Revenue sales tax revenue and develop a plan to correct the accumulation of prior years' excess property tax collections. In addition, the County Commission should transfer \$432,896 from the General Revenue Fund to the Special Road and Bridge Fund. Subsequent property tax levy rollbacks should be made entirely from the General Revenue Fund or the Special Road and Bridge Fund should be repaid the appropriate amount on an annual basis.

Status

Partially Implemented

The General Revenue property tax levy was reduced from .1446 in 2011 to .1259 in 2012. As of December 31, 2012, property tax levies have not been adequately reduced by \$23,352 (compared to \$39,607 at December 31, 2011). The county indicated the General Revenue property tax levy will be rolled back to zero in 2013.

However, the Special Road and Bridge property tax levy was rolled back .0310 in 2012 to offset the sales tax liability and no transfers were made from the General Revenue Fund to the Special Road and Bridge Fund. As a result, the General Revenue Fund owes the Special Road and Bridge Fund \$472,239 at December 31, 2012. The county has no definite plans to repay the Special Road and Bridge Fund.

3. Prosecuting Attorney
Procedures

Although some improvements had been made to the Prosecuting Attorney's office procedures, significant weaknesses still existed.

3.1 Unallowable Donations

The Prosecuting Attorney frequently required defendants to make donations ranging from \$50 to \$1,500 to the county's Special Law Enforcement Fund as a condition for reducing charges filed on traffic tickets. During the 2 years ended December 31, 2011, donations totaling \$180,000 were deposited into this fund. Although the Prosecuting Attorney had a fee schedule, the amount paid to the Special Law Enforcement Fund to amend traffic violations to non-moving violations could be negotiated with the Prosecuting Attorney.



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Recommendation The Prosecuting Attorney reevaluate the practice of requiring donations to the county as part of reducing charges filed.

Status **Not Implemented**

The procedures related to accepting donations have not changed since the audit.

3.2 Segregation of Duties The duties of receiving, recording, and transmitting monies were not adequately segregated. One of the Prosecuting Attorney's secretaries was responsible for receipting, recording, and transmitting monies received for bad checks and another secretary performed these same duties for donations to the Special Law Enforcement Fund.

Recommendation The Prosecuting Attorney adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

Status **Implemented**

The two secretaries involved in the process now review each other's deposits and sign the receipt log to document the review.

3.3 Restitution Receipt slips were not issued for restitution monies received and a detailed record of restitution receipts was not maintained. While the Prosecuting Attorney's secretary made a copy of each money order and placed it in the defendant's file, there was no centralized record of all monies collected to ensure all monies were properly recorded and transmitted to the victims.

Recommendation The Prosecuting Attorney issue receipt slips for all monies received and maintain a centralized record of restitution receipts and disbursements.

Status **Implemented**

A new receipt book was started for restitution receipts on March 19, 2013. As a result, the Prosecuting Attorney's office has a centralized record of restitution receipts that can be used to ensure all monies are transmitted to the victims.

3.4 Bad check fee and donation receipts Receipt slips were not issued immediately upon receipt of monies, checks and money orders were not restrictively endorsed promptly, and monies were not transmitted timely. Per office personnel, receipt slips were usually issued and checks and money orders were endorsed when receipts were transmitted to the County Treasurer. The Prosecuting Attorney's office transmitted bad check fees approximately once each month and donation receipts approximately every 2 weeks.



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Recommendation

The Prosecuting Attorney issue receipt slips and restrictively endorse money orders and checks immediately upon receipt of monies and transmit all monies intact on a timely basis.

Status

Implemented

The bad check clerk indicated all bad check receipts are entered into the computer system immediately upon receipt, money orders are restrictively endorsed immediately upon receipt, and bad check receipts are transmitted approximately every 2 weeks.

The clerk who processes donations works on Tuesdays and Thursdays. She indicated she issues receipt slips and restrictively endorses checks and money orders as soon as she receives them. According to the clerk, donations are transmitted to the County Treasurer when \$500 is received and this is usually every 1 or 2 weeks.

**4.1 Sheriff Procedures -
Monthly Disbursements**

Fees were not always disbursed to the County Treasurer intact and on a timely basis. Disbursements of fees collected in 2011 generally occurred approximately 2 to 3 months after collection. In addition, the Sheriff indicated monies from the fee account were sometimes used to pay for employees' personal purchases (guns, bullet proof vests, etc.) and office operating costs and equipment and later repaid by the employee and/or County Treasurer.

Recommendation

The Sheriff disburse fees to the County Treasurer monthly in accordance with state law and discontinue the practice of using accountable fees for purchases.

Status

Implemented

Since the current Sheriff took office in January 2013, fees have been disbursed to the County Treasurer monthly on a timely basis. Also, beginning in 2013, all fees are turned over to the county and the Sheriff's office does not make expenditures from the fee account.

**4.3 Sheriff Procedures -
Liabilities**

A monthly list of liabilities was not prepared and reconciled to the cash balance for the Sheriff's fee account, and the Sheriff's office was unaware of discrepancies. At our request, Sheriff's office personnel prepared a list of liabilities as of March 31, 2012. The reconciled bank balance of \$13,717 exceeded identified liabilities by \$1,115. Also, the seizure account had maintained an unidentified balance of \$6,646 since August 2005.

Recommendation

The Sheriff ensure a list of liabilities is prepared monthly and compared to the available cash balance. Differences should be promptly investigated. After sufficient efforts are made to resolve discrepancies, any remaining



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unidentified monies, including the old seizure account, should be disposed of in accordance with state law.

Status

Implemented

The balance in the fee account as of April 30, 2013, was reconciled to liabilities. Efforts were made to identify owners of monies held in the old seizure account, a court order was obtained to close the account, and the balance was disbursed to the Special Law Enforcement Fund in May 2013.

6. **Property Tax System
Controls and Procedures**

Although the County Clerk initialed each court order for additions and abatements and the County Clerk and Presiding Commissioner signed the summary report, there was no independent comparison of the court orders to the actual changes in the property tax system.

While the County Clerk maintained files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk did not maintain an account book or other record summarizing property tax transactions and changes. Therefore, the County Clerk and County Commission did not have information readily available, and did not adequately review the monthly and annual settlements prepared by the County Collector.

Recommendation

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

Status

In Progress

The County Clerk indicated he signs off on court orders, documents a review of assessed valuations and related charges before the tax book is generated, and is working to develop an account book with the collector. Once an account book is developed it will be used to assist in the review of collector settlements.