



Office of Missouri State Auditor
Nicole Galloway, CPA

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



NICOLE GALLOWAY, CPA
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. 2016-098, *Wayne County* (rated as Poor), issued in September 2016, 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 has no specific plans to implement the recommendation.

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 documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included financial records and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during February 2017.

Nicole R. Galloway, CPA
State Auditor

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Status of Findings

1. Financial Condition

The county's General Revenue Fund remained in poor financial condition. The ending cash balance of the General Revenue Fund, as reported in the county's audited financial statements, for the year ended December 31, 2015, was \$44,003, and the projected ending cash balance, as reported in the budget document, for the year ended December 31, 2016, was \$1,076.

The General Revenue Fund owed the Special Road and Bridge Fund \$471,846, as a result of the county's sales tax rollback methodology (see MAR finding number 2). This amount was not reflected in the county's budget document. Additionally, the General Revenue Fund continued to experience significant cash flow problems and borrowed monies on a bank line of credit to fund county operations from 2012 to 2015. The financial condition of the General Revenue Fund had been further strained by the operating costs associated with the county jail.

In an effort to improve the county's financial condition, the county proposed and voters passed in April 2012 an additional 1/2-cent general sales tax for a period of 6 years. The expiration of the sales tax will result in less revenues and the county will likely need to reduce disbursements.

Recommendation

The County Commission closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the General Revenue Fund. In addition, the County Commission should perform long-term planning and take advantage of any opportunities to decrease disbursements and maximize receipts.

Status

In Progress

The County Commissioners indicated they review budget to actual financial information on a monthly basis, and they are continually looking for ways to improve the financial condition of the General Revenue Fund. The General Revenue Fund's ending cash balance for the year ended December 31, 2016, was \$138,851, which was significantly higher than the budget estimate of \$1,076. The county budget for the year ended December 31, 2017, projected an ending cash balance of \$96,623.

The County Commission has taken the following factors into account during long-term planning.

- The General Revenue Fund owed the Special Road and Bridge Fund \$471,846 as a result of the county's sales tax rollback methodology. The full amount of this liability was not documented on the county's 2017 budget; however, the budget reflected the county's plans to reimburse part of the rollback liability. This issue is further discussed at MAR finding number 2.



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- Wayne County lost future sales tax revenues when a major retailer in the county closed at the end of 2016. The county's 2017 budget reflected a decrease in sales tax revenue for the year due to this closure. The County Commission is optimistic that use tax charged on online purchases will increase in 2017 and will help offset this loss of revenue.
- The operating costs of the county's jail are paid from the General Revenue Fund. The jail operated at a loss of approximately \$70,000 and \$28,000 in 2015 and 2016, respectively. Per the budget for the year ended December 31, 2017, the jail will have a loss of approximately \$100,000. Both the County Commission and the Sheriff indicated they were conservative when budgeting revenues in the 2017 budget, and they plan to monitor the situation throughout the year to ensure the estimated loss is less than \$100,000.

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 1991. As of December 31, 2015, the General Revenue Fund owed the fund \$471,846.

Recommendation

The County Commission transfer \$471,846 from the General Revenue Fund to the Special Road and Bridge Fund.

Status

In Progress

The County Commissioners indicated they do not have \$471,846 in the General Revenue Fund to fully reimburse the Special Road and Bridge Fund; however, they have established a plan to reimburse the amount owed in installments. In November 2015, Wayne County voters approved a 1 and 1/2-cent use tax that became effective in April 2016. Approximately \$52,000 in use tax monies was collected during the year ended December 31, 2016, of which \$17,400 (33 percent) was used to reimburse the Special Road and Bridge Fund. The budget for the year ended December 31, 2017, estimates use tax of \$76,000 will be collected and \$28,000 (37 percent) will be used to reimburse the Special Road and Bridge Fund. The County Commissioners indicated they plan to transfer approximately 30 percent of the use tax monies annually to reimburse the amount owed the Special Road and Bridge Fund until the amount is paid in full.

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office needed improvement.

3.1 Unallowable donations

The Prosecuting Attorney frequently reduced charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$50 to \$300, to the county's Special Law Enforcement Fund as a condition of reducing the charges. There was no authority for the Prosecuting Attorney to require a



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donation to reduce charges filed on traffic tickets. In addition, the written plea agreement signed by the defendant and the Judge did not disclose the amount the defendant was required to donate to the Special Law Enforcement Fund.

Recommendation

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

Status

In Progress

The practice of requiring donations to the county as part of reducing charges filed is under review.

3.2 Bad check fee and donation receipts

Receipt slips were not issued immediately upon receipt of bad check fees and donations, checks and money orders were not restrictively endorsed promptly, and monies were not transmitted timely.

Recommendation

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

Status

Not Implemented

At the time of our follow-up meeting on February 7, 2017, the office held no money orders or checks. The last transmittal, in the amount of \$605 occurred on February 2, 2017. We reviewed this transmittal, and all monies received were receipted the day it was transmitted. These payments had not been receipted upon receipt or transmitted timely. The previous transmittal had occurred on November 28, 2016. Office personnel indicated they would attempt to receipt and transmit monies more timely, but they were short staffed. They also indicated checks and money orders are still not endorsed upon receipt.

3.3 Ten day letters and charges filed

The Prosecuting Attorney had not established adequate procedures to ensure 10-day letters were issued and charges were filed timely with the court for unresolved bad check complaints.

Recommendation

The Prosecuting Attorney establish procedures to ensure 10-day letters are issued timely and charges are filed with the court timely.

Status

Not Implemented

The Prosecuting Attorney indicated his office is short staffed making it impossible to issue the 10-day letters and file charges timely.



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5. Property Tax System Controls and Procedures The County Clerk and the County Commission did not provide adequate monitoring of the property tax system activities.

5.1 Review of property taxes Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. Although the County Clerk maintained files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk did not use this information to create an account book. In addition, the County Clerk and the County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements.

Recommendation The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Status **In Progress**
The County Clerk indicated she had been in contact with other county clerks in order to get a better idea of how to maintain an account book with the County Collector.
The follow-up meeting occurred before the County Collector was required to file her next annual settlement. Both the County Commission and the County Clerk indicated the account book would be complete and used to review the accuracy and completeness of the County Collector's year ended February 28, 2017, annual settlement.

5.2 Additions and abatements The County Clerk and County Commission did not adequately monitor additions and abatements entered into the property tax system. Although the County Clerk initialed each court order and the County Clerk and Presiding Commissioner signed the summary report, there was no independent comparison of additions and abatements to the actual changes in the property tax system.

Recommendation The County Clerk and the County Commission ensure all property tax additions and abatements are properly approved and monitored.

Status **Implemented**
The County Clerk and the County Commission have implemented this recommendation by reconciling the additions and abatements to a report from the property tax system showing the actual changes made in the system. The County Clerk and a County Commissioner sign this report to



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document the reconciliation has been performed. The signed report copy is then retained by the County Clerk.

We reviewed the court order for October 2016 abatements to the real estate tax book and applicable supporting documents approved by the County Commission on January 17, 2017. The abatements were properly supported and approved.

8. Sheriff's Car Lease

The county had not performed a cost-benefit analysis comparing the cost of purchasing a car for the Sheriff versus paying the Sheriff a mileage reimbursement for the personal use of his vehicle.

The Sheriff maintained mileage logs that included his badge number, the date, and the number of miles driven per day while patrolling the county. In addition to the mileage logs submitted to the County Clerk's office for reimbursement, the Sheriff's badge number also appeared on the fuel logs used to track fuel obtained from the Sheriff's office bulk fuel tank during 2015. Beginning in 2016, the Sheriff began subtracting the cost of the fuel obtained from the bulk fuel tank from the monthly reimbursement amount calculated using his mileage logs. The Sheriff calculates this adjustment by multiplying the number of gallons pumped by the current price per gallon.

Recommendation

The County Commission should perform a cost-benefit analysis to determine if leasing the Sheriff's personal vehicle is more cost beneficial than buying a county vehicle. If the county continues to pay the Sheriff mileage for the use of his personal vehicle, the Sheriff should not be allowed to use county fuel or the mileage rate should be adjusted accordingly.

Status

Not Implemented

Although the County Commissioners indicated a cost/benefit analysis had been performed to compare the cost of purchasing a car for the Sheriff versus reimbursing the Sheriff for mileage, they could not provide documentation of the analysis. The County Commission believes it is more cost beneficial to reimburse the Sheriff for the use of his personal vehicle, however, there was no documentation to support this assertion. The County Commission had no specific plans to perform another cost/benefit analysis in the future.

The county continues to pay the Sheriff mileage for the use of his personal vehicle. The Sheriff continues to use county fuel without adjusting the mileage rate submitted for reimbursement.