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Missouri State Auditor

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Recorder of Deeds Johnson County, Missouri

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We identified the following problems with the Johnson County Recorder's office.

Weaknesses in the internal control and record keeping systems of the Johnson County Recorder's office allowed misappropriations of at least \$23,187 to occur during the period January 1, 2003 through July 31, 2005. Receipts totaling at least \$5,372 were collected during 2004 by the Recorder's office and were not recorded on a daily abstract or transmitted to the County Treasurer for deposit. Additionally, a State of Missouri check for \$17,815 was erroneously received by the Recorder's office, and included in a 2005 transmittal apparently to conceal a shortage. Furthermore, during 2003 and 2004, numerous personal checks written by the former Recorder were included with deposits or transmittals and were returned for insufficient funds.

Due to other missing records, additional monies may be missing but not identified. These misappropriations may have been detected on a more timely basis if recommendations made by the county's independent auditor related to internal controls in the Recorder's office had been established. Information regarding these misappropriations has been shared with law enforcement authorities.

The sale of copies of recorded documents to one company, as well as the purchase of computer software necessary to read the images, was not handled consistent with sales to other title companies. Similar to the system the county purchased in 2003, additional software and equipment was purchased in May 2005, at a cost of over \$3,000 but was delivered to a local title company and apparently installed on their computers. This title company reimbursed the county, but not until September 2005, almost four months later and no sales tax was paid. The former Recorder apparently authorized the transfer of recorded documents that were indexed by the county from 1991 to May 2005 onto the computer of this title company. The current Recorder determined this download consisted of approximately 503,000 pages. Based on charges for copies to other companies, this represented approximately \$75,000 in potential revenue, but there was no evidence that any payment was made to the county for these downloaded documents.

The former Recorder did not deposit/transmit receipts intact on a timely basis and did not reconcile receipts to deposits. Numerous personal checks or loan checks of the former Recorder were included with deposits/transmittals. Accounts receivable records were not adequate, and numerous daily abstracts and receipt slips were not available from 2005 and 2004. Recommendations related to controls over cash in the Recorder's office have been made by the county's independent auditor the past several years, but most of these recommendations were not implemented, allowing missing money to go undetected.

Questionable expenditures have been made from the Recorder User Fee Fund. During 2005 and 2004, the former Recorder authorized payments for attorney fees totaling \$18,236 and \$4,088, respectively related to a lawsuit filed by the former Recorder and County Auditor against the

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county related to employees salaries. In addition, supporting documentation was not available for some purchases made from the Recorder User Fee Fund and contracts were either not entered into for some services obtained or were not retained.

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RECORDER OF DEEDS JOHNSON COUNTY, MISSOURI

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STATE AUDITOR'S REPORT



To the County Commission and Recorder of Deeds of Johnson County Warrensburg, MO 64093

Under Section 50.055 RSMo, the County Commission of Johnson County, Missouri, requested the State Auditor to audit the Office of Recorder of Deeds of Johnson County, Missouri. The scope of this audit included, but was not necessarily limited to, the period January 1, 2003 to July 31, 2005. The objectives of this audit were to:

- 1. Review internal controls over significant financial functions.
- 2. Review compliance with certain legal provisions.
- 3. Determine the extent of any missing monies from the Recorder of Deeds office.

To accomplish these objectives, we reviewed bank statements, receipt records, daily and monthly abstract reports, and other pertinent documents, and interviewed various personnel of the Recorder of Deeds' office as well as certain external parties. Our methodology included, but was not necessarily limited to, the following:

- 1. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
- 2. We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Recorder of Deeds of Johnson County, Missouri.

Claire McCaskill State Auditor

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November 7, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
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EXECUTIVE SUMMARY

OFFICE OF RECORDER OF DEEDS JOHNSON COUNTY, MISSOURI EXECUTIVE SUMMARY

Weaknesses in the internal control and record keeping systems of the Recorder's office allowed misappropriations of at least \$23,187 to occur during the period January 1, 2003 through July 31, 2005. In addition, numerous personal checks written by the former Recorder during 2003 and 2004 were included with deposits or transmittals and were returned for insufficient funds.

These misappropriations may have been detected on a more timely basis if recommendations made by the county's independent auditor related to internal controls in the Recorder's office had been established.

Laurie Mifflin served as the Johnson County Recorder of Deeds and was responsible for office procedures. In September 2004, a special prosecutor was appointed and charges were subsequently filed against Ms. Mifflin in May 2005. Ms. Mifflin plead guilty to the offense of Official Misconduct, a class "A" misdemeanor, and as part of the plea agreement, resigned her position on July 28, 2005. Information regarding these misappropriations has been shared with law enforcement authorities. Jan Jones was appointed Recorder of Deeds on August 17, 2005.

MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDING

OFFICE OF RECORDER OF DEEDS JOHNSON COUNTY, MISSOURI MANAGEMENT ADVISORY REPORT -STATE AUDITOR'S FINDINGS

1. Missing Money

Receipts totaling at least \$5,372 were collected during 2004 by the Recorder of Deeds (Recorder's) office and were not recorded on a daily abstract or transmitted to the County Treasurer for deposit. Additionally, a State of Missouri check for \$17,815 was erroneously received by the Recorder's office, and included in a June 2005 transmittal apparently to conceal a shortage.

Prior to September 2003, the former Recorder maintained a bank account for depositing monies and making monthly disbursements. The Recorder's office issued receipt slips for monies received, posted transactions to a daily abstract, and deposited the monies. In July 2003, the county's independent auditor and County Auditor questioned why daily receipts had not been deposited for weeks. During the period July 15 to July 17, 2003, approximately \$58,000 was deposited by the former Recorder into her official bank account. This deposit agreed to the amounts reported on daily abstracts for that period. Procedures were subsequently changed in September 2003 to have the recorder monies transmitted to the County Treasurer for depositing of daily receipts.

In the summer of 2004, upon performing the 2003 county audit, the independent auditor determined there had been a negative adjustment of \$6,746 made on the July 2003 monthly summary of disbursements. It was further determined that a total of \$10,442 in checks from the former Recorder's personal accounts or a check payable to her had been included in the deposits made July 15 to 17, 2003. Several of these personal checks, totaling \$6,746, were returned for insufficient funds. The negative adjustment had apparently been made to conceal these returned checks, and recorder fees due the county for July were reduced by this amount. In August 2004, after these insufficient funds checks were discovered, the former Recorder wrote a personal check for \$2,329 and used a Credit Union check for \$4,417 to repay the insufficient funds checks. This personal check was also returned as a result of insufficient funds in September 2004, and was subsequently repaid with another personal check for \$1,075 and cash totaling \$1,254.

During December 2003 and January 2004, the County Treasurer had three additional personal checks from the former Recorder, totaling \$370, returned by the bank for insufficient funds. The County Treasurer indicated that after she began depositing recorder monies, she noticed several personal checks from the former Recorder included with various transmittals. In January 2004, the County Treasurer indicated she told the former Recorder not to include personal checks with Recorder transmittals in the future.

During 2004, we tested receipts slips issued for particular days to amounts transmitted, and identified five days during April, May and June of 2004 where the total amount receipted exceeded the amount transmitted.

Date	Amount Receipted	Amount Transmitted	Shortage
April 7, 2004	\$2,791	\$1,634	\$1,157
April 27, 2004	2,021	1,327	694
May 6, 2004	9,380	7,031	2,349
June 7, 2004	5,118	4,551	567
June 21, 2004	2,294	1,689	605
		Total	\$5,372

We compared receipt slips to amounts transmitted for various other days in 2005 and 2004 with no problems noted. Daily abstracts for the days listed and for 38 other days during 2004 were missing. Additionally, receipt slips were missing for more than 60 days during 2004 and several days during 2005. As a result, it is possible that additional monies were receipted but not abstracted and transmitted.

During September 2004, at the request of the independent auditor, the County Treasurer began tracking the amount of cash included with transmittals from the former Recorder. As the following schedule shows, the amount of cash received with transmittals continued to decline throughout the end of 2004 and into 2005. A review of receipt slips available for September 2004 through June 2005 shows the approximate amount of cash that was recorded as received during this period.

Month/Year	Cash transmitted	Cash Received
September 2004	\$3,579	\$3,252
October 2004	939	2,410
November 2004	1,192	1,978
December 2004	1,201	2,426
January 2005	378	1,684
February 2005	752	1,903
March 2005	663	2,159
April 2005	200	2,692
May 2005	53	2,083
June 2005	4,447	2,632

Our review of transmittals during 2005 and 2004 indicated at least a week, and sometimes several weeks, existed between monies received and abstracted and actual transmittals (See MAR finding number 3). Additionally, deposits were not made intact. Had the composition of receipts slips issued been reconciled to the composition of transmittals, the cash shortages noted above may have been detected. The former Recorder was apparently responsible for preparing transmittals during this period and the County Treasurer indicated the transmittals were always delivered by the former Recorder.

The transmittal made on June 10, 2005, covering the periods May 5, 12-31 and June 2, totaled \$22,900 and included \$4,156 cash. Detail of this transmittal revealed several older checks, dating back to November 2004, as well as checks received subsequent to June 2, included with this transmittal. The final transmittal actually made by the former Recorder was processed June 24, 2005 and included daily abstracts from June 3 through June 24. The \$33,515 amount was transmitted by a cashier's check purchased with over 290 individual checks and money orders and \$117 in cash. One of the individual checks for \$17,815 was from the State of Missouri for a grant reimbursement due to the Homeland Security Fund. This check, erroneously paid to the Recorder by the state, appears to have been substituted into this transmittal to conceal the removal of cash from the current, as well as prior, transmittals. The receipt slips available for the days in June 2005 included with this transmittal (June 9 to June 24 were available) indicated that over \$2,200 in cash was received.

It appears at least \$5,372 in fees were receipted but not posted to the daily abstracts and transmitted, and a \$17,815 state check was substituted into a transmittal resulting in a shortage of at least \$23,187. Additionally, due to the other missing records, additional monies may be missing but not identified. While similar internal control weaknesses in this office have been commented on and recommendations made by the county's independent auditor for some time, such recommendations have largely been ignored. Recommendations in the remainder of the report, if implemented, should allow the office to prevent or detect such shortages in the future.

<u>WE RECOMMEND</u> the County Commission and Recorder take necessary action to recover the missing funds and work with law enforcement officials regarding any criminal prosecution.

AUDITTEE'S RESPONSE

The County Commission responded:

The Johnson County Commission has cooperated fully with all law enforcement investigations, the work of the county's outside auditor and the audit by the State Auditor. It is the intent of the County Commission as the managing authority of the County to pursue all remedies available to it to recover county funds: wrongfully spent, by theft, or otherwise. It is the understanding of the Commission that the Attorney General's Office will assist in this effort. Prior to Mrs. Mifflin's forfeiture of office, a special prosecuting attorney was appointed due to the appearance of conflict and an independent investigation was conducted by the Missouri State Highway Patrol. The prosecutorial result by the special prosecutor was disappointing. The Commission, as representatives of the taxpayers, was not consulted on any resulting plea bargain in that criminal prosecution. We are confident that the Attorney General's Office will be more professional and effective in this effort.

The current Recorder responded:

The current Recorder will cooperate and assist the county to investigate and recover missing funds.

The Prosecuting Attorney responded:

I have the following comments to your draft report.

1. On page twelve, the recommendation for finding number 2 states that: "...the County Commission should review this situation with the Prosecuting Attorney and determine any action to be taken."

The Prosecutor's Office requested on September 8, 2005 that the Attorney General's Office provide assistance in this matter. The Governor appointed the Attorney General's Office on September 9, 2005 pursuant to 27.030 RSMo. It has been, is, and shall be my position that the Attorney General's Office in the exercise of their professional judgment shall pursue all charges and remedies as that office may deem appropriate. I requested that the Attorney General's Office take charge of this matter as Mrs. Mifflin was a Republican officeholder. I am Republican, as is our Sheriff and two of the three county commissioners. As a result, there would be at least an appearance of conflict.

I have advised the Attorney General's Office that I shall not have any input into their decision making. The Attorney General's Office is to act independently. I have advised that I only wish to be kept informed of their actions as a courtesy. Prior to Mrs. Mifflin leaving office and prior to your audit I requested, and there was appointed, a special prosecutor in the matter. I did not in September 2005 utilize that option because the county had to pay this attorney who was not a prosecutor.

Your report should be amended to reflect that the Attorney General's Office has been appointed in this matter and your recommendations should be directed to them.

2. On page nine, the recommendation for finding number 1 states that: "the County Commission and Recorder take necessary action...and work with law enforcement officials regarding any criminal prosecution."

As stated in my item one above, I respectfully request that your report be amended to indicate the involvement of the Attorney General's Office in this matter.

In addition to the suggested changes above, as I did at our meeting on this subject, I request that you share your report with the Attorney General's Office prior to the document being made public as this may be helpful to their investigation.

The former Recorder responded:

I appreciate your office sharing the report draft with me, but I do not wish to respond.

The sale of copies of recorded documents to one company, as well as the purchase of computer software necessary to read the images, was not handled consistent with sales to other title companies, resulting in a potential loss of revenue to the county totaling approximately \$75,000.

Title companies are allowed to purchase copies of recorded documents from the Recorder at a cost of either \$.15 per copy or \$1 per page, depending on the customer and the volume of copies purchased. The county purchased software and equipment in 2003 and began scanning recorded documents into the computer and indexing them. Similar equipment and software was purchased again by the former Recorder in May 2005, at a cost of over \$3,000, but was delivered to a local title company and apparently installed on their computers. This title company reimbursed the county, but not until September 2005, almost four months later and no sales tax was paid. According to the county's computer consultant, the former Recorder verbally authorized him to download all recorded documents that were indexed by the county from 1991 to May 2005 onto the computer of this title company. The current Recorder determined this download consisted of approximately 503,000 pages, but there was no evidence that any payment was made to the county for these downloaded documents.

There is no documentation that two other title companies in the area that do significant business in the Recorder's office were offered the opportunity to purchase similar equipment through the county or the indexed documents. However, both of these companies indicated they have been making and paying for copies of all documents for many years, at \$.15 per copy or approximately \$6,000 per year, and continue to do so. The title company that purchased the index system and indexed documents currently only purchases copies of certain documents, but is not receiving current downloads of records. Even had the lower price of \$.15 per page been used to calculate the cost, the county would have been paid approximately \$75,000 for the downloaded documents.

Circumstances surrounding these mid 2005 transactions appear questionable. Given that the county purchased equipment and software for a private company tax free and was not reimbursed for several months, that these transactions occurred shortly before the former Recorder resigned her office, and that other title companies were apparently not offered the same opportunity raises questions about the whole situation.

These actions do not appear to be consistent with past sales to local title companies and did not maximize revenues to the county. To ensure consistent treatment to all title companies, the current Recorder and County Commission should develop written procedures dictating how copies of document will be sold and the amount that will be charged.

<u>WE RECOMMEND</u> the Recorder ensure the sale of computerized copies of documents are consistently handled and refrain from purchasing equipment and software for private

companies in the future. In addition, the County Commission should review this situation with the Prosecuting Attorney and determine any action to be taken.

AUDITTEE'S RESPONSE

The County Commission, Prosecuting Attorney, and former Recorder's response is shown after finding number 1.

The current Recorder responded:

The current Recorder has ensured the sale of document copies is consistently handled, and will not purchase equipment and/or software for private companies.

3. Accounting Controls

The former Recorder did not deposit/transmit receipts intact on a timely basis and did not reconcile the composition of receipts to deposits or transmittals. Numerous personal checks or loan checks of the former Recorder were included in deposits/transmittals. Accounts receivable records were not adequate to monitor amounts due. Voided receipt slips were not properly defaced and maintained, and checks were not restrictively endorsed upon receipt. Numerous daily abstracts and receipt slips were not available from 2005 and 2004. Additionally, while recommendations related to controls over cash have been made for the last several years, it appears most of these recommendations were not implemented, which allowed missing money to go undetected. During the period January 1, 2005 to July 31, 2005, and years ended December 31, 2004 and 2003 the Recorder's office collected approximately \$283,500, \$502,000, and \$575,000, respectively.

A. Receipts were not deposited or transmitted intact on a timely basis and the composition of receipt slips issued was not reconciled to the composition of deposits or transmittals. Some recorded receipts were not posted to a daily abstract and transmitted and receipts were routinely held for weeks before being deposited or transmitted. The following chart shows examples of the pattern of transmittals during 2005 and 2004:

Daily abstract	Date transmitted
May 26, 2004	June 14, 2004
May 28, 2004	June 8, 2004
June 1, 2004	June 24, 2004
June 7, 2004	June 18, 2004
July 8-27, 2004	July 29, 2004
April 7, 2005	May 16, 2005
April 8, 2005	April 28, 2005
April 11, 2005	April 28, 2005
April 12, 2005	May 16, 2005
April 13, 2005	May 5, 2005

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited/transmitted intact daily. To ensure that receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of bank deposits or transmittals and the method of payment should be noted on the daily abstract.

- B. Personal checks from the former Recorder were regularly included in deposits or transmittals, and several of these checks were returned by the bank for insufficient funds (See MAR finding number1). Transmittals cannot be made intact when personal checks are cashed from receipts. Also, given the untimeliness of the transmittals, there is no assurance the cash replaced by the personal checks was even available to ever be transmitted.
- C. Accounts receivable records maintained by the Recorder for charge customers need improvement. There are approximately 50 customers allowed to charge recordings and copies in the Recorder's office. Billings are prepared monthly based on manual records of recordings and copies. Receipt slips are typically issued for payments on account, but no procedures exist to ensure all payments on account are properly recorded. An accounts receivable ledger is not maintained, which could be reconciled to the daily abstracts and the individual billing records to ensure all payments received are recorded and properly accounted for.

Adequate and complete records of accounts receivable should be prepared to monitor the total amounts due to the Recorder's office and also to review collection activities.

- D. Voided receipt slips are not always retained. Additionally, some carbon copies of receipt slips were voided or the amount paid was changed in ink, indicating the receipt slip was altered after the original copy was issued. No documentation to support these changes was maintained. Voided receipt slips should be properly defaced and maintained.
- E. Checks and money orders are not restrictively endorsed immediately upon receipt. Checks and money orders are endorsed when the transmittal is prepared. To

adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

F. Numerous financial records are missing from the Recorder's office. Over 40 daily abstracts and receipt books for over 60 days from 2004 were missing and have not been located. Collections totaled over \$140,000 for days where abstracts are missing during 2004, which represents over 25% of total collections for that year. There are also a few daily abstracts and receipt slips for several days missing for 2005. Given the decrease in receipts for 2004, there is no assurance all monies have been properly recorded and transmitted.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

G. Recommendations made by the county's independent auditor related to internal control weaknesses and irregularities in the Recorder's office date back to at least the 2002 audit. A material weakness over internal controls in the Recorder's office was cited in both the 2004 and 2003 county audit reports. The county's independent auditor made recommendations in the 2003 management letter related to depositing fees intact on a timely basis, submitting monthly bank reconciliations and reports to the county auditor timely, and other irregularities noted during her review of certain deposits.

The 2004 management letter indicates that procedures recommended the previous year were not followed. Receipts were not transmitted to the County Treasurer daily and a complete copy of the daily abstract was not submitted with the receipts. As a result, the County Treasurer could not ensure all monies received were recorded and processed intact. Additionally, monthly reports were also not filed with the County Auditor timely. Had more action and follow up been taken by the various county officials involved in processing Recorder funds, these other audit concerns may have been resolved.

WE RECOMMEND the Recorder:

- A. Deposit/transmit all monies received intact daily and reconcile the composition of receipt slips issued to the composition of deposits/transmittals. In addition, the method of payment should be noted on the daily abstract.
- B. Continue to ensure personal checks are not cashed from receipts.
- C. Maintain accurate and complete accounts receivable records for amounts due the Recorder's office.
- D. Ensure voided receipt slips are properly defaced and maintained.

- E. Restrictively endorse checks and money orders immediately upon receipt.
- F. Retain financial records in a secure location to prevent misplacement or loss.
- G. The County Auditor and County Treasurer review past recommendations made by the county's independent auditor and take steps to implement those recommendations.

AUDITTEE'S RESPONSE

The former Recorder's response is shown after finding number 1.

The current Recorder responded:

- A. Receipts and monies received are reconciled daily for composition. The daily abstract is reconciled to the receipts/monies received. All monies received are transmitted daily to the Treasurer along with a complete copy of the daily abstract. The Auditor receives a copy of all receipts slips and a complete copy of the daily abstract. In addition, receipt numbers are included on the daily abstracts to easily allow for determining payment method.
- B. This recommendation was immediately implemented upon the current Recorder taking office. Personal checks are no longer permitted to be cashed from daily receipts.
- C. The current Recorder and her staff have worked diligently to implement improvements to maintain accurate and complete accounts receivable records. Additional improvements will be made once current software is updated, supplemented or replaced.
- D. Voided receipt slips are properly defaced and maintained. This recommendation was implemented upon the current Recorder taking office on August 17, 2005.
- E. The current Recorder purchased a stamp endorsing checks on November 8, 2005. All checks and money orders are immediately endorsed upon receipt. This recommendation has been implemented.
- F. This recommendation was immediately implemented. All financial records, receipt books, daily abstracts, daily & monthly reports, copies of Treasurer's receipts and other necessary documents are kept in a secure, safe and organized location.

The County Auditor responded:

G. I concur with this recommendation. These steps were implemented prior to this audit.

The County Treasurer responded:

G. I concur and will implement the requested procedures.

Some expenditures from the Recorder User Fee Fund appear questionable, including legal fees and employee gifts. In addition, supporting documentation was not available for some purchases and contracts were not entered into or retained for some services received

Total receipts during 2004 and 2003 of the Recorder User Fee Fund were approximately \$41,000 and \$55,000, respectively and include the recorder technology fees, which are accounted for within this fund. The fund is maintained by the County Treasurer and purchases are authorized by the Recorder. Checks are written by either the County Auditor and are reviewed and approved by the County Commission, or by the County Treasurer, without review and approval by the County Commission. It is unclear why some payments from the Recorder User Fee Fund are handled through the normal county disbursement process and others are not.

A. Questionable expenditures have been made from the Recorder User Fee Fund. During 2005 and 2004, the former Recorder authorized payments for attorney fees totaling \$18,236 and \$4,088, respectively related to a lawsuit filed by the former Recorder and County Auditor against the county related to employees salaries. Approximately \$13,000 of the payments made in 2005 was apparently a retainer for the attorney for representation on appeal, however, it is unclear whether this amount has been earned. (The county was represented by the Prosecuting Attorney in the lawsuit). The former Recorder did not solicit proposals for these attorney services and these payments were made by the County Treasurer, rather than the County Auditor.

In addition, the former Recorder purchased two decorative water fountains and three hanging baskets, totaling \$356, as gifts for employees.

Section 59.319, RSMo, allows expenditures from the Recorder User Fee Fund for record storage, microfilming, and preservation of documents related to the Recorder's office. It is unclear how these expenditures related to the preservation of records.

B. Supporting documentation was not available for some purchases made from the Recorder User Fee Fund. For example, payments for archiving of records (\$5,500) and attorney fees (\$1,750) were made without adequate supporting documentation. The documentation provided for these expenditures was a handwritten voucher with a general description of the work performed. The voucher provided no detail of the work performed or the services provided, the dates the work was performed, or the amount of time spent. The County Auditor was able to provide a copy of the vendor invoice for the \$1,750 attorney fees payment upon our request, however, there is no evidence this had been reviewed

by the County Treasurer before payment. In addition, receipt of goods and/or services was not always noted on the invoices.

All expenditures should be supported by paid receipts or vendor-provided invoices. In addition, the county should require acknowledgment of receipt of goods and/ or services prior to payment. Such documentation is necessary to ensure the purchase is a proper disbursement of the Recorder User Fee Fund.

C. The former Recorder did not enter into written contracts or retain contracts for some services received. An individual was paid \$5,500 in 2004 for archiving records without a contract. Additionally, the current Recorder was unable to locate a maintenance contract for some computer equipment and software, which was apparently entered into by the former Recorder. A copy of the contract was eventually obtained from the vendor. Without contracts there is no evidence of what all services were performed or how the individual was compensated. Contracts should set forth the work to be performed and the compensation to be paid, at a minimum, to help ensure the county is receiving the services being paid for.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such expenditures.

WE RECOMMEND the Recorder:

- A. Ensure expenditures made from the Recorder User Fee Fund are proper and determine if any of the retainer is due back to the county. In addition, solicit proposals for allowable services obtained in the future.
- B. Ensure adequate supporting documentation is obtained to support all expenditures and require acknowledgment of receipt of goods and/or services prior to payment.
- C. Ensure formal written contracts are entered into for all services obtained and retain copies of all written contracts.

AUDITEE'S RESPONSE

The former Recorder's response is shown after finding number 1.

The current Recorder responded:

A. Immediately upon taking office the current Recorder took action to ensure all expenditures made from the Recorder User Fee Fund were proper. This recommendation has been implemented. The current Recorder will cooperate and assist the county to recover any inappropriate expenditures.

- B. The procedure of ensuring adequate supporting documentation is obtained to support all expenditures and requiring acknowledgement of receipt of goods or services prior to payment has been implemented.
- C. Upon taking office, the current Recorder immediately began contacting suppliers for copies of agreements. This recommendation has been implemented.