



**Susan Montee, JD, CPA**  
Missouri State Auditor

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# McDonald County

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October 2009  
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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

October 2009

The following findings were included in our audit report of McDonald County.

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The Emergency 911 Board did not follow the advice of legal counsel and entered into loans totaling \$1.5 million with a local bank to finance construction of the Emergency 911 facility and to purchase equipment. In addition, the Board did not document its evaluation of the financing arrangements, funds available, and interest costs associated with the loans. A number of transactions and decisions involving board members appear to be conflicts of interest and the board does not have a formal code of conduct policy. Improvement is needed over disbursement and payroll policies and procedures. The Board did not always ensure compliance with the Sunshine Law.

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office. As a result of the significant control weaknesses identified, there is no assurance all receipts were deposited and accounted for properly. Accounting duties are not adequately segregated, there was no independent approval to support adjustments posted to the accounting system, and adequate documentation of such adjustments was not retained. Receipt slips were not issued for some monies received, and some receipts were not recorded in the electronic accounting system when received. In addition, monies received are not always deposited intact or in a timely manner. The Prosecuting Attorney's office did not always document the individual receipts that comprised deposits. Bank reconciliations were not prepared by the former office manager for three bank accounts maintained during the period January 2007 to September 2008, liabilities related to the Prosecuting Attorney's four bank accounts are not identified at month end, and consequently liabilities are not reconciled with cash balances. Procedures have not been established to ensure charges are filed with the court for unresolved bad check complaints on a timely basis, and bad check fees were not always disbursed to the County Treasurer in a timely manner. Further, various accounting records could not be located.

The former Sheriff used accountable fees of \$12,831 to pay himself for mileage, and documentation of actual miles driven to serve papers was not maintained. Several concerns were identified related to a Drug Abuse Resistance Education (DARE) bank account maintained by a Sheriff's deputy. There is no statutory authority allowing the Sheriff or his deputies to hold this account outside the county treasury, receipt slips or other records of donations received are not maintained, monthly bank reconciliations are not prepared, the check book register balance is not accurate, and adequate supporting documentation for some disbursements was not retained. Accounting duties in the Sheriff's office are not adequately segregated, and controls and procedures over seized property need improvement.

YELLOW SHEET

The county did not utilize a competitive procurement process when making purchases or obtaining professional services. The county purchased real estate without obtaining an independent appraisal of the property, estimating the costs to demolish and dispose of the house on the property, or requiring an inspection of the property to be performed as part of the real estate contract. Controls and procedures over fuel usage need improvement, and written agreements were not always entered into or signed by all parties.

The County Clerk and County Treasurer do not adequately reconcile their accounting records and discrepancies were noted in actual amounts presented in the county's budget documents. In addition, improvement is needed in the procedures over transfers of monies between county funds.

Timesheets and records of compensatory, vacation, and sick leave for Sheriff's office employees are not filed with the County Clerk until the end of the calendar year, and the Sheriff's office personnel could not demonstrate how compensatory time and leave earned and taken was calculated or how the activity reported on timesheets related to the balances reported. An adequate review of employee timesheets and leave records was not always performed by the County Clerk's office or by the employees' supervisory official, and several discrepancies were noted between the amount of leave taken as recorded on timesheets and the related leave records. In addition, timesheets are not always signed by the employee and supervisor, and the county allows employees to accrue overtime and leave in violation of its own policy.

Improvement is needed in the county's procedures and documentation related to both closed and regular meeting minutes. In addition, county business was sometimes conducted without a quorum of the Commissioners.

Access to assessment data in the property tax system is not adequately restricted, and the County Clerk and County Commission are not performing sufficient reviews of property tax system information and County Collector's monthly and annual reports.

The County Collector's annual settlements were not accurate or complete, and accounting duties are not adequately segregated.

Other findings in the audit report relate to Capital Asset Records and Procedures, Circuit Clerk Controls, Public Administrator Controls and Procedures, and Recorder of Deeds Controls and Procedures.

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MCDONALD COUNTY

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of McDonald County

We have audited certain operations of McDonald County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of McDonald County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. 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 revenues and expenditures.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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. 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 History, 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.

The accompanying Management Advisory Report presents our findings arising from our audit of McDonald County.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



MCDONALD COUNTY  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Emergency 911 Board</b>
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Concerns were noted with loans entered into by the Emergency 911 Board and the lack of planning regarding the significant debt incurred. In addition, a number of transactions and decisions involving board members appear to be conflicts of interest. Improvement is needed over disbursement and payroll policies and procedures, and the Board did not always ensure compliance with the Sunshine Law.

- A. The Board did not follow the advice of legal counsel and entered into loans with a local bank. In June 2008, the Board's legal counsel advised the Board to enter into a lease purchase agreement (to finance the construction of the Emergency 911 facility and to purchase equipment) due to concerns raised over the constitutionality of a bank loan. However, in July and September 2008, the Board entered into two loan agreements with a local bank for \$500,000 and \$1 million with maturity dates of July 2013 and March 2023 to purchase equipment and construct the Emergency 911 facility, respectively. In addition, the Board did not document its evaluation of the financing arrangements, funds available, and interest costs associated with the loans.

The loans do not contain provisions allowing the Board to cancel the agreements due to lack of appropriations or other reasons. Without this type of option, the Board appears to have entered into long term debt arrangements. The Emergency 911 facility cost over \$2 million to construct. The 2008 revenues totaled \$1,190,473 and the balance of the Emergency 911 Fund was \$341,214 as of December 31, 2008.

The opinion obtained from the Board's legal counsel indicated these agreements "would violate the Missouri Constitution, Article VI, Section 26(a). . . ." Further, when undertaking such a significant capital improvement project, it is imperative the Board carefully assess its needs as compared to the available funds and proposed funding sources. Such an assessment should be adequately documented and conveyed to the public.

- B. A number of transactions and decisions involving board members appear to be conflicts of interest, and the Board does not have a formal code of conduct policy.
- In February 2008, Board Member Ted Huston voted to accept bids for construction of the new Emergency 911 facility which included a bid from his personal business for backhoe services. Board Member Richard Huston, brother of Ted Huston, also voted to accept the bid and sometimes voted to approve payments to his brother's business related to this bid. Ted Huston's

business was paid \$21,580 for the year ended December 31, 2008, for backhoe services.

- The Board paid a business owned by Board Member Miller \$4,206 and \$3,040 for the years ended December 31, 2008 and 2007, respectively, for sign installation without solicitation of bids.
- In January 2007, Board Member Amos voted to approve a 3 percent salary increase to all employees including his mother.
- Board Member Evenson regularly voted to approve payments to his father's law firm as part of approving bills at monthly meetings. The Emergency 911 Board paid a total of \$990 to this firm for the year ended December 31, 2007.

Personal interests in business matters of the Board could create the appearance of conflicts of interests, particularly when officials do not abstain from involvement in decisions which relate to themselves or relatives. In addition, Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the Board and elected or appointed officials or employees which involve more than \$5,000 per year or \$500 per transaction unless there has been public notice to solicit proposals and competitive bidding, provided the bid or offer accepted is the lowest received. The establishment of a policy which addresses these types of situations and provides a code of conduct for officials and employees would provide greater assurance to the public regarding propriety of transactions and compliance with state law.

- C. The Board did not solicit bids or document reasons for its selection process for some items, and did not solicit proposals for professional services.

The Board did not solicit bids for radios costing \$164,675 and a radio tower costing \$51,614. The Board approved a written proposal for the radio tower (without soliciting bids) in September 2006, but later documented it as an emergency purchase after receiving a citizen complaint in January 2007. In addition, the radio tower was not completed until May 2007.

In addition, the Board did not always document its reasons for accepting bids other than the lowest. Examples include asphalt paving costing \$16,449 which was \$1,096 more than the low bid, and flooring costing \$15,000 which was \$480 more than the low bid.

Also, the Board has not adequately solicited proposals for various professional services. The Board has contracted for audit services with the same independent auditor for several years without conducting a competitive selection process. The Board paid approximately \$3,900 annually for audit services during 2007 and 2006. In addition, the Board only solicited proposals for engineering services

from two firms for construction of the Emergency 911 facility. Payments to the selected engineering firm totaled \$15,054 during 2007.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in Board business. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating engineering services; and requires at least three proposals be considered. Soliciting competitive proposals for professional services is a good business practice and allows the Board a better informed decision to ensure services are obtained from the best qualified provider, taking expertise, experience, and cost into consideration. Documentation of the various bids or proposals received, and the Board's selection process and criteria (including sole source procurement or emergency purchases) should be retained to demonstrate compliance with state law and support decisions made.

- D. Duties are not adequately segregated to provide the necessary internal controls over payroll functions. The Emergency 911 bookkeeper handles payroll duties including preparation, record keeping, issuing checks and authorizing direct deposits, and distributing employee W-2 forms. While the Emergency 911 Director and the former Board President indicated they reviewed various payroll records, their review was not documented.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If segregation of duties is not possible, comparisons of the payroll disbursements to the payroll register and employee timesheets by an independent individual or supervisor would help minimize the risk of loss, theft, or misuse of funds.

- E. Timesheets and leave records are not prepared by the Director, bookkeeper, and operations manager. In addition, employee timesheets are not always signed by the employee and their supervisor. Records of actual time worked and related leave records should be prepared for all employees to document work performed and support payroll disbursements. In addition, timesheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.
- F. The capital asset records of the Emergency 911 Board did not include the new Emergency 911 facility and equipment constructed and purchased in 2008, which are insured at over \$2.4 million and \$570,000, respectively. Adequate capital asset records are necessary to safeguard assets.
- G. The Board's closed meeting minutes did not provide sufficient details to show how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. These topics included purchasing paper, radio tower

and frequency problems, and general 911 operational guidelines. In addition, the August 16, 2006, open meeting minutes indicate a motion was made and approved during the closed portion of the meeting regarding operational guidelines and persons in charge; however, the corresponding closed meeting minutes do not document a motion was made or votes were cast.

Section 610.021, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Section 610.015, RSMo, requires all votes to be recorded and any votes taken during a closed meeting to be taken by a roll call.

**WE RECOMMEND** the Board:

- A. Ensure its indebtedness is in compliance with the Missouri Constitution and state law, and in the future, adequately document its evaluation of financing arrangements, funds available, and interest costs.
- B. Closely examine transactions to identify and avoid apparent and actual conflicts of interests. Board members who have a conflict should fully disclose their interests and abstain from involvement on matters which involve them personally, and such matters and transactions should be completely documented. In addition, the Board should ensure strict compliance with state law when conducting official business and establish a code of conduct.
- C. Perform a competitive procurement process for all major purchases and professional services, and ensure the process is properly documented. In addition, reasons for sole source or emergency procurements should be thoroughly documented.
- D. Adequately segregate payroll duties or ensure documented independent or supervisory reviews of payroll records are performed.
- E. Require all employees to prepare timesheets and leave records, and ensure all timesheets are signed by the employee and the employee's supervisor.
- F. Ensure all property is included in the capital asset records.
- G. Ensure full compliance with statutory provisions regarding closed meetings.

**AUDITEE'S RESPONSE**

*The Emergency 911 Board provided the following written responses:*

- A. *No intention to violate law occurred. Agreements made with the first lender for a lease purchase option, as allowed and suggested by counsel, were obtained with a commitment for funds. Based on that commitment contracts were let out and work was in progress. Then, the first lender reneged on the agreement forcing us to salvage the situation and*

*fund the project. While the Board budgeted and planned costs for the upcoming year, it did not project future costs of financing.*

- B. We will adopt a code of ethics and have implemented public notices to solicit proposals and competitive bids. We believed Board Members, Ted Huston, Richard Huston, and Evensons' votes were acceptable because they voted on the entire monthly disbursement request and not specifically on one invoice. We believed Board member Amos's vote was acceptable because he voted on a pay increase for all employees and not just his mother. We believed Board member Miller's contract was acceptable because he was the only written bid in 2004 and subsequent year's totals were less than \$5,000.*
- C. We will implement better documentation of our criteria and selection process in the minutes of our meetings. The emergency referred to in the finding was declared in August 2006, but not recorded in the minutes.*
- D. This has been implemented.*
- E. This will be implemented.*
- F. We have updated and implemented a perpetual capital asset spreadsheet.*
- G. We will continue to strive to comply with all aspects of the Sunshine Law.*

<b>2. Prosecuting Attorney Controls and Procedures</b>
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Improvement is needed over various accounting controls and procedures. In addition, procedures for the timely processing and subsequent disposition of bad check complaints have not been established and bad check fees were not always disbursed to the County Treasurer in a timely manner. Further, various accounting records were not retained.

The Prosecuting Attorney's office collected court-ordered restitution, delinquent taxes, and bad check related restitution and fees totaling approximately \$250,000 and \$155,000 during the years ended December 31, 2007 and 2006, respectively.

As a result of the significant control weaknesses identified below, there is no assurance all receipts were deposited and accounted for properly.

- A. Accounting duties are not adequately segregated. The Prosecuting Attorney's former office manager was responsible for receiving, recording, depositing, and disbursing monies and reconciling the bank accounts. Currently, the receptionist receives and records monies and the bad check clerk disburses monies and reconciles the bank accounts.*

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be

improved by segregating accounting duties among available employees or by implementing a documented independent or supervisory review of records by another employee or the Prosecuting Attorney.

- B. There was no independent approval to support adjustments posted to the accounting system, and adequate documentation of such adjustments was not retained. The bad check clerk and office coordinator have the ability and authority to post adjustments to the computer system without obtaining independent approval. Eight adjustments totaling \$563 were made to the accounting system during the period December 4 through December 17, 2007.

To ensure all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for such adjustments.

- C. Receipting and depositing procedures need improvement.

- Receipt slips were not issued for some monies received.
- Receipts were not always recorded in the electronic accounting system when received. For example, two receipts totaling \$115 deposited on April 7, 2009, were not recorded in the accounting system until April 14, 2009, after other receipts were subsequently received and recorded. In another example, a \$50 receipt deposited on February 24, 2009, was not recorded in the accounting system until April 13, 2009.
- Monies received are not always deposited intact or in a timely manner. For example, \$444 in cash was received in March 2007, but was apparently not deposited until January 2008.
- The Prosecuting Attorney's office did not always document the individual receipts that comprised deposits. In addition, the Prosecuting Attorney's office accepted payments made payable to the victims, which were not deposited and were forwarded directly to the victims. The receipt slips issued for these types of payments did not always indicate the monies were received on behalf of the victim. Insufficient details in the records make identifying receipts which comprise deposits difficult.

The lack of proper receipting, depositing, and recordkeeping procedures results in less assurance of proper handling of monies collected. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received, monies should be deposited intact and timely, and receipts should be promptly recorded with sufficient details in the accounting records.

- D. Bank reconciliations were not prepared by the former office manager for three bank accounts maintained during the period January 2007 to September 2008. Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.
- E. Liabilities related to the Prosecuting Attorney's four bank accounts are not identified at month end, and consequently liabilities are not reconciled with cash balances. At our request, lists of liabilities were prepared for all four accounts and two of the bank accounts reconciled to the lists prepared. The other two bank accounts, which are no longer used to process bad check fees and restitution, had unidentified balances as follows:
- One of the bank accounts has had minimal activity since December 2007 and had a balance of \$18,109 as of April 30, 2009. None of these monies have been identified.
  - The other bank account was opened in July 2007 and has had minimal activity since December 2008 and had a balance of \$10,747 as of April 30, 2009. Of this amount, \$9,232 was unidentified.

Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances. In addition, the Prosecuting Attorney should attempt to identify the monies held in the two accounts no longer used, dispose of all unidentified monies as provided by various statutory provisions, and close the accounts.

- F. Procedures have not been established to ensure charges are filed with the court for unresolved bad check complaints on a timely basis. For example, the Prosecuting Attorney received a bad check complaint from a local merchant for a bad check written on May 15, 2007, and sent out a ten-day letter on March 5, 2008. The Prosecuting Attorney had no record of when the bad check complaint was received from the merchant. Charges were not filed with the Circuit Court until May 21, 2008, which was 6 days after the Prosecuting Attorney lost the authority to prosecute the bad check because the statute of limitations for prosecution had expired.

By filing charges with the court in an untimely manner, the Prosecuting Attorney may limit her ability to collect bad checks for merchants. In addition, the date bad check complaints are received should be recorded to ensure timely action by the Prosecuting Attorney's office.

- G. Bad check fees were not always disbursed to the County Treasurer in a timely manner. For example, bad check fees totaling \$1,811 collected in August 2007 were not disbursed until October 22, 2007. In another example, bad check fees totaling \$8,155 collected in June and July 2006, were not disbursed until September 21, 2006. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the County Treasurer monthly. It also indicates officials are liable for monies collected but not accounted for and paid into the county treasury as required.
- H. Various records pertaining to the 2 years ended December 31, 2007, could not be located. Missing records included receipt records, bank statements, deposit slips, check stubs, check registers, and bad check complaint forms. Further, copies of bad checks received from victims were not always retained. Record retention is necessary to ensure the validity of transactions and provide an audit trail.

Conditions similar to A, C, D, and E were noted in our prior report.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure documented independent or supervisory reviews of the accounting records are performed.
- B. Require someone independent of the accounting system to review and approve all adjustments and ensure adequate documentation is retained to support such adjustments.
- C. Ensure receipt slips are issued for all monies received, monies are recorded promptly, and proper details are provided in the records. In addition, the Prosecuting Attorney should ensure monies are deposited timely and intact, and comparisons of receipt records to deposits are performed.
- D. Ensure monthly bank reconciliations are performed, and any differences between the accounting records and reconciliations are investigated and resolved.
- E. Identify month-end liabilities and reconcile to the reconciled bank balances. In addition, the Prosecuting Attorney should identify the monies held in the two bank accounts no longer used, dispose of all unidentified monies as provided by various statutory provisions, and close the accounts.
- F. Establish procedures to ensure proper follow-up on ten-day letters and timely filing of charges with the court when appropriate. In addition, the Prosecuting Attorney should ensure the date bad check complaints are received is recorded.
- G. Disburse all fees monthly to the County Treasurer.



- H. Ensure all accounting records are retained.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney provided the following written responses:*

- A. *The Prosecuting Attorney's office budget has been cut \$152,000 since January 1, 2007, and the budget cuts have negatively affected the number of staff in the office. However, we have implemented procedures to segregate duties to the extent possible. The supervisor now reviews all records on a monthly basis.*
- B. *This will be implemented.*
- C,D,  
G&H. *These have already been implemented.*
- E. *Monthly reconciliations are being performed as recommended. The office has been unable to identify the monies in the account from the previous administration, and those monies will need to be disposed of as provided by law. Identification of the monies in the other account is also under investigation, and the recommendation will be followed.*
- F. *The policy of the office has always been to file stamp the complaints when received, and the office has strengthened its policies. We have already implemented the recommendation. Further, the individual responsible for the problem cited in the finding is no longer working in this office.*

<b>3. Sheriff Controls and Procedures</b>
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The former Sheriff paid himself mileage reimbursements from accountable fees, and documentation was not adequate nor were the reimbursements properly approved. In addition, accounting controls and procedures pertaining to monies and seized property, handled by the Sheriff's office, need improvement.

The Sheriff's office collected civil and criminal process fees and cash bonds during the years ended December 31, 2007 and 2006, totaling approximately \$130,000 and \$190,000, respectively.

- A. The former Sheriff used accountable fees of \$12,831 to pay himself for mileage to serve papers during the 2 years ended December 31, 2007, and as a result, these disbursements were not approved by the County Commission. In addition, documentation of actual miles driven to serve papers was not maintained by the former Sheriff.

The former Sheriff used a mileage rate schedule by location to determine the amount to claim for reimbursement. However, we noted during a review of

papers served during August 2007, the former Sheriff claimed mileage for "rural Pineville" (or \$13.50 in mileage) in two instances when the address of the paper service was within one mile of the Sheriff's office.

Section, 50.370, RSMo, requires county officials to turn over all fees to the county treasurer monthly. There is no statutory authority for the Sheriff to retain such monies outside the county treasury.

In addition, Section 57.430, RSMo, requires the Sheriff to file accurate and itemized mileage statements showing in detail the miles traveled, the date of the trip, the nature of the business engaged in during each trip, and the places to and from which the Sheriff has traveled, when he is driving a personal vehicle. To ensure mileage reimbursements are reasonable and represent valid disbursements, payments should be made only for actual mileage incurred and documented. Further, Internal Revenue Service (IRS) regulations require expenses not properly accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. As a result of the former Sheriff not accounting for actual miles driven, the reimbursements may need to be considered as gross income.

- B. Several concerns were identified related to a Drug Abuse Resistance Education (DARE) bank account maintained by a Sheriff's deputy. Receipts and disbursements totaling approximately \$11,000 during 2006 and 2007 were processed through this bank account.

There is no statutory authority allowing the Sheriff or his deputies to hold this account outside the county treasury. In addition, receipt slips or other records of donations received are not maintained, monthly bank reconciliations are not prepared, and the check book register balance is not accurate. Adequate supporting documentation for some disbursements was not retained. For example, documentation was not retained for five payments totaling \$640, which the DARE officer indicated were for pizza for DARE graduations, a disc jockey for a DARE dance, and flowers for officers in the hospital.

Attorney General's Opinion No. 45-92 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. In addition, a record of all donations should be maintained to establish an adequate audit trail and reduce the possibility of loss, theft, or misuse of funds going undetected. Also, timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. Further, all disbursements should be supported by a vendor invoice to ensure the obligation was valid and an appropriate use of public funds.

- C. The duties of receiving, recording, depositing, and disbursing monies and reconciling the bank accounts are not adequately segregated. The Sheriff's office

has two administrative assistants who each perform these duties; however, the duties are not adequately segregated to prohibit either of them from performing incompatible duties. While the former Sheriff indicated he reviewed monthly bank reconciliations, his review was not documented.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented supervisory review of records by the Sheriff.

D. Controls and procedures over seized property need improvement. The Sheriff routinely seizes property to be used as evidence for cases. The following concerns were identified related to seized property:

- A complete and accurate list of seized property is not maintained and periodic inventories of property on hand are not conducted. While manual and computerized lists of seized property are maintained, the lists are not complete or accurate. For example, the manual list of seized property indicated a sword should be on hand; however, it was not located in the seized property room. In another example, a leather coat selected for review from the seized property room was not included on the computerized system. Also, the manual list typically only included the date and description of the item seized, and the computerized records did not always document where seized property was stored, the tag number assigned, or disposition.
- Seized property items are not always tagged to identify the property to a specific case. For example, an electric guitar selected for review from the seized property room was not tagged to identify it to a specific case.
- Several items in the evidence room have been held for an unnecessarily long period of time. For example, a gun, which was ordered to be disposed of two years ago was still on hand.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly.

Further, Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper use or access.

Conditions similar to A, C, and D were noted in our prior report.

**WE RECOMMEND** the Sheriff:

- A. Turn over all fees to the County Treasurer on a monthly basis as required by state law. In addition, the County Commission should require the submission of detailed and accurate mileage claims by the Sheriff and review the claims for reasonableness prior to making reimbursement. Any undocumented claims should be reported as gross income.
- B. Turn over custody of the DARE Bank Account to the County Treasurer. In addition, the Sheriff should ensure receipt slips or other records of donations received are maintained and adequate supporting documentation of disbursements is retained.
- C. Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.
- D. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, the Sheriff should perform a periodic inventory, compare it to the inventory list, and investigate any differences. All seized property should be properly tagged to identify the property to a specific case. Further, the Sheriff should make timely and appropriate dispositions of seized property.

**AUDITEE'S RESPONSE**

*The County Commission provided the following written response:*

- A. *We will again request compliance to this recommendation from the Sheriff's office. We have limited control over other offices and elected officials.*

*The current Sheriff who took office in January 2009, provided the following written responses:*

- A. *A deputy now serves papers in a county car and the Sheriff's mileage will be based on actual miles driven. All fees will be turned over to the County Treasurer on a monthly basis.*
- B. *In the near future, we plan to form a not for profit (NFP) to separately account for the DARE program.*
- C. *Currently, the Sheriff documents his review of the bank reconciliations.*

D. *All seized property will be tagged with pertinent information, an inventory list will be maintained, and inventory will be disposed of in a timely manner.*

**AUDITOR'S COMMENT**

B. Many counties administer DARE monies through the county treasury, and forming an NFP seems unnecessary. However; if an NFP is formed, the Sheriff should ensure it is properly established and administered in accordance with state law including reporting requirements.

<b>4.</b>	<b>County Disbursements</b>
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The county did not utilize a competitive procurement process when making purchases or obtaining professional services, and all pertinent factors were not considered when making a real estate purchase. In addition, controls and procedures over fuel usage need improvement. Also, written agreements were not always entered into or signed by all parties as appropriate.

A. The county did not always solicit bids, advertise for bids as required, document sole source procurement situations, or retain sufficient bid documentation. Examples include the following:

Item or Service	Cost
2 road department trucks	\$ 229,205
Track hoe	142,836
7 Patrol vehicles	124,922
Election equipment	100,700
2 mowers	58,900
Tractor	40,868
Utility truck	37,957
Wood chipper	29,580
Truck	25,836
Property tax system computer software and service	40,507

Commission minutes indicated most of the road and bridge equipment and patrol vehicles were purchased utilizing state bids. However, the commissioners indicated they simply asked vendors to give them state bid prices and had no documentation to show if such prices were in fact received or if these items were available on state contract. This was noted during 2006, 2007, and 2008.

The cost of the utility truck for \$37,957 noted above included \$957 in travel expenses to Denver, Colorado to purchase the truck. The county did not advertise for bids and the only documentation retained of price comparisons for this purchase was advertisements from a trade publication which included trucks for \$20,000 and \$22,000.

In addition, in October 2007 County Commission minutes indicated the tire supplier could not provide tires at the original bid price; therefore, an emergency purchase of tires would be made without soliciting for bids. However, it was not until March 2008 that the Commission approved an emergency purchase of tires from one select vendor. As a result of the 5 month time period involved, it appears questionable whether the purchase of tires was an emergency purchase. This vendor was paid \$53,253 during the year ended December 31, 2008. Other emergency purchases were also noted which appeared questionable.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria (including sole source procurement and emergency purchases) should be retained to demonstrate compliance with state law and support decisions made.

- B. In February 2007, the county purchased real estate for \$24,839 without obtaining an independent appraisal of the property, estimating the costs to demolish and dispose of the house on the property, or requiring an inspection of the property to be performed as part of the real estate contract. The county subsequently paid an additional \$12,204 for the contents, asbestos inspection and removal, and demolition and disposal of the house. According to County Assessor's office records, the value of the property was \$23,610. The property is being used to expand the county health department.

While the County Commission believes the amount paid was reasonable, a written appraisal from an independent appraisal company should have been obtained prior to the purchase and used to provide the basis for negotiations. In addition, estimated costs to demolish and dispose of the house should have been considered by the County Commission in its decision making process and an inspection of the property should have been required as part of the real estate contract. This would have helped to better ensure the amount paid was reasonable and additional costs incurred to dispose of the property were minimized.

- C. Several concerns were identified related to fuel usage. The county's accounting records indicate fuel costing approximately \$220,000 and \$135,000 was purchased for the road and bridge department and Sheriff's office, respectively, during the 2 years ended December 31, 2007. Fuel costs for the road and bridge department increased approximately \$193,000 during the year ended December 31, 2008. Fuel purchases represent significant costs and the need for proper monitoring is essential. The following concerns were identified related to fuel usage and vehicle needs:

- Fuel and usage logs are not maintained for the road and bridge department's equipment and vehicles. As a result, fuel use is not reconciled to fuel purchases. The county has two bulk diesel fuel tanks located at the road and bridge department building and seven bulk diesel fuel tanks located at employee residences. These fuel tanks are not metered and, as a result, the amount of fuel pumped by each employee is not tracked. Unleaded fuel is purchased at local gas stations.

Fuel and usage logs are necessary to document the appropriate use of equipment and vehicles and to also support fuel charges. The logs should include the date, driver, purpose, and destination of each trip; daily beginning and ending odometer or hour readings for vehicles and equipment; and the amount of fuel pumped. The logs should then be reconciled to fuel purchases. Additionally, in order to prepare fuel logs, fuel tanks should be metered to track fuel usage. Failure to document and monitor fuel usage could result in loss, theft, and misuse going undetected.

- Sheriff's office fuel is purchased at local gas stations. Fuel billings for two Sheriff's office vehicles were reviewed and it was determined that a vehicle log is not maintained for one of the vehicles and the vehicle log information for the other vehicle was not reviewed or compared to fuel purchases. Sheriff's department personnel indicated they did not know for which vehicles logs are maintained and there is no procedure in place for periodic review of the logs. Without adequate vehicle logs, the county cannot effectively monitor vehicles are used for official business only, fuel costs for vehicles are reasonable, and billings to the county represent legitimate and appropriate charges. Effective monitoring procedures, which include reviews of vehicle logs and comparison of log information to fuel purchases and maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel going undetected.
- The Sheriff's office has three older vehicles which are not assigned to an officer and are used as spare vehicles to transport prisoners by reserve deputies. Two of the three vehicles were only driven 6,432 and 10,180 miles during 2008. To ensure the county does not maintain unnecessary vehicles, the County Commission should review vehicle needs.

D. The county did not always enter into formal written agreements signed by all parties defining services to be provided and benefits to be received.

- The county does not have a contract with the computer software vendor which provides ongoing maintenance and assistance for the property tax system. The county paid the vendor \$40,507 during the 2 years ended December 31, 2007 for these services.

- While the Prosecuting Attorney drafted and signed a written agreement for attorney services with a local law firm in December 2007, the agreement was not signed by the local law firm. Further, the agreement provides for the county to pay the law firm \$2,500 per month for 20 hours per week of attorney services; however, documentation of time worked or services provided is not obtained from the law firm.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Adequate supporting documentation of time worked or services provided should be obtained to support the disbursement of county funds.

Conditions similar to A, C, and D were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Perform a competitive procurement process when making major purchases or obtaining professional services and maintain documentation of decisions made.
- B. Ensure independent appraisals are obtained and associated costs considered for all future real estate purchases.
- C. Require fuel logs be maintained for all county owned vehicles, equipment, and road and bridge department bulk fuel tanks; fuel logs be reconciled to fuel purchases; and fuel tanks be metered. Periodic reviews should be performed to ensure the reasonableness of fuel purchases and usage, and all reviews and reconciliations should be documented. In addition, the County Commission should periodically consider if there is a need for each vehicle.
- D. Enter into written agreements, signed by all parties, that clearly detail the services to be performed and compensation to be paid or benefits received. In addition, the County Commission should require documentation of time spent for services provided by the local law firm.

**AUDITEE'S RESPONSE**

*The County Commission provided the following written responses:*

- A. *We will continue to use competitive procurement, but will better document the results as recommended.*
- B. *We have implemented this recommendation.*



C&D. *These recommendations will be implemented.*

<b>5. County Financial Records, Procedures, and Budgetary Practices</b>
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The County Clerk and County Treasurer do not adequately reconcile their accounting records and discrepancies were noted in actual amounts presented in the county's budget documents. Improvement is needed in the procedures over transfers of monies between funds.

- A. The County Clerk and County Treasurer do not adequately reconcile their accounting records. As a result, as of December 31, 2007, an unidentified balance of \$13,635 was reported on the County Treasurer's semi-annual settlement. Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check and balance system required by state law, ensure errors and omissions are detected on a timely basis, and provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile accounting records.
  
- B. Actual receipts and disbursements for the year ended December 31, 2006, were reported differently on the 2007 and 2008 budgets as follows:

Fund	2008 Budget	2007 Budget	Difference
General Revenue Fund-Receipts	\$ 1,638,928	1,643,716	(4,788)
Road and Bridge Fund-Receipts	2,163,891	2,301,701	(137,810)
Election Service Fund-Disbursements	105,949	96,651	(9,298)
General Revenue Fund-Disbursements	1,646,178	1,656,237	(10,059)
Prosecuting Attorney Bad Check Fund-Disbursements	18,675	27,077	(8,402)

For the budget documents to be of maximum assistance to the county, to adequately inform county residents of the county's operations and current financial position, and to increase the effectiveness of the budget as a management tool, the amounts reported on the budgets should be accurate and consistent.

- C. As noted in the county's management letter from its independent auditor dated July 25, 2008, the amount of transfers in did not always balance with the amount of transfers out on budgets prepared for the 2 years ended December 31, 2007. Additionally, court orders clearly documenting the purpose of transfers made between funds were not always prepared. To ensure the budget document is accurate, actual transfers-in and out should balance, and court orders clearly documenting the purpose of transfers made between funds should be prepared.

A condition similar to A was noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure the accounting records of the County Clerk and County Treasurer are periodically reconciled and all reconciling items are documented and fully investigated.
- B. Ensure the budget document contains accurate and consistent information. The County Commission and County Clerk should also thoroughly review the budget document before it is finalized and filed with the State Auditor's office.
- C. Ensure court orders are prepared to authorize and document the purpose of all fund transfers, and actual transfers in and out are in balance.

**AUDITEE'S RESPONSE**

*The County Commission provided the following written responses:*

- A. *We will request the County Clerk and County Treasurer review the reconciliation process with us, so we will all be more familiar with the reconciliation of accounting records.*
- B. *We will implement this recommendation.*
- C. *The County Clerk will review the procedure with us, and we will implement this recommendation.*

<b>6. Payroll Records and Procedures</b>
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Controls and procedures related to timesheets, leave, and compensatory time are not satisfactory and do not provide sufficient monitoring of payroll disbursements.

- A. Timesheets and records of compensatory, vacation, and sick leave for Sheriff's office employees are not filed with the County Clerk until the end of the calendar year. The County Clerk prepares payroll checks from a list prepared by the Sheriff's chief deputy each month. Further, the Sheriff's office records of compensatory time and leave show month-end balances only and the office personnel could not demonstrate how compensatory time and leave earned and taken was calculated or how the activity reported on timesheets related to the balances reported at month-end.

As a result, the County Commission does not have documentation of work performed to support payroll disbursements when paid. Records of actual time worked and the related leave and compensatory time records should be filed with the County Clerk monthly and reviewed for accuracy. Records of compensatory time and leave should be improved to show amounts earned, and used to verify month-end balances.

- B. An adequate review of employee timesheets and leave records was not always performed by the County Clerk's office or by the employees' supervisory official. Several discrepancies were noted between the amount of leave taken as recorded on timesheets and the related leave records. In addition, timesheets are not always signed by the employee and supervisor.

Without an adequate review process, the county cannot ensure payroll records are in agreement, compliance with the county's personnel policy, and errors are detected and corrected timely. In addition, to document hours actually worked and substantiate payroll disbursements, timesheets should be signed by all employees and include supervisory approval.

- C. The county allows employees to accrue overtime and leave in violation of its own policy.

- Sheriff's office employees are using nonworking time (vacation, sick leave, and compensatory time taken) to calculate overtime. As a result, the county may be paying more compensatory time to the employee than required. The county's personnel policy and Fair Labor Standards Act (FLSA) indicates nonworking time (holidays, vacation, sick leave, and compensatory time taken) should not be used in the calculation of compensatory time earned.
- The county's personnel policy requires employees to exhaust accrued compensatory leave before taking any vacation leave; however, a Sheriff's office employee used 32 hours of vacation the first week of June 2007 when he had an accrued compensatory leave balance of 31¼ hours at May 31, 2007. As a result, the county may pay more compensatory time to the employee than required. In addition, the employee only had a vacation balance of 14 hours at May 31, 2007, and incurred a negative vacation leave balance.

To ensure the equitable treatment of employees, overtime and leave should be accrued in accordance with the county's personnel policy and the FLSA.

Conditions similar to A, B, and D were noted in our prior report.

**WE RECOMMEND** the County Commission and other officials:

- A. Require Sheriff's employees to file timesheets and compensatory time and leave records with the County Clerk's office monthly. In addition, compensatory time and leave records should be improved to show activity and used to verify month-end balances.
- B. Adequately review timesheets and leave records prepared for accuracy. In addition, timesheets should be signed by both the employee and the employee's supervisor.

- C. Ensure employees accrue and use compensatory time and vacation leave in accordance with the county's personnel policy and FLSA and nonworking time is not used in the calculation of overtime.

**AUDITEE'S RESPONSE**

*The County Commission provided the following written responses:*

- A. *We will again request compliance to this recommendation from the Sheriff's office. We have limited control over other offices and elected officials.*
- B. *We will implement this recommendation. We feel the majority of the timesheets are signed currently, but will again request the Sheriff's office to follow this recommendation.*
- C. *We will attempt to implement this recommendation.*

*The current Sheriff, who took office in January 2009, provided the following written responses:*

- A. *This recommendation has been implemented since January 2009.*
- C. *Nonworking time will no longer be used in the calculation of overtime and we will work with the County Clerk and County Commission to change the county policy requiring employees to exhaust accrued compensatory leave before taking any vacation leave.*

<b>7. Commission Minutes</b>
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Concerns were noted with the county's procedures and documentation related to both closed and regular meeting minutes. In addition, county business was sometimes conducted without a quorum of the Commissioners.

- A. The County Clerk does not always prepare minutes for the closed session meetings of the County Commission. Meeting minutes were not prepared for four of nine closed sessions held during the year ended December 31, 2007. In addition, open meeting minutes did not always disclose the reason for entering into closed session, and it is not evident the final dispositions of matters discussed in closed sessions are made public. Further, the county's closed meeting minutes did not provide sufficient details to show how some items discussed and votes taken in closed meetings were allowable under the Sunshine Law. For example, during the March 14, 2007, closed session meeting the County Commission discussed amendments to the employee handbook.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting and requires minutes to be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any

business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The meeting minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support decisions made.

- B. Meeting minutes did not always include sufficient detail of matters discussed. In addition, meeting minutes often indicated information related to the Commission's discussion was attached; however, the attachments were not retained. Further, meeting minutes sometimes indicated an upcoming informational meeting was to be held and the County Commission confirmed the meeting was held; however, minutes for the informational meeting were not always prepared or retained. Inadequate or unclear meeting minutes can lead to subsequent confusion as to the Commission's intentions, possible incorrect interpretation of the Commission's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions.

Complete and detailed meeting minutes provide an official record of County Commission actions and are needed to clearly document discussions and reasons supporting Commission decisions. In addition, the Sunshine Law requires minutes be kept for all meetings.

- C. County business was sometimes conducted without a quorum of the County Commission. For example, on October 11, 2007, an invoice for radio equipment costing \$24,383 was approved when only the Presiding Commissioner was present at the meeting. Further, on April 9, 2008, the County Clerk and County Treasurer met and approved the payment of bills totaling \$119,622 when all members of the County Commission were absent. The County Commission meets twice a week and spends a third day inspecting roads, and it is unclear why these decisions could not be made at the next meeting.

Section 49.070, RSMo, states, "A majority of the commissioners of the County Commission shall constitute a quorum to do business;..." In addition, Section 50,166, RSMo, requires county disbursements to be approved by the County Commission. To comply with state law and ensure disbursements are valid and proper, invoices should only be approved during a session of the County Commission attended by two or more commissioners.

A condition similar to A was noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure meeting minutes are prepared and retained for all closed meetings, only allowable topics are discussed in closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.

- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken, and minutes are maintained for all meetings.
- C. Ensure county business is conducted in compliance with the Sunshine Law and disbursements are approved by a quorum of the County Commission.

**AUDITEE'S RESPONSE**

*The County Commission provided the following written responses:*

- A. *We will review procedure and implement recommendation.*
- B. *We will continue to strive to issue complete minutes as required by statute in recording motions, votes, and pertinent information and therefore follow this recommendation.*
- C. *We will implement this recommendation whenever possible.*

<b>8. Property Tax System Controls and Procedures</b>
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Access to assessment data in the property tax system is not adequately restricted. In addition, the County Clerk and County Commission are not performing sufficient reviews of property tax system information and County Collector's monthly and annual reports.

- A. Access to assessment data in the property tax system is not adequately restricted, and a subsequent review of changes is not performed. The County Assessor annually prepares an electronic data base of property tax files and enters or updates assessed valuations. After this is completed other county officials perform various statutorily-required duties related to the county's property taxes and a report is provided to the Board of Equalization (BOE). Any changes to assessed valuation information after this point should only be made upon approval of the BOE. However, the Assessor does not have a separate working data base and can continue to make changes to the tax book master file after approval by the BOE. No subsequent review of these changes is performed. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the assessment data and disputes or questions regarding the propriety of property valuations might arise.
- B. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the Assessor. Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the 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, she should verify the accuracy and document approval of the tax book amounts to be charged to the

County Collector. Failure to do so could result in errors or irregularities going undetected.

- C. Neither the County Commission nor the County Clerk reviews the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and 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. As a result, neither the County Clerk nor the County Commission detected reporting errors in the County Collector's settlements (See Management Advisory Report finding number 10).

Section 51.150.1(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, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is 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.

Conditions similar to A and C were noted in our prior report.

**WE RECOMMEND:**

- A. The County Commission restrict access to the assessment data as appropriate and ensure any changes are fully monitored and documented.
- B. 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.
- C. The County Clerk maintain an account book with the County Collector. The County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.

**AUDITEE'S RESPONSE**

*The County Commission and County Clerk provided the following written responses:*

- A. *We will continue to supply strict security for all courthouse offices and will encourage the Assessor to continue safeguarding her office and its data. We will review changes to data.*

*B&C. We will implement these recommendations.*

*The Assessor provided the following written response:*

A. *This will be implemented.*

<b>9. Capital Asset Records and Procedures</b>
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The County Commission has designated the County Treasurer to maintain the county capital asset records. The County Treasurer's procedures to account for county property are not sufficient and capital asset records are not complete.

County capital asset records do not include the value of some county property and buildings. The county's insurance policy valued buildings not included in county capital asset records at over \$3.5 million. Additionally, the County Treasurer has no procedures in place to identify property purchases and disposals throughout the year. For example, the County Commission purchased two mowers for \$58,900 and a utility truck for \$37,000 during the year ended December 31, 2007, which had not been added to the capital asset records or included on the annual physical inventory report. While most of the county departments submitted annual physical inventory reports, these reports were not reviewed for accuracy or used to monitor property additions. The Assessor and Prosecuting Attorney offices have not prepared a physical inventory report since 2004 and 2006, respectively. Also, tags identifying property items as county property are not always assigned and affixed to the items.

Adequate capital asset records and monitoring procedures are necessary to ensure compliance with Section 49.093, RSMo, and provide adequate internal controls over county property. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

A similar condition was noted in our prior report.

**WE RECOMMEND** the County Treasurer review physical inventory reports received from each of the county departments for accuracy and utilize them to monitor property additions and dispositions. The County Commission should require the Assessor and Prosecuting Attorney to prepare annual inventory reports and submit them to the County Treasurer. In addition, property control tags should be affixed to capital assets.

**AUDITEE'S RESPONSE**

*The County Treasurer provided the following written response:*

*I will implement this recommendation.*



*The County Commission provided the following response:*

*We will attempt to implement this recommendation. We have limited control over other offices and elected officials.*

<b>10. County Collector Controls and Procedures</b>
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The County Collector's annual settlements were not accurate or complete, and accounting duties are not adequately segregated.

The County Collector's office collected property taxes totaling approximately \$15 million and \$8 million during the years ended February 28 (29), 2008 and 2007, respectively.

- A. The County Collector's annual settlements for the 2 years ended February 28 (29), 2008, were incorrect. The County Collector failed to include distributions of private car taxes collected by her office totaling \$20,552 and double counted commissions, including current and delinquent commissions remitted to the General Revenue Fund and County Employee Retirement Fund (CERF), totaling \$24,409 and \$5,820, respectively, during the year ended February 29, 2008. Charges and credits of protested taxes and interest totaling \$142,282 were incorrectly included in delinquent amounts on the annual settlement for the year ended February 29, 2008. Collections were overstated by \$143,403 on the annual settlement for the year ended February 28, 2007. Other errors in amounts reported on the annual settlements were also noted. In addition, the annual settlement for the year ended February 29, 2008, was not prepared and filed by the County Collector until August 2008.

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 on a timely basis. Section 139.160, RSMo, requires the collector to settle accounts with the County Commission by the first Monday of March.

- B. The Deputy Collector receives, records, and deposits monies, and reconciles the bank accounts. A documented supervisory review of the accounting records is not performed by the County Collector. Failure to adequately segregate accounting duties increases the risk of the loss, theft, misuse, and errors occurring and going undetected. Internal controls would be improved by segregating accounting duties or by implementing a documented supervisory review of records by the County Collector.

A condition similar to A was noted in our prior report.

**WE RECOMMEND** the County Collector:

- A. File complete and accurate annual settlements in a timely manner.
- B. Adequately segregate accounting duties or perform documented reviews of the accounting records.

**AUDITEE'S RESPONSE**

*The County Collector provided the following written responses:*

- A. *The annual settlement for the year ending February 28, 2007, was prepared before I took office; therefore, I did not make any corrections to this report. The annual settlement for the year ending February 29, 2008, has been amended and submitted to the County Clerk and State. The private car tax was added and the General Revenue Fund and Retirement Fund (CERF) commissions that were double counted in the distributions were corrected. The protested taxes will be applied in the correct place on future reports. I will be filing annual settlement reports in a complete, accurate, and timely manner in the future.*
- B. *I will reconcile bank accounts and review all accounting records. Accounting duties will be adequately segregated.*

<b>11. Circuit Clerk Controls</b>
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A deputy clerk receives, records, deposits, and disburses monies, and reconciles the bank accounts. A documented supervisory review of the accounting records is not performed by the Circuit Clerk. The courts processed civil and criminal fees, fines, and bonds totaling \$1,445,403 and \$889,033 during the years ended December 31, 2007 and 2006, respectively. Failure to adequately segregate accounting duties increases the risk of loss, theft, misuse, and errors occurring and going undetected. Internal controls would be improved by segregating accounting duties among available employees or by implementing a documented supervisory review of records by the Circuit Clerk.

**WE RECOMMEND** the Circuit Clerk adequately segregate accounting duties or ensure documented independent or supervisory reviews of the accounting records are performed.

**AUDITEE'S RESPONSE**

*The Circuit Clerk provided the following written response:*

*Currently the accounting duties are reasonably segregated. The bank account is now reconciled by a different deputy clerk. I will ensure monthly supervisory reviews of the accounting records are performed.*

For estates reviewed, fees assessed to estates were not always turned over to the county in a timely manner, client funds for an estate were not adequately monitored to maximize interest earnings, and an annual settlement of an estate was not complete and accurate nor was there proper reporting of the sale of assets. Further, accounting duties are not adequately segregated.

The Public Administrator acts as the court appointed personal representative for clients of the Probate Court. During the years ended December 31, 2007 and 2006, the Public Administrator handled approximately 80 cases. Our review of two of the larger estates identified concerns as follows.

- A. Fees assessed for one of the estates reviewed were not turned over to the county in a timely manner. Fees totaling \$2,000 (\$1,000 each year) were ordered by the Associate Circuit Judge to be paid to the county for 2004 and 2005, but were not paid by the Public Administrator until December 2006. The reason for the untimely turnover was not documented and did not appear related to a lack of funds. To ensure court orders are followed and to maximize county revenues, the Public Administrator should disburse fees timely.
- B. The Public Administrator did not adequately monitor the account balances of a client, and as a result, a significant balance was maintained in a non-interest bearing account. Interest was not earned on a client's checking account from December 2006 until September 2007. The average balance of the account for this time period was approximately \$8,000. Proper monitoring of client account balances is important to ensure interest earnings are maximized.
- C. For one of the estates reviewed, the annual settlement prepared by the Public Administrator was not complete or accurate. Personal property valued at \$76,100 reported on the February 7, 2007, annual settlement was overstated by approximately \$47,500, due in part to inclusion of over \$20,000 in property that had been sold on October 8, 2006. To ensure the financial activity of the estate is accurately reported to the court, all assets should be accurately reflected on the annual settlement. Failure to adequately review and monitor the activity of cases assigned to the Public Administrator by the Associate Circuit Court and Judge increases the risk that errors of misuse of funds could go undetected.

In addition, the Public Administrator did not file a settlement of sale with the court for the October 8, 2006, sale of property assets as required by the court. Section 473.487 RSMo, states no report or confirmation of the sale of personal property by the Public Administrator is necessary unless required by the court. However, the Associate Circuit Judge indicated the court does require a settlement of sale.

- D. The Public Administrator's assistant receives, records, deposits, and disburses monies, and reconciles the bank accounts. While the Public Administrator indicated she periodically reviews client files, accounting records, and bank reconciliations, she does not document her review. The failure to segregate accounting duties or perform documented supervisory reviews increases the risk of loss, theft, misuse, and errors going undetected. Internal controls would be improved by segregating accounting duties or by implementing a documented supervisory review of records by the Public Administrator.

**WE RECOMMEND** the Public Administrator and Associate Circuit Judge:

- A. Ensure fees are paid to the county in a timely manner.
- B. Monitor client bank balances to maximize interest earnings.
- C. Ensure annual settlements are prepared which accurately report all estate assets. In addition, the Public Administrator should file a settlement of all sales with the court as required.
- D. Adequately segregate accounting duties or perform documented supervisory reviews of the accounting records.

**AUDITEE'S RESPONSE**

*The Public Administrator provided the following written responses:*

- A. *Accounts are reviewed on a monthly basis to ensure there will be adequate funds at the end of the year when fees are paid to the county.*
- B. *All accounts have been reviewed and changed to accounts that earn interest, if the bank the account is held at offers such an account. All accounts opened from this date forward, will be interest bearing accounts.*
- C. *I have been working with the estate management computer software company to ensure the settlements are done properly, utilizing all benefits of the program and ensuring all assets are recorded, the assets are balanced out in the program and reflected on the printed settlement. All sales from this date forward will have a settlement filed with the court within 30 days of sale.*
- D. *All deposit slips are now copied before being sent to the bank and kept in a log book in the office, I will continue to review each check before it is mailed out, and I am currently doing all bank account reconciliations monthly, to provide oversight to my assistant.*

13.

**Recorder of Deeds Controls and Procedures**

The Recorder of Deeds allows two abstract companies to charge for copies and has not established procedures to bill the abstract companies each month and follow up on balances due. In addition, a company is allowed to charge when previous amounts due have not been paid. For example, in December 2008 the Recorder of Deeds billed an abstract company for amounts charged from March 2007 to December 2008 totaling \$445. As of May 5, 2009, the abstract company had still not paid the balance due. The Recorder's office sent a second bill to the abstract company in May 2009. As of May 19, 2009, the Recorder of Deeds had not billed the two abstract companies for amounts charged during the time period January through May 2009.

Routine billings and timely follow up on amounts unpaid are necessary to improve the likelihood of collections. Should companies fail to pay timely the Recorder of Deeds may want to consider other options, such as eliminating the practice of allowing companies to charge for copies.

**WE RECOMMEND** the Recorder of Deeds establish procedures to bill amounts due monthly and follow up on amounts remaining unpaid, and consider other options should companies fail to pay timely.

**AUDITEE'S RESPONSE**

*The Recorder of Deeds provided the following written response:*

*We now have a signed agreement with both title companies. I will ensure timely payment of amounts billed each month.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

MCDONALD COUNTY  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

McDonald County is a county-organized, third-class county and is part of the Fortieth Judicial Circuit. The county seat is Pineville.

McDonald 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 judicial courts, 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's population was 21,681 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 129,444,540
Personal property	238,273,451
Railroad and utility	17,562,310
Total	<u>\$ 385,280,301</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

McDonald County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ .0050	None	50	%
Road and bridge operations	.0050	None	100	
911 services	.0050	None	N/A	
Law enforcement	.0050	None	N/A	

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

Officeholder	2008	2007
County-Paid Officials:	\$	
Larry D. Jones, Presiding Commissioner		29,390
Sam Gaskill, Associate Commissioner		27,390
Gayle Brock, Associate Commissioner		27,390
Kenny Underwood, Recorder of Deeds		41,500
Barbara Williams, County Clerk		41,500
Janice Lynne Durbin, Prosecuting Attorney		51,000
Don Schlessman, Sheriff		46,000
Joye Helm, County Treasurer		41,500
William (B.J.) Goodwin, County Coroner		14,000
Donna Underwood, Public Administrator		41,500
Brenda Gordon, County Collector, year ended February 29,	41,500	
Laura Pope, County Assessor (1), year ended August 31,		42,188
James Loncarich, County Surveyor (2)		

(1) Includes \$688 annual compensation received from the state.

(2) Compensation on a fee basis.

State-Paid Officials:

Gene Hall, Circuit Clerk	51,197
John LePage, Associate Circuit Judge	101,090

The Emergency 911 Board has entered into two loan agreements for the construction of the Emergency 911 facility and equipment purchases. At December 31, 2008, the principal balance of the loans totaled \$1.5 million.