



Susan Montee, JD, CPA  
Missouri State Auditor

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# Andrew County



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## YELLOW SHEET

### Findings in the audit of Andrew County

Sheriff	Accounting controls and procedures related to monies collected and bank accounts maintained by the Sheriff's department need improvement. Receipts, including significant amounts of cash, are not deposited timely. Bank reconciliations were not performed for any of the Sheriff's three bank accounts. Unclaimed inmate monies were improperly used to make purchases. Monthly lists of liabilities are not prepared for the commissary/inmate account, and consequently, liabilities are not reconciled with cash balances.
Budget	Budget documents prepared by the County Clerk and the County Commission do not reasonably reflect anticipated disbursements and the ending cash balances of several county funds. Budgeted disbursements are significantly overestimated, and as a result, the actual ending cash balances are much higher than the projected ending balances reflected on the county's budget documents.
Property Tax System	As noted in our prior audit report, neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other record summarizing property tax transactions and changes. In addition, 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.
Policies and Procedures	The county overtime policy does not clearly state when overtime will be paid to law enforcement employees. The Road and Bridge Department does not reconcile fuel usage to fuel dispensed, and does not reconcile gallons dispensed to the gallons purchased. General revenue property tax revenues have not been sufficiently reduced by 50 percent of sales tax revenues as provided in the ballot issue passed by Andrew County voters under the provisions of state law. At December 31, 2009, excess property tax collections totaled \$83,825. The County Clerk could not support how the railroad and utilities tax distribution was calculated, and errors were made in the calculation.

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# **SUSAN MONTEE, JD, CPA**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Andrew County

We have audited certain operations of Andrew County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Andrew County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2009. 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. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 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 Andrew County.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

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# Andrew County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Sheriff**

Accounting controls and procedures related to monies collected and bank accounts maintained by the Sheriff's department need improvement. Deposits into the Sheriff's bank accounts totaled approximately \$285,000 during the 2 years ended December 31, 2009.

##### 1.1 Deposits

Receipts, including significant amounts of cash, are not deposited timely. For example, five deposits were made on October 9, 2009, and totaled \$4,925, including \$2,783 in cash. One of these deposits was composed entirely of September receipts totaling \$2,310, \$1,870 of which was cash.

To ensure all monies are accounted for properly and to adequately safeguard cash receipts, deposits should be made on a timely basis.

This condition was noted in our prior audit report.

##### 1.2 Bank reconciliations

Bank reconciliations were not performed for any of the Sheriff's three bank accounts during the 2 years ended December 31, 2009. Using the Sheriff's records, we prepared a bank reconciliation for the operational account as of November 30, 2009, and the account has \$221 of unidentified monies.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, reconciling items are properly monitored, and any errors or discrepancies are corrected on a timely basis.

This condition was noted in our prior audit report.

##### 1.3 Disbursements from inmate funds

On January 14, 2010, the Sheriff improperly spent \$418 of monies due to inmates to purchase two converter boxes for jail televisions and to repair a video monitor. The Sheriff indicated the monies used to make these purchases came from checks written to inmates that had never been cashed. However, these monies are held in trust for the inmates and are unclaimed. The checks should be reissued to the inmates, or if the inmates cannot be located, these monies should be disbursed in accordance with state law.

##### 1.4 Liabilities

Monthly lists of liabilities are not prepared for the commissary/inmate account, and consequently, liabilities are not reconciled with cash balances. At December 31, 2009, the commissary/inmate account balance was \$1,077. We requested the Sheriff prepare a list of liabilities for the account; however, it was not provided to us.

Without regular identification and comparison of liabilities to cash balances, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected. After sufficient efforts are



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made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.

## Recommendations

The Sheriff:

- 1.1 Deposit all monies intact and on a timely basis.
- 1.2 Ensure formal bank reconciliations are performed monthly and any differences between the reconciled bank balance and book balance are investigated and corrected.
- 1.3 Disburse old outstanding checks in accordance with state law. In addition, the Sheriff should discontinue making purchases from monies due to inmates.
- 1.4 Identify liabilities and reconcile to cash balances on a monthly basis. Any discrepancies should be investigated and resolved. In addition, unidentified monies should be disposed of in accordance with state law.

## Auditee's Response

*The Sheriff provided the following responses:*

- 1.1 *This recommendation has been implemented. Deposits are made approximately three times a week. Cash bonds are generally deposited the day received or the next day depending on the amount received. Other monies received are also taken to the bank when any bonds are taken to the bank.*
- 1.2 *Bank reconciliations are now being performed monthly. We have gone back several years and performed the bank reconciliations and have determined we have unidentified monies of \$443.*
- 1.3 *We are switching to a commissary software program that provides accounting services and can generate a list of outstanding checks. We are considering reviewing outstanding checks that have not cleared every 6 months and may possibly do this every 3 months, and unclaimed checks will be handled in accordance with state law. Purchases will no longer be made from the commissary account.*
- 1.4 *Liabilities will be identified and any discrepancies will be investigated.*

## 2. Budget

Budget documents prepared by the County Clerk and the County Commission do not reasonably reflect the anticipated disbursements and the ending cash balances of several county funds. Budgeted disbursements are significantly overestimated, and as a result, the actual ending cash balances



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are much higher than the projected ending balances reflected on the county's budget documents, as follows:

	General Revenue	Special Road and Bridge	Capital Improvement
2009 Disbursements			
Budget	\$ 2,860,206	3,505,510	270,000
Actual	2,026,665	2,054,925	73,958
Difference	\$ 833,541	1,450,585	196,042
2008 Disbursements			
Budget	\$ 2,693,166	3,877,684	390,000
Actual	2,152,520	2,940,747	188,768
Difference	\$ 540,646	936,937	201,232
December 31, 2009			
Estimated Cash Balance	\$ 68,022	404,146	105,156
Actual Cash Balance	1,136,481	774,316	290,180
Difference	\$ 1,068,459	370,170	185,024

The County Commission indicated disbursements are budgeted higher in order to avoid having to amend the budget. Based on a review of the 2010 budget, we noted the following 2009 budget line items that far exceeded actual disbursements:

General Revenue Fund

Repairs and upkeep - budgeted \$360,000 and spent \$41,028

Special Road and Bridge Fund

BRO bridge - budgeted \$1,257,225 and spent \$330,716

Capital Improvement Fund

Jail - budgeted \$20,000 and spent \$0

Road and bridge - budgeted \$20,000 and spent \$0

Solid waste/recycling center - budgeted \$20,000 and spent \$0

Bridge improvement - budgeted \$40,000 and spent \$0

Over budgeting disbursements results in an inaccurate estimation of the county's financial position. For budgets to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operation and anticipated financial condition, the budgets should reflect reasonable estimates of receipts and disbursements, and the anticipated ending cash balance.





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## Recommendations

The County Commission review procedures used to establish annual budgets, and prepare more reasonable budgets.

## Auditee's Response

*The County Commission provided the following response:*

*We will continue to budget higher in case of emergencies and to have some flexibility as this method is preferable to amending the budget and to avoid the associated costs with putting a public notice in the newspaper, which would be an additional cost to the county. However, we will take this recommendation under advisement.*

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## 3. Property Tax System

As noted in our prior audit report, neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other record summarizing property tax transactions and changes. In addition, 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.

Section 51.150(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, additions and abatements, 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. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

## Recommendations

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

## Auditee's Response

*The County Commission provided the following response:*

*We will request the County Clerk to keep an account book and will use the account book to review the annual settlement.*

*The County Clerk provided the following response:*

*An account book will be kept using the monthly settlements and will be used to review the annual settlement.*



## 4. Policies and Procedures

### 4.1 Overtime

Concerns were noted regarding payroll, fuel, sales tax rollback, and railroad and utility taxes.

The county overtime policy does not clearly state when overtime will be paid to law enforcement employees. The policy indicates each certified officer can work a 171 hour schedule in a 28 day period. The Fair Labor Standards Act of 1938 (FLSA) requires law enforcement personnel to earn compensatory time for any hours worked in excess of 171 hours in a 28 day cycle. However, overtime is paid for any hours in excess of 40 hours in a week, and also paid for any hours in excess of 8 in a day. For the two 28 day pay periods reviewed, deputies were paid approximately \$1,230 more than necessary under FLSA requirements. To ensure all employees are treated equitably, the policy should clearly define when overtime will be paid to law enforcement personnel, and the county should comply with the policy.

### 4.2 Fuel use

The Road and Bridge Department does not reconcile fuel usage to fuel dispensed. Fuel logs are maintained in the vehicles or equipment; however, gallons used per the fuel logs are not reconciled to gallons dispensed per the meter on the tank. In addition, the gallons dispensed are not reconciled to the gallons purchased. Per the budget, approximately \$430,000 was spent on fuel during the 2 years ended December 31, 2009, for approximately 20 vehicles and other equipment. Failure to account for fuel use could result in loss, theft, or misuse going undetected.

To ensure the reasonableness and propriety of fuel use and disbursements, gallons used per the fuel logs should be reconciled to gallons dispensed per the meter on the tank, and gallons dispensed should also be reconciled to gallons purchased.

A similar condition was noted in our prior audit report.

### 4.3 Sales tax rollback

General revenue property tax revenues have not been sufficiently reduced by 50 percent of sales tax revenues as provided in the ballot issue passed by Andrew County voters under the provisions of Section 67.505, RSMo. At December 31, 2009, excess property tax collections totaled \$83,825.

The county has not adopted adequate procedures to monitor or assess the results of the actual tax rollbacks, and has not adequately considered the excess tax collections from prior years when computing the current year's rollback. The calculations of the property tax roll back and sales tax collections for the 4 years ended December 31, 2009 are as follows:

	Year Ended December 31,			
	2009	2008	2007	2006
Required property tax reduction	\$ 226,834	243,308	242,234	235,578
Actual property tax reduction	216,542	214,637	214,701	252,955
Current Year Difference	10,292	28,671	27,533	(17,377)
Excess property tax from prior year	73,533	44,862	17,329	34,706
Net Excess	\$ 83,825	73,533	44,862	17,329



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Section 67.505.3, RSMo, provides budgeted property taxes are to be reduced by voter approved percentages of sales tax revenue. This section also provides for actual sales tax revenue of the preceding year that is over or under that year's estimated sales tax revenue to be reflected in the subsequent year's property tax revenue roll back calculation.

**4.4 Railroad and utility taxes** The County Clerk could not support how the railroad and utility tax distribution was calculated and errors were made in the calculation. For example, a building tax levy was entered for a school district although the school district did not assess a building tax levy. Other errors regarding student counts and tax levies were noted. In addition, the assessed valuations used in the calculations were not supported. As a result, some school districts were overpaid while some school districts were underpaid.

To ensure all future apportionment calculations are correct and proper payments are made, the County Clerk should implement procedures to review all calculations for accuracy.

## Recommendations

The County Commission:

- 4.1 Clearly define the county's overtime policy for law enforcement officers and ensure compliance with the policy.
- 4.2 Ensure Road and Bridge Department employees reconcile the gallons dispensed per the fuel logs to gallons dispensed per the meter readings, and also reconcile gallons dispensed to gallons purchased.
- 4.3 Ensure appropriate adjustments are made to the levy in the future to reflect excess property taxes collected in prior years.

The County Clerk:

- 4.4 Ensure future apportionments are computed properly and accurately, and retain documentation regarding student counts, tax levies, and assessed valuations used in the calculations.

## Auditee's Response

*The County Commission provided the following responses:*

- 4.1 *We are discussing the policy and will discuss the policy with the Sheriff. We have not made decisions yet on whether to change the policy or to follow the policy, but we hope to do this soon.*
- 4.2 *We will ensure a reconciliation is performed of fuel dispensed per the fuel logs to gallons dispensed per the meter readings, and also reconcile gallons dispensed to gallons purchased.*



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4.3 *We will work on reducing the property tax levy for the required sales tax reduction.*

*The County Clerk provided the following response:*

4.4 *Future apportionments will be calculated properly and applicable documentation retained.*

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# Andrew County

## Organization and Statistical Information

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Andrew County is a county-organized, third-class county and is part of the Fifth Judicial Circuit. The county seat is Savannah.

Andrew 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 law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

### Elected Officials and Their Compensation Paid

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

Officeholder	2010	2009
Larry L. Atkins, Presiding Commissioner	\$	29,540
Greg Wall, Associate Commissioner		27,870
Darryl Howard, Associate Commissioner		27,870
Cyndee Merritt, County Clerk		41,980
Rosa Lee Lancey, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Steven Stevenson, Prosecuting Attorney		49,480
Bryan Atkins, Sheriff		46,480
Cindy Esely, County Treasurer		41,480
Ronald D. Crouse, County Coroner		14,480
Karen Keller, Public Administrator		20,000
Phil Rogers, County Collector (2), year ended February 28,	43,118	
Ronald Christmas, County Assessor, year ended August 31,		41,980
F. Shane Terhune, County Surveyor (3)		2,530

(1) Compensation is paid by the state.

(2) Includes \$1,638 of commissions earned for collecting city property taxes.

(3) Compensation on a fee basis.