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Missouri State Auditor

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# Audrain County



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

## YELLOW SHEET

### Findings in the audit of Audrain County

Property Tax System Controls and Procedures	The County Commission and County Clerk do not perform adequate or timely reviews of property tax additions and abatements. The County Clerk does not reconcile the court orders for additions and abatements to actual changes made to the property tax system. As a result, additions and abatements are not properly monitored and errors or irregularities could go undetected. In addition, the account book maintained by the County Clerk is not complete and no evidence was provided to indicate procedures are performed by 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 a \$14,253 discrepancy between real estate additions reported on the County Collector's 2009 annual settlement and real estate additions reported on the computer system.
County Collector's Controls and Procedures	The County Collector does not compare the reconciled bank account balances to existing liabilities.
County Policies and Procedures	The county did not comply with state law and document its evaluation and selection of engineering services. Although the county employs a full-time engineer, the county disbursed a total of \$148,629 and \$93,067 during 2009 and 2008, respectively, for outside engineering services. Mileage/use logs do not indicate the purpose of the travel and the county does not report taxable benefits associated with county vehicles used for commuting purposes.
Sheriff's Controls and Procedures	Compensatory (overtime) balances for Sheriff office employees are excessive and could potentially be a significant liability to the county. At May 9, 2010, Sheriff office employees had accumulated 14,316 hours of compensatory time valued at approximately \$180,000. We identified 18 employees who were allowed to accumulate a total of 5,947 hours of compensatory time in excess of maximum amounts allowed by the Fair Labor Standards Act of 1938. County funds were deposited into the Auxiliary bank account which is held outside the county treasury. The county has not reviewed the potential liability or appropriateness of an arrangement between the Sheriff and local schools for security services provided, and written agreements have not been entered into with the schools. A monthly bank reconciliation is not prepared for the commissary account, and a monthly list of liabilities is not prepared and agreed to the reconciled balance. In addition, the amount assumed to be profit each month is retained in the bank account outside the county treasury.

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# Audrain County Table of Contents

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State Auditor's Report	2
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Management Advisory Report - State Auditor's Findings	1. Property Tax System Controls and Procedures .....4 2. County Collector's Controls and Procedures .....5 3. County Policies and Procedures .....6 4. Sheriff's Controls and Procedures .....7
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Organization and Statistical Information	12
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**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Audrain County

We have audited certain operations of Audrain County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Casey-Beard-Boehmer PC, Certified Public Accountants, has been engaged to audit the financial statements of Audrain 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 financial transactions.

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 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.

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.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Audrain County.



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# Audrain County Management Advisory Report State Auditor's Findings

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## **1. Property Tax System Controls and Procedures**

Controls and procedures over the property tax system need improvement. As a result of the significant control weaknesses identified, there is less assurance property tax monies have been accounted for properly.

### **1.1 Additions and abatements**

The County Commission and County Clerk do not perform adequate or timely reviews of property tax additions and abatements. The Assessor prepares court orders for additions and abatements and the County Collector posts the changes to the property tax system. The County Commission's procedure is to review the court orders for additions and abatements annually. In addition, the County Clerk does not reconcile the court orders for additions and abatements to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. For example, a court order could not be located for an abatement of \$112.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with an independent reconciliation of approved additions and abatements to corrections made to the property tax system, would help ensure changes are proper.

### **1.2 Account book and annual settlements**

Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk maintains an account book to record the amounts collected and distributed as reflected on the monthly settlements prepared by the County Collector. However, the account book does not indicate the total charges, additions and abatements, and delinquent credits, and therefore, cannot be adequately reconciled to the County Collector's annual settlements. In addition, no evidence was provided to indicate procedures are performed by 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 a \$14,253 discrepancy between real estate additions reported on the County Collector's 2009 annual settlement and real estate additions reported on the computer system.

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 that 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



Audrain County  
Management Advisory Report - State Auditor's Findings

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.

A similar condition was noted in our prior audit report.

## Recommendations

- 1.1 The County Commission and the County Clerk develop procedures to ensure all property tax additions and abatements are properly approved and monitored.
- 1.2 The County Clerk maintain a complete account book with the County Collector, including charges, additions and abatements, and delinquent credits. 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 responses:*

- 1.1 *We will meet with the Assessor and County Collector and will establish a procedure to review the court orders for additions and abatements on a monthly basis.*
- 1.2 *The County Clerk has reviewed an account book from another county and will set up an excel spreadsheet to track charges, additions, abatements, collections, etc, and reconcile to the collector's annual settlement.*

## 2. County Collector's Controls and Procedures

The County Collector does not compare the reconciled bank account balances to existing liabilities. The County Collector's office processed collections totaling approximately \$20 million annually during the years ended February 28, 2010 and 2009. The County Collector distributes collections monthly, except for interest earnings and surtax that are distributed annually. The reconciled cash balance as of February 28, 2010, totaled \$899,603. We prepared a list of liabilities as of February 28, 2010, and the list totaled \$900,277 exceeding the cash balance by \$674.

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.

A similar condition was noted in our prior audit report.



Audrain County  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The County Collector reconcile bank account amounts to liabilities on a monthly basis.

## Auditee's Response

*The County Collector provided the following written response:*

*When I compared the reconciled bank account balances to existing liabilities in July 2010, there was a positive balance. At the time the auditor's office reconciled, there were several outstanding bad checks and I feel some were not added in. I balance the bank accounts every month and they come back to what the bank says I have.*

*In your audit report you say a similar condition was noted in the previous audit and I was not the collector at that time. When I took over the office of Collector, I should have changed bank accounts to assure that the amounts were correct. Maybe as a recommendation to your office, there should be a letter to new collectors reminding them of these situations and possible remedies that would make our lives easier.*

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## 3. County Policies and Procedures

The county does not adequately document decisions to procure outside engineering services. Records and monitoring procedures for county vehicles are not sufficient.

### 3.1 Engineering services

The county did not comply with state law and document its evaluation and selection of engineering services. Although the county employs a full-time engineer, the county disbursed a total of \$148,629 and \$93,067 during 2009 and 2008, respectively, for outside engineering services. There was no discussion noted in the County Commission minutes regarding the decision to use outside engineering services instead of the county employed engineer, and documentation was not maintained to support the selection of these engineering firms.

Sections 8.289 to 8.291, RSMo, provide guidance on the selection of engineering services.

### 3.2 Mileage/use logs

Mileage/use logs do not indicate the purpose of the travel, and the county does not report taxable benefits associated with county vehicles used for commuting purposes.

The County Engineer and the Road and Bridge Supervisor are assigned vehicles that are used for commuting purposes. The County Commission indicated these vehicle assignments are necessary to reduce response time when emergencies arise. Because mileage/use logs do not indicate the purpose of the travel, commuting mileage is not documented. The County Commission estimated the total miles driven on these two vehicles is about 25,000 miles annually. The Internal Revenue Service (IRS) reporting guidelines indicate commuting mileage is a reportable fringe benefit. The





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Audrain County  
Management Advisory Report - State Auditor's Findings

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county may be subject to penalties and/or fines for failure to report all taxable benefits.

Vehicle mileage/use logs should clearly distinguish between business and commuting use so that taxable benefits can be reported on applicable employee W-2 forms.

## Recommendations

The County Commission:

- 3.1 Solicit engineering services in accordance with state law.
- 3.2 Require appropriately detailed mileage/use logs be maintained and ensure compliance with IRS guidelines for reporting fringe benefits related to commuting use.

## Auditee's Response

*The County Commission provided the following responses:*

- 3.1 *In the future, we will contact several engineering firms and document their qualifications and our reasons for selecting one.*
- 3.2 *We will require that the purpose of travel be added to the logs and will reconsider the need to assign these vehicles for commuting purposes.*

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## 4. Sheriff's Controls and Procedures

Improvement is needed over the Sheriff's controls and procedures.

### 4.1 Compensatory balances

Compensatory (overtime) balances for Sheriff office employees are excessive and could potentially be a significant liability to the county. At May 9, 2010, Sheriff office employees had accumulated 14,316 hours of compensatory time valued at approximately \$180,000 based on each employee's estimated hourly pay rate. We identified 18 employees who were allowed to accumulate a total of 5,947 hours of compensatory time in excess of maximum amounts allowed by the Fair Labor Standards Act of 1938 (FLSA).

Proper controls over the management of compensatory time balances require the county to evaluate balances for reasonableness, review the reasons for large or increasing balances, and provide solutions to prevent excessive balances. The FLSA addresses overtime provisions.

### 4.2 Auxiliary account

County funds were deposited into the Auxiliary bank account which is held outside the county treasury. Grant monies exceeding \$3,000 were deposited into the Auxiliary bank account during the years ended December 31, 2009 and 2008.



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Audrain County  
Management Advisory Report - State Auditor's Findings

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There is no statutory authority allowing the Sheriff or his deputies to hold county monies outside of the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

#### 4.3 Security services

The county has not reviewed the potential liability or appropriateness of an arrangement between the Sheriff and local schools for security services provided, and written agreements have not been entered into with the schools. Sheriff's deputies provide security services to local schools for various activities, such as track meets, basketball games, and football games. When providing security services, the deputies wear official county uniforms and use county-owned vehicles. Monies are received from the schools for the security services provided and deposited into the Auxiliary bank account and the deputies are paid from this account. During the years ended December 31, 2009 and 2008, deputies received approximately \$2,400 and \$3,100, respectively, for security services.

The county should request the Prosecuting Attorney to review this arrangement to determine whether these services should be provided. If the services are provided, written agreements should be entered with the schools. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts of political subdivisions to be in writing.

#### 4.4 Commissary account

A monthly bank reconciliation is not prepared for the commissary account, and a monthly list of liabilities is not prepared and agreed to the reconciled balance. In addition, the amount assumed to be profit each month is retained in the bank account outside the county treasury. The bank balance at May 31, 2010, was \$7,097 and inmate account balances totaled \$1,491. Upon our request, the Sheriff's department determined \$6,550 was the amount of commissary profit in the account. As a result, liabilities and profit in the account exceeded the bank balance by \$944.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with accounting records and to detect and correct errors. In addition, without regular identification and comparison of liabilities and individual inmate account balances to the reconciled bank balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Also, profits from the sale of commissary items represent accountable fees and should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to make disbursements from accountable fees.



Audrain County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Sheriff:

- 4.1 And County Commission closely monitor employees' compensatory time to limit potential county liabilities and comply with the FLSA.
- 4.2 Ensure all future grant receipts and other county funds are turned over to the County Treasurer to be deposited into the county treasury.
- 4.3 Work with the County Commission and request the Prosecuting Attorney review these services to determine whether they should be provided, and if so, enter into written agreements with the schools.
- 4.4 Prepare monthly bank reconciliations and reconcile the balance to a list of liabilities and individual inmate account balances. Differences should be investigated and corrected. In addition, commissary profits should be tracked and transmitted to the County Treasurer.

## Auditee's Response

*The County Commission and County Clerk provided the following response:*

- 4.1 *The County Commission and County Clerk will start reviewing the monthly timesheets for compensatory balances to ensure compliance with the FLSA.*

*The Sheriff provided the following written responses:*

- 4.1 *Time sheets are sent to the County Clerk's Office at the end of every 28 day (Time Record) schedule. The records include the accumulated compensatory hours of all employees, not just deputies.*

*The County Commission has not allowed me to budget for the payment of compensatory time throughout the years that I have served as Sheriff. Whenever an employee leaves office, they are paid for the compensatory hours that they have accumulated.*

*I do not control payroll and I agree with the State Auditor; except, that the County Commission and County Clerk should follow the Fair Labor Standards Act as it applies to law enforcement and accordingly pay employees for the compensatory hours that they have accumulated. If the county elects not to pay the employee for compensatory hours they accrue monthly, then the county should pay the employee once the employee has reached his/her limit on the amount of compensatory hours that he/she may accumulate.*



Audrain County  
Management Advisory Report - State Auditor's Findings

*The payment of compensatory hours to my employees is beyond my control, for the County Clerk's Office issues the paychecks, not me. I do monitor our overtime hours; but it is impossible to reduce them without additional employees. It is my responsibility to see that there are adequate patrol deputies and jailers working 24 hours a day, seven days a week.*

- 4.2 *The Auxiliary Account is an account for the Reserve (Volunteer) Deputies who are certified deputy sheriffs; but, not on the county's payroll. They volunteer their time and services to the Sheriff's Office; and they have to purchase their uniforms and equipment, such as firearms, handcuffs, etc. Their account (the Auxiliary Account) contains money that the Reserve Deputies earn from fundraising efforts and money they receive from the schools to provide security services.*

*The State Auditor refers to the Auxiliary Account holding monies exceeding \$3,000. Those monies were from grant funds that we received from the Missouri Department of Transportation (MODOT) for deputies to work overtime highway safety projects. Since the county had not allowed me to budget the payment of overtime to my deputies we would deposit the MODOT grant funds in the Auxiliary account and pay the deputies out of that account for the overtime work they performed on the highway safety projects.*

*I do agree with the State Auditor's recommendation that the MODOT grant money be sent to the County Treasurer so the overtime paid to deputies for working the highway safety projects will be paid to them from the Sheriff's county budget. In the future we will not mix MODOT grant money with the fundraising money and we will send the MODOT grant funds to the County Treasurer.*

- 4.3 *In a verbal agreement with the area schools, the Sheriff's Auxiliary has provided security services for school related functions; ballgames, dances, etc; and, have done so since the early 1970's. The agreements have never been questioned by the State Auditor in previous county audits.*

*The duties and responsibilities are simple; the school pays the Auxiliary for deputies to work school functions. In turn, the Auxiliary pays the deputies for their work at the schools. The time worked by the deputies is not included upon their time sheets, is not counted as compensatory time, and they do not receive compensation from the county payroll for the time worked at the schools. In fact, several of the deputies who work the school functions are reserve deputies who volunteer their time and services to me and are not on the county's payroll.*



Audrain County  
Management Advisory Report - State Auditor's Findings

*When the deputies work the school functions they wear their official uniforms, follow my policies and procedures, and drive a county patrol car because they are subject to callouts to assist the on duty deputy. The patrol cars they drive are fully equipped police cars which is necessary while responding to emergency calls of service. Privately owned cars are not equipped to handle emergency calls and even if they were, whenever a deputy drives his/her personal car, the car then becomes a part of Audrain County's fleet.*

- 4.4 *The Commissary Account is not maintained by the Sheriff's Office. The money is maintained by Keefe Commissary Services, a company that provides commissary services to many county jails both within and out of Missouri. The Sheriff's Office does not handle the money of the account; all accounting is provided electronically. Family members deposit money into the account through Keefe Commissary Services. Whenever a prisoner is released, the Sheriff's Office issues the prisoner a check for the balance of his/her account; all of it is done electronically by computer, under the control of Keefe Commissary. Each business day Keefe sends an electronic message showing us the balance of the account; however, the account balance is in constant change caused by commissary purchases by prisoners and deposits made to their accounts by their families.*

*I disagree with the State Auditor that there was a shortage of \$944 in the commissary account. All moneys from the commissary account are accounted for by Keefe Commissary Services and there never was a shortage.*

*I agree that the commissary commission should be submitted to the county Treasurer, and, in August of this year I began doing so, monthly. The Treasurer deposits the commissary commission in the Inmate Fund Account; so, that the money can be spent on prisoner related expenses, as we have always done, and as state statute directs.*

Auditor's Comments

- 4.3 The Prosecuting Attorney should be consulted regarding this situation, including any possible payroll ramifications regarding hours worked by county employed deputy sheriffs.
- 4.4 Although the Sheriff's office does not handle the monies received from the inmates' families, the Sheriff's office is responsible for the commissary account. The Sheriff makes disbursements from the account to return monies to inmates upon their release and to turn commissary profits over to the County Treasurer. As a result, the Sheriff needs to ensure the balance of the account is equal to the total of the inmate accounts to ensure appropriate amounts have been disbursed.

# Audrain County

## Organization and Statistical Information

Audrain County is a county-organized, third-class county. The county seat is Mexico.

Audrain 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. The county employed 109 full-time employees and 13 part-time employees on December 31, 2009.

In addition, county operations include the Senate Bill 40 Board and the 911 Board.

### Elected Officials

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

Officeholder	2010	2009
Richard Webber, Presiding Commissioner	\$	32,578
Roger Young, Associate Commissioner		30,578
Thomas Groves, Associate Commissioner		30,578
Virginia Pehle, Recorder of Deeds		45,250
Shelley Harvey, County Clerk		45,250
Jacob Shellabarger, Prosecuting Attorney (1)		33,500
Jason Lamb, Prosecuting Attorney (1)		33,500
Stuart D. Miller, Sheriff		50,250
Patty Meyers, County Treasurer		45,250
M. Pat Farnen, County Coroner		16,223
Connie J. Hagan, Public Administrator		44,500
Diana Rennick, County Collector (2), year ended February 28 (29),	50,650	
Melissa Maupin, County Assessor (3), year ended August 31,		11,313
Marsha Peery, County Assessor (3), year ended August 31,		33,938
Don Bormann, County Surveyor (4)		

(1) Jason Lamb resigned as Prosecuting Attorney in June 2009 and Jacob Shellabarger was appointed July 1, 2009.

(2) Includes \$5,400 of commissions earned for collecting city property taxes.

(3) Marsha Peery resigned as County Assessor May 31, 2009, and Melissa Maupin became the Assessor Elect on June 1, 2009.

(4) Compensation on a fee basis.



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Audrain County  
Organization and Statistical Information

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**Financing  
Arrangements**

The county entered into a lease agreement with a not-for-profit corporation on June 1, 1997, calling for the corporation to issue bonds of \$5,595,000 for the purpose of constructing a new jail and for the corporation to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. The bonds are scheduled to be paid off in 2017. The remaining principal and interest due on the bonds at December 31, 2009, was \$2,850,000 and \$517,974, respectively.

The county contracted with a bank on August 1, 2004, to finance improvements to the courthouse including electrical service upgrades and general improvements and repairs. The bank issued a 6 year loan with total principal of \$620,000. The remaining principal and interest due on the loan at December 31, 2009, was \$84,607 and \$2,161, respectively.

The county contracted with a bank on January 7, 2009, to finance an accounting software upgrade for the County Clerk and Treasurer offices. The bank issued a 3 year loan with total principal of \$36,354. The remaining principal and interest due on the loan at December 31, 2009, was \$36,354 and \$4,956, respectively.