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Missouri State Auditor

Howell County



July 2010

Report No. 2010-75

auditor.mo.gov



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Missouri State Auditor

YELLOW SHEET

Findings in the audit of Howell County

Grant Monitoring Procedures The County Commission has not established adequate monitoring procedures to ensure the South Central Drug Task Force, a subrecipient of federal grant funds, is in compliance with applicable grant requirements. The County Commission does not perform a periodic review of task force controls and procedures or periodically request and receive detailed supporting documentation prior to approving grant reimbursement request forms and subsequently reimbursing the task force for grant-related disbursements.

The County Commission did not request or review the audit reports of the task force to ensure compliance with the Single Audit Act and Office of Management and Budget Circular A-133.

Fuel and Vehicle Use The county did not solicit bids for the fuel purchased through use of fuel cards at a local vendor. The county does not have adequate records, physical controls, and monitoring procedures over road and bridge department fuel use. The County Assessor and two of his employees use county vehicles to commute between their homes and the county courthouse and use county fuel cards to purchase fuel; however, the vehicle logs maintained do not distinguish between personal commuting and county business related mileage and personal mileage is not reported on W-2 forms. The county's procedures for reconciling fuel usage to purchases are inadequate.

Credit and Fuel Cards The County Clerk does not maintain a list of bank credit cards and fuel cards assigned to various county officials and employees or credit limits. Active credit cards were still assigned to the former Sheriff and 4 terminated Sheriff's office employees. Cardholder assignments and usage are not periodically reviewed to determine the user actually needs a credit card and to evaluate and establish reasonable credit limits. The county carried balances on the Sheriff's bank credit card accounts throughout 2008 and 2009 from purchases made by a former Sheriff over 8 years ago and incurred late fees and finance charges. The list of fuel card assignments maintained by the Sheriff's office was not accurate. While the Sheriff documented his review of fuel bills by signing the bills, his review did not identify that one of the unaccounted for fuel cards was used to purchase fuel.

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 Collector and his employees post changes to the property tax system for all additions and abatements, except for current personal property additions which are posted to the system by the Assessor. The County Clerk does not reconcile the court orders for additions and abatements to the actual changes made to the system. The County Clerk does not prepare or verify the accuracy of the delinquent tax books or the back tax aggregate abstract



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prepared by the County Collector. Passwords, which restrict access to the property tax computer system used by the offices of the County Collector and Assessor are not routinely changed.

County Collector Controls and Procedures

The County Collector's annual settlements did not include city tax collections and the related charges. The County Collector holds checks received for tax payments from title companies, and he also holds checks received from taxpayers upon their request. The method of payment (cash, check, or money order) is not always correctly recorded in the property tax system and reconciled to deposits.

Sheriff Controls and Procedures

Accounting duties of the Sheriff's office are not adequately segregated, and an adequate supervisory review of accounting records is not performed. Receipt slips are not issued for some inmate/commissary monies received, and the method of payment is not always recorded on receipt slips and reconciled to the composition of deposits. Inmate monies totaling \$50 could not be traced to deposit, and receipts are not deposited on a timely basis. Procedures are not in place to routinely identify month-end liabilities and reconcile the liabilities to the cash balance. The Sheriff retains commissary profits in the account and uses them to pay jail expenses which circumvents the county's normal budgeting and disbursement processes. The Sheriff charged booking fees totaling \$3,000 and there is not express statutory authority for the Sheriff to charge a booking fee. Receipts for court-ordered paper service fees are not recorded until the related papers are served.

Prosecuting Attorney Controls and Procedures

There was no independent approval to support adjustments and reversals posted to the accounting system, and adequate documentation of such adjustments and reversals was not always retained. The method of payment is not always accurately recorded on the computer system and reconciled to deposits. Accounting duties are not adequately segregated, and there was no evidence of a supervisory review of the accounting records by the office manager or the Prosecuting Attorney.

Public Administrator Controls and Procedures

The Associate Circuit Court has not established procedures to adequately review the settlements of cases assigned to the Public Administrator. The Public Administrator also does not adequately review the settlements prepared by attorneys. The county reimbursed the Public Administrator for mileage traveled; however, she was not required to use the county mileage reimbursement form.

Other Findings

Other findings in the audit report relate to payroll controls and procedures and budget amendments.

All reports are available on our Web site: auditor.mo.gov

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To the County Commission
and
Officeholders of Howell County

We have audited certain operations of Howell County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Howell County for the 2 years ended December 31, 2008. 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. 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 Howell County.



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Howell County Management Advisory Report State Auditor's Findings

1. Grant Monitoring Procedures

The County Commission has not established adequate monitoring procedures to ensure the South Central Drug Task Force, a subrecipient of federal grant funds, is in compliance with applicable grant requirements.

Howell County is the grantor host county for the task force and is required to monitor the task force's activities. Membership in this task force includes ten surrounding counties and all cities in each of those counties. The Howell County Sheriff serves as the board chairman for the task force and signs all checks. The county received approximately \$838,000 in federal grant funds during the 2 years ended December 31, 2009, and disbursed these funds to the task force. The task force prepares and forwards grant reimbursement forms to the County Commission, which reviews and approves the forms, and submits them to the granting agency for reimbursement. After the reimbursement is received, the county disburses the monies to the task force.

We requested and reviewed task force timesheets, bid documentation, and other disbursement records for some grant reimbursement requests; and evaluated the county's monitoring procedures. Our review of these detailed records and the monitoring procedures identified concerns.

1.1 Review of payroll and other disbursements

The County Commission does not perform a periodic review of task force controls and procedures or periodically request and receive detailed supporting documentation prior to approving grant reimbursement request forms and subsequently reimbursing the task force for grant-related disbursements.

- To support payroll disbursements, the task force submitted copies of each officer's payroll check stubs to the County Commission for review. However, during the 2 years ended December 31, 2009, the County Commission did not request or perform a periodic review of the task force payroll timesheets or records which support the pay stubs. Without a review of detailed payroll records, the County Commission cannot be certain payroll amounts are proper.

Our review of the Community Oriented Policing Services (COPS) grant timesheets showed amounts paid to task force officers for overtime were not in compliance with grant requirements and overtime was not calculated in accordance with the Fair Labor Standards Act of 1938 (FLSA). Five task force officers were paid in excess of the overtime rate provided in the grant agreement and also in excess of their regular overtime rates. The grant provided for overtime rates to be reimbursed up to a maximum of \$22.79 per hour; however, the officers were paid, and the county was reimbursed at the rate of \$25 per hour. The rate paid to the officers also exceeded the officers' regular overtime rates by amounts ranging from \$1.84 up to \$4.57 per hour. The task force



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coordinator indicated all overtime was compensated at \$25 per hour during the 2 years ended December 31, 2009.

Additionally, the task force allows its employees more compensatory time than required by the FLSA. Currently, compensatory time is earned if a task force employee works more than 40 hours in a week, while the FLSA only requires law enforcement personnel to earn compensatory time for any hours worked in excess of 171 hours in a 28 day cycle. Overtime was calculated based on 40 hours per week during the 2 years ended December 31, 2009.

- The County Commission did not request or receive bid documentation or periodically review task force procedures for competitive procurements. For example, the county did not request bid documentation from the task force for surveillance equipment and 37 pairs of binoculars purchased with COPS grant monies in May and March 2009, costing \$90,110 and \$13,660, respectively. Without reviewing such information, at least on a periodic basis, the County Commission cannot ensure the task force is utilizing an appropriate competitive procurement process.
- Generally, the task force submits summary credit card statements and the summary (total) pages of the office phone and cellular telephone bills to support reimbursement requests. Our review of COPS and Justice Assistance grants, showed the County Commission did not request or receive copies of invoices to support the credit card statements or the complete phone bills listing all calls made. The amounts spent are significant and warrant a review of the detailed supporting documentation. For example, credit card purchases for March 2009 totaled \$14,716 and phone charges for February 2009 totaled \$1,582. Without reviewing details that support summary charges, at least on a periodic basis, the County Commission cannot ensure disbursements by the task force are allowable under the grant guidelines.

Improved monitoring procedures, which include at least periodic reviews of detailed supporting payroll and disbursements records, are necessary to ensure federal grant disbursements are allowable and reasonable, and in compliance with state and federal laws and grant requirements.

1.2 Review of audit reports

The County Commission did not request or review the audit reports of the task force to ensure compliance with the Single Audit Act and Office of Management and Budget (OMB) Circular A-133. For subrecipients that spend over \$500,000 annually in federal awards, the subrecipient must obtain an audit in accordance with OMB Circular A-133 within 9 months of the end of the fiscal year. The county reimbursed the task force more than \$500,000 in federal grant monies during 2009. While the task force received



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a financial statement audit for the fiscal years ended June 30, 2008 and 2007, it did not receive an audit in accordance with OMB Circular A-133. In addition, the audit report noted a lack of segregation of accounting duties. The lack of segregation of duties reinforces the need for the County Commission to provide oversight of grant disbursements to reduce the risk federal funds are not spent in accordance with grant provisions.

Improved efforts by the county to ensure the task force obtains appropriate audits and thorough reviews of those audit reports are necessary to ensure compliance with the Single Audit Act and OMB Circular A-133.

Similar conditions
previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The County Commission:

- 1.1 Establish monitoring procedures to ensure compliance with federal and state requirements and provide adequate oversight for grant programs. In addition, the County Commission should perform further reviews of problems identified with the COPS grant payroll and take appropriate actions to correct for incorrect reimbursements already received and avoid future improper pay rates.
- 1.2 Request and review the audit reports of the task force and ensure compliance with the Single Audit Act and OMB Circular A-133.

Auditee's Response

The County Commission provided the following written response:

As a result of previous audits, the Howell County Commission has developed extensive grant monitoring procedures. We have had conflicting directions on the type of procedures we should have in place in regards to Department of Justice grants. Howell County has been administering the grant as a "good will" gesture for the South Central Drug Task Force for many years. Unfortunately, due to conflicting monitoring directions, when this contract year expires the county will recommend the South Central Drug Task Force seek another sponsor.

Auditor's Comment

The Missouri State Auditor's office has been consistent in reporting our recommendations regarding monitoring procedures over these grants. At the time of our audit, the county did not have monitoring procedures for these grants.



2. Fuel and Vehicle Use

Improvement is needed in the controls and procedures over county fuel and vehicles. The county's accounting records indicated bulk fuel purchases totaling approximately \$478,000 and fuel card purchases totaling approximately \$148,000 were made during the 2 years ended December 31, 2009.

2.1 Bidding

The county did not solicit bids for the fuel purchased through use of fuel cards at a local vendor. Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process 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 should be retained to demonstrate compliance with state law and support decisions made.

2.2 Road and bridge department fuel use

The county does not have adequate records, physical controls, and monitoring procedures over road and bridge department fuel use. Fuel logs are not maintained for the road and bridge department's equipment and vehicles, and there are no bulk fuel inventory records maintained to show fuel delivered and dispensed into vehicles and equipment. The county has two bulk diesel fuel tanks and one bulk unleaded fuel tank located at the road and bridge buildings and ten bulk diesel fuel tanks located at employee residences. Four of the 13 bulk fuel tanks are not metered, and even though the other 9 bulk fuel tanks are metered, there are no logs maintained of fuel dispensed from any of the bulk fuel tanks. In addition, the tanks located at employee residences are not locked. Failure to document and monitor fuel use and adequately secure fuel tanks could result in loss, theft, and misuse going undetected.

Fuel logs and/or bulk fuel inventory records are necessary to document and monitor fuel usage and support fuel billings. Proper physical controls and metering of bulk fuel tanks is necessary to protect against loss, theft, and misuse and to provide data needed to perform effective reviews and reconciliations.

2.3 Assessor's office commuting mileage

The County Assessor and two of his employees use county vehicles to commute between their homes and the county courthouse and use county fuel cards to purchase fuel; however, the vehicle logs maintained do not distinguish between personal commuting and county business related mileage and personal mileage is not reported on W-2 forms. Based on mileage from their homes to the courthouse, we estimated the Assessor and one employee could have accumulated approximately 5,720 and 8,840 in annual commuting miles, respectively. Commuting mileage accumulated by the other employee is minimal because he lives in the county seat.



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The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits. Mileage logs should be maintained which clearly distinguish between business and commuting use, and taxable benefits for commuting should be reported on the Assessor and employees' W-2 forms.

2.4 Reconciliation of fuel usage to purchases

The county's procedures for reconciling fuel usage to purchases are inadequate. As discussed above, there are no usage or bulk inventory records maintained to support road and bridge department fuel use and as a result, no verification of bulk fuel purchases is possible. In addition, although vehicle logs are prepared for Sheriff office, Assessor office, and Prosecuting Attorney office vehicles, use recorded in the logs is not periodically reconciled to fuel purchases.

Procedures for reviewing fuel used, and reconciling use to fuel purchased and on hand, are necessary to ensure the reasonableness and propriety of fuel use and disbursements.

Recommendations

The County Commission:

- 2.1 Perform a competitive procurement process and maintain documentation of decisions made.
- 2.2 Develop fuel logs and/or bulk inventory records that provide the information needed to evaluate fuel use. In addition, the County Commission should consider metering and locking all bulk fuel tanks.
- 2.3 And Assessor comply with IRS guidelines for reporting fringe benefits related to commuting miles and ensure mileage logs clearly distinguish between business and commuting use.
- 2.4 Work with other county officials and departments to develop records and procedures for evaluating fuel use and reconciling fuel use to billings.

Auditee's Response

The County Commission provided the following written responses:

- 2.1 *Howell County vehicles are stationed at various locations in the county. It is difficult in emergency situations to retreat to a centralized location to refuel. This is a difficult situation and the County Commission is requesting various officeholders to review procedures.*



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- 2.2 *Howell County road and bridge has begun the process of logging fuel usage. The issue of metering and locking all bulk fuel has already been corrected.*
- 2.3 *The Assessor has a written response.*
- 2.4 *This recommendation has been responded to in the previous three responses.*

The Assessor provided the following written response:

- 2.3 *The Assessor and field personnel leave their homes and go directly into the county to perform their daily work many days during the year and every day the vehicles are driven it is for county business. The vehicles have computers, Global Positioning Systems (GPS) receivers, mobile radios, and other county equipment that is not easily removed and installed on a daily basis. The fact that we do not have a secure location to store the vehicles to protect them and the \$8,000 of equipment they contain is the reason they are stored at the employees' residences. We are unable to fully reply to this issue at this time due to the complexity of the IRS tax code and the method for determining and appropriately reporting any commuting mileage on each of the 3 vehicles and any IRS exclusions. We will continue to research this issue with tax consultants to determine the correct procedures to address this issue.*

3. Credit and Fuel Cards

Controls over county credit and fuel card use need improvement and the potential liability to the county is significant. The county has 36 bank credit cards assigned to various county officials and employees with credit limits ranging from \$500 to \$15,000. The county also has 10 discount store credit cards. County credit card purchases totaled approximately \$43,000 during the 2 years ended December 31, 2009. The county has 67 fuel cards assigned to the Sheriff's office (60), Assessor's office (3), Road and bridge department (2), Prosecuting Attorney's office (1), and County Clerk's office (1). Fuel card purchases totaling approximately \$148,000 were made during the 2 years ended December 31, 2009.

Credit cards

The County Clerk does not maintain a list of bank credit cards assigned to various county officials and employees or credit limits. Each official (excluding the Sheriff) provided an accurate list of credit card assignments and credit limits upon our request. The Sheriff's bookkeeper compiled a list of credit cards assigned to Sheriff's office personnel including credit limits; however, it was not accurate. The list indicated 28 card numbers were assigned to the Sheriff and office personnel with credit limits totaling \$28,500; however, credit card vendor information showed 33 active card numbers had been issued to the Sheriff's office with credit limits totaling



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\$48,000. According to credit card vendor information, active credit cards were still assigned to the former Sheriff and 4 terminated employees. One of the terminated employees had not worked for the Sheriff's office since 2007.

In addition, cardholder assignments and usage are not periodically reviewed to determine the user actually needs a credit card and to evaluate and establish reasonable credit limits. Based on the current number of credit cards and limits, there is a potential maximum liability of \$82,550 for each billing period.

Our review determined the county carried balances on the Sheriff's bank credit card accounts throughout 2008 and 2009 from purchases made by a former Sheriff over 8 years ago, and incurred late fees and finance charges totaling approximately \$1,100. Additional late fees and finance charges were incurred prior to 2008. The Sheriff and County Commission relied on the Sheriff's bookkeeper to approve the payment amount for the credit cards and were not aware of the old balances.

Sheriff's office fuel cards The County Clerk does not maintain a list of fuel cards assigned to various county officials and employees. Each official (excluding the Sheriff) provided an accurate list of fuel card assignments upon our request. The list of fuel card assignments maintained by the Sheriff's office was not accurate. The list indicated 24 card numbers were assigned to vehicles; however, information obtained from the fuel vendor showed 33 card numbers had been issued to the Sheriff's office and remained active. Fuel vendor information also showed an additional 27 duplicate cards were assigned to card numbers issued to the Sheriff's office.

In addition, while the Sheriff documented his review of fuel bills by signing the bills, his review did not identify that one of the unaccounted for fuel cards was used to purchase 178 gallons of fuel costing \$382 in August and September 2009. Ineffective reviews of fuel use and billings, along with the lack of accountability over active fuel cards, increases the possibility of loss, theft, or misuse occurring and going undetected.

Controls and procedures Given the lack of controls and potential liability related to credit and fuel cards, the County Commission should review credit and fuel card assignments and usage to evaluate each employee's continued need for a card, establish reasonable credit card limits, and maintain an up-to-date list of credit and fuel cards assigned to various county officials and employees. Failure to adequately account for active credit and fuel cards and ensure credit and fuel cards assigned to former officials or terminated employees are cancelled could result in loss, theft, and misuse going undetected. Overall, better controls and procedures are necessary to help ensure credit and fuel card charges are reasonable and only for county business.



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Recommendations

The County Commission implement records and procedures to review credit and fuel card purchases, evaluate the need for each credit and fuel card, establish reasonable credit limits, account for active credit and fuel cards, and cancel any cards that are determined unnecessary. In addition, the old outstanding balance on the Sheriff's office credit cards should be paid, and procedures established to avoid future late payment finance charges and fees.

Auditee's Response

The County Commission provided the following written response:

Each officeholder is elected and responsible for the operations and management of their office under the provisions of law and their actions are secured by bond. The County Commission does have in place extensive procedures to review and approve all appropriate bills (including credit and fuel card purchases) for payment. The County Commission will notify officeholders of this recommendation. However if a recommendation is warranted it should be directed to the office effected.

The Sheriff provided the following response:

Problems regarding credit and fuel cards have been addressed and corrected.

Auditor's Comment

The County Commission and County Clerk are ultimately responsible for processing, approving, and paying credit card and fuel bills. As a result, the County Commission and County Clerk need to take the necessary steps to account for all credit and fuel cards and ensure amounts charged to the cards represent appropriate uses of county funds.

4. 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 below, there is less assurance all property tax monies have been accounted for properly.

4.1 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. The County Collector and his employees post changes to the property tax system for all additions and abatements, except for current personal property additions which are posted to the system by the Assessor. The County Commission's procedure is to review the court orders for additions and abatements annually and after the completion of the related tax year; however, court orders for the 2008 and 2007 tax year were not reviewed and approved until May and April, 2009, respectively. In addition, the County Clerk does not reconcile court orders for additions and abatements to actual changes made to the system.



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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.

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 review of approved additions and abatements to corrections made to the property tax system, would help ensure changes are proper.

4.2 Delinquent tax books and back tax aggregate abstracts The County Clerk does not prepare or verify the accuracy of the delinquent tax books or the back tax aggregate abstract prepared by the County Collector. Failure to do so could result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the delinquent tax books, at a minimum, he should verify the accuracy and document approval of the tax book amounts to be charged to the County Collector.

4.3 Passwords Passwords, which restrict access to the property tax computer system used by the Offices of the County Collector and Assessor, are not routinely changed. Passwords should be changed periodically to prevent unauthorized access.

Recommendations

4.1 The County Commission and the County Clerk develop procedures to ensure all property tax additions and abatements are properly approved and monitored.

4.2 The County Clerk prepare the delinquent tax books or, at a minimum, verify the accuracy of the delinquent tax books prior to charging the County Collector with the property tax amounts and prepare the back tax aggregate abstracts.

4.3 The County Collector and Assessor ensure passwords are periodically changed.

Auditee's Response

The County Commission provided the following written responses:

The County Commission concurs with the County Clerk and County Collectors' responses.



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The County Clerk provided the following written response:

The statutes cited in this review, Section 140.050 RSMo, was passed in 1949, Sections 137.260 and 137.270 RSMo, were passed in 1959. While Section 137.290 RSMo, was passed in 1959, an amendment of subsection 2 was added in 1998 which provides, "the assessor's book or tax book may also be prepared in an electronic version or format."

Howell County computerized the tax books a number of years ago. While at times it may be difficult to reconcile the older manual system and the newer computerized system statutes simultaneously, for years Howell County's tax system has been held as an exemplary process, and without one cent being unaccounted for.

While some aspects of this recommendation seem unclear and others redundant, the county will review statutory requirements along with the additional checks and balances developed by the county and make any procedural adjustments which may be deemed appropriate.

The County Collector provided the following written responses:

4.1 *Since the assumption in this report suggests procedural impropriety surrounds the handling or mishandling of court orders, abatements and additions, categorically necessitates a response.*

First let me say, I am quite taken back that the court order, abatement, and addition procedures in Howell County are approaching their sixtieth year anniversary and having gone through numerous prior audits are now supposed and deemed by the State Auditor's Office to be inadequate.

The specific court order and abatement procedure in Howell County for correcting personal and real estate assessments is as follows:

The Assessor provides the County Collector the following for correcting real estate and personal property assessments; an individual hand written or printed document stating the taxpayer's name, the real estate parcel number, the reason for the correction, and the amount of the corrected assessment; additionally for personal property assessments the account number is included.

A real estate and personal property tax listing of each individual court order and abatement and the reason for such individual corrections are provided to the Clerk of the Howell County



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Commission. This list contains the corrected assessment and the corrected amount of tax due.

All additions are entered and flagged by the Assessor at the original point of entry; they merge into either the current or delinquent property assessment files in the county's sitting electronic information system. Once in the system, by choosing an available menu item, all assessments and amount of taxes may be printed for verification.

- 4.2 *It is certainly very unclear how one could suggest that the County Clerk did not verify the accuracy of the delinquent tax books or the back tax aggregate abstract prepared by the County Collector. Since the invention of calculators and electronic informational technology, the current tax charges, the collections of current and delinquent taxes and the delinquent tax books and the back tax aggregate abstract, all are available, and accessed from the county electronic information system.*

Pursuant to your claims referencing Sections 137.290 and 140.050 of current law, the County Clerk at the time of entering all current tax year certified levies verifies in print from the Assessor's certified current tax year file a detailed and itemized printout of the total charges of the real estate and personal property of each taxing jurisdiction that will be receiving a property tax dollar.

The problem with archaic reporting is electronic hardware and information technology has outdistanced current laws governing the duties of local government elected officials.

- 4.3 *I will take this under consideration.*

The Assessor provided the following written response:

- 4.3 *The Assessor recognizes the importance of limiting access to the appraisal system, but when working with a system programmer that is unwilling to allow the county to fully control the county data and to have administrative control over the system that manages the data, the ability to change passwords and protect the access is compromised. The Assessor will again request password control be given to the Assessor to insure periodic password changes are made and the Assessor has the sole management of those passwords.*

Auditor's Comment

- 4.1 *Since the County Collector and his employees are responsible for collecting taxes, they should not have the capability to make changes to the actual tax data. If the County Collector is allowed to*



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make changes, an independent review is necessary to ensure changes are proper.

5. County Collector Controls and Procedures

The County Collector's annual settlements are incomplete, and receipting and depositing procedures need improvement.

The County Collector's office processed collections totaling approximately \$15.5 and \$14.9 million during the years ended February 28 (29), 2009 and 2008, respectively.

5.1 Annual settlements

The County Collector's annual settlements did not include city tax collections and the related charges. City tax collections, totaling \$707,198 and \$687,831, were not included on the annual settlements during the years ended February 28 (29), 2009 and 2008, respectively. By not including all information on the annual settlements, the County Collector hinders the ability of the County Clerk and County Commission to effectively review the settlements.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file complete annual settlements.

5.2 Depositing procedures

Receipts are not always deposited intact. The County Collector holds checks received for tax payments from title companies, and he also holds checks received from taxpayers upon their request. For example, during a cash count conducted on December 2, 2009, three checks received from title companies totaling \$1,102 were on hand. Two of the 3 checks were held and not deposited until December 4, 2009, and the remaining check was returned to the title company. Other receipts included in the cash count were deposited on December 3, 2009. In addition, these title company checks were dated October 7, October 15, and November 30, 2009, and the payments were not receipted by the County Collector's office until deposited. As a result, it is unclear how long the County Collector held these checks.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be deposited intact, and checks should be issued for any refunds.

5.3 Receipting procedures

The method of payment (cash, check, or money order) is not always correctly recorded in the property tax system and reconciled to deposits. The cash count conducted on December 2, 2009, identified checks and cash totaling \$21,978 and \$1,601, respectively, were on hand; however, the computerized property tax system indicated checks and cash totaling \$22,243 and \$1,336, respectively, were received. It appears a \$265 cash payment was recorded in the computerized property tax system as a check



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in error. Several other instances were noted where the composition of receipts recorded in the property tax system did not agree to the composition of deposits, and the County Collector did not document reasons for the differences.

To ensure all receipts are recorded properly and deposited intact, the method of payment should be accurately recorded in the property tax system, and the composition of receipts recorded in the property tax system should be reconciled to the composition of deposits.

Recommendations

The County Collector:

- 5.1 File complete annual settlements.
- 5.2 Deposit receipts intact and issue refunds by check.
- 5.3 Accurately record the method of payment on the computerized property tax system, and reconcile the composition of receipts to the composition of deposits. Any differences should be investigated and explained.

Auditee's Response

The County Collector provided the following written responses:

- 5.1 *Since the recommendation regarding the annual settlements did not disclose any money missing, I will take that as all funds were accounted for; however, efforts are forthcoming for more transparency in the settlements.*
- 5.2 *Once current tax amounts per real estate parcel are known, which is around the 1st of October, title companies will call for the current tax amount in order for them to retain the total tax due during a closing relating to any ownership transfer of real estate, which is most helpful.*

The title companies do not bring these checks until such time as we start collecting current taxes and sometimes they hold the checks until a much later date; however, these checks could very well have an October or November date.

We do not question their procedure. Once we receive the checks we will pay the taxes as time permits. It might take more than one day to work through them. The title companies know this procedure and it is quite acceptable to them.



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If a check is incorrect or the taxes have already been paid, the title company is contacted. Sometimes it might take a day or two before the title company gets back with us or gives us an answer.

It is most regretful that such petty remarks would find their way in what is supposed to be an important report; our time could be much better spent than answering such flimsy commentary.

5.3 *The information we write on our copy of the paid receipts (checks, cash, and credit card) is what we use when we are looking for information for the tax payer or for us. We very seldom use the validation tape. Once in a while a check is entered as cash and cash is entered as check. This does not affect anything that we do when balancing each day. When we balance each day the receipts for each window are added and matched to the printout for that window.*

Also when we receive an error on our validator, we have to shut it off to correct the error, when this occurs not all of the totals will print on the validation tape.

Auditor's Comment

5.2 Depositing receipts intact is an important accounting control and helps to prevent the loss or misuse of funds and properly account for all monies received.

6. Payroll Controls and Procedures

Improvement is needed over payroll policies and procedures.

6.1 Timesheets

Sufficient documentation is not required from some part-time employees prior to approving monthly payroll. The two Assistant Prosecuting Attorneys and the Emergency Management Preparedness Director are salaried part-time employees, and are paid approximately \$3,600, \$3,500 and \$1,600, respectively, each month. However, the county does not receive timesheets or require these employees to submit documentation of hours/days worked and tasks performed. The County Commission indicated these individuals are expected to work the number of hours needed to complete required tasks.

While amounts paid may be reasonable as compared to services rendered, the County Commission cannot evaluate this without more information. Documentation should be required and used when approving monthly payments and to periodically evaluate the arrangement and related compensation.

6.2 Personnel policies

The county has not established adequate written personnel policies to address various personnel issues. The county policy only addresses



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vacation, sick, and bereavement leave and benefits provided for catastrophic illness, and the policy is to be administered at the discretion of each elected official. The policy does not address several significant areas including holiday pay, timesheet requirements, and guidelines for compensatory (overtime) earned and taken.

Additionally, the Sheriff's office overtime policy provides for time worked in excess of 43 hours in a work week to be paid at time and a half. This policy may not comply with the FLSA, which provides for overtime for law enforcement officials to be compensated at time and a half for time worked over 171 hours in a 28-day period.

Detailed written policies are necessary to provide guidance to county employees, provide a basis for proper compensation, ensure equitable treatment among employees, avoid misunderstandings, and ensure compliance with the FLSA.

Recommendations

The County Commission:

- 6.1 Require sufficient documentation from salaried part-time employees to support payroll amounts and provide a method for periodically re-evaluating compensation arrangements.
- 6.2 Review its current personnel policy and practices and revise the policy as needed.

Auditee's Response

The County Commission provided the following written responses:

- 6.1 *The Assistant Prosecuting Attorneys and Emergency Preparedness Director are supervisory employees working part time on a salary. Timesheets are not required.*
- 6.2 *Periodically, the County Commission reviews and updates the county personnel policy. The last review and update was on June 4, 2009. The County Commission plans an additional review and update during 2010.*

7. Sheriff Controls and Procedures

The Sheriff's office does not have adequate accounting controls and procedures. In addition, the Sheriff maintains commissary profits in a bank account outside the county treasury and assesses booking fees without statutory authority.

The Sheriff's office collected civil and criminal process fees, cash bonds, inmate and commissary monies, and booking fees during the years ended December 31, 2009 and 2008, totaling approximately \$330,000 and \$200,000, respectively.



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7.1 Segregation of duties

Accounting duties are not adequately segregated, and an adequate supervisory review of accounting records is not performed. The chief bookkeeper receipts and deposits monies, writes checks, and prepares bank reconciliations. Although the Sheriff documented his review of all bank reconciliations, he was not aware his three office bookkeepers were signing his name on all checks. Two signatures are required for all checks, and the bookkeepers indicated they had been signing the former and current Sheriff's name, as well as their own signatures, on all checks for several years.

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 an adequate documented supervisory review of records by the Sheriff. In addition, dual signatures help provide assurance that checks represent payment for legitimate Sheriff's office disbursements. By circumventing this control, there is less assurance that all disbursements are legitimate and properly authorized.

7.2 Receipting procedures

Receipt slips are not issued for some inmate/commissary monies received, and the method of payment (cash, check, or money order) is not always recorded on receipt slips and reconciled to the composition of deposits. Additionally, receipt slips are not always issued in numerical order or accounted for properly, and original copies of voided receipt slips are not always retained.

To ensure all receipts are accounted for properly and deposited intact, receipt slips should be issued for all monies received, issued in sequential order, and accounted for properly; the method of payment should be indicated on each receipt slip; and the composition of receipt slips issued should be reconciled to the composition of deposits. Voided receipt slips should be properly mutilated and retained.

7.3 Depositing procedures

Inmate monies totaling \$50 could not be traced to deposit and receipts are not deposited on a timely basis. The Sheriff's office records indicate inmate receipts collected from December 1, 2009 through December 10, 2009, totaled \$821, but only \$771 was deposited, or a difference of \$50. The jail administrator was unaware of this difference and could not determine if the \$50 was deposited. In addition, some of these receipts totaling \$598 collected between December 1, 2009, and December 8, 2009, were not deposited until December 11, 2009. Failure to deposit monies collected timely and intact increases the risk of theft or misuse of funds.

7.4 Inmate liabilities and commissary profits

Procedures are not in place to routinely identify month-end liabilities and reconcile the liabilities to the cash balance. At our request, a list of liabilities was prepared as of November 30, 2009, and it agreed to the reconciled cash



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balance. In addition to various inmate balances, the list showed commissary profits of approximately \$2,100 in the account balance.

The Sheriff retains commissary profits in the account and uses them to pay jail expenses. Making disbursements from this account circumvents the county's normal budgeting and disbursement processes. Section 50.330, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient funds are available, liabilities should be identified monthly and reconciled to the cash balance.

7.5 Booking fees

The Sheriff charged booking fees totaling \$3,000. Attorney General's Opinion No. 124, 2009 to George, states there is no express statutory authority for the Sheriff to charge a booking fee.

7.6 Paper service fees

Receipts for court-ordered paper service fees are not recorded until the related papers are served. The Sheriff's office collected paper service fees totaling approximately \$16,000 and \$14,000 during the years ended December 31, 2009 and 2008, respectively. To adequately safeguard monies and reduce the risk of loss, theft, or misuse of funds, receipt slips should be written immediately upon receipt.

Recommendations

The Sheriff:

- 7.1 Adequately segregate accounting duties to the extent possible or ensure adequate supervisory reviews of the accounting records are performed and documented. In addition, the Sheriff should discontinue the practice of allowing the bookkeepers to sign his name on checks.
- 7.2 Improve receipting procedures of inmate and commissary monies.
- 7.3 Investigate the unaccounted for monies, and ensure inmate/commissary receipts are deposited intact and in a timely manner.
- 7.4 Identify month-end liabilities and reconcile the liabilities to the cash balance, and disburse commissary profits to the County Treasurer.
- 7.5 Refrain from collecting booking fees in the future.
- 7.6 Issue receipt slips immediately upon receipt for paper service fees.



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Auditee's Response

The Sheriff provided the following written responses:

7.1 *The two signatures required on department checks will be provided by the administrative secretarial staff. The Sheriff will be the only individual allowed to sign his name to any document. Accounting duties will be reviewed for consideration of segregating of duties.*

7.2 &

7.3 *All financial transactions will be closely monitored and documented. Receipt slips will be issued for all financial transactions and the appropriate method of payment will be noted. All "voided" receipt slips will be retained.*

7.4 *All financial transactions will be closely monitored and documented. All commissary monies will be deposited directly to the Howell County Treasurer in a timely fashion.*

7.5 *All booking fees previously collected will be immediately turned over to the Howell County Treasurer. The collection of booking fees has been suspended.*

7.6 *Receipt slips will be immediately provided upon issuance of all court-ordered papers.*

8. Prosecuting Attorney Controls and Procedures

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office.

The Prosecuting Attorney's office collected bad check restitution and fees, delinquent taxes, and court-ordered restitution totaling approximately \$399,000 and \$393,000 during the years ended December 31, 2009 and 2008, respectively.

8.1 Adjustments and reversals

There was no independent approval to support adjustments and reversals posted to the accounting system, and adequate documentation of such adjustments and reversals was not always retained. The bad check clerk has the ability to post adjustments and reversals to the computer system without obtaining independent approval. To ensure all adjustments are valid, someone independent of receipting and recording functions should review and approve adjustments and reversals, and proper supporting documentation should be maintained for such adjustments and reversals.

8.2 Receipting procedures

The method of payment is not always accurately recorded on the computer system and reconciled to deposits. For example, a cash receipt of \$1,100 was received on October 14, 2009; however, the receipt was recorded in the computer system as a money order. Several other instances were noted where the composition of receipts recorded in the computer system did not



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agree to the composition of deposits. To adequately account for collections and reduce the risk of loss or misuse of funds, the composition of receipts recorded in the computer system should be reconciled to the composition of deposits.

8.3 Segregation of duties

Accounting duties are not adequately segregated, and there was no evidence of a supervisory review of the accounting records by the office manager or the Prosecuting Attorney. The Prosecuting Attorney's bad check clerk collects monies, records transactions, prepares deposits and checks, 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 the accounting duties among available employees or by implementing an adequate documented supervisory review of records by the office manager or the Prosecuting Attorney.

Recommendations

The Prosecuting Attorney:

- 8.1 Require someone independent of the accounting system to review and approve all adjustments and reversals and ensure adequate documentation is retained to support such adjustments and reversals.
- 8.2 Accurately record the method of payment on the computerized system, and reconcile the composition of receipts to the composition of deposits. Any differences should be investigated and explained.
- 8.3 Adequately segregate accounting duties or perform documented reviews of the accounting records.

Auditee's Response

The Prosecuting Attorney provided the following written response:

The Howell County Prosecutor's office now has a policy that all adjustments and reversals shall be reviewed by the Office Manager or the Prosecuting Attorney and noted in writing. It has always been policy that the proper form of payment be noted correctly in the computer system as well as the written receipts. The audit report mentioned entries which were incorrectly reported. Extra care will be taken when entering the correct form of payment (being cash or money order). It should be noted that in all occasions the form of payment was photocopied and placed with each restitution file (if cash, the bills and coins were copied and if money order, the money order itself was copied). When a payment is made by an offender, the Bad Check Clerk enters the appropriate payment in the computer which generates a receipt. In addition, a manual receipt is also prepared. Both receipts are given to the offender for their records. A copy of both the



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manual and computerized receipt log are given to the person making the deposit for comparison with the money being deposited each day. The Office Manager currently reviews the bank statements each month, initials and dates each statement after reconciliation by the Bad Check Clerk. It is the policy that any inconsistencies shall be directed to the Prosecuting Attorney by the Office Manager. It is now the policy of the Prosecuting Attorney's office that random reviews by the Prosecutor of the bank statements will be conducted.

9. Public Administrator Controls and Procedures

Improvement is needed over annual settlements and mileage reimbursement claims prepared by the Public Administrator.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Associate Circuit Court. During the years ended December 31, 2009 and 2008, the Public Administrator handled approximately 114 cases.

9.1 Annual settlements

The Associate Circuit Court has not established procedures to adequately review the settlements of cases assigned to the Public Administrator. The Public Administrator also does not adequately review the settlements prepared by attorneys. As a result, some annual settlements filed by the Public Administrator were not complete or accurate and these errors went undetected. For example, 92 acres of real estate was neither reported on an estate's annual settlements nor included on the original inventory. On another settlement, a distribution of estate assets to an heir was reported as \$20,705; however, the actual distribution was for \$10,705.

Failure to adequately review settlements increases the risk that errors or misuse of funds could go undetected. To ensure the financial activity of the estates is accurately reported to the court, all assets, liabilities, receipts, and disbursements should be accurately reflected on the annual settlements.

9.2 Mileage reimbursements

The county reimbursed the Public Administrator for mileage traveled; however, she was not required to use the county mileage reimbursement form, which requires the date, purpose, starting location and destination, and total number of miles driven to be provided. The Public Administrator only documented the name of the wards or businesses visited and the total number of miles traveled. The county paid \$11,920 to the Public Administrator for mileage during the 2 years ended December 31, 2009.

To ensure reimbursement requests are reasonable and represent valid disbursements, the Public Administrator should use the county mileage reimbursement form to document mileage incurred.



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Recommendations

The Public Administrator:

- 9.1 Ensure annual settlements are accurately prepared. The Associate Circuit Judge should establish procedures to adequately review annual settlements filed with the court.
- 9.2 Utilize the county mileage reimbursement form and provide adequate documentation of mileage incurred.

Auditee's Response

The Public Administrator provided the following written responses:

- 9.1 *As Public Administrator, I gather all information needed to prepare my annual settlements. I work with several attorney offices and they do the actual preparation and filing of all legal documents. Once prepared, I receive a copy of each settlement and sign all necessary paperwork. I do review all my settlements and keep a copy in each ward's file.*
- 9.2 *I believe I used the county's mileage form from 1997 to 2007.*

Because of the detail of my job, as Public Administrator, in 2008, I believe, I requested to use a form (my daily diary log) that I prepared and used daily. It had the date, destinations, and total number of miles driven each day. My starting location is always my office. The purpose of my travel for the day is always service to my wards and/or duties required of me, as Public Administrator, such as court. I did receive permission to use my form. Prior to this, I was having to transfer all information from my daily diary log to the county's mileage reimbursement form to be reimbursed my mileage. I keep copies of what I turn in to the county in my files (use as a daily diary log). There is no place on the old form or the new form for odometer readings only total mileage. Since my meeting with the auditors in March, I have been recording odometer readings each day.

The Associate Circuit Judge provided the following written response:

- 9.1 *All settlements, annual or final, filed by an attorney shall be in a spreadsheet format and a compact disk containing a copy of the settlement in Microsoft Excel format shall be filed with the settlement. Further, whatever spreadsheet program is used by the attorney shall have the capacity to total the receipts and expenditures by simply pressing a key. No annual or final settlement shall be submitted to the court for its approval without first being audited by a court clerk and the computations therein contained are found to be accurate.*



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In view of the fact that our Public Administrator always employs an attorney to prepare her settlements, the requirement in 9.1 that all attorneys use the spreadsheet format covers the Public Administrator. Further, by requiring the attorney to use a spreadsheet program that totals the receipts and expenditures with the press of a key, the chance for computational errors is all but eliminated. Finally, having the clerks audit each and every settlement provides further assurance that the expenditures are proper and that the settlement accurately reflects all receipts and expenditures.

10. Budget Amendments

Budget amendments for several county funds were not completed in a timely manner. While the County Commission indicated budgets are monitored on a monthly basis, budget amendments were not made until December 31, 2009 and 2008. The county's procedure is to prepare an amendment the last day of each year to adjust budgeted receipts and disbursements, and the amendment amounts are sometimes significant. For example, the County Commission amended the Special Road and Bridge Fund and Special Grant Fund budgeted disbursements by \$254,594 and \$258,266, respectively, for the year ended December 31, 2009. Prior to the amendments, disbursements had exceeded the original budgeted amounts.

Budget documents are an essential tool for the efficient management of county resources. If there are valid reasons that necessitate excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. Timely budget amendments would provide for more accurate budgets that could be used as an effective planning tool by the county and help ensure compliance with state law.

Recommendations

The County Commission ensure budget amendments are made prior to incurring related expenditures.

Auditee's Response

The County Commission provided the following written response:

This recommendation will be taken under consideration.

Howell County

Organization and Statistical Information

Howell County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is West Plains.

Howell 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 Spence, Presiding Commissioner	\$	33,467
Bill Lovelace, Associate Commissioner		31,355
Mark B. Collins, Associate Commissioner		31,355
Cynthia Weeks, Circuit Clerk and Ex Officio Recorder of Deeds (1)		53,512
Dennis K. Von Allmen, County Clerk		47,508
Michael P. Hutchings, Prosecuting Attorney		58,065
James M. Shannon, Sheriff		52,787
Ernistine Doss, County Treasurer		47,508
James T. Cherry, County Coroner		19,883
Charm L. Eagleman, Public Administrator		47,508
Wayne Scharnhorst, County Collector (2), year ended February 28,	83,417	
Daniel Franks, County Assessor, year ended August 31,		47,508
Ralph Riggs, County Surveyor (3)		N/A

- (1) Compensation paid by the state.
- (2) Includes \$35,909 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.

Financing Arrangements

A lease-purchase agreement was entered into on May 20, 2004, with the Public Building Corporation of Howell County to lease the dispatching and jail facility. The terms of the agreement are for the Public Building Corporation of Howell County to purchase the dispatching and jail facility and lease the facility back to the county for payments totaling the principal and interest due on the outstanding Revenue Refunding Bonds. Payments are made from the Law Enforcement Sales Tax Fund. The Revenue



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Refunding Bonds are scheduled to be paid off in 2013. The remaining principal and interest due on the lease-purchase agreement at December 31, 2009, was \$552,395.

A lease-purchase agreement was entered into on December 1, 2004, with the Public Building Corporation of Howell County to lease an administrative building. The terms of the agreement are for the Public Building Corporation of Howell County to purchase the administrative building and lease the facility back to the county for payments totaling the principal and interest due on an outstanding commercial loan. The lease purchase agreement was amended and refinanced in December 2009. Payments are made from the General Revenue Fund. The commercial loan is scheduled to be paid off in 2014. The remaining principal and interest due on the lease-purchase agreement at December 31, 2009, was \$630,869.