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Missouri State Auditor

Worth County



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Missouri State Auditor

YELLOW SHEET

Findings in the audit of Worth County

Disbursements	Records of fuel use by the Road and Bridge Department are not adequately documented and reviewed. Although the county started maintaining some fuel usage records, gallons used per the fuel log are not reconciled to gallons dispensed per the meter on the tank. The county does not receive any form of documentation to indicate the services provided in exchange for the annual payment of \$4,300 to the Worth County Progress Organization (WCPO). In addition, the Presiding Commissioner's wife is the WCPO Economic Developer and meeting minutes did not document whether the Presiding Commissioner abstained from the vote to approve the contract.
Payroll Policies and Procedures	Vacation leave balances are not reviewed to ensure balances are in accordance with the county personnel policy, and vacation leave balances have accumulated in excess of maximum amounts allowed. Also, vacation leave is credited to employee leave balances each pay period rather than being awarded in total on their employment anniversary date, as provided by the county personnel policy. An adequate review of employee timesheets and leave records was not always performed by the County Clerk's office or employee supervisors, and a review of various records identified several discrepancies related to compensatory, vacation, and sick leave accrued.
Capital Assets	Procedures and records to account for county property are not adequate. Capital asset inventory lists maintained by the County Clerk do not always include some necessary information such as purchase dates, acquisition costs, and inventory control tag identification numbers.
Prosecuting Attorney Controls and Procedures	Money orders are not restrictively endorsed immediately upon receipt. Monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances.
Circuit Clerk Liabilities	Monthly lists of liabilities are not generated and reviewed, and consequently, liabilities are not reconciled with cash balances. A comparison of liabilities to the reconciled bank balance as of December 31, 2009, showed unidentified funds of \$2,859.

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Worth County

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SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Worth County

We have audited certain operations of Worth County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Worth County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2009. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. 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, grant agreement, 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 Worth County.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
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Worth County

Management Advisory Report

State Auditor's Findings

1. Disbursements

County procedures related to fuel use need improvement. Documentation is not received for the services provided by the Worth County Progress Organization (WCPO). In addition, the Presiding Commissioner's wife is the WCPO Economic Developer and meeting minutes did not document whether the Presiding Commissioner abstained from the vote to approve this contract.

1.1 Fuel use

Records of fuel use by the Road and Bridge Department are not adequately documented and reviewed. Although the county started maintaining some fuel usage records, gallons used per the fuel log are not reconciled to gallons dispensed per the meter on the tank. During the 2 years ended December 31, 2009, the county spent approximately \$90,000 on fuel for six pickup trucks and dump trucks and a number of graders, tractors, dozers, and other equipment items used by the Road and Bridge Department. The Road and Bridge Department employees dispense fuel into the equipment and vehicles from two fuel tanks owned by the county. Usage logs are used to record the date and the roads worked on and fuel logs are used to record the gallons pumped and the vehicle or equipment. The fuel log is not reconciled with the gallons dispensed per the meter reading of the tank. For the fuel log with an ending date of June 8, 2009, we compared gallons dispensed as indicated on the fuel log to gallons dispensed per the meter reading of the tank. Gallons dispensed per the meter readings indicated 294 gallons of diesel and 46 gallons of gasoline more than were recorded on the fuel log. These differences could indicate possible loss, theft, or misuse of fuel. In addition, the logs contain no information regarding odometer or operating hour readings with which to review the reasonableness of the fuel use.

To ensure the reasonableness and propriety of fuel use, gallons used per the fuel logs should be reconciled to gallons dispensed per the meter on the tank. In addition, odometer or operating hour readings should be recorded and reviewed.

A similar condition was noted in our prior audit report.

1.2 Worth County Progress Organization payment

The county does not receive any form of documentation to indicate the services provided in exchange for the annual payment of \$4,300 to the WCPO. The county contracts with WCPO, a local non-profit corporation, to obtain economic development and grant writing services. The WCPO also receives funding from other governmental and business sources. However, the county does not obtain and review periodic progress reports and financial statements from the WCPO. The County Clerk was not aware of any grants prepared by the WCPO during the 2 years ended December 31, 2009. In addition, the Presiding Commissioner's wife is the WCPO Economic Developer. While the meeting minutes did not document whether the Presiding Commissioner abstained from the vote to approve the contract, the Presiding Commissioner indicated he did abstain.



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Management Advisory Report - State Auditor's Findings

The county should obtain documentation, which could include periodic progress reports and financial statements from the WCPO, and review the documentation to ensure monies provided by the county were accounted for properly and used for the intended purposes. In addition, to reduce the appearance of a conflict of interest, related parties should abstain from voting and all members abstaining from voting should be documented in meeting minutes.

A similar condition was noted in our prior audit report.

Recommendations

The County Commission:

- 1.1 Ensure the Road and Bridge Department fuel and usage logs include odometer or operating hour readings, and ensure the gallons dispensed per the fuel logs are periodically reconciled to gallons dispensed per the meter readings.
- 1.2 Obtain and review documentation to ensure economic development and grant writing services are provided by the WCPO. In addition, abstentions from voting should be documented in the minutes.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *While we did make improvements over the last audit, we realize improvement is still needed. We are in the process of reviewing the records and are considering various options such as improved meter readers, dispensers, and submission of reports and reconciliations monthly.*
- 1.2 *We will request and we have obtained monthly reports and, in the future, when we receive these reports, we will document receipt of these reports in the minutes. Also, the WCPO does come in and discuss issues regularly with the County Commission. A member abstaining from voting will be documented in the minutes. In addition, the Presiding Commissioner only votes when there is a tie on a matter, so most of the time he does not vote. However, in this situation, the Presiding Commissioner will ensure that minutes document that he did not vote.*

2. Payroll Policies and Procedures

Various errors and concerns were noted during the review of timesheets and leave records.

2.1 Leave balances

Vacation leave balances are not reviewed to ensure balances are in accordance with the county personnel policy, and vacation leave balances have accumulated in excess of maximum amounts allowed. One employee



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who earns 3 weeks of vacation leave per year has over 6 1/2 weeks of vacation leave accrued. Also, vacation leave is credited to employee leave balances each pay period rather than being awarded in total on their employment anniversary date, as provided by the county personnel policy. The policy indicates ". . . vacation time must be used within one year of the date on which it accrues, which will be the anniversary date of their employment, or it will be lost."

Without an adequate review process of the leave balances, the county cannot ensure leave balances are in compliance with the county personnel policy. In addition, awarding leave per pay period instead of on the employment anniversary date is not in compliance with the personnel policy and could result in inequitable treatment of employees and a potential liability to the county. The county should consider awarding leave in accordance with the personnel policy or modify the personnel policy to reflect current procedures.

2.2 Payroll errors

An adequate review of employee timesheets and leave records was not always performed by the County Clerk's office or employee supervisors. A review of October and November 2009 records identified several discrepancies related to compensatory, vacation, and sick leave accrued. In addition, a timesheet was not signed, and the Road and Bridge Supervisor approves his own timesheet.

- Compensatory leave earned and accrued for an employee was understated by 1 hour.
- Accrued vacation time was overstated for 2 employees by a total of 9 hours.
- One employee used 8 hours of vacation leave on a paid holiday.
- Sick leave was overstated by 5 hours for one employee.
- One employee accrued the incorrect amount of sick leave per pay period.

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



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Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission:

- 2.1 Review vacation leave balances to ensure leave balances are in accordance with the personnel policy. In addition, the County Commission should award leave in accordance with the personnel policy, or modify the policy to reflect current procedures.
- 2.2 Adequately review timesheets and leave records for accuracy. In addition, timesheets should be signed by both the employee and the employee's supervisor, and someone should approve the Road and Bridge Supervisor's timesheet.

Auditee's Response

The County Commission provided the following responses:

- 2.1 *We will ensure leave awarded and leave accumulated are in accordance with policies and we are considering possible revisions to the policies.*
- 2.2 *We will implement these recommendations.*

3. Capital Assets

Procedures and records to account for county property are not adequate.

Capital asset inventory lists maintained by the County Clerk do not always include some necessary information such as purchase dates, acquisition costs, and inventory control tag identification numbers.

Inventory control sheets used by the County Clerk to document purchases of capital assets are not complete. The control sheets do not indicate the cost of the asset or the inventory control tag identification number assigned to the asset. The County Clerk does not reconcile the inventory control sheets to the capital asset list. In addition, a procedure is not in place to document the method and date of asset dispositions or the approval by the County Commission to dispose of the asset. Office holders do not perform annual inspections and inventories of county property. To aid in the recordkeeping process, the County Clerk "spot checked" some of the assets on the capital asset list in 2008, and for 2009, a Deputy County Clerk was supposed to go to various offices and write down the assets, but this process was not completed and no documentation was maintained. We tested the historical cost of two assets on the list and both costs recorded were inaccurate. A motor grader purchased for \$79,500 was recorded at \$180,219, and a Sheriff's vehicle purchased for \$20,101 was recorded at \$21,000. In addition, identification control numbers were not assigned to the assets.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to inventory



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Management Advisory Report - State Auditor's Findings

reports from the various county departments would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

Recommendations

The County Commission and County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and ensure capital asset purchases and dispositions are tracked throughout the year.

Auditee's Response

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

We will implement these recommendations.

4. Prosecuting Attorney Controls and Procedures

Money orders are not restrictively endorsed immediately upon receipt and a liabilities list is not prepared.

The Prosecuting Attorney's office collects fees and restitution of bad checks. Receipts totaled approximately \$9,000 each year for the years ended December 31, 2009 and 2008.

4.1 Money orders

Money orders are not restrictively endorsed immediately upon receipt. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, money orders should be restrictively endorsed immediately upon receipt.

4.2 Liabilities

Monthly lists of liabilities are not prepared, and consequently, liabilities are not reconciled with cash balances. The cash balance at December 31, 2009, was \$127. We requested a liabilities list detailing this balance; however, the Prosecuting Attorney's office was unable to provide a list.

Without regular identification and comparison of liabilities to the cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of as provided by various statutory provisions.

This condition was noted in our two prior audit reports.



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Recommendations

The Prosecuting Attorney:

- 4.1 Restrictively endorse all money orders immediately upon receipt.
- 4.2 Identify liabilities and reconcile to cash balances on a monthly basis. Any discrepancies should be investigated and resolved.

Auditee's Response

The Prosecuting Attorney provided the following responses:

- 4.1 *The procedure is to do this and employees have been reminded of this procedure.*
- 4.2 *Some of this money is the money used from petty cash to keep the account open. We will prepare open items lists monthly and reconcile to the cash balance.*

5. Circuit Clerk Liabilities

Monthly lists of liabilities are not generated and reviewed, and consequently, liabilities are not reconciled with cash balances. While a list of liabilities can be generated from the Justice Information System (JIS), the Circuit Clerk does not review the liabilities list on a monthly basis. Upon our request, the Circuit Clerk printed a list of liabilities as of December 31, 2009. The list of liabilities totaled \$2,189 and the reconciled bank balance was \$5,048, resulting in unidentified funds of \$2,859. The Circuit Clerk was unable to identify these monies.

Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities, monthly lists of liabilities should be prepared and reconciled to cash balances. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of as provided by various statutory provisions.

Recommendations

The Circuit Clerk should generate and review the list of liabilities from the JIS on a monthly basis and reconcile to cash balances. Any discrepancies should be investigated and resolved. In addition, unidentified monies should be disposed of as provided by state law.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

The Circuit Clerk provided the following response:

I am working with the Office of State Courts Administrators to review these differences. Any unidentified monies will be handled appropriately. An open items list will be generated monthly and reconciled to cash balances.

Worth County

Organization and Statistical Information

Worth County is a county-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Grant City.

Worth County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

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
County-Paid-Officials		
Kevin G. Austin, Presiding Commissioner	\$	11,834
Billy F. Mozingo, Presiding Commissioner (1)		602
Rob Ruckman, Associate Commissioner		12,441
Dennis Gabbert, Associate Commissioner		12,441
Barbara Foland, Recorder of Deeds		18,850
Lisa M. Hargrave, County Clerk		20,252
John L. Young, Prosecuting Attorney		24,050
Terry Sheddric, Sheriff		23,400
Linda L. Brown, County Treasurer		18,850
Gary D. Hann, County Coroner		5,200
Patsy A. Worthington, Public Administrator		7,500
Julie Tracy, County Collector, year ended February 28,	18,850	
Carolyn J. Hardy, County Assessor, year ended August 31,		20,400
State-Paid Officials:		
Jana Findley, Circuit Clerk		53,512
Joel Miller, Associate Circuit Judge		109,366

(1) Billy F. Mozingo resigned as Presiding Commissioner in January 2009.

Financing Arrangements

The county has entered into several lease purchase agreements for road and bridge equipment. At December 31, 2009, the balance of the leases totaled \$254,390. Principal and interest payments are made from the Special Road and Bridge Fund. In addition, the Emergency Services Board has entered



Worth County Organization and Statistical Information

into a loan agreement with Great Western Bank for the purchase of road signs. The balance as of December 31, 2009 was \$41,477. Principal and interest payments are paid by the Emergency Services Board.