



Thomas A. Schweich

Missouri State Auditor

Howard County

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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Howard County

Financial Condition	Some county funds are in poor financial condition. For several years, disbursements exceeded receipts, and the rental income from the Keller Building does not cover the costs of needed maintenance and repairs.
Property Tax System Controls and Procedures	The County Collector does not complete and timely file accurate annual settlements. The annual settlement for the year ended February 28, 2010, was not filed until February 2011, and contained several errors and omissions. Such mistakes can go undetected because, as noted in our last four audit reports, neither the County Clerk nor the County Commission adequately reviews the County Collector's property tax collection activities. In addition, the County Clerk does not prepare or verify the accuracy of the current and delinquent tax books and also does not prepare aggregate abstract reports as required by state law.
Sheriff Controls and Procedures	We have repeatedly identified weaknesses in the Sheriff's controls and procedures, but improvements still have not been made. Accounting duties are not adequately segregated, and bank reconciliations have not been performed for 5 years. Receipts are recorded on multiple receipt records which are not reconciled, the composition of receipts is not reconciled to deposits, deposits are not made timely, and monies are not kept in a secure location. The Sheriff purchases telephone cards to sell to inmates, but no records of purchases or sales are maintained. In addition, the Sheriff does not transmit fees to the County Treasurer monthly, as required by state law.
Capital Improvement Sales Taxes	The road and bridge capital improvement sales tax ballot language may not be consistent with state law since it does not specifically identify a capital improvement purpose. In addition, the county deposits road and bridge sales tax receipts into the Special Road and Bridge Fund and does not separately account for disbursements made from the sales tax receipts, and has not identified capital improvement projects funded with these monies. The county imposed capital improvement sales taxes in excess of that allowed by state statute; but, when the jail capital improvement sales tax expires on December 31, 2011, the remaining road and bridge capital improvement sales tax will not exceed the statutory maximum.
County Disbursements	Disbursements from some restricted funds were not in compliance with state law. The county does not have a written agreement with the Prosecuting Attorney. To avoid using county resources to subsidize the Prosecuting Attorney's private practice, this agreement should outline which expenses will be provided by the county and which will be provided by her private practice.
Rock and Pipe Sales	The county needs to improve its controls over rock and pipe sales by preparing an invoice for each sale, issuing a receipt slip for each payment, and charging a price sufficient to cover its costs.

Public Administrator Controls and Procedures	The Associate Circuit Court does not review annual status reports for accuracy. The Public Administrator does not always timely deposit checks received on behalf of wards, which increases the risk of loss or misuse and, if done to remain below the Medicaid eligibility threshold, may violate state law. In addition, the Public Administrator does not review bank reconciliations or maintain adequate bank reconciliation documentation.
Capital Assets	As noted in our prior audit, the county needs to improve its property procedures and records. The county should develop procedures to identify property purchases and dispositions, ensure property records contain all necessary information, affix asset tags, and require an annual inventory.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	<p>During the audit period, the county was awarded the following ARRA funds:</p> <p><u>ARRA - Energy Efficiency and Conservation Block Grant</u>: \$91,031 to replace the Keller Building heating and cooling systems. These funds had not been received or spent by the end of the audit period.</p> <p><u>Homelessness Prevention and Rapid Re-housing Program Grant</u>: Howard County received and spent \$28,446 to provide homelessness prevention assistance and rapid re-housing assistance during the audit period.</p> <p><u>Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant</u>: During the year ended December 31, 2010, Howard County received \$391 and expended \$4,039 toward overtime costs for Howard County Sheriff deputies working on criminal cases.</p> <p><u>Recovery Act: Edward Byrne Memorial Justice Assistance Grant</u>: During the year ended December 31, 2009, Howard County received and spent \$9,226 to replace lightbars on Sheriff's department vehicles.</p> <p><u>ARRA - Immunization Grant</u>: During the year ended December 31, 2010, the Howard County Health Department received vaccines and \$1,425 to administer the vaccines to school children.</p>
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Howard County

We have audited certain operations of Howard County in fulfillment of our duties under Section 29.230, RSMo. In addition, Casey-Beard-Boehmer PC, Certified Public Accountants, has been engaged to audit the financial statements of Howard County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. 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 Howard County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Howard County Management Advisory Report State Auditor's Findings

1. Financial Condition Various county funds are in poor financial condition. The following table reflects the ending cash balances of various county funds for the last 4 years and the projected ending balances for 2011:

	Ending Cash Balance, Year Ended December 31,*				
	2011 Budgeted	2010 Actual	2009 Actual	2008 Actual	2007 Actual
General Revenue (GR) Fund	\$ 436	82	25,533	3,777	53,472
Special Road and Bridge (SRB) Fund	0	178,829	233,071	208,044	473,029
Keller Building Fund	7,376	9,472	4	1	1,606

* Amounts were obtained from the county's budget documents.

Budgeted and actual disbursements have exceeded budgeted and actual receipts in the GR Fund in 4 of the last 5 years and the SRB Fund in 3 of the last 5 years. The county monitors budget to actual information and has reduced some county disbursements; however, these reductions have not been sufficient to offset declining receipts. Sales tax receipts, a significant funding source of both funds, declined during each of the years 2007 through 2009 and slightly increased in 2010.

The GR Fund cash balance has also declined due to increasing transfers to other county funds to offset expenses in those funds. During the 2 years ended December 31, 2010, transfers totaled approximately \$18,300 and \$137,900 from the GR Fund to the Civil Defense Fund and Law Enforcement (LE) Fund, respectively. In addition, the 2011 GR Fund budget includes a \$100,000 transfer from the Economic Development Fund as a temporary loan to be paid back with 2011 property tax collections. Also, due to the lack of available funds, the county paid certain expenses from restricted funds; however, some of these disbursements were not in accordance with state law (see MAR finding number 5).

The SRB Fund includes road and bridge capital improvement sales tax receipts which total over \$200,000 per year; however, it is unclear whether the county has complied with the state law authorizing the sales tax (see MAR finding number 4).

The Keller Building Fund is in poor financial condition because receipts have not been sufficient to cover building expenses. In addition, the county has been unable to accumulate sufficient monies in this fund to cover major repairs needed. The county has rented space in the Keller Building to various public and private tenants since the Keller Memorial Hospital closed in 1997. The County Commission made an unsuccessful attempt to sell the building in 2002.



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The County Commission has increased Keller Building rental rates, including a 10 percent increase in 2010; however, these increases have not been sufficient to offset building maintenance and repair needs. Prior to 2010, the county transferred monies from the GR Fund to the Keller Building Fund to help cover building expenses. Transfers ranged from approximately \$1,300 to \$25,000 per year from 2006 to 2009. However, in recent years, because the GR Fund balance has declined and major repairs have been needed, the county had to obtain loans and grants to pay for repair and replacement of the heating and cooling systems. In March 2010, the county was awarded a \$91,309 Missouri Department of Natural Resources (DNR) grant which requires the county to provide \$59,928 in matching funds for the project. Because the county lacks these matching funds, in August 2010, the county was authorized a 6 1/2-year DNR loan of up to \$60,000. As of June 2011, the county had borrowed \$49,809. County officials indicated they are currently evaluating ways to reduce project costs, which would require lower grant and matching amounts. County officials also indicated any additional needed matching funds would be obtained through additional borrowing from the DNR loan and/or county-provided labor, equipment, and/or materials for the project. In addition, annual loan payments of approximately \$3,000 and \$1,900 are made from the GR and Keller Building Funds, respectively, for a 2008 16-year DNR loan for repairs to both the courthouse and the Keller Building.

The County Commission and County Clerk indicated they are aware of the concern and are monitoring the county's financial condition through monthly and quarterly budget reports and evaluating ways to reduce disbursements. In August 2010, Howard County voters authorized a 1/2-cent general sales tax levy to be collected beginning in January 2012. The county plans to deposit these collections, which the County Clerk estimates to be \$275,000 annually, in the GR Fund.

To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue. In addition, the County Commission should continue to review and set Keller Building rental rates at a level sufficient to cover operating costs and establish an adequate cash reserve.

Recommendation

The County Commission continue to closely monitor and take necessary steps to improve the county's financial condition.

Auditee's Response

The County Commission provided the following written response:

1. Revenue - Sales tax down and expenses increased. Monitor spending.



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2. *Budgets in all departments have all been kept the same for the last 4 years. Economic Development includes \$100,000 transaction not used in the audit period.*
3. *State cuts in Health Department, Law Enforcement, and Assessment.*
4. *Road and Bridge Department, due to 3 years of heavy rain and snow, has created a substantial increase in fuel and rock.*
5. *Keller Building utility increases in 2007 has created an increased financial problem. Have replaced the cooling tower and boiler replacement is in the works which will be more efficient.*
6. *Law Enforcement, Road and Bridge, and Health Department - when employees leave they have not been replaced. We have taken steps and done our best to monitor spending.*

2. Property Tax System Controls and Procedures

The County Collector does not complete and file accurate annual settlements in a timely manner, the County Commission and the County Clerk do not adequately review property tax collection activities, and the County Clerk does not prepare and file aggregate abstracts. Property taxes and other monies totaling approximately \$6.9 million and \$6.7 million were collected and distributed by the County Collector during the years ended February 28, 2011 and 2010, respectively.

2.1 Annual settlements

As of January 2011, the County Collector had drafted, but not finalized, the annual settlement for the year ended February 28, 2010. The County Collector indicated the settlement was not finalized and filed because of tax book differences, and she had attempted but was unable to resolve these differences. Upon our request, the County Collector finalized and filed the settlement in February 2011; however, the settlement contained several errors and omissions. Protested real estate taxes totaling approximately \$14,500 were double counted in delinquent and protested amounts. In addition, outlawed personal property taxes were reported as delinquent taxes; and as a result, delinquent tax charges reported on the settlement were approximately \$39,300 less than delinquent tax credits reflected on the prior year settlement. Also, the settlement did not include several miscellaneous taxes and fees, including merchant license, vehicle, and late assessment fees totaling approximately \$4,200. Other errors were also noted on the annual settlement. Additionally, total charges exceeded total credits by \$5,471.

After we brought the above errors to her attention, the County Collector corrected these matters and filed an amended settlement in April 2011. Our review of the annual settlement for the year ended February 28, 2011, which was also filed in April 2011, noted no significant errors, omissions, or differences.

Untimely, incomplete, and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector is charged with collecting. To ensure the



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validity of the tax book charges, collections, and credits, and for the County Clerk and the County Commission to properly verify these amounts, it is imperative the County Collector file accurate annual settlements on a timely basis. Section 139.160, RSMo, requires the County Collector to settle accounts with the County Commission by the first Monday in March.

2.2 Review of property taxes As similarly noted in our prior four audit reports, neither the County Commission nor the County Clerk adequately reviews the property tax collection activities of the County Collector.

The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy of the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected the errors in the County Collector's annual settlement noted above. The County Clerk indicated her review is limited to reviewing the County Collector's annual settlements for mathematical accuracy.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

2.3 Tax books As similarly noted in our prior four audit reports, the County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector prepares the tax books from the computer system and there is no independent review performed by the County Clerk. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

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



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2.4 Aggregate abstracts

The County Clerk does not prepare aggregate abstract reports as required. Section 137.295, RSMo, provides for the County Clerk to prepare and file these reports with the Missouri Department of Revenue and the State Tax Commission.

Recommendations

- 2.1 The County Collector file complete and accurate annual settlements in a timely manner. The County Collector should continue to investigate the differences reported on the annual settlements.
- 2.2 The County Clerk maintain an account book with the County Collector. The County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.
- 2.3 The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- 2.4 The County Clerk prepare and file aggregate abstracts.

Auditee's Response

The County Collector provided the following response:

- 2.1 *I will continue to implement this recommendation.*

The County Clerk provided the following written responses:

- 2.2 *The County Clerk agrees with this recommendation. Beginning in 2011, the County Clerk is maintaining an account book with the County Collector. The County Clerk is reviewing the accuracy and completeness of the County Collector's monthly and annual settlements beginning in 2011.*
- 2.3 *The County Clerk agrees with this recommendation. Beginning in 2011, the County Clerk is verifying the accuracy of current and delinquent tax books.*
- 2.4 *The County Clerk agrees with this recommendation. Beginning in 2011, the County Clerk is preparing and filing aggregate abstracts.*

The County Commission provided the following written response:

- 2.2 *County Clerk stated that she has started an account book and adequate review of County Collector tax transactions. The Commission is reviewing monthly and annual settlements from both the Collector and Clerk.*



3. Sheriff Controls and Procedures

The Sheriff's accounting procedures do not provide assurance that monies collected are accounted for properly. Prior audit reports have addressed the inadequacy of the Sheriff's controls and procedures. Improvements have not been made and significant weaknesses still exist.

The Sheriff's department received monies totaling approximately \$105,000 and \$115,000 for the years ended December 31, 2010 and 2009, respectively.

3.1 Segregation of duties

As noted in prior audits, accounting duties are not adequately segregated and adequate supervisory review of the accounting records is not performed. The Sheriff's bookkeeper is primarily responsible for receiving, recording, depositing, and disbursing monies, and reconciling bank accounts. The Sheriff indicated he reviews certain documentation supporting monthly fee transmittals to the County Treasurer; however, he does not document his review.

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

3.2 Bank reconciliations

As noted in prior audits, bank reconciliations have not been performed for any of the Sheriff's four bank accounts since July 2006. At our request, a bank reconciliation was prepared for the Sheriff's fee account as of February 28, 2011, and noted an unidentified balance of \$1,278. As of January 31, 2011, the Sheriff's revolving fund, bond, and old garnishment accounts had bank balances of \$888, \$9, and \$19, respectively. In addition, running book balances are not maintained for any of these accounts.

The Sheriff's bookkeeper indicated she has been too busy to perform bank reconciliations because she is required to perform other department duties including jailer, prisoner transport guard, dispatcher, and various office duties. In 2009, an intern working in the Sheriff's department attempted to reconcile the bank accounts; however, these reconciliations were not useful because they contained errors and were not reviewed for accuracy.

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

3.3 Receipts and deposits

As similarly noted in our four prior audits, receipting and depositing procedures continue to need improvement.



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- Receipts are recorded on multiple receipt records and the Sheriff's department does not reconcile the various receipt records or reconcile the receipt records to deposits. Cash bonds and inmate board bills are received and receipted by jailers and transmitted to the bookkeeper. The bookkeeper records these and other fee receipts in two manual one-write ledgers and also posts the fee receipts to an electronic ledger which is submitted to the County Treasurer with the monthly fee transmittal. A separate receipt book is used for carry and conceal weapon permits. The lack of reconciliations between the various records makes it difficult to ensure all monies are recorded and deposited.
- The method of payment (cash, check, or money order) is not consistently or accurately indicated on receipt slips, and the composition of deposits is not indicated on deposit slips. As a result, the composition of receipt slips cannot be compared to the composition of deposits.
- Fee receipts are not deposited intact or in a timely manner. Monies are normally collected each business day, but deposits are only made approximately five times each month. Some receipts are turned over to the court rather than deposited; however, a record of receipt from the court is not maintained.
- Generic prenumbered receipt slips are issued for monies received at the jail, and the receipt books are not purchased or issued in numerical order. In addition, our review of jail receipts noted some receipt slips were skipped or missing and not noted as voided.
- Monies received are not kept in a secure location until deposited. Fee receipts are held in an unlocked desk drawer prior to deposit. In addition, seized cash is not stored in a secure location. On March 31, 2011, we identified seized cash totaling \$3,500 held for one case in an envelope on a shelf in the unsecured evidence room. Sheriff's records indicate this cash was seized in August 2010. Sheriff's department records also showed seized cash totaling over \$5,000 was held in the evidence room from October 2008 to April 2009.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be adequately recorded, secured, and deposited; and receipt records should be reconciled to deposits. In addition, all seized cash should be deposited or stored in a secure location such as a vault or safe.

3.4 Telephone cards

Records are not maintained of prepaid telephone cards purchased and sold to inmates, and telephone cards and related receipts are maintained in an unsecure location. Batches of 50 telephone cards are periodically purchased from a telephone card vendor for \$6.50 per card and held by the Sheriff until sold to inmates for \$10 per card. The telephone cards and related cash



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receipts are maintained in the Sheriff's desk, and no records of telephone card inventories or sales are maintained. Cash receipts are used to purchase additional telephone cards, and profits are periodically transmitted to the County Treasurer. A cash count performed on February 22, 2011, identified \$595 in telephone card receipts maintained in the Sheriff's desk. Based on information obtained from the telephone card vendor, the Sheriff's department purchased telephone cards valued at \$4,500 (with a profit value of \$1,575) during the 2 years ended December 31, 2010. The Sheriff made two transmittals of profits totaling \$1,625 to the County Treasurer during this time period.

Detailed records are necessary to adequately account for telephone cards. Loss, misuse, or theft of the telephone cards and receipts may go undetected without adequate telephone card records and procedures.

3.5 Monthly transmittals

The Sheriff does not always transmit fees to the County Treasurer on a monthly basis as required by state law. For example, fees for December 2009, totaling \$2,459, were not disbursed to the County Treasurer until February 10, 2010. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the County Treasurer.

Recommendations

The Sheriff:

- 3.1. Segregate accounting and bookkeeping duties to the extent possible or, at a minimum, perform and document periodic reviews of the work performed.
- 3.2. Maintain running book balances, perform monthly bank reconciliations, and investigate and resolve any differences.
- 3.3. Ensure official prenumbered receipt slips are issued for all receipts; receipts are maintained in a secure location and deposited intact and in a timely manner; the method of payment is accurately indicated on all receipt slips; voided receipt slips are properly voided and retained; and receipt records, including the composition of receipt slips issued, are reconciled to the composition of deposits. In addition, the Sheriff should ensure seized cash is deposited or stored in a secure location.
- 3.4. Maintain records of telephone card sales and inventories. Such records should document the beginning number of telephone cards, cards purchased, cards sold, and the ending balance of cards. Periodic physical inventory counts should be performed and reconciled to telephone card records. Any discrepancies should be investigated in a timely manner. In addition, telephone cards and receipts should be maintained in a secure location, receipts should



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be deposited, and telephone cards should be purchased through the county disbursement process.

- 3.5. Transmit fees monthly to the County Treasurer.

Auditee's Response

The Sheriff provided the following responses:

- 3.1 *We are doing the best job we can in reviewing and documenting the review of records given the amount of manpower available to review the records.*
- 3.2 *We will contact the State Treasurer regarding how to dispose of the unidentified balances. We will work to implement monthly bank reconciliations starting in the month of June 2011.*
- 3.3 *Effective immediately, we plan to do a more accurate job of keeping track of any monies received in the jail, reconciling jail receipt records to our ledger in order to track to each individual, making sure each item is receipted, and making deposits more timely. In addition, any seized cash will be kept in a safety deposit box at the bank.*
- 3.4 *During the next couple of months, I will try to begin keeping a ledger of phone cards and statements and maintain the monies that come in for payment of the phone cards in a more secure location.*
- 3.5 *Beginning in June 2011, we will do monthly transfers no later than the 20th of each month.*

4. Capital Improvement Sales Taxes

Various concerns related to the capital improvement sales taxes were identified. County voters approved two capital improvement sales taxes under Section 67.700, RSMo. In April 1992, the county passed a 1/2-cent road and bridge capital improvement sales tax. The ballot stated the sales tax would be used for "the general operating expense incurred by the Road and Bridge Fund, including but not limited to the following: road rock, salaries, fuel expense, equipment purchases, and bridges and culverts, etc." This sales tax has no expiration date. In November 2002, the county passed a 1/2-cent jail capital improvement sales tax for the purpose of constructing, furnishing, and equipping a Sheriff's office and jail. This sales tax expires December 31, 2011. For each of these sales taxes, the county collected approximately \$453,000 during the 2 years ended December 31, 2010.

- 4.1 Road and bridge sales tax Although it appears the county spends road and bridge capital improvement sales tax monies in accordance with ballot language, such language may not be consistent with the intent of the authorizing state law.



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Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in its ballot submitted to its voters, and requires the monies received from the sales tax be deposited in a separate fund and used solely for the designated capital improvement purpose. However, as noted above, the ballot did not specifically identify a capital improvement purpose. In addition, the county deposits road and bridge sales tax receipts into the SRB Fund and does not separately account for disbursements made from the sales tax receipts, and has not identified capital improvement projects funded with these monies. Further, the county distributes approximately 20 percent of these receipts to two special road districts; however, the county has not entered into written agreements with the districts or established a system of monitoring the districts' use of these and other monies received from the county.

The County Commission should consult with legal counsel regarding the ballot language and the county's procedures related to the road and bridge sales tax and, if necessary, implement procedures to ensure compliance with state law. In addition, written agreements, along with monitoring procedures, would help ensure monies distributed to special road districts are expended in compliance with state law and as intended by the County Commission.

4.2 Excessive capital improvement sales taxes

The county appears to have exceeded the statutory maximum for capital improvement sales taxes allowed by Section 67.700, RSMo, by 1/2 of 1 percent. In addition, Attorney General's Opinion No. 97-99, to Neel states total capital improvement sales tax rates cannot exceed 1/2 of 1 percent. The jail capital improvement sales tax will expire on December 31, 2011. At that time, the remaining road and bridge capital improvement sales tax will not exceed the statutory maximum.

County officials were unaware the county had imposed capital improvement sales taxes in excess of the maximum rate allowed by state law. This was due in part because the county does not maintain a record of the county's various sales taxes (five sales taxes were in effect at December 31, 2010). Such a record, which would assist officials in monitoring sales taxes for compliance with state law, should include the description, rate, statutory authority, effective date, and expiration date for each county sales tax. Prior to submitting any future sales taxes to voters for approval, the county should review a record of current sales taxes imposed, research the statutory requirements for current and proposed sales taxes, and ensure the sales taxes do not exceed statutory limits.

Recommendations

The County Commission:

- 4.1 The County Commission should consult with legal counsel regarding the ballot language and procedures related to the road and



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bridge capital improvement sales tax and, if necessary, implement procedures to ensure compliance with state law. In addition, the County Commission should enter into written agreements and establish procedures to monitor the special road districts' expenditure of county monies.

- 4.2 Maintain and periodically review a record of all county sales taxes. In addition, prior to submitting any future sales taxes to voters for approval, the county should review the record of current sales taxes imposed, research the statutory requirements for current and proposed sales taxes, and ensure the sales taxes do not exceed statutory limits.

Auditee's Response

The County Commission provided the following written responses:

The Commission has reviewed the 2002 and 2006 audit recommendations and have not found any problems until this year's audit with capital improvement tax.

- 4.1 *We contacted the Board of Special Road Districts. We have asked for year beginning budget and financial report. At end of year, we have requested an ending balance sheet of expenses. At beginning of each budget year, we will be revisiting the percent of reimbursement for sales tax and CART funds for the Special Road Districts.*

We have spoken to the County Attorney for legal advice regarding language and procedures concerning ballot for Road and Bridge sales tax.

- 4.2 *Due to the Jail Sales Tax expiring December 31, 2011, this shouldn't be a concern in the future.*

5. County Disbursements

Concerns related to disbursements were identified.

5.1 Restricted funds

Disbursements from some restricted funds were not in compliance with state law.

- During the 2 years ended December 31, 2010, the county spent a total of \$6,740 from the Election Services Fund on financial accounting software for the County Clerk's office. The County Clerk indicated this software is not used for election purposes; however, Section 115.065, RSMo, restricts the use of Election Services Fund monies to these



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purposes. She also indicated the expenditure was inadvertently charged to the wrong fund.

- In 2010, the county transferred \$8,400 from the Sheriff's Revolving Fund to the LE Fund to cover Sheriff's department expenses such as salaries, overtime, and equipment purchases. The 2011 county budget provides for a similar transfer of \$3,100. Section 50.535, RSMo, provides Sheriff's Revolving Fund monies are to be used to process applications for concealed carry endorsements or renewals. The Sheriff indicated monies were spent from this restricted fund because the LE Fund lacked sufficient monies to cover the expenses.

5.2 Prosecuting Attorney's office expenses

The county does not have a written agreement with the Prosecuting Attorney outlining the portion of his/her expenses to be paid by the county.

The Prosecuting Attorney operates the county Prosecuting Attorney's office from his/her private law office. From 1999 to 2010, the county paid the former Prosecuting Attorney \$3,600 and \$2,400 per year for office and equipment rent, respectively. Beginning in 2011, the current Prosecuting Attorney pays the county \$100 per month for her office located in the county-owned Keller building. The County Commission determined this rental rate based on the percentage of time she spends on her private practice. In addition, the county pays her \$1,500 per year for office equipment rent, and leases a copy machine for her office. The County Commission indicated the current Prosecuting Attorney's rental rate will be reviewed as her private practice changes. In addition, the county pays the salaries of the Prosecuting Attorney's two secretaries. The former Prosecuting Attorney indicated one of his secretaries performed some private practice work, which he estimated was less than 5 percent of her time. The current Prosecuting Attorney indicated one secretary works very little for her private practice, as her private practice has not been fully developed.

The agreed-upon payments are requested and approved through the county's annual budget process. However, there is no written agreement with the Prosecuting Attorney outlining how the rent amounts and/or expenses to be paid by the county were determined. In addition, timesheets prepared by the secretaries do not document time spent on county business and private practice.

To ensure county resources are used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what expenses will be provided by the county and what expenses will be provided by the private practice. Section 432.070, RSMo, requires contracts of political subdivisions be in writing. In addition, the basis for the arrangements should be adequately documented and timesheets supporting time worked by Prosecuting Attorney secretaries on county business and/or



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private practice should be prepared. The agreement should be updated when the arrangements and/or county/private practice caseloads change.

Recommendations

- 5.1 The County Commission, County Clerk, and the Sheriff ensure monies in restricted funds are spent in accordance with state law.
- 5.2 The County Commission enter into and periodically update written agreements with the Prosecuting Attorney, document the basis for the arrangements, and require timesheets when appropriate.

Auditee's Response

The County Commission provided the following written responses:

- 5.1 *The Commission, Sheriff, and Clerk visited and will take under advisement and ensure monies and restricted funds will be spent according to MO Statutes.*
- 5.2 *Prosecutor will have written agreement about the outlining expenses to be paid by the county completed by July 22, 2011 and signed.*

The County Clerk provided the following written response:

- 5.1 *The County Clerk agrees with this recommendation and will ensure monies in restricted funds are spent in accordance with state statutes.*

The Sheriff provided the following response:

- 5.1 *This transfer was needed to cover Sheriff department expenses; future expenses will be covered from other sources, if available, as provided by state statute.*

The Prosecuting Attorney provided the following written response:

- 5.2 *I will work with the County Commission to develop a written agreement outlining the arrangements for payments and/or reimbursements for office expenses. My secretaries will document the time that they spend on my private practice and the time that is spent on county business. The supporting documentation will be available to the Commission when appropriate.*

6. Rock and Pipe Sales

The county does not maintain complete and accurate records of all sales of rock and pipe to the public and other governmental entities and related payments. In addition, the county does not fully recover the costs associated with these materials. The county received approximately \$71,500 from these sales during the 2 years ended December 31, 2010.



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Although the county improved controls over rock and pipe sales in 2009, these controls continue to need improvement. In 2009, the Road and Bridge department administrative assistant began preparing invoices for these sales and receipting responsibilities were transferred from the County Clerk's office to the administrative assistant. However, the administrative assistant does not always prepare an invoice for each sale; and although she began issuing receipt slips in October 2010, she does not issue a receipt slip for each payment. In addition, pipe is sold at 2009 rates rather than the rates the county paid/would pay for the pipe when needed.

To ensure all rock and pipe sales and monies received are accounted for properly, invoices should be prepared for all sales and prenumbered receipt slips should be issued for all monies received. In addition, the County Commission should ensure charges are sufficient to ensure recovery of costs associated with the items sold.

Recommendation

The County Commission ensure invoices are prepared for all sales of rock and pipe, receipt slips are issued for all monies received, and charges are sufficient to ensure recovery of costs.

Auditee's Response

The County Commission provided the following written response:

The Commission have discussed with the Road and Bridge Supervisor and Administrative Assistant to keep inventory and invoice records on pipe and rock. Update billing and receipts will be provided to purchaser and Clerk.

7. Public Administrator Controls and Procedures

Weaknesses involving preparing and reviewing annual settlements and status reports, depositing monies, and reconciling bank accounts were identified. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Associate Circuit Court-Probate Division, and is responsible for the financial activity of approximately 65 individuals.

7.1 Annual settlements and status reports

The Associate Circuit Court has not established procedures to adequately monitor the activity of cases assigned to the Public Administrator. The Associate Circuit Court requires the Public Administrator to annually report financial activity for each case on either an annual settlement or status report, as determined by the Associate Circuit Judge. The Associate Circuit Judge reviews and approves annual settlements and status reports; however, the court does not verify the accuracy of the information contained in status reports. While the Probate Clerk reviews each annual settlement by verifying its accuracy and reviewing supporting documentation, her review of the annual status reports is limited to a review for reasonableness. Because an annual status report, rather than an annual settlement report, is required for most cases, the court has no assurance all financial activity of each ward is appropriately reported to the court for review.



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Failure to adequately review and monitor the activity of cases assigned to the Public Administrator by the Associate Circuit Court increases the risk that errors or misuse of funds could go undetected.

7.2 Undeposited checks

Some checks received by the Public Administrator on behalf of wards are held for extended periods of time before deposited. Three death benefit checks totaling \$17,945 received on behalf of a ward during 2010 were held for 3 weeks, 1 month, and 9 months, respectively, before deposit. Two of these checks were not reported as income/assets on the ward's annual settlement filed in March 2011. According to the Public Administrator, these types of checks are often held for future expenses so a ward's assets remain below Medicaid eligibility funds.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited timely and appropriately reported on annual settlements. In addition, Section 208.210.1, RSMo, requires recipients to notify county welfare offices if they possess property which affects their right to receive benefits. Further, Section 208.210.2, RSMo, provides that if it is found that a recipient or spouse possessed income in excess of the amount reported that would affect his right to receive benefits, the amount of benefits may be recovered as a debt due the state.

7.3 Bank reconciliations

Adequate bank reconciliation documentation is not maintained, and the Public Administrator does not review the bank reconciliations performed by her deputy. The Public Administrator indicated bank reconciliations are performed on the computer system and are not saved, and previous reconciliations are not available from the system.

To ensure bank statements are properly reconciled to accounting records, documentation should be maintained of the reconciliations performed by the deputy and reviewed by the Public Administrator.

Recommendations

- 7.1 The Associate Circuit Judge establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator.
- 7.2 The Public Administrator discontinue the practice of holding checks and contact the Missouri Department of Social Services, Family Support Division, to determine whether any monies are due to the state. In addition, all monies should be deposited timely and appropriately reported on annual settlements.
- 7.3 The Public Administrator maintain documentation of bank reconciliations and ensure periodic reviews of bank reconciliations are performed and documented.



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Auditee's Response

The Associate Circuit Judge provided the following written response:

7.1 *Please be advised that the audit covers the period prior to my being sworn in to the position of Associate Judge, and that the prior Probate Clerk left her position along with my predecessor, so I cannot speak to their standards and practices.*

With regard to the concern listed in the audit stating that additional financial scrutiny of annual status reports are needed, our response is as follows:

The Judge has met with the Public Administrator regarding this matter. The Public Administrator has agreed to submit the most recent bank statement as an attachment with the annual status report so the Court can verify the financial status of each ward.

It is my understanding that the Auditor's office feels that this will give an adequate safeguard against any error or misuse of funds.

The Public Administrator provided the following written responses:

7.2 *This was one case I held checks to establish a trust. Although I was late reporting it to the court, I did do a settlement and got court approval. It is not my regular practice to hold checks.*

7.3 *My deputy is now giving me a monthly bank statement with a copy of the reconciliation attached, which I review and initial.*

8. Capital Assets

As noted in the prior audit report, procedures and records to account for county property are not adequate. The County Clerk has no procedures to identify and track property purchases and dispositions throughout the year. In January 2011, the County Clerk requested and received inventory reports from all county officials and department heads. Inventory reports had not been received for several years, except for the road and bridge department which submits the reports annually. The inventory reports lacked some necessary information such as purchase dates, acquisition costs, serial numbers, and disposal information. In addition, most property was not tagged as county property until the January 2011 inventory process.

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. Section 49.093, RSMo, provides 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.



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Recommendation

The County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained, annual physical inventories are conducted, and procedures are implemented for tracking capital asset purchases and dispositions throughout the year. In addition, all capital assets should be adequately tagged and identified as county property.

Auditee's Response

The County Commission provided the following written response:

All departments have, as of this year, started inventory. All capital assets will be tagged and identified as county property.

The County Clerk provided the following written response:

The County Commission and County Clerk agree with this recommendation. We have begun to ensure complete and accurate inventory records are maintained, annual physical inventories are conducted, and procedures have been implemented for tracking capital asset purchases and dispositions throughout the year. All capital assets are currently tagged and identified as county property.

Howard County

Organization and Statistical Information

Howard County is a county-organized, third-class county. The county seat is Fayette.

Howard 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 48 full-time employees and 23 part-time employees on December 31, 2010.

In addition, county operations include the Health Department, the Senate Bill 40 Board, and four levee districts.

Elected Officials

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

Officeholder	2011	2010
William Lowell Eaton, Presiding Commissioner	\$	25,760
Richard Conrow, Associate Commissioner		25,080
Howard McMillian, Associate Commissioner		25,080
Charles J. Flaspohler, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Kathyrne Harper, County Clerk		36,000
Mason R. Gebhardt, Prosecuting Attorney		43,000
Charlie Polson, Sheriff		42,000
Susan Keyton, County Treasurer		36,000
Frank Flaspohler, County Coroner		11,000
Marsha Davis, Public Administrator		38,000
Sharon Himmelberg, County Collector (2), year ended February 28,	42,052	
John (Woody) McCutcheon, County Assessor, year ended August 31,		38,000
Gene Bowen, County Surveyor (3)		

- (1) Compensation is paid by the state.
- (2) Includes \$6,052 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.



Howard County
Organization and Statistical Information

**Financing
Arrangements**

The county entered into a lease purchase agreement with United Missouri Bank on March 28, 2003. The terms of the agreement called for the county to lease the Howard County Law Enforcement Center to United Missouri Bank, then the bank leases the law enforcement center back to the county with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$1,725,000 were issued by United Missouri Bank on behalf of the county and the proceeds of those certificates were used to construct the law enforcement center. The lease is scheduled to be paid off in January 2012. The remaining principal and interest due on the lease at December 31, 2010, totaled \$430,000. Funding for these obligations is provided by a 1/2-cent capital improvement sales tax which expires December 31, 2011.

The county entered into two energy efficiency loan agreements with the Missouri Department of Natural Resources (DNR) to finance major repairs at the courthouse and the Keller Building. In July 2008, the DNR issued a 16-year loan, in the amount of \$49,336 with a 4.1 percent interest rate, for courthouse and Keller Building repairs. The remaining principal due on the loan at December 31, 2010, was \$42,210. In August 2010, the DNR authorized a 6 1/2-year loan up to \$60,000, with a 0 percent interest rate, for Keller Building repairs. As of June 2011, the county had borrowed \$49,809 and made no principal payments on the second loan.

**American Recovery and
Reinvestment Act 2009
(Federal Stimulus)**

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 (ARRA) funding during the 2 years ended December 31, 2010:

An ARRA - Energy Efficiency and Conservation Block Grant was awarded by the U.S. Department of Energy to the DNR. Through this grant, the DNR awarded a grant in the amount of \$91,031 to Howard County in March 2010 to replace the Keller Building heating and cooling systems. As of December 31, 2010, the county had not received or spent any of these grant funds.

A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$28,446 was passed through to Howard County and spent during the year ended December 31, 2010. This program provides homelessness prevention assistance to households that would otherwise become homeless and rapid re-housing assistance to persons who are homeless.

A Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant was awarded by the U.S. Department of Justice to the Missouri Department of Public Safety (DPS). Through this grant, the DPS reimbursed Howard County for overtime payments to law enforcement officers working criminal cases. During the year ended



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December 31, 2010, \$4,039 was expended toward the overtime costs for Howard County Sheriff deputies and \$391 was received by the county related to this grant.

A Recovery Act: Edward Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice to the DPS and \$9,226 was passed through to Howard County and spent during the year ended December 31, 2009, to replace lightbars on Sheriff's department vehicles.

An ARRA - Immunization grant was awarded by the U.S. Department of Health and Human Services to the Missouri Department of Health and Senior Services (DHSS). Through this grant, during the year ended December 31, 2010, the DHSS provided the Howard County Health Department DTaP vaccines and \$1,425 for administration of the vaccines to school children.