



Thomas A. Schweich

Missouri State Auditor

Ray County

September 2011
Report No. 2011-49



<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Ray County

Public Administrator	The Public Administrator's office has significant control deficiencies, including a lack of oversight and inadequate supporting documentation. As a result, the Deputy Public Administrator and a home care worker have been charged with theft and forgery in connection with over \$26,000 disbursed from a ward's account without adequate documentation. The Public Administrator did not review the annual settlements of the two wards with the most assets and signed blank checks in advance when he was planning to be out of the office for an extended period of time, which increased the risk funds would be misused.
Sheriff	It appears the Sheriff was living, and storing personal items, in the Sheriff's annex at taxpayer's expense, and the county paid more than \$1,800 over 2 years for premium programming satellite television to the annex. The Sheriff also lacks adequate controls and procedures to ensure inmate monies are accounted for properly and does not reconcile a monthly list of liabilities to cash balances.
Financial Condition and Budgets	The General Revenue Fund is in poor financial condition. The county should reduce spending, evaluate controls and practices, maximize revenues, and monitor the budget closely. The county does not approve budgets in a timely manner and expends funds without an approved budget, in violation of state law.
Election Funds	The former County Clerk failed to properly bill amounts owed to the election account and made unallowable transfers and disbursements. He used \$16,006 from a school scholarship trust fund to cover election account shortages and failed to transfer all of the monies owed to the Election Five Percent Fund. In addition, the former County Clerk used \$1,000 of Election Five Percent Fund monies to host a party for family and election workers on his next to last day in office and used \$750 for training expenses unrelated to elections, including \$420 for lodging in Kansas City after being told lodging was not necessary because of the proximity of the meeting location to Ray County.
Payroll Procedures	Although our prior audit recommended centralizing compensatory time records, no corrective action was taken and the United States Department of Labor, Wage and Hour Division, ordered the county to pay almost \$10,000 in back wages to 31 Sheriff's office employees. The county still does not maintain centralized compensatory time records, so it cannot ensure compensatory time use and balances are accurate. Also, not all timesheets list hours worked each day, so the county cannot demonstrate compliance with Fair Labor Standards Act requirements.
Notices, Meetings, and Minutes	The county did not always comply with the Sunshine Law. The county did not post notifications or agendas, open meeting minutes did not always document the reasons for closing the meeting and the vote to do so, and closed meeting minutes were not sufficient to show the issues discussed in closed session were allowable.

Fuel and Vehicle Use	As noted in our prior audit, the road and bridge department does not adequately monitor fuel and vehicle use. The road and bridge department spent approximately \$157,000 on fuel during the 2 years ended December 31, 2010, but because the county does not maintain mileage and fuel use logs or fuel inventory records, the county cannot be sure the fuel it purchases or the vehicles it owns are used only for county purposes. The county also does not report the value of personal and commuting mileage to the IRS, as required by law.
Recorder of Deeds	As noted in our prior audit, the Recorder does not timely deposit monies received, thereby increasing the risk of loss, theft or misuse of funds. The Recorder also approved two disbursements related to a time clock at the jail because the county was short of money, but state law only allows Recorder Fee Fund monies to be spent on record storage, microfilming, and preservation.
Property Records and Procedures	As noted in our prior audit, the county is not complying with state law with respect to the management of county property. Departments do not perform periodic inspections of property, submit required inventory reports, or track capital asset purchases and dispositions. Only the County Collector had completed a current inventory report.
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)	Ray County did not receive any federal stimulus monies during the audited time period.
--	--

*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.

All reports are available on our website: <http://auditor.mo.gov>

Ray County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Public Administrator 4
	2. Sheriff..... 7
	3. Financial Condition and Budgets 9
	4. Election Funds..... 10
	5. Payroll Procedures..... 12
	6. Notices, Meetings, and Minutes 13
	7. Fuel and Vehicle Use 14
	8. Recorder of Deeds 16
	9. Property Records and Procedures..... 17

Organization and Statistical Information	18
---	----

Documentation of Unsupported Public Administrator Payments	19
--	----



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Ray County

We have audited certain operations of Ray County in fulfillment of our duties under Section 29.230, RSMo. 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; 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 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 Ray County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Robert Showers, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Nathaniel Fast, M.Acct., CPA

Ray County

Management Advisory Report

State Auditor's Findings

1. Public Administrator

Significant control deficiencies were identified, including a lack of supporting documentation for disbursements, inadequate oversight of disbursements, and signing checks in advance.

1.1 Oversight

The Public Administrator does not adequately review all supporting documentation for disbursements and annual settlements. As a result, \$26,561 was disbursed from a ward's account without adequate documentation. The Public Administrator established a petty cash fund for miscellaneous disbursements on behalf of the ward. An external company provides in home care for the ward, and an employee of the company managed the disbursements of the petty cash fund. The Public Administrator disbursed \$27,530 during the 3 years ended December 31, 2010, in checks made payable to the employee of the contracted company for the stated purpose of replenishing the petty cash fund and for other miscellaneous expenses such as groceries and travel expenses. Checks for disbursements for this ward were prepared by the Deputy Public Administrator. Based on our review, only \$969 in expenses were supported by receipts. According to the Public Administrator, the contract employee to whom payments were made was terminated by the home care company in November 2010. The Deputy Public Administrator was terminated on June 13, 2011, when criminal charges for theft and forgery were filed against her and the contract employee.

The Public Administrator indicated he thought the company was obtaining receipts for the disbursements and the company thought he was obtaining receipts. The Public Administrator also said it was his deputy's responsibility to obtain and review supporting documentation for disbursements, and he did not have sufficient time to review supporting documentation for disbursements while signing checks. In addition, while the Public Administrator stated he reviews approximately 95 percent of the annual settlements, he did not review the annual settlements of the two wards with the most assets, which includes the ward discussed above.

The Public Administrator's function is to serve in a fiduciary role for individuals that cannot provide adequate oversight of their own finances. Without adequate oversight, the Public Administrator cannot fulfill this role and cannot ensure the reasonableness and propriety of disbursements. By ensuring all disbursements are supported by adequate documentation, and reviewing all annual settlements and canceled checks, the Public Administrator can help to safeguard against possible loss or misuse of funds. The Public Administrator's approval of disbursements should be documented on the invoice or supporting documentation.

The Documentation of Unsupported Public Administrator Payments section at the end of this report provides details regarding checks issued to the home care company employee without supporting documentation.



Ray County
Management Advisory Report - State Auditor's Findings

1.2 Blank checks

The Public Administrator indicated there are occasions when blank checks are signed in advance. For example, checks are signed in advance when the Public Administrator knows he will be out of the office for an extended period of time for training or personal leave. If a blank check was signed in advance, the Deputy Public Administrator was trusted to complete the check.

Signing checks in advance is a significant control weakness and increases the risk of misuse of monies.

Recommendations

The Public Administrator:

- 1.1 Review and approve all disbursements and ensure they are supported by adequate documentation to verify the authenticity and necessity of disbursements. In addition, the Public Administrator should review all annual settlements and document all reviews.
- 1.2 Discontinue the practice of signing checks in advance.

Auditee's Response

The Public Administrator provided the following written responses:

- 1.1 *First of all I want to state that I am the Ray County Public Administrator and as an official of the Ray County government, I am vested with the trust of the public and I accept ultimate responsibility for any problems as a result of the work performed by my staff for the benefit of the clients we serve. During my years in office I have been through several audits, some of which resulted in welcomed recommendations for improved operation of the office and all recommendations were implemented. Prior to the recent events however there has never been a significant issue or concern with the performance of my office.*

As far as oversight of this office, I feel that I do a very good job and always have. I feel that I am personally familiar with each and every client's needs and concerns and try to provide the best care for each of them.

The employee in question had been employed by my office for approximately seven and one-half years, and was in charge of the bookkeeping and other clerical duties of the office. Approximately four years ago, I requested that she be promoted to Deputy Public Administrator. Upon approval of such request by the County Commission, she was sworn in by the Ray County Probate Court Judge as Deputy Public Administrator.



Ray County
Management Advisory Report - State Auditor's Findings

With such promotion the Deputy Public Administrator swore to accountability for a high ethical standard and to perform additional responsibilities as assigned to her. As her performance had been exemplary in the years prior to the appointment as Deputy Public Administrator, I had complete trust and confidence in her and had not been given any reason to doubt that trust.

I have always felt very confident and secure from any problem such as the present issue. The Public Administrator is given the option of preparing the annual settlement in the office or hiring outside counsel for the preparation of settlements for each estate. I have elected to hire counsel to prepare the settlements as a precautionary system of checks and balances for the benefit of both myself and the protectees. The attorneys preparing the annual settlements have praised our work due to the meticulous record keeping of the ledgers, accurate reconciliations of the accounts, our organization and completeness of the file for each client, including: necessary bank statements, cancelled checks, and receipts for each account, as well as the ability to promptly answer any question that may have in review of the information.

In the case discussed by the Missouri State Auditor, the petty cash fund is a daily operating account of cash maintained in the home of the protectee for the caregivers to use for day to day purchases for the operation of the household of the ward. The system failed with respect to this issue, and I acknowledge in hindsight the necessity of a system to account for the petty cash fund, however as previously stated I have never had to deal with allegations of impropriety by a member of my staff. This is something that caught all of us by surprise, but we have implemented change by accounting for and internally auditing the petty cash fund prior to each subsequent disbursement to insure that this situation will never happen again.

As far as receipts, it is the practice of this office to require a receipt, statement or bill for every expenditure. Also, for any amount in excess of \$500.00, as a prudent practice rather than a requirement, I generally petition the court for permission to pay the expense. The request is then reviewed and approved if the Probate Judge feels the expenditure is reasonable.

- 1.2 *I understand that pre-signing checks is not generally a good practice, however again they were left with a sworn county official, not merely office staff. I was trying to take the best action for care of the client, which is and always has been my first priority. I have discontinued signing checks in advance for any reason and therefore have complied with the Auditor's recommendation.*



2. Sheriff

The Sheriff appears to have improperly utilized public property and resources for personal purposes. In addition, receipting and depositing procedures are inadequate, a comparison of liabilities to cash balances is not performed, and inappropriate disbursements were made from restricted funds.

2.1 Annex

The Sheriff's annex and public resources appear to have been utilized for personal purposes. Based on anonymous tips stating the Sheriff had been living in the annex, auditors requested to see the inside of the facility. After being initially denied, auditors were allowed access to the facility where they observed a significant number of personal items, including a bed, clothes neatly hung up, cooking items, several couches, televisions, tables, and chairs, which gave the appearance of someone residing in the annex. In addition, auditors verified the annex received satellite television service, including premium programming. The Sheriff denied living in the annex and said he was only storing personal items to be given away and used the annex as a place to sleep during inclement weather. The Sheriff also stated the satellite television service was to receive news and weather. Auditors observed some Sheriff's records and a limited amount of evidence being stored in the annex. The Sheriff also said he uses the annex to conduct training and meetings, as a backup 911 dispatch center, and a place where deputies can eat lunch. During the 2 years ended December 31, 2010, a total of \$8,520 was paid from the Sheriff Civil Fund and the Sheriff Revolving Fund for rent on the annex, and \$1,829 was paid from the Sheriff Civil Fund to provide satellite television for the annex. The County Commissioners indicated they were unaware of whether the Sheriff was living in the annex or not.

The public has placed a fiduciary trust in the Sheriff to expend public funds in a necessary and prudent manner. Living in, or storing a significant amount of personal items, in the annex, and receiving premium satellite packages does not appear to be a necessary or prudent use of county resources.

2.2 Receipts and deposits

The Sheriff has not developed adequate controls and procedures to ensure the accuracy of deposits and accounting records. Our review identified the following concerns regarding the Sheriff's accounting controls:

- The Sheriff does not issue receipt slips for most inmate monies. As a result, a reconciliation of the composition of receipts to deposits cannot be performed.
- Inmate money is recorded on an inmate log and an inmate account record. If an inmate is released from jail prior to their monies being deposited, the Sheriff does not document the return of these monies.



Ray County
Management Advisory Report - State Auditor's Findings

Therefore, during our review of cash on hand, the Sheriff could not demonstrate the amount that should have been on hand.

- Deposits of inmate monies are not always made intact. A February 17, 2011, cash count identified \$813 on hand that should have been deposited with the previous deposit. The Sheriff's office only deposited checks, not cash, in the previous deposit.
- Change funds are not maintained at an established level.

Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies could occur and go undetected. Issuing pre-numbered receipt slips for all monies received, reconciling the composition of receipt slips to deposits, depositing all monies received intact, and maintaining change funds at an established level would help ensure all monies received are accounted for and deposited properly. In addition, noting refunds of undeposited inmate monies on the inmate log will help ensure all monies can be accounted for properly.

2.3 Liabilities

A list of liabilities is not prepared for inmate accounts, and consequently, liabilities are not reconciled with cash balances. Monthly the Sheriff reconciles the bank statement to the check register, but does not reconcile the balance to liabilities. At our request the Sheriff prepared a list of liabilities as of June 15, 2011, and the reconciled account balance was \$3,201, while the liability list totaled \$3,170.

A monthly list of liabilities reconciled to cash balances helps 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.

Recommendations

The Sheriff:

- 2.1 Use the annex and other county resources for official county business only.
- 2.2 Issue pre-numbered receipt slips for all inmate monies received, reconcile the composition of receipts to deposits, deposit all monies intact, and document all monies returned to inmates. The Sheriff should also maintain change funds at an established level.
- 2.3 Prepare a monthly list of inmate account liabilities, and reconcile it to the book balance.



Auditee's Response

The Sheriff provided the following written responses:

2.1 *We intend to continue use of the Annex for official county business only.*

2.2

&2.3 *This has been implemented.*

3. Financial Condition and Budgets

The General Revenue Fund is in poor financial condition. Also, budgets are not approved timely and expenses were incurred prior to a final approved budget.

3.1 Financial condition

The General Revenue Fund is in poor financial condition. The following table reflects actual receipts, disbursements, and ending cash balance of the General Revenue Fund over the last 3 years and anticipated for 2011, as reported in the county budget documents:

	Year Ended December 31,			
	2011 (Budgeted)	2010 (Actual)	2009 (Actual)	2008 (Actual)
Beginning balance \$	29,305	191,878	17,358	257,954
Receipts	3,976,338	3,934,150	3,860,735	3,523,660
Disbursements	3,963,658	4,096,723	3,686,215	3,764,256
Ending balance \$	41,985	29,305	191,878	17,358

While General Revenue Fund receipts have increased annually from 2008 to 2010, and are anticipated to increase in 2011, disbursements exceeded revenues by \$228,649 from 2008 to 2010, resulting in a decline in the General Revenue Fund balance. In addition, at December 31, 2010, \$37,651 is due from the General Revenue Fund to the Election Fund (see MAR finding number 4).

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. Reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring the county's budgets will help the County Commission improve the county's financial condition.

3.2 Budgets

County budgets are not approved in a timely manner and expenses are incurred without an approved budget in place. The 2011, 2010, and 2009 budgets were approved in March 2011, April 2010, and July 2009, respectively. In all 3 years, the county expended county funds, including significant non-payroll expenses, without a final approved budget.



Ray County
Management Advisory Report - State Auditor's Findings

Section 50.540, RSMo, requires the County Clerk to submit the budget to the County Commission by February 1. Section 50.740, RSMo, states the County shall not pay any expenses, other than payroll, until the finalized county budget is filed with the State Auditor's office. Approving the county budget as close to the beginning of the fiscal year as possible allows the commission and office holders to more effectively monitor county finances.

Recommendations

The County Commission:

- 3.1 The County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.
- 3.2 Approve budgets prior to approving expenditures other than payroll.

Auditee's Response

The County Commission provided the following written responses:

- 3.1 *We are in agreement to do our best to improve our financial condition.*
- 3.2 *Our budget will be prepared as close as possible to the statutory requirements.*

4. Election Funds

Procedures for billing election costs are inadequate, resulting in the former County Clerk improperly transferring monies from a trust fund to cover election costs; expenditures from the Election Five Percent Fund were not in accordance with state law; and the County Clerk's commissions were not always transferred to the Election Five Percent Fund.

4.1 Billings

The former County Clerk did not ensure amounts owed to the election account were properly billed. For the August and November 2010 elections, the former County Clerk failed to bill the county for \$50,951 in election costs. The County Commission transferred a total of \$13,300 to the Election Fund during 2010, therefore, \$37,651 is due from the county to the Election Fund.

Per Section 115.077, RSMo, the County Clerk is responsible for the conduct of elections, including preparing billings of estimates of election expenses, and billing political subdivisions for the estimated expenses.

4.2 Trust fund transfer

Due to inadequate billing procedures (see section 4.1), the election account did not contain sufficient funds to pay its liabilities. As a result, in September 2010, the former County Clerk transferred \$16,006 from a school scholarship trust fund to the election account. As a result of the



Ray County
Management Advisory Report - State Auditor's Findings

transfer, the scholarship funds are not available for their intended purpose. The former County Clerk intended to pay the school trust fund an interest rate of 5 percent per year. However, there is no written loan agreement to document how and when the repayment of the principal and interest to the trust fund is to occur. The County Clerk has a fiduciary responsibility to utilize trust funds for the purposes stated in the trust agreement.

4.3 Disbursement from restricted funds

The former County Clerk made disbursements from the Election Five Percent Fund which were not in accordance with the statutory purpose of the fund. As allowed by Section 115.065, RSMo, the County Clerk charges an additional 5 percent of total election costs to each political subdivision and maintains these monies in the Election Five Percent Fund. Disbursements from this fund are restricted to election training, election supplies, and equipment to improve the conduct of elections. Total disbursements from the Election Five Percent Fund were \$4,300 and \$3,450 during the years ended December 31, 2010 and 2009, respectively. Examples of inappropriate disbursements are as follows:

- Approximately \$1,000 was disbursed to purchase meats and beverages for a party for the former County Clerk's family and election workers. The party was held on December 30, 2010, the day before the former County Clerk's last day in office.
- During 2009, approximately \$750 was disbursed for training expenses unrelated to elections. One disbursement was for approximately \$420 for three nights lodging in Kansas City for county clerk training. The County Commission said the former County Clerk requested to pay for lodging from the General Revenue Fund but was denied because the expense for lodging was not necessary because of the proximity of the meeting location to Ray County.

These disbursements do not appear to be necessary costs of training or purchase of supplies or equipment necessary to improve the conduct of elections as required by state law.

4.4 Election account transfers

The former County Clerk did not ensure all monies were properly transferred to the Election Five Percent Fund. Amounts collected for the additional 5 percent monies (see section 4.3) are initially deposited into the election account and then transferred to the Election Five Percent Fund. However, 2010 records indicate the former County Clerk transferred only \$2,883 of the total \$3,669 collected, and as a result, \$786 is due from the election account to the Election Five Percent Fund.



Ray County
Management Advisory Report - State Auditor's Findings

The County Clerk should regularly review the amounts owed to the Election Five Percent Fund and take appropriate steps to ensure amounts owed are properly collected and transferred.

Recommendations

The County Clerk:

- 4.1 Establish procedures to ensure election costs are adequately billed and collected.
- 4.2 Reimburse the school scholarship trust fund, with interest.
- 4.3 Ensure all disbursements from the Election Five Percent Fund are in accordance with state law.
- 4.4 Ensure all amounts due from the election account are transferred to the Election Five Percent Fund.

Auditee's Response

The County Clerk provided the following written responses:

- 4.1 *The recommendation has been implemented. Procedures are now in place to pre-bill all elections.*
- 4.2 *The Clerk is working with the commission to get this repaid as soon as possible.*
- 4.3 *The recommendation has been implemented. Purchases will be for election equipment or new employee training only.*
- 4.4 *The County Clerk has reviewed the amounts due the Five Percent Fund and taken the steps necessary to correct, and will continue to do so.*

5. Payroll Procedures

County payroll procedures could be improved. Current procedures do not provide sufficient controls and oversight over compensatory time, and timesheets used by courthouse staff do not adequately demonstrate compliance with the Fair Labor Standards Act of 1938 (FLSA).

5.1 Compensatory time

The County Clerk's office does not maintain centralized compensatory time records. Currently, each department maintains its own records of compensatory time earned and used. This condition was reported in our prior report; however, no corrective action was taken. As a result of a complaint from a former law enforcement employee, the United States Department of Labor, Wage and Hour Division, conducted an investigation in April 2011 of payroll procedures for law enforcement employees and found the Sheriff's office did not have sufficient compensatory time records. The Wage and Hour Division ordered the county to pay \$9,905 in back



Ray County
Management Advisory Report - State Auditor's Findings

wages to 31 Sheriff's office employees who were employed from January 1, 2009 through March 31, 2011.

Without centralized records, the County Commission cannot ensure employees' compensatory time usage and balances are accurate. Also, centralized records aid in ensuring adherence to county policy regarding compensatory time, equitable treatment of employees, and compliance with federal regulations.

5.2 Timesheets

Time records for hours worked by county personnel are not adequate to demonstrate compliance with the FLSA. In March 2010, the County Commission implemented a timesheet which listed only the total hours worked each month, and not hours worked each day. The former timesheet listed the hours worked each day. Without hours listed each day, the County Commission cannot demonstrate compliance with its overtime policy or FLSA laws.

Time records are necessary to document hours worked, substantiate payroll disbursements, and provide the county with a method to monitor hours worked each day and leave taken, and are beneficial in demonstrating compliance with FLSA requirements.

Recommendations

The County Commission:

- 5.1 And the County Clerk maintain centralized compensatory time records for all employees.
- 5.2 Ensure timesheets document the actual hours employees work each day.

Auditee's Response

The County Commission provided the following responses:

- 5.1 *All departments have been advised to comply.*
- 5.2 *The County Clerk has implemented new timesheets for correct documentation.*

6. Notices, Meetings, and Minutes

Procedures over public meetings, agendas, and minutes could be improved. Various requirements in Chapter 610 (the Sunshine Law) regarding open and closed meetings were not always followed.

6.1 Agendas

The County Commission did not post notification or agendas for meetings. Section 610.020, RSMo, requires the county to give notice at least 24 hours in advance of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered.



Ray County
Management Advisory Report - State Auditor's Findings

6.2 Minutes

As noted in our prior report, open meeting minutes did not always document specific reasons for closing the meeting, and the vote to close meetings was not documented in the open minutes. Section 610.022, RSMo, requires that before any meeting may be closed the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.

6.3 Closed meetings

Closed meeting minutes were not sufficient to demonstrate the issues discussed in closed meetings were allowable under the Sunshine Law. The Commission went into closed session meetings five times during 2010 and 2009. Closed session minutes only included a very brief description of the topics discussed.

Section 610.021, RSMo, allows matters to be discussed in closed meetings only if they relate to certain specific subjects. The County needs to ensure only matters specifically authorized by state law are discussed in closed meetings. This law also provides that public governmental bodies shall not discuss other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

Recommendations

The County Commission:

- 6.1 Provide proper notice of meetings and ensure appropriate agendas are posted and retained.
- 6.2 Ensure the reason for closing meetings and the vote are documented in the open session minutes.
- 6.3 Ensure closed session minutes are adequately detailed to document the matters discussed and ensure only allowable topics are discussed in closed meetings.

Auditee's Response

The County Commission provided the following written response:

These recommendations have been implemented.

7. Fuel and Vehicle Use

The county does not have adequate procedures in place for monitoring fuel use of the road and bridge department and has not reported the personal use of county vehicles to the Internal Revenue Service (IRS).

7.1 Fuel use

The road and bridge department has not established effective monitoring procedures regarding fuel use. Mileage and fuel use logs are not maintained for department vehicles and equipment, and fuel use is not reconciled to fuel purchases. The road and bridge department incurred fuel costs of approximately \$157,000 during the 2 years ended December 31, 2010.



Ray County
Management Advisory Report - State Auditor's Findings

The road and bridge department uses two bulk fuel tanks for vehicles and equipment, and procedures to evaluate the reasonableness of fuel disbursements are not adequate. An inventory of bulk fuel showing purchases, usage, and fuel on hand is not maintained and no procedure is performed to periodically test the amount of fuel on hand. Information on road and bridge vehicle use, such as odometer readings, destination, purpose, or other maintenance information, is not recorded.

Maintenance and review of vehicle and equipment mileage and fuel use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment use and fuel costs.

7.2 Commuting mileage

The personal commuting use of county vehicles by some county employees is not reported to the IRS. The road and bridge department owns 13 vehicles. The three road and bridge supervisors are allowed to use county vehicles to commute to and from home daily, and do not complete vehicle logs. Without complete vehicle logs, the county cannot distinguish between official and personal use, and therefore, is unable to properly report personal use.

The IRS reporting guidelines indicate personal and commuting mileage are reportable fringe benefit and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that document business and personal use. Because procedures have not been established to ensure IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

Similar conditions previously reported

Similar conditions to sections 7.1 and 7.2 were noted in our prior audit report.

Recommendations

The County Commission:

- 7.1 Require mileage and fuel use logs for all vehicles and equipment and review the logs for reasonableness. In addition, bulk fuel inventory records should be maintained, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.
- 7.2 Comply with IRS guidelines for reporting fringe benefits related to commuting miles and require mileage logs which distinguish between business and commuting use.



Auditee's Response

The County Commission provided the following written responses:

- 7.1 *The County Commission will implement logs after we meet with road and bridge supervisors.*
- 7.2 *IRS Guidelines will be researched and implemented accordingly.*

8. Recorder of Deeds

Receipts are not deposited on a timely basis, and some disbursements from the Recorder Fee Fund are not in compliance with state law.

8.1 Timely deposits

As noted in our prior audit report, the Recorder prepares daily deposit slips for the prior day's receipts; however, deposits are not generally taken to the bank each day. During our review on January 26, 2011, we observed \$5,363 of undeposited cash and checks on hand, which represented receipts from 11 business days. A review of the December 2010 bank statement showed only three deposits were made during the month, with each deposit containing approximately \$5,100 on average.

Timely deposits help to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

8.2 Recorder Fee Fund

Disbursements from the Recorder Fee Fund were not in compliance with state law. Two disbursements, totaling \$1,586, were for service agreements and software support for a time clock at the jail. The Recorder said she approved the disbursements from the Recorder Fee Fund because the jail needed the time clock, and the county was short of money.

Section 59.319, RSMo, restricts the use of Recorder Fee Fund monies to disbursements for record storage, microfilming, and preservation.

Recommendations

The Recorder of Deeds:

- 8.1 Deposit receipts timely.
- 8.2 And the County Commission ensure the Recorder Fee Fund is reimbursed for the monies used for the time clock, and ensure future disbursements from this fund are spent in accordance with state law.

Auditee's Response

The Recorder of Deeds provided the following responses:

- 8.1 *The recommendation has been implemented. Deposits are now made daily.*
- 8.2 *Expenditures from the Recorder Fee Fund will be made in accordance with state statute in the future.*



9. Property Records and Procedures

As noted in our prior audit report, procedures and records to account for county property are not adequate. Most departments have not performed periodic inspections of county owned property or submitted required inventory reports and no procedures exist to track capital asset purchases and dispositions. A review of county inventory files showed that only the County Collector had completed a current inventory report. Inventory lists for some offices dated as far back as 2000. In addition, records lack necessary information such as purchase date, acquisition cost, serial number, and disposal information.

Section 49.093, RSMo, states 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. 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 assets purchases and dispositions throughout the year and compare to physical inventory results 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.

Recommendation

The County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted.

Auditee's Response

The County Commission provided the following written response:

We have already started implementing this. As of now, 7 departments have updated their inventory report and the others are working on it.

Ray County

Organization and Statistical Information

Ray County is a county-organized, third-class county. The county seat is Richmond.

Ray 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 100 full-time employees and 24 part-time employees on December 31, 2010.

In addition, county operations include the Senate Bill 40 Board, 911 Board, Senior Citizens' Services Board, and a Noxious Weed Board.

Elected Officials

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

Officeholder	2011	2010
Rodger Fitzwater, Presiding Commissioner	\$	30,381
Allen Dale, Associate Commissioner		27,390
Mike Twyman, Associate Commissioner		28,388
Shirley O'Dell, Recorder of Deeds		43,000
Lynn Rogers, County Clerk (1)		47,897
Bryan McMahan, Prosecuting Attorney		109,366
Samuel Clemens, Sheriff		50,000
Joanne Burnine, County Treasurer		43,000
James Garrison, County Coroner		15,000
Kenneth Nolker, Public Administrator		43,000
Margie Bowman, County Collector (2), year ended February 28,	72,892	
Kent Wollard, County Assessor , year ended August 31,		43,000

(1) Includes \$4,897 of commission earned for collecting city property taxes.

(2) Includes \$25,484 of commissions earned for collecting city property taxes.

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

Ray County did not receive any federal stimulus monies during the 2 years ended December 31, 2010.

Ray County

Documentation of Unsupported Public Administrator Payments

The following table documents all payments by the Public Administrator made payable to the employee of the contracted company as discussed in MAR finding number 1. Our review determined the Public Administrator had obtained documentation to support \$969 of the payments listed below.

Date of Check	Check number	Amount
January 23, 2008	1537	\$ 200
February 28, 2008	1574	200
March 27, 2008	1592	300
May 29, 2008	1645	200
July 17, 2008	1682	200
August 7, 2008	1697	250
August 20, 2008	1710	500
September 11, 2008	1724	500
October 8, 2008	1745	2,000
October 9, 2008	1749	250
October 9, 2008	1750	630
October 30, 2008	1759	300
November 20, 2008	1786	300
December 4, 2008	1796	300
December 18, 2008	1808	300
December 23, 2008	1810	300
January 15, 2009	1822	400
January 22, 2009	1824	350
February 5, 2009	1839	300
February 19, 2009	1849	400
February 26, 2009	1851	400
March 12, 2009	1863	400
March 26, 2009	1871	150
April 9, 2009	1881	400
April 21, 2009	1895	450
May 7, 2009	1911	550
May 21, 2009	1923	250
June 4, 2009	1928	500
June 4, 2009	1932	400
June 18, 2009	1943	500
June 25, 2009	1945	500



Ray County
Documentation of Unsupported Public Administrator Payments

Date of Check	Check number		Amount
July 16, 2009	1961	\$	550
July 20, 2009	1969		250
July 28, 2009	1972		500
August 4, 2009	1979		400
August 21, 2009	1993		500
September 3, 2009	1996		250
September 15, 2009	1997		600
September 22, 2009	2011		600
September 24, 2009	2018		500
October 22, 2009	2037		600
November 5, 2009	2040		600
November 19, 2009	2044		300
December 3, 2009	2061		600
December 16, 2009	2070		600
January 20, 2010	2102		100
February 11, 2010	2119		100
February 24, 2010	2124		200
March 18, 2010	2148		400
April 7, 2010	2162		450
April 22, 2010	2167		600
May 6, 2010	2185		100
May 27, 2010	2190		200
June 24, 2010	2217		200
July 8, 2010	2228		600
July 22, 2010	2238		600
August 5, 2010	2243		450
August 26, 2010	2253		100
September 9, 2010	2272		600
September 22, 2010	2282		600
September 28, 2010	2286		2,000
September 28, 2010	2288		100
October 28, 2010	2303		600
		Total	\$ <u>27,530</u>

Source: Client annual settlements