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Missouri State Auditor

Nodaway County

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Nodaway County

Mileage and Fuel Use	<p>Fuel purchases and fuel use are not adequately monitored. The total amount spent on fuel increased 46 percent from 2009 to 2010. The road and bridge department maintains bulk fuel purchase records but does not reconcile them to fuel use records, the Assessor's office does not maintain mileage and fuel logs for its vehicle, and neither the Sheriff's department nor the road and bridge department reconciles mileage and fuel logs to the amount of fuel purchased. The County Clerk cannot verify the amount due on fuel card statements before making payment, because Sheriff's employees do not give the fuel purchase receipts to the County Clerk.</p>
Recorder of Deeds Accounting Controls and Procedures	<p>The Recorder of Deeds is not charging copy fees in compliance with the written fee schedule and is not charging everyone the same fee or giving everyone equal access to electronic records. Pursuant to an oral agreement, the Recorder provides services at a monthly rate to one local abstract company, rather than \$1 per copy charged to other companies, and provides the same company electronic records of all recorded documents on CD at no additional charge. State law requires all county agreements to be in writing and requires the Recorder to collect, in all cases, every fee, charge or money due the recorder's office. The Recorder should establish procedures to ensure rates charged and services provided are consistent for all companies. In addition, the numerical sequence of receipt numbers assigned by the software system are not accounted for properly, voided transactions are not properly reviewed, and the Recorder periodically issues manual receipt slips which are not reconciled to the system, making it difficult to ensure all monies received are properly recorded and deposited.</p>
Sheriff's Accounting Controls and Procedures	<p>The Sheriff does not turn over commissary commissions to the county treasury, as required by state law. Instead, the Sheriff used \$865 of these funds to purchase tasers, but because this purchase was not handled through the normal county procurement and budget process, it was not approved by the County Commission. Accounting duties are not adequately segregated and oversight of the accounting functions is not provided by the Sheriff or another independent person. Adequate segregation of duties or documented supervisory reviews help ensure all transactions are accounted for properly and assets are properly safeguarded. State law requires all contracts of the county be in writing, but the county does not have written contracts for its arrangements to board prisoners of other political subdivisions or to board its prisoners with other political subdivisions.</p>

Closed Meetings	The County Commission did not maintain official minutes for two closed meetings held in 2009, as required by the Sunshine Law.
Senate Bill 40 Board	The Senate Bill 40 Board did not prepare monthly bank reconciliations, making it more difficult to detect and correct errors.
Senior Citizens Service Board	The Senior Citizens Service Board does not have written contracts with the entities to which it provides funding, as required by state law. In addition, it does not obtain and review financial reports documenting how the funds are spent, so it cannot ensure funds are disbursed properly and used in compliance with state law.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	Nodaway County did not receive any federal stimulus monies during the audited time period.
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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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Nodaway County Table of Contents

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

Management Advisory Report - State Auditor's Findings	1. Mileage and Fuel Use.....4 2. Recorder of Deeds' Accounting Controls and Procedures.....5 3. Sheriff's Accounting Controls and Procedures.....7 4. Closed Meetings9 5. Senate Bill 40 Board.....9 6. Senior Citizens Service Board.....10
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Organization and Statistical Information	11
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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Nodaway County

We have audited certain operations of Nodaway County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Nodaway 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 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 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 Nodaway County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Nodaway County Management Advisory Report State Auditor's Findings

1. Mileage and Fuel Use

Records and monitoring of fuel purchases and use are not adequate. Accounting records indicate fuel purchases totaling approximately \$74,800, \$90,490, and \$3,190 were made by the Sheriff's department, road and bridge department, and Assessor's office, respectively, during the 2 years ended December 31, 2010. Total fuel purchases increased from approximately \$68,000 in 2009 to \$100,000 in 2010, a 46 percent increase.

Fuel is purchased by the Sheriff's department by fuel card and on account with a local oil company. The road and bridge department purchases bulk fuel to dispense from bulk tanks located at the county barn. The Assessor purchases fuel on account with a local oil company. We noted the following concerns with mileage, fuel records, and monitoring of fuel use:

- Bulk fuel purchase records maintained by the road and bridge department are not reconciled to fuel use records.
- Mileage and fuel logs are not maintained for the Assessor's office vehicle, and, as a result, fuel use is not reconciled to fuel purchases.
- While mileage and fuel logs are maintained for Sheriff's department and road and bridge department vehicles, the logs are not used to reconcile fuel purchased to mileage to determine if fuel purchases are reasonable.
- Sheriff's department employees do not submit receipts for fuel purchased by fuel card. As a result, the County Clerk is not able to reconcile supporting documentation to the fuel card statements and the statements are paid without review of supporting documentation.

Procedures for reviewing fuel use and reconciling fuel purchased to related records are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Mileage and fuel logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases. Failure to document and monitor fuel use could result in loss, theft, or misuse going undetected.

Similar conditions were noted in our prior report.

Recommendation

The County Commission, Sheriff, and Assessor require logs for all vehicles. These logs should be reviewed and reconciled to fuel purchases and any significant discrepancies investigated. In addition, fuel card receipts should be submitted and the County Clerk should reconcile supporting documentation to fuel card statements before payment.



Auditee's Response

The County Commission provided the following response:

We are currently receiving mileage fuel reports for road and bridge vehicles and equipment, and will make some minor adjustments to those reports to allow us to better monitor fuel use.

The Sheriff provided the following written response:

When the bill is sent from MFA Oil at the end of the month the purchases are separated by each individual card and are vehicle specific. Each purchase shows date, gallons and fuel type. These are also logged by the person getting the fuel in the book that is kept in each vehicle. The logs are periodically checked by the Sheriff but have never been initialed. The Sheriff will begin initialing logs to indicate that they have been reviewed.

The Assessor provided the following response:

Effective January 1, 2012, a use log will be maintained and fuel use will be recorded in the log.

2. Recorder of Deeds' Accounting Controls and Procedures

The Recorder of Deeds charges a reduced monthly rate for copies and provides electronic records of all recorded documents to one company and does not provide similar rates or services to other companies. In addition, the Recorder of Deeds does not account for the numerical sequence of receipt slips to ensure receipts are properly recorded.

2.1 Copy fees

The Recorder is not charging fees equitably and in compliance with the written fee schedule. The Recorder provides services at lower rates to one local abstract company than to other companies, such as banks and law firms. In addition, the agreement in place with the abstract company is not in writing. The oral agreement with the abstract company allows the company to pay a flat monthly fee for copies and be provided electronic records of all recorded documents on compact disk (CD) at no additional charge. All other companies are charged \$1 per copy for documents and none of the other companies are provided similar electronic records. The Recorder negotiated an increase in the monthly charge for copies from \$50 to \$100 per month in 2009, but the amount charged for records to this company is still considerably less than would be collected if it were charged similarly to other companies. The abstract company received approximately 22,000 copies and 24 CDs in 2010 for \$1,200, instead of the \$22,000 that would have been charged to others.

Section 59.250.2, RSMo, states it shall be the duty of the recorder of deeds to charge, receive, and collect in all cases every fee, charge, or money due the recorder's office. Section 59.310.6, RSMo, states recorders of deeds



Nodaway County
Management Advisory Report - State Auditor's Findings

shall be allowed fees for their services for copying or reproducing any recorded instrument. The Recorder of Deeds should establish procedures to ensure rates charged and services provided are consistent for all companies and cover the cost of providing the service. In addition, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. Written contracts are necessary to specify the services to be performed along with the compensation for those services, provide a means for the Recorder to monitor compliance with the contract terms, and protect the county and Recorder in the event of a dispute over the terms of the agreement.

2.2 Receipts

The numerical sequence of receipt numbers assigned by the computer system is not accounted for properly and voided transactions are not properly reviewed. The computer system assigns a sequential receipt number and generates a receipt slip each time a payment is entered. Some receipt numbers are voided or discarded (transactions ended before completed). Reports detailing each receipt number issued, including discarded and voided receipt numbers, are not generated or reviewed to account for the numerical sequence of receipt slips and to review voided transactions. In addition, the Recorder of Deeds periodically issues unnumbered manual receipt slips before entering transactions into the system. These manual receipt slips are not reconciled to the system to ensure all receipts are entered. Without accounting for the numerical sequence of receipt slips, reviewing voided transactions, and reconciling manual receipt slips to system records, the Recorder of Deeds cannot ensure all monies received are properly recorded and deposited.

Recommendations

The Recorder of Deeds:

- 2.1 Collect in all cases every fee, charge, or amounts due according to law, provide equitable services, and charge equitable rates to all companies. In addition, the Recorder of Deeds should enter into written contracts as required by state law.
- 2.2 Establish procedures to account for the numerical sequence of receipt numbers, review voided transactions, and reconcile manual receipt slips to system records.

Auditee's Response

The Recorder of Deeds provided the following responses:

- 2.1 *Effective March 1, 2012, my office will provide electronic access to our records for a monthly fee of \$250, and this arrangement will be available to any company or individual. Hard copies of documents will still be available for \$1 per page.*
- 2.2 *I agree and will implement this recommendation immediately.*



3. Sheriff's Accounting Controls and Procedures

3.1 Commissary income

Commissary commissions are not turned over to the county treasury as required by state law. In addition, accounting duties are not adequately segregated, and the Sheriff does not have written agreements for housing inmates. The Sheriff's department collected monies totaling approximately \$194,700 and \$706,800 during the years ended December 31, 2010 and 2009, respectively.

The Sheriff maintains commissary commissions outside the county treasury and uses these monies to purchase items for the department. The Sheriff's department contracted with an outside company to provide commissary items to inmates and retains 25 percent of sales as commissions. The commissions earned are deposited in the Sheriff's commissary account and are not subsequently turned over to the County Treasurer. The commissary account was opened in July 2010. Commissions from commissary sales of approximately \$940 were held in the account as of December 21, 2010. These commissions were used to purchase tasers in March 2011, at a cost of \$865. This purchase was not approved by the County Commission and was not handled through the normal county procurement and budget process.

There is no statutory authority allowing the Sheriff to hold county monies outside of the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

3.2 Segregation of duties

Accounting duties are not adequately segregated. While monies may be received by various employees within the Sheriff's department, the primary accounting duties for commissary, prisoner board, and general accounts are divided between two administrative assistants. The Sheriff's administrative assistants are responsible for receipting, recording, depositing monies received, preparing and signing checks, and reconciling bank statements for their respective accounts. The Sheriff does not review the accounting records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff or a designated individual should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews would help ensure financial records are properly maintained and help detect errors on a timely basis.



Nodaway County
Management Advisory Report - State Auditor's Findings

3.3 Prisoner board contracts

The county houses prisoners for various political subdivisions, and boards some county prisoners with other political subdivisions, but does not have written contracts with these entities. During 2010 and 2009, the county received \$198,884 and \$139,609, respectively, in prisoner board payments. The county also paid \$1,270 and \$23,134 in 2010 and 2009, respectively, to other entities to house prisoners. In addition, the Sheriff has an oral agreement with Holt County to house each other's prisoners at no cost.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

Recommendations

The Sheriff:

- 3.1 Disburse all commissions to the County Treasurer monthly.
- 3.2 Adequately segregate accounting duties or, at a minimum, ensure periodic independent reviews of the accounting records are performed and documented.
- 3.3 Enter into written contracts as required by state law. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

Auditee's Response

The Sheriff provided the following written responses:

- 3.1 *The commissary account is maintained by the Sheriff's Office and proceeds are used to purchase necessary items for the jail. While there is some controversy about this account, there are no plans to change how the commissary operates until I have obtained further advice from counsel.*
- 3.2 *The monies that are deposited by the administrative staff are currently monitored by various offices. The monies are typically collected as bond, concealed carry permits, and certain Sheriff's sales. Most of those collected are verified by either the Circuit Clerk or County Treasurer. It does however leave room for mistakes so beginning with the January 2012 statements, these records will be reviewed by the Undersheriff or Sheriff.*
- 3.3 *While in 2010 the county collected \$198,884 in revenues from housing prisoners, approximately \$170,000 was received from people sentenced to the Nodaway County Jail. The remainder was from other agencies with the largest being the City of Maryville at*



Nodaway County
Management Advisory Report - State Auditor's Findings

approximately \$12,000. The Sheriff's Office will draft a contract to be signed by the agencies that commonly use this jail and will plan to have those in place by April 1, 2012.

4. Closed Meetings

The County Commission held two closed meetings in 2009 and official minutes of the meetings were not maintained, as required by state law. Without minutes of the closed meetings, we cannot determine whether discussion was limited to the topics cited as the reason for closing the meetings.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings.

Recommendation

The County Commission ensure minutes are prepared and retained for all closed meetings.

Auditee's Response

The County Commission provided the following response:

We will keep minutes for closed meetings in the future.

5. Senate Bill 40 Board

The Senate Bill 40 Board did not prepare monthly bank reconciliations. The Board collected property taxes and interest totaling approximately \$161,000 and \$141,200 during the years ended December 31, 2010 and 2009, respectively.

We performed a bank reconciliation as of December 31, 2010, and determined there was a \$25 difference between the year-end cash balance in the financial records and the ending bank balance. The difference was due to a \$175 check recorded in the check register but not deducted from the balance and a \$212 deposit recorded as only \$12 in the register.

Timely preparation of monthly bank reconciliations are necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors.

Recommendation

The Senate Bill 40 Board prepare bank reconciliations on a monthly basis. Any differences between accounting records and reconciliations should be investigated, and supporting documentation for adjustments and reconciliations should be maintained.

Auditee's Response

The Senate Bill 40 Board provided the following response:

We agree and will ensure bank reconciliations are done monthly in the future and differences investigated, if necessary.



6. Senior Citizens Service Board

The Senior Citizens Service Board does not have written contracts with the entities to which it provides funding and does not adequately monitor the monies provided. In accordance with Section 67.990, RSMo, the Senior Citizens Service Board provides funding from the proceeds of a property tax levy for goods and services to the senior citizens of Nodaway County. The Board distributed a total of \$130,000 and \$150,000, in 2010 and 2009, respectively, to nine organizations including a senior center, nutrition sites, health care providers, and transportation companies.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstanding. In addition, to ensure the funds are properly disbursed and used in compliance with Section 67.990, RSMo, financial reports documenting how funds are spent should be obtained and reviewed by the Board.

Recommendation

The Senior Citizens Service Board enter into written contracts for all funding requests that clearly detail services to be performed and the compensation to be paid or benefits received, and require these entities to provide financial reports documenting how funds are spent.

Auditee's Response

The Senior Citizens Service Board provided the following written response:

The Board will attempt to get contracts in place with the entities receiving distributions for 2012 (2011 tax dollars), and will include monitoring criteria in those contracts.

Nodaway County

Organization and Statistical Information

Nodaway County is a township-organized, third-class county. The county seat is Maryville.

Nodaway 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 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 46 full-time employees and 6 part-time employees on December 31, 2010. The townships maintain county roads.

In addition, county operations include the Senate Bill 40 Board and Senior Citizens Services 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
Joseph Baumli, Presiding Commissioner	\$	39,407
Robert Stiens, Associate Commissioner		37,154
Robert P. Westfall, Associate Commissioner		37,154
Sandra L. Smail, Recorder of Deeds		56,294
Beth Walker, County Clerk		56,294
David A. Baird, Prosecuting Attorney		109,366
Darren White, Sheriff		62,398
Vince Shelby, County Coroner		18,991
Diane Thompsen, Public Administrator		33,912
Marilyn K. Jenkins, Collector-Treasurer (1), year ended March 31,	70,148	
Rex L. Wallace, County Assessor, year ended August 31,		55,726

(1) Includes \$13,681 of commissions earned for collecting city property taxes.

Financing Arrangements

The county entered into a lease purchase agreement in June 2008, and obtained a loan of \$4,550,000 to build the Administrative Building. As of December 31, 2010, the amount outstanding was \$4,191,387. The loan is scheduled to be paid in monthly installments of \$29,652 over 240 months with an interest rate of 4.85 percent annually. The final payment is scheduled for May 1, 2028.



Nodaway County
Organization and Statistical Information

American Recovery and
Reinvestment Act of 2009
(Federal Stimulus)

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