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Missouri State Auditor

Barry County



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Missouri State Auditor

YELLOW SHEET

Findings in the audit of Barry County

Sheriff Controls and Procedures	Several weaknesses were identified in the accounting controls and procedures in the Sheriff's office resulting in missing cash receipts totaling at least \$675 between January 1 and June 24, 2009. Accounting duties are not adequately segregated and an adequate supervisory review of the accounting records is not performed. Monthly bank reconciliations and lists of liabilities were not prepared and compared to the reconciled bank balance for the civil and bond bank accounts from January 2007 through June 2009. Also, weaknesses were identified in the procedures used to receipt and deposit monies collected.
Sheriff Inmate and Credit Card Procedures	Inmate property intake forms are not prenumbered and were sometimes not signed by an officer. Inventory records are not maintained of prepaid phone cards purchased and sold to inmates. The Sheriff's office does not adequately track the assignment of fuel credit cards and monthly fuel reconciliations are not adequate.
Emergency Services Board Cash Procedures	The Emergency Services Board has approximately \$424,000 of lease purchase proceeds that have not been disbursed and have been held in an escrow account since November 2008. The Board has not documented plans for the use of these funds and has been paying 4.5 percent interest (approximately \$19,000 annually) on the borrowed funds. Improvement is needed over various receipting and depositing controls and procedures, and petty cash procedures. Further, bank account activity is not adequately monitored, resulting in negative bank balances, and formal bank reconciliations are not prepared.
Emergency Services Board Policies and Procedures	In 2009, the Emergency Services Board failed to deposit payroll taxes timely resulting in penalties and interest totaling \$1,585. Additionally, quarterly payroll tax reports are not reconciled to year end reports. Time sheets are not always signed by the employee or the employee's supervisor. In addition, time sheets and leave records are not prepared by the Director and Assistant Director. The Emergency Services Board does not have written policies addressing coupons awarded to employees and the termination of benefits. The Emergency Services Board does not review or approve disbursements timely, and check signers and employees are not bonded. Emergency Services Board budgets are not accurate and do not include some information required by state law, and financial statements were not published as required by state law. Further, procedures for conducting and documenting meetings need improvement.
Grant Monitoring Procedures	The County Commission has not established adequate monitoring procedures to provide better assurance that the Southwest Missouri Drug Task Force, a subrecipient of federal grant funds, is in compliance with applicable grant requirements. Calculations for compensatory time were in excess of the amount authorized by the county's personnel policy. The



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County Commission does not perform a periodic review of task force controls and procedures or periodically request and receive detailed supporting documentation prior to approving grant reimbursement request forms.

Property Tax System Controls and Procedures

Personal property tax additions and abatements are not adequately monitored and approved. Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk does not prepare and maintain an account book with the County Collector that could be used to verify the accuracy and completeness of the County Collector's annual settlements. Passwords, which restrict access to the property tax computer system used by the County Collector and Assessor, are shared and are not routinely changed. The County Collector incorrectly calculated commissions and Assessment Fund withholdings for three school districts resulting in \$11,140 being over withheld.

Developmentally Disabled Board

The Developmentally Disabled Board has accumulated a significant cash reserve, and does not have documentation of how these funds will be spent to benefit the developmentally disabled. During the 2 years ended December 31, 2009, the accumulated cash reserve increased by approximately \$35,000 to a balance of \$757,000 at December 31, 2009. Additionally, accounting duties are not adequately segregated and oversight by the Board is not adequate. Further, the open meeting minutes do not always include sufficient detail of matters discussed or actions taken, and many decisions are not adequately documented in the meeting minutes.

Other Findings

Other findings in the audit report relate to controls and procedures in the Office of Ex-Officio Recorder of Deeds and the Office of Public Administrator; and County Commission meeting minutes.

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Barry County

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To the County Commission
and
Officeholders of Barry County

We have audited certain operations of Barry County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones & Associates, P.C., Certified Public Accountants, was engaged to audit the financial statements of Barry County for the 2 years ended December 31, 2008. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2009. The objectives of our audit were to:

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

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

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

The accompanying Management Advisory Report presents our findings arising from our audit of Barry County.



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State Auditor

The following auditors participated in the preparation of this report:

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Barry County Management Advisory Report State Auditor's Findings

1. Sheriff Controls and Procedures

Several weaknesses were identified in the accounting controls and procedures in the Sheriff's office resulting in missing cash receipts.

Cash receipts totaling at least \$675 were missing from the Sheriff's office between January 1 and June 24, 2009. The former Office Administrator was terminated prior to the discovery of the missing cash receipts. The current Office Administrator discovered the missing receipts and reported the problem to the Sheriff. After an investigation by the Missouri State Highway Patrol, the former Office Administrator was charged with felony stealing. Poor receipt controls and a lack of supervisory oversight placed funds at risk and resulted in the missing cash receipts.

Receipt slips totaling \$400 for conceal and carry weapon (CCW) permits were voided, but the permits were issued, and the cash payments recorded on these voided receipt slips are missing. Additionally, according to the Sheriff, the former Office Administrator did not run the proper background checks on some CCW permit applicants as required by state law. State law requires that a fee be collected along with the individual's finger prints, to be submitted to the Missouri State Highway Patrol for a federal background check. Instead, a background check on the county's Missouri Uniform Law Enforcement Service system was performed and the fees and finger prints were not sent to the Missouri State Highway Patrol. In addition, cash receipts for inmate telephone card sales and investigation report fees totaling \$275 were received and recorded on the jail's computer system but could not be traced to a deposit.

As a result of the missing monies, the Sheriff has improved some controls over the cash receipt process; however, several control weaknesses still exist. The Sheriff's office collected civil and criminal process fees, cash bonds, and fees for CCW permits, copies of reports, and sex offender registration during the years ended December 31, 2009 and 2008, totaling approximately \$320,000 and \$270,000, respectively.

1.1 Segregation of duties

Accounting duties are not adequately segregated and an adequate supervisory review of the accounting records is not performed. The current Office Administrator is primarily responsible for maintaining accounting records, preparing checks and deposit slips, making deposits, and preparing the month-end bank reconciliations for the bond and civil bank accounts. The former Office Administrator performed all these same duties and also received and recorded payments to the office. After funds were discovered missing, the Sheriff assigned the receipting duties to other employees. Additionally, while procedures in the Sheriff's office required two signatures on all checks, numerous instances were noted where checks cleared the bank that were signed only by the former Office Administrator.



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

1.2 Bank reconciliations and liabilities

Monthly bank reconciliations and lists of liabilities were not prepared and compared to the reconciled bank balance for the civil and bond bank accounts from January 2007 through June 2009. The current Office Administrator went back through 2009 records and reconciled the bank accounts and prepared lists of liabilities. She determined that approximately \$3,800 in fees were in the civil account that should have been turned over to the County Treasurer. These fees were subsequently turned over to the County Treasurer in May 2010.

Monthly bank reconciliations and preparation of liability lists are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. Without reconciliation procedures, there is little assurance receipts and disbursements are properly handled and recorded.

1.3 Receipting procedures

Weaknesses were identified in the procedures used to receipt and deposit monies collected by the Sheriff's office.

- Receipt slips for jail receipts, including inmate and phone card receipts, do not always indicate the method of payment received, and as a result, the composition of receipts is not reconciled to the composition of deposits.
- The numerical sequence of receipt slips is not accounted for properly and all copies of voided receipt slips are not retained. Instances were noted where all copies of receipt slips were missing from the receipt books.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued immediately upon receipt, the method of payment should be documented on receipt slips, the composition of receipts should be reconciled to the composition of deposits, and all monies received should be deposited intact. Further, without accounting for the numerical sequence of receipt slips and properly voiding and retaining receipt slips, there is less assurance all monies collected are accounted for properly and deposited.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.



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Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.
- 1.2 Ensure complete and accurate bank reconciliations and lists of liabilities are prepared on a monthly basis.
- 1.3 Ensure the method of payment is recorded on all receipt slips, the composition of monies received is reconciled to the composition of deposits, and all monies received are deposited intact. Further, the Sheriff should ensure the numerical sequence of receipt slips is accounted for properly including retaining all voided receipt slips.

Auditee's Response

The Sheriff provided the following responses:

- 1.1 *With part-time employees, I will segregate the duties as much as possible.*
- 1.2 *This recommendation has been implemented. Bank reconciliations are now done on a monthly basis.*
- 1.3 *This recommendation has been implemented.*

2. Sheriff Inmate and Credit Card Procedures

Improvement is needed over controls and procedures for inmate booking, prepaid phone cards, and fuel credit cards.

2.1 Inmate booking procedures

Property intake forms are filled out when an inmate is booked into the jail; however, these forms are not prenumbered and were sometimes not signed by an officer. Inmate monies are held in cash and purchases of phone cards by inmates are noted on the property intake forms. Upon an inmate's release or transfer, remaining monies are returned to the inmate and both the inmate and an officer are supposed to sign the property intake form to document the return of monies; however, we noted instances where the intake forms were not signed by either party. To ensure all inmate monies are accounted for properly, property intake forms should be prenumbered and signed to document the release of inmate monies.

2.2 Prepaid phone cards

Inventory records are not maintained of prepaid phone cards purchased and sold to inmates. Batches of 1,000 prepaid telephone cards are purchased from the telephone card vendor for \$6 per card and held by the jail staff until sold to inmates for \$10 per card. To ensure all phone cards are accounted for properly, detailed inventory records should be maintained that



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2.3 Sheriff fuel card procedures

include the number of cards purchased, sold, and on hand, as well as the number on each card. Periodic physical inventory counts should be performed and reconciled to inventory records.

The Sheriff's office does not adequately track the assignment of fuel credit cards and monthly fuel reconciliations are not adequate. Due to fuel misuse discovered by the Sheriff in 2008, the Sheriff assigned the responsibility of tracking fuel card assignments and monthly fuel reconciliations to the Chief Deputy in 2009. The county paid approximately \$67,290 and \$111,130 for fuel for the Sheriff's office during the years ended December 31, 2009 and 2008, respectively. The Sheriff's office maintains a total of 63 fuel credit cards with three fuel vendors. Each deputy is assigned a card from each of the three respective vendors.

Although the Chief Deputy maintains a list of fuel card numbers assigned to each deputy, the list is not accurate. For example, for one fuel vendor, the Chief Deputy's list indicates 22 card numbers are assigned to deputies; however, according to the fuel vendor, only 20 card numbers issued to the Sheriff's office remain active, and for one of these card numbers, Sheriff's office personnel did not know the card was issued to the office or to whom it was assigned.

In addition, fuel use logs are not always maintained and submitted to the Chief Deputy for review. Our review of a fuel billing for November 2009 identified purchases of fuel on the billing statement for one card number that was not on the corresponding fuel use log and purchases of fuel on the billing statement for another card number for which a fuel use log was not maintained or turned over to the Chief Deputy for review.

Ineffective reviews of fuel use and billings, along with the lack of accountability over active fuel cards, increases the possibility of loss, theft, or misuse occurring and going undetected. Fuel credit cards should be properly assigned to personnel and the use tracked to ensure fuel purchases are proper.

Recommendations

The Sheriff:

- 2.1 Use prenumbered property intake forms, properly track all inmate monies received and disbursed, and ensure property intake forms are signed when monies are returned.
- 2.2 Maintain a perpetual inventory record of inmate phone cards and periodically reconcile it to a physical inventory.
- 2.3 Reconcile fuel used to fuel purchases, and properly track the assignment and use of all fuel credit cards.



Auditee's Response

The Sheriff provided the following responses:

- 2.1 *We will ensure all inmate property intake forms are signed on release. We will also look into prenumbered intake forms.*
- 2.2 *We have implemented this recommendation.*
- 2.3 *The Chief Deputy has taken steps to account for all fuel credit cards and to reconcile fuel purchases to fuel logs.*

3. Emergency Services Board Cash Procedures

Significant improvement is needed over various accounting controls and procedures of the 911 Emergency Services Board. In June 2005, the voters of Barry County approved a 1/4 cent sales tax for Emergency 911 services. The Emergency Services Board received sales taxes, map sales, and sign sales during the years ended June 30, 2009 and 2008, totaling approximately \$767,000 and \$943,000, respectively.

3.1 Lease purchase funds

In 2007, the Emergency Services Board constructed a building and purchased equipment financed through a \$2.5 million lease purchase agreement with the Industrial Development Authority. Approximately \$424,000 of the \$2.5 million lease purchase proceeds have not been disbursed by the Emergency Services Board and have been held in an escrow account since November 2008. The Board has not documented plans for the use of these funds and has been paying 4.5 percent interest (approximately \$19,000 annually) on the borrowed funds. According to the lease agreement, funds that are not needed can be applied toward the principle amount of the lease.

The Board should evaluate the need for the escrowed funds and consider reducing the principle amount of the lease purchase to avoid paying any future unnecessary interest costs.

3.2 Receipting and depositing

Prior to February 2010, receipt slips were not always issued for monies received. Beginning in February 2010, receipt slips are generated through a computerized accounting system; however, receipt numbers can be changed and duplicated. In addition, the method of payment is not recorded on the receipt slips and reconciled to monies deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received, the numerical sequence accounted for properly, and the composition of receipts should be recorded on receipt slips and reconciled to the composition of deposits.

3.3 Petty cash fund

Controls over the petty cash fund need improvement. The 911 operations center maintains a petty cash fund to be used for emergency purchases and



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supplies. The fund is not maintained on an imprest basis (at a set amount), and some petty cash fund disbursements are not supported by vendor invoices. Additionally, cash received from the sale of signs and maps is used to replenish the fund instead of being deposited. Further, as of April 2010, the petty cash ledger used to track petty cash activity has not been updated for several months.

To ensure petty cash funds are accounted for properly, the petty cash fund should be maintained on an imprest basis, invoices should be maintained for all petty cash disbursements, and the petty cash ledgers should be updated timely. Additionally, all cash receipts should be deposited and the petty cash fund should only be reimbursed by checks equal to the amount of the paid invoices.

3.4 Bank account monitoring

Although the Board Chairman indicated he reviews bank statements online, formal bank reconciliations are not documented and bank account balances are not adequately monitored. The Emergency Services Board maintains two bank accounts, a checking account and a money market account. The checking account is used to deposit receipts and pay operating expenses. The money market account acts as a savings account and funds are occasionally transferred from the money market account to the checking account as needed. Our review of bank account procedures indicated the following concerns:

- Bank account activity is not adequately monitored, resulting in negative bank balances. In May 2009, the checking account was overdrawn by \$5,774 triggering an automatic transfer from the money market account to cover the deficit and bring the checking account balance to \$0. In addition, in November 2008, the checking account was overdrawn by approximately \$36,000 for 2 days, during which time there were adequate funds in the money market account to cover the negative balance. All overdraft fees were subsequently refunded to the 911 Board.
- Formal bank reconciliations are not prepared. The 911 Director makes deposits and prints checks for the Board Chairman and Treasurer to sign; however, no record of the balances in the bank accounts is maintained. The Emergency Services Board Vice Chairman prepares financial reports for Board review; however, these reports only reflect deposits and checks that have cleared the bank accounts.

Preparing monthly bank reconciliations and maintaining records of cash balances are necessary to ensure the bank account is in agreement with the accounting records and to ensure overdrafts do not occur.



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Recommendations

The Emergency Services Board:

- 3.1 Evaluate the need for the escrowed funds of \$424,000 and consider reducing the principle amount of the lease purchase to avoid paying any future unnecessary interest costs.
- 3.2 Issue prenumbered receipt slips for all monies received, indicate the method of payment on all receipt slips, and reconcile the composition of receipts to the composition of deposits.
- 3.3 Maintain the petty cash fund on an imprest basis, retain supporting documentation for all petty cash disbursements, update the petty cash ledgers timely, deposit all cash receipts, and issue checks to replenish the petty cash fund.
- 3.4 Properly monitor bank account activity, prepare monthly bank reconciliations, and maintain records of account balances.

Auditee's Response

The Emergency Services Board provided the following written responses:

- 3.1 *Barry County Emergency Services will look into this issue and correspond with the bank holding the Industrial Development Authority's commercial loan on this project to work out a favorable agreement.*
- 3.2 *Barry County Emergency Services agrees with state recommendations.*
- 3.3 *Barry County Emergency Services agrees with state recommendations. Maintain petty cash in the amount of \$100.*
- 3.4 *Barry County Emergency Services has established an automatic transfer from the money market account into the checking account to ensure no overdraft fees or negative balances occur when funds in the checking account are unable to cover expenses, along with preparing monthly bank reconciliations and account balance figures that are filed on a monthly basis.*



4. Emergency Services Board Policies and Procedures

Policies and procedures of the Emergency Services Board need improvement.

4.1 Payroll procedures

Numerous weaknesses were identified in Emergency Services Board payroll records and procedures.

- In 2009, the Emergency Services Board failed to deposit payroll taxes timely resulting in penalties and interest totaling \$1,585. Additionally, quarterly payroll tax reports are not reconciled to year end W-2 and W-3 reports. Wages reported to employees on form W-2 exceeded wages reported on quarterly 941 reports by approximately \$650. The Internal Revenue Code requires 941 forms be filed with the Internal Revenue Service (IRS) on a quarterly basis and deposits be made timely. To avoid unnecessary interest and penalties, payroll taxes should be paid timely and various payroll tax reports should be reviewed and reconciled for accuracy.
- Time sheets are not always signed by the employee or the employee's supervisor. In addition, time sheets and leave records are not prepared by the Director and Assistant Director. Time sheets are necessary to document hours worked, substantiate payroll disbursements, and provide the Emergency Services Board with a method to monitor hours worked.

4.2 Personnel policies and procedures

The Emergency Services Board does not have written policies addressing coupons awarded to employees and the termination of benefits.

Emergency Services Board employees are awarded "coupons" at the 911 Director's discretion for good behavior and not abusing leave time given. Coupons represent a paid day off. The Board does not have a written policy addressing the use of coupons and how they are awarded. During 2009, employees received coupon time off valued at approximately \$1,125.

In addition, the 911 Director terminated an employee's sick and vacation leave benefits in October 2009, because the Director determined the employee had excessive absences from work. There is no written policy addressing the Director's authority to terminate benefits, and no documentation indicating the Board has consulted with legal counsel regarding this issue.



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4.3 Disbursements

The Emergency Services Board does not review or approve disbursements timely. The Board Chairman and Treasurer sign checks; however, the Board only meets quarterly and votes to approve the Treasurer's report that summarizes disbursements already made.

Without adequate monitoring, the Board cannot ensure the reasonableness and propriety of disbursements. To adequately monitor disbursements, the Board should approve all disbursements. Board approval of disbursements should be documented in the minutes or by signature or initials on the supporting documentation or a detailed list of checks issued.

4.4 Inadequate bonding

The Emergency Services Board check signers and employees are not bonded. According to the Board Chairman, the Board believed the Treasurer did not need a bond because he is an employee at a local bank. Failure to properly bond individuals who have access to funds exposes the Board to risk of loss.

4.5 Budgeting procedures

Emergency Services Board budgets are not accurate and do not include some information required by state law. A budget message and estimated ending available resources are not included. Additionally, the Board incorrectly reports the beginning balance of the bank accounts as income. Further, the Board does not file the budget with the State Auditor's office. Chapter 50, RSMo, establishes specific guidelines as to the format of the annual budget and requires the budget document to be sent to the State Auditor's office. Complete budget documents are an essential tool for the efficient management of Board resources.

4.6 Published financial statements

Emergency Services Board financial statements were not published as required by state law. Section 50.800, RSMo, provides details regarding the various information required to be presented in the annual published financial statements including receipts, disbursements, and beginning and ending balance information. Complete published financial statements are needed to adequately inform the citizens of financial activities and to comply with state law.

4.7 Board meetings

Procedures for conducting and documenting meetings need improvement. Open session minutes typically indicate the Board is going into closed session; however, the specific reasons to close the meeting or motions made or votes taken during closed session are not documented. In addition, minutes for the 2009 closed session meetings were not maintained as required by law.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings to



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demonstrate compliance with statutory provisions and support important decisions made.

4.8 Capital assets

Capital asset records do not include all information. Information such as serial numbers, acquisition/disposition dates, and purchase price or value is not always recorded for each item. Additionally, property tags are not affixed to assets and physical inventories are not conducted. To improve accountability over capital assets, adequate records should be maintained, property control tags should be affixed to all capital asset items, and an annual physical inventory should be performed.

Recommendations

The Emergency Services Board:

- 4.1 Ensure payroll taxes are paid timely, payroll tax reports are reviewed for accuracy, and time sheets are prepared and signed by the employee and approved by a supervisor.
- 4.2 Develop formal written policies to address the awarding of coupon time to employees and consult with legal counsel regarding the termination of employee benefits.
- 4.3 Approve all disbursements timely, and document the approval in the minutes or on a detailed list of checks issued.
- 4.4 Obtain adequate bond coverage for all board members, check signers, and employees.
- 4.5 Ensure the budget is accurate, prepared in compliance with state law, and filed with the State Auditor's office.
- 4.6 Ensure annual financial statements are published in accordance with state law.
- 4.7 Ensure full compliance with statutory provisions regarding closed meetings.
- 4.8 Establish adequate records to account for capital assets; identify capital assets with a number, tag, or similar identifying device; and conduct annual physical inventories.

Auditee's Response

The Emergency Services Board provided the following written responses:

- 4.1 *This is no longer an issue, Quickbooks is setup correctly and creates reminders for all taxes.*



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- 4.2 *Barry County Emergency Services will establish a written incentive policy that will allow the Director to reward employees with paid time off when an employee exceeds or excels outside their normal work tasks or duties. Barry County Emergency Services will establish a policy that benefits can be suspended or terminated by the Director when excessive days of misuse have occurred.*
- 4.3 *Barry County Emergency Services will approve payment of bills ahead of time at the scheduled quarterly meetings. The Board will also give the treasurer authority to approve or deny any payment/check within the next scheduled Board meeting.*
- 4.4 *Barry County Emergency Services will obtain a blanket bond coverage on Administrative staff. We will look into purchasing bonding coverage on Board members that have authority to sign checks.*
- 4.5, 4.7
&4.8 *Barry County Emergency Services agrees with state recommendations.*
- 4.6 *Barry County Emergency Services agrees with publishing financial statement at end of fiscal year.*

5. Grant Monitoring Procedures

The County Commission has not established adequate monitoring procedures to provide better assurance that the Southwest Missouri Drug Task Force, a subrecipient of federal grant funds, is in compliance with applicable grant requirements.

Barry County is the grantor host county for the task force and is required to monitor task force activities. Membership in the task force includes Barry and McDonald Counties and seven cities within these two counties. The county received federal grant funds for the task force of approximately \$482,000 during the 2 years ended December 31, 2009, and subsequently disbursed these funds to the task force. The task force prepares and forwards grant reimbursement forms to the County Commission, which reviews, approves, and submits the forms to the granting agency for reimbursement. After reimbursement is received, the county disburses the monies to the task force. The task force also receives pledges from the counties and cities that participate in the program and receives other donations from local businesses. The task force maintains four separate bank accounts for management of its funds.

We requested and reviewed task force timesheets, bid documentation, and other disbursement records for some grant reimbursement requests; and evaluated the county's monitoring procedures.



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5.1 Payroll

Calculations for compensatory time were in excess of the amount authorized by the county's personnel policy. The task force submits copies of each officer's timesheet to the County Treasurer for preparation of task force personnel payroll. Task force personnel are considered county employees; however, compensatory time calculated by task force personnel is based upon a 40 hour work week rather than 171 hours in a 28-day period as authorized by the county's personnel policy and the Fair Labor Standards Act of 1938. For example, in May 2009, the four task force officers' compensatory time calculation was a total of 66 hours more than authorized by county policy.

The County's personnel policy should be followed for all county employees or if different policies apply to task force employees, those policies should be in writing and approved by the County Commission.

5.2 Review of disbursements

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

Supporting documentation of credit card charges were not adequate. Generally, the task force submits summary credit card statements, along with copies of the front of checks to support reimbursement requests. The County Commission did not request or receive copies of invoices to support the credit card statements, or other documentation to support checks issued by the task force. For example, \$1,075 was paid for airfare and \$960 was paid for meals for three officers to attend training in New York; however, the only supporting documentation obtained by the County Commission was a copy of the canceled checks with air tickets and meals written in the memo lines. The amounts spent are significant and warrant a review of the detailed supporting documentation. Without reviewing details that support summary charges, at least on a periodic basis, the County Commission cannot ensure disbursements by the task force are allowable under the grant guidelines.

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

Recommendations

The County Commission:

- 5.1 Ensure the county personnel policy is followed.



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5.2 Establish adequate monitoring procedures over task force disbursements to ensure grant funds are accounted for properly.

Auditee's Response

The County Commission provided the following responses:

5.1&

5.2 *We will ensure the personnel policy is followed. We are now attending meetings and reviewing supporting documentation of disbursements. The County Treasurer is receiving and reviewing monthly bank statements.*

6. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. The County Collector's office processed property tax collections totaling approximately \$20 million annually.

6.1 Addition and abatements

Personal property tax additions and abatements are not adequately monitored and approved. The County Commission only reviews personal property tax abatements annually, and the County Clerk does not reconcile court orders for additions and abatements to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. The county processed personal property additions and abatements totaling approximately \$1.2 million for the 2 years ended February 28, 2010.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. Periodic reviews and timely approvals of court orders, along with an independent review of approved additions and abatements to changes made to the property tax system, would satisfy the intent of the statutory provisions and help ensure changes are proper.

6.2 Review of property taxes

Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk does not prepare and maintain an account book with the County Collector that could be used to verify the accuracy and completeness of the County Collector's annual settlements. For example, an error in reporting County Clerk fees on the annual settlement for the year ended February 28, 2010, was not detected by the County Collector or other officials charged with the responsibility of reviewing the County Collector's annual settlements until we brought it to their attention.



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Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. The account book prepared by the County Clerk should be used to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and should also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to ensure checks and balances are in place related to the collection of property taxes.

6.3 Passwords

Passwords, which restrict access to the property tax computer system used by the County Collector and Assessor, are shared. Additionally, passwords used by the County Collector and Assessor have not been routinely changed. Passwords should be individually assigned, kept confidential, and changed periodically to prevent unauthorized access.

6.4 Commissions

The County Collector incorrectly calculated commissions and Assessment Fund withholdings for three school districts resulting in \$11,140 being over withheld. The County Collector incorrectly computed a ratio for Proposition C and inflated taxes collected for the Exeter R-VI, Verona R-VII, and Crane R-III School Districts prior to calculating General Revenue Fund commissions and Assessment Fund withholdings. As a result, the county's General Revenue Fund and Assessment Fund received more than allowed. These errors apply to Exeter R-VI since 2001, Verona R-VII since 2004, and Crane R-III since 1994 and total \$7,047, \$3,670, and \$423, respectively.

Recommendations

- 6.1 The County Commission and the County Clerk develop procedures to approve all personal property tax abatements timely and reconcile the approved court orders to the actual changes in the property tax system.
- 6.2 The County Clerk maintain an account book with the County Collector and use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 6.3 The County Collector and Assessor ensure individual passwords are kept confidential and are periodically changed.
- 6.4 The County Collector recalculate commissions and Assessment Fund withholdings and make corrections for amounts improperly distributed to the General Revenue and Assessment Funds and refund amounts due to the three school districts. In addition, the County Collector should ensure future commissions and withholdings are computed properly.



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Auditee's Response

The County Commission and County Clerk provided the following responses:

- 6.1 *This recommendation has been implemented.*
- 6.2 *The County Clerk will look into setting up an account book with the County Collector.*

The County Collector provided the following written responses:

- 6.2 *The error that was detected in reporting the County Clerk fees on the annual settlement was corrected on the following months report during the annual settlement figures after it was brought to the attention of the collector.*
- 6.3 *I will begin to correct the problem with the passwords in my office.*
- 6.4 *The commissions and assessments that were incorrectly calculated have been corrected in the computer system and the wrongfully withheld commissions and assessments have been reimbursed to the Exeter, Verona and Crane school districts.*

The Assessor provided the following written response:

- 6.3 *I will speak with our computer programmer who maintains our tax system.*

7. Ex-Officio Recorder of Deeds Controls and Procedures

Controls and procedures in the Ex-Officio Recorder of Deeds' office are in need of improvement. The Ex-Officio Recorder of Deeds collected various fees for recording documents such as marriage licenses and deeds totaling approximately \$269,000 and \$283,000 for the years ended December 31, 2009 and 2008, respectively.

7.1 Segregation of duties

The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated, and there is no documentation of a supervisory review by the Ex-Officio Recorder of Deeds. Internal controls would be improved by segregating accounting duties or by implementing an independent documented review of records by the Ex-Officio Recorder of Deeds.

7.2 Passwords

Employees know each other's passwords and are not required to change passwords periodically. Unique passwords should be assigned to each user of a system, kept confidential, and changed periodically to help limit unauthorized access to computer files.



Similar conditions
previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The Ex Officio Recorder of Deeds:

- 7.1 Ensure accounting duties are adequately segregated or documented reviews of the accounting records are performed.
- 7.2 Ensure individual passwords are kept confidential and are periodically changed.

Auditee's Response

The Ex-Officio Recorder of Deeds provided the following written responses:

- 7.1 *Due to the size of the office and only having 2 employees, the segregation of duties is not feasible and would not benefit the public if and when one of the employees is absent from work. Even though the physical separation of the Recorder of Deeds office from the Circuit Clerk's office makes it difficult to review the records of the Recorder of Deeds on a daily basis, I do attempt to do so.*
- 7.2 *Recorder of Deeds has implemented a policy ensuring individual passwords are kept confidential and are periodically changed.*

8. Public Administrator Controls and Procedures

Passwords are not required to access the bank account information on the computer program used to print checks for each ward and blank checks used to make disbursements for wards are not securely stored. The Public Administrator uses blank unofficial form-fed checks and the computer program prints the account number, bank routing number, and check number on the blank check forms. The box of blank unused check forms is stored under the Public Administrator's desk near the computer.

To ensure bank information in the Public Administrator's computer system is adequately secured, passwords should be utilized to limit access, and to ensure blank checks are properly secured they should be stored in a locked cabinet.

Recommendation

The Public Administrator utilize individual passwords to limit access to computer data and ensure blank checks are stored in a secure location.

Auditee's Response

The Public Administrator provided the following written response:

An individual password has been placed in the computer used to write checks. The system cannot be opened up without the password. The unused checks are now placed in a locked file cabinet.



9. Developmentally Disabled Board

The Developmentally Disabled Board has accumulated a significant cash reserve, and does not have documentation of how these funds will be spent to benefit the developmentally disabled. Additionally, duties should be better segregated and meeting minutes need improvement.

The Developmentally Disabled Board received property taxes totaling approximately \$300,000 during each of the years ended December 31, 2009 and 2008.

9.1 Excessive cash reserves

The Developmentally Disabled Board continues to accumulate a significant cash reserve without any specific plans for its use. During the 2 years ended December 31, 2009, the accumulated cash reserve increased by approximately \$35,000 to a balance of \$757,000 at December 31, 2009. Although the Board included a budget category termed, "committed funds" on the 2008 and 2009 budget totaling \$150,000 and \$269,794, respectively, these funds were not disbursed. According to Board members, these funds represent funds available, but not distributed to nonprofit organizations. The Board does not have a documented plan of how these funds will be spent.

Based upon previous spending patterns, the accumulated cash reserves represent more than 2 years of funding for nonprofits and other disbursements. The Board should determine its future needs, and consider reducing future tax levies if a specific use for the cash reserves is not determined.

9.2 Segregation of duties

Accounting duties are not adequately segregated and oversight by the Board is not adequate. The Board Treasurer is responsible for all accounting related duties. While the Board Treasurer prepares financial reports for the Board to review, no one other than the Board Treasurer reviews the bank statements to ensure financial reports are accurate.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, at a minimum, the Board should review original bank statements in conjunction with the financial reports. This review should be documented.

9.3 Board meetings

The open meeting minutes do not always include sufficient detail of matters discussed or actions taken, and many decisions are not adequately documented in the meeting minutes. For example, the minutes do not provide adequate detail of the documentation received from nonprofit organizations or the Board's review and approval of that documentation. In addition, when a Board member abstained from voting on an issue, the minutes did not always indicate who abstained or the reason for the abstention. Several Board members have children or other relatives who receive benefits from the nonprofit organizations supported by the



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Developmentally Disabled Board. As a result, it is important that abstentions are clearly documented.

According to the Sunshine Law, Chapter 610, RSMo, minutes are required to include, but not be limited to, the date, time, place, members present, members absent, and a record of voted taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the Board.

Similar conditions
previously reported

Similar conditions to sections 9.1 and 9.3 were noted in our prior audit report.

Recommendations

The Developmentally Disabled Board:

- 9.1 Evaluate funding needs and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.
- 9.2 Adequately segregate accounting duties to the extent possible, or at a minimum, a documented review of the original bank statements should be performed by someone other than the Board Treasurer.
- 9.3 Ensure meeting minutes are maintained that include adequate detail of the issues discussed and the decisions made.

Auditee's Response

The Barry County Developmentally Disabled Board provided the following written responses:

- 9.1 *The cash balance has remained constant for the last two years. The Board has expended essentially all of the tax revenue received for purchases for the developmentally disabled. With the continued budget cuts for the developmentally disabled at the State and Federal levels, the Developmentally Disabled Board believes that it will be called upon to fund a greater portion of the services to be rendered to the Developmentally Disabled census in Barry County, Missouri.*
- 9.2 *The Board will document in its minutes the review of the original bank statements by the Board Members other than the Board Treasurer.*



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9.3 *The Board will document in its minutes roll call votes and any member abstaining will be identified and the member's reason for abstention.*

10. County Commission Meeting Minutes

Minutes for closed session meetings are not maintained. The County Commission held several closed sessions during 2010 and 2009. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that various statutory provisions are followed.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission ensure minutes are maintained for all closed session meetings.

Auditee's Response

The County Commission provided the following response:

We will begin keeping closed meeting minutes indicating the purpose of the meeting.

Barry County

Organization and Statistical Information

Barry County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Cassville.

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

Elected Officials and Their Compensation Paid

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

Officeholder	2010	2009
Cherry Warren, Presiding Commissioner	\$	31,700
Frank Washburn, Associate Commissioner		29,700
Wayne Hendrix, Associate Commissioner		29,700
Johnny Williams, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Gary Youngblood, County Clerk		45,000
Johnnie E. Cox, Prosecuting Attorney		106,000
Mick Epperly, Sheriff		50,000
Lois Lowe, County Treasurer		45,000
Jim Fohn, County Coroner		16,000
Barbara White, Public Administrator (2)		135,092
Janice Varner, County Collector (3), year ended February 28,	52,429	
June Smith, County Assessor, year ended August 31,		45,000
Sam Goodman, County Surveyor (4)		N/A

- (1) Compensation is paid by the state.
- (2) Fees received from probate cases.
- (3) Includes \$7,429 of commissions earned for collecting city property taxes.
- (4) Compensation on a fee basis.



Barry County
Organization and Statistical Information

**Financing
Arrangements**

During 2007 and 2008, the county remodeled and expanded the existing jail at a cost of \$527,290. The county paid approximately \$410,290 and issued a promissory note to finance the remainder of the project costs. As of December 31, 2009, the principle balance of the promissory note was \$117,000. Payments for this note are made from the Capital Projects Fund.

On June 5, 2007, the Barry County Emergency 911 Board entered into an agreement with the Industrial Development Authority (IDA) of Barry County to construct and set up a 911 dispatch center. The terms of the agreement are for the IDA to pay \$2.5 million for constructing the building and purchasing the equipment, and then to sublease the building and equipment back to the Barry County Emergency 911 Board for payments totaling the principal and interest due on an outstanding commercial loan. The commercial loan is scheduled to be paid off June 1, 2027. The remaining principal and interest due on the lease-purchase agreement at December 31, 2009, were \$2,287,206 and \$1,011,250, respectively.

The Barry County Commission established the Shell Knob Senior Corporation Project Neighborhood Improvement District (NID) on March 22, 2001 for the purpose of financing the acquisition and construction of a water supply system for the Shell Knob Senior Center and adjacent development. Permanent financing was obtained for the project by the issuance of general obligation bonds totaling \$178,000, dated May 1, 2002 with a final maturity date of April 1, 2022. Although the County Commission is ultimately responsible for the repayment of the general obligation bonds, the primary source of monies for bond repayment is the collection of special assessments on property owners who benefit from the project and are collected by the Shell Knob Senior Corporation. The remaining principal and interest due on the bonds at December 31, 2009, were \$138,000 and \$63,450, respectively.

Lawsuit

Litigation against Barry County and the Barry County 911 Emergency Services Board was filed by the City of Monett Tax Increment Financing (TIF) Board. For the purposes of this litigation, the County Commission established 3 special temporary funds, the Special Road District Tax Litigation Fund, the General Revenue Tax Litigation Fund, and the Real Estate Tax Litigation Fund. Monthly transfers are made to these respective funds for the amount of taxes the litigation alleges should have been disbursed to the TIF Board. Barry County expects to have over \$615,000 in these three funds combined by the year ending December 31, 2010. The Barry County 911 Emergency Services Board has not established a separate fund for tax revenue in dispute as part of this litigation.