



# Susan Montee, JD, CPA

Missouri State Auditor

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## Mercer County

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June 2010  
Report No. 2010-65



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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

June 2010

The following findings were included in our audit report on Mercer County.

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The County Commission held 31 closed meetings during the 2 years ended December 31, 2008, and did not comply with various aspects of the Sunshine Law when conducting and documenting some of those meetings.

Neither the County Commission nor the County Clerk adequately reviews the property tax collection activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements. In addition, the County Clerk does not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector-Treasurer. Oversight of the financial accounting functions of the County Collector-Treasurer's office is not provided by the Collector-Treasurer.

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YELLOW SHEET

MERCER COUNTY

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Mercer County

We have audited certain operations of Mercer County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Mercer 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, 2008. 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 Mercer County.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tania Williams, MBA
Audit Staff:	Eartha Taylor, MBA, CPA Lance Neal

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

MERCER COUNTY  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Legal Compliance**

- A. The County Commission did not comply with the Sunshine Law in numerous instances when holding closed meetings during 2008 and 2007. The County Commission held 31 closed meetings during the 2 years ended December 31, 2008, and did not comply with various aspects of the Sunshine Law when conducting and documenting those meetings. Open minutes did not disclose the reason for closing 15 meetings and minutes were not kept for 3 closed meetings. Information provided in the minutes for eight of the closed meetings was not sufficient to demonstrate that issues discussed and votes taken were allowable under the Sunshine Law. Some examples of topics discussed in closed meetings that did not appear allowable were equipment purchases and sales tax rollback calculations.

The Sunshine Law, Chapter 610, RSMo, requires the vote of each member of the governmental body and specific reason for closing a public meeting to be recorded in the open meeting minutes, and requires that minutes of closed meetings be prepared. Issues not specifically allowed by the Sunshine Law should not be discussed in closed meeting. Meeting minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support decisions made.

- B. The Prosecuting Attorney hired his daughter part-time, in October 2008 and again in April 2009 while his secretary was on vacation. She was paid \$594 and \$277 during the years ended December 31, 2009 and 2008, respectively. This hiring may represent nepotism.

Article VII, Section 6, Missouri Constitution, defines the penalty for nepotism and states "Any public officer or employee in this state who by virtue of his office or employment names or appoints to public office or employment any relative within the fourth degree, by consanguinity or affinity, shall thereby forfeit his office or employment."

**WE RECOMMEND** the County Commission:

- A. Ensure reasons for closing a meeting are documented, sufficiently detailed minutes are prepared for all closed sessions, and only allowable topics are discussed in closed meetings.

- B. And Prosecuting Attorney ensure compliance with the restrictions of Article VII, Section 6, Missouri Constitution, in regard to the employment of relatives.

**AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

- A. *We have met with a representative of the Attorney General's office for training regarding Sunshine Law compliance recently and we believe our compliance with this law has improved dramatically since the period of the auditor's review.*
- B. *We have adopted a policy related to conflicts of interest issues which is included in the county personnel manual and we will make every attempt to ensure compliance in the future.*

*The Prosecuting Attorney provided the following written response:*

- B. *Due to a staffing problem and no other available employees when the Prosecutor's secretary was absent due to medical treatment and vacation, the County Commission approved all substitute employees for my office. It was an unintentional mistake and it will not occur again.*

<b>2. Property Tax and Financial System Controls</b>
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Controls and procedures over the property tax system need improvement, and oversight of the financial accounting duties in the County Collector-Treasurer's office is currently performed by the County Clerk's office. The Collector-Treasurer performs a dual role as both Collector of property taxes and Treasurer over the county's finances. Property tax collections handled as the Collector totaled approximately \$4.4 million during the year ended February 28, 2009, and county receipts handled as the Treasurer totaled approximately \$2.1 million during the year ended December 31, 2008. The financial statement audit performed for the 2 years ended December 31, 2008, by an independent CPA firm revealed significant deficiencies regarding accounting differences between the County Clerk's and County Collector-Treasurer's financial records. That audit report indicates these differences were resolved by the end of 2008; however, we still have concerns about the current procedures in place for preparing some financial accounting records in the Collector-Treasurer's office.

- A. Neither the County Commission nor the County Clerk adequately reviews the property tax collection activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements.

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

A similar condition was noted in our prior audit.

- B. The County Clerk does not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector-Treasurer. Failure to do so could result in errors or irregularities going undetected. Section 140.050, RSMo, requires the County Clerk to extend the delinquent tax books and charge the County Collector-Treasurer with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the delinquent tax books, at a minimum, she should verify the accuracy and document approval of the tax book amounts to be charged to the County Collector-Treasurer.
  
- C. Oversight of the financial accounting functions of the County Collector-Treasurer's office is not provided by the Collector-Treasurer. There is one deputy in this office who performs the majority of the financial accounting work, including writing manual receipts, depositing, entering data into the financial system, and preparing bank reconciliations. Significant accounting differences existed at the end of 2007 between the budgets, published financial statements, and semi-annual settlements. These differences were identified by the current County Clerk, who was appointed by the Governor in early 2008 after the former County Clerk resigned in December 2007. Steps were taken during the remainder of 2008 by the current County Clerk to identify and resolve many of these differences. Oversight functions of day to day activities, such as reconciling receipts to bank deposits and preparing and/or reviewing bank reconciliations are performed by the County Clerk's office, rather than by the County Collector-Treasurer. These functions would be more effective if performed by the County Collector-Treasurer herself.

Increased involvement by the Collector-Treasurer in daily operations of her office will both ensure tasks can be performed in the absence of the deputy and improve the official's ability to provide effective oversight.

**WE RECOMMEND:**

- A. The County Clerk maintain an account book with the County Collector-Treasurer. The County Clerk and County Commission should use the account book to review

the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.

- B. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector-Treasurer with the property tax amounts.
- C. The County Collector-Treasurer perform documented reviews of the financial system accounting records in her office.

**AUDITEE'S RESPONSE**

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

- A. *We have developed procedures to verify the Collector's annual settlements and will work together closely in the future to ensure the accuracy is verified before they are approved.*

*The County Clerk provided the following response:*

- B. *Changes in procedures have been made and this recommendation has already been implemented.*

*The County Collector-Treasurer provided the following response:*

- C. *I have already started to document my reviews of the financial records and will continue to work toward implementing procedures to increase oversight of my office.*

ORGANIZATION AND  
STATISTICAL INFORMATION

MERCER COUNTY  
ORGANIZATION AND STATISTICAL INFORMATION

Mercer County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Princeton.

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

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

Officeholder	2009	2008
<b>County-Paid Officials:</b>		
Clifford Shipley, Presiding Commissioner	\$	23,120
Thomas Shane Grooms, Associate Commissioner		21,120
Kenneth D. Wilson, Associate Commissioner		21,120
Judy Hamilton, County Clerk		32,000
John L. Young, Prosecuting Attorney		39,000
Duane Hobbs, Sheriff		38,000
Michael Greenlee, County Coroner		8,000
Carolyn Sealine, Public Administrator (1)		26,775
Susan Moore, County Collector-Treasurer (2), year ended March 31,	32,461	
Norberta DeMoss, County Assessor (3), year ended August 31,		32,688
 (1) Includes fees received from probate cases. (2) Includes \$461 of commissions earned for collecting city property taxes. (3) Includes \$688 annual compensation received from the state.		
<b>State-Paid Officials:</b>		
Patricia Stamper, Circuit Clerk and Ex Officio Recorder of Deeds		52,668
J. Brad Funk, Associate Circuit Judge		107,641