



Susan Montee, JD, CPA  
Missouri State Auditor

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# Shannon County



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Missouri State Auditor

# YELLOW SHEET

## Findings in the audit of Shannon County

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### **Financial Condition**

As noted in our prior audits, the financial condition of the General Revenue Fund has remained weak, and the financial condition of the Special Road and Bridge Fund has declined. Also, \$202,598 is still due to the Special Road and Bridge Fund from the General Revenue Fund for excess administrative transfers and incorrect payment of payroll taxes from prior years. The county has not developed a repayment plan and has made no payments toward this inter-fund liability since August 2006. Because of the poor financial condition of the General Revenue Fund, the County Commission did not appropriate sufficient monies for emergency purposes in the 2010 General Revenue Fund budget as required by state law.

### **Disbursements**

Several concerns were noted regarding county efforts to establish a quarry and the related disbursements of approximately \$250,000 since 2007. There was no evidence an adequate cost/benefit analysis was performed prior to spending money to establish the quarry, and the quarry is still not operational. The county did not obtain an appraisal for land purchased for \$31,675 in 2007 to be used as the quarry site. The county entered into an agreement to purchase a rock crusher for \$215,000 in 2007, and paid this amount in three installments; however, as of December 2010, the county has not received delivery of the crusher. In addition, the County Commission and County Clerk need to improve disbursement review procedures to ensure all county disbursements are proper and adequately documented.

### **Payroll and Related Matters**

Some employees do not prepare timesheets, some timesheets are not provided to the County Clerk's office, and some timesheet information is based on estimated hours worked. Overtime and compensatory time policies are not adequate and do not appear to comply with the Fair Labor Standards Act of 1938 (FLSA). The county accrues straight time off (compensatory time) to employees who work more than the county's normal 40-hour work period, although the FLSA requires compensatory time to be accrued at time and one-half.

### **Fuel and Vehicle Use**

The county has not established effective monitoring procedures regarding fuel use. Mileage and fuel use logs are not maintained for county vehicles and equipment, and fuel use is not reviewed or reconciled to fuel purchases. The personal commuting use of county trucks by county road and bridge employees is not reported to the Internal Revenue Service.

### **Capital Assets**

As noted in previous audits, procedures and records to account for county property are not adequate. The county has no procedure in place to identify capital asset purchases and dispositions throughout the year. County property records only include road and bridge and Sheriff vehicles and equipment, as well as some Local Emergency Planning Committee equipment. In addition, property is not tagged for specific identification and annual physical inventories are not performed.

### **Property Tax System**

The County Clerk does not maintain an adequate account book or other records summarizing all property tax transactions. In addition, there is inadequate documentation of reconciliations between the property tax additions and abatements approved by the County Commission and the related changes made to the property tax system by the County Collector.



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## YELLOW SHEET

### **County Collector's Controls and Procedures**

The County Collector has not prepared annual settlements of property tax transactions since taking office on March 1, 2007. The County Collector does not adequately reconcile daily and monthly tax abstract totals to monthly settlements, and as a result, the monthly settlements were not always accurate. As of June 30, 2010, \$51,813 remained in the former County Collector's bank account which represents monies collected prior to February 28, 2007. The County Collector does not always disburse monies on a timely basis. The County Collector does not compare reconciled bank account balances to liabilities, and at February 28, 2010, the liabilities exceeded the reconciled bank balance by \$4,127. The County Collector does not properly assess some delinquent tax fees.

### **Prosecuting Attorney's Controls and Procedures**

The duties of receiving, recording, depositing, and disbursing monies, and reconciling the Prosecuting Attorney's bank account are not adequately segregated. The Prosecuting Attorney's office does not have procedures to ensure all monies received are disbursed. Bank reconciliations are not documented and unidentified amounts have accumulated in the bank account. In addition, deposits are normally made only once a month.

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# Shannon County Table of Contents

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State Auditor's Report	2
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Management Advisory Report - State Auditor's Findings	1. Financial Condition .....	4
	2. Disbursements .....	5
	3. Payroll and Related Matters .....	8
	4. Fuel and Vehicle Use .....	9
	5. Capital Assets .....	11
	6. Property Tax System .....	12
	7. County Collector's Controls and Procedures .....	13
	8. Prosecuting Attorney's Controls and Procedures .....	17

---

Organization and Statistical Information	19
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# **SUSAN MONTEE, JD, CPA**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Shannon County

We have audited certain operations of Shannon County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Shannon County for the 2 years ended December 31, 2009. 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 financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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

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

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Shannon County.



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# Shannon County Management Advisory Report - State Auditor's Findings

## 1. Financial Condition

As noted in our prior audits, the financial condition of the General Revenue Fund has remained weak. In addition, the financial condition of the Special Road and Bridge Fund has declined. The following table reflects the ending cash balances of these funds for the 3 years ended December 31, 2009, as well as the anticipated balances for the year ended December 31, 2010:

Fund	Ending Cash Balance, Year Ended December 31*			
	2010 (Budgeted)	2009 (Actual)	2008 (Actual)	2007 (Actual)
General Revenue	\$ 0	40,445	46,485	89,824
Special Road and Bridge	311,722	592,632	656,191	659,514

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

Total receipts and disbursements of the General Revenue Fund have remained fairly consistent during the past 3 years. Sales tax receipts had increased and reached a high point in 2007, but decreasing sales tax revenues since 2007 and only slight increases in other revenues have made it difficult for the county to prepare a balanced budget.

Receipts of the Special Road and Bridge Fund have also remained fairly consistent while operating disbursements have steadily increased. Start-up costs of approximately \$250,000 for establishing a county quarry (see MAR finding number 2) have contributed to the decrease in the Special Road and Bridge Fund balance.

As similarly discussed in our prior audit, \$202,598 is still due to the Special Road and Bridge Fund from the General Revenue Fund for excess administrative transfers and incorrect payment of payroll taxes from the Special Road and Bridge Fund for non-road and bridge employees. Although related recommendations were made in our prior 3 audit reports, the county has not developed a repayment plan and has made no payments toward this inter-fund liability since August 2006. This amount is not reflected in the cash balances shown in the chart above.

Because of the poor financial condition of the General Revenue Fund, the County Commission did not appropriate sufficient monies for emergency purposes in the 2010 General Revenue Fund budget. Although \$6,253 was budgeted for the emergency fund in 2010, this amount was insufficient by approximately \$24,000. Had the required minimum emergency fund amount been budgeted, the county would not have had a balanced budget for the General Revenue Fund for 2010. The county budgets \$100,000 in emergency disbursements from the Special Road and Bridge Fund. County officials indicated this is done because there is normally funding available for emergency purposes in the Special Road and Bridge Fund while emergency funding is not normally available in the General Revenue Fund; however, Special Road and Bridge Fund monies are restricted for road and



Shannon County  
Management Advisory Report - State Auditor's Findings

bridge purposes and cannot be used for other emergency expenses. Section 50.540.4, RSMo, requires the county to budget for an emergency fund within the General Revenue Fund in an amount equal to at least 3 percent of total estimated receipts.

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. To improve the county's financial condition, the County Commission should reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, attempt to maximize all sources of revenue, and closely monitor the county's budgets.

## Recommendation

The County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund and Special Road and Bridge Fund. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored. Further, the County Commission should establish a plan to repay the General Revenue Fund liability to the Special Road and Bridge Fund, and budget the required emergency fund amounts within the General Revenue Fund.

## Auditee's Response

*The County Commission provided the following written response:*

*The county's financial condition has been an ongoing problem. We will continue to monitor General Revenue and Special Road and Bridge revenues and expenditures, and will evaluate the repayment of money owed to the Special Road and Bridge Fund as funds become available. We understand an emergency fund is required by law and will consider budgeting the required amount if funds are available.*

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## 2. Disbursements

Policies and procedures over disbursements are in need of improvement.

### 2.1 Quarry

Several concerns were noted regarding county efforts to establish a quarry and the related disbursements of approximately \$250,000 since 2007. There was no evidence an adequate cost/benefit analysis was performed prior to spending money to establish the quarry, and the quarry is still not operational. While there were some general comments in the County Commission minutes that the county would save money by operating its own quarry, the County Commission did not document the anticipated costs and the associated benefits prior to spending county funds to establish the quarry. In addition, the county did not obtain an appraisal for 12 acres of land purchased for \$31,675 in 2007 to be used as the quarry site.

The county entered into an agreement in November 2007 to purchase a rock crusher for \$215,000. This amount was paid in three installments with the final installment in December 2009; however, as of December 2010, the



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Shannon County  
Management Advisory Report - State Auditor's Findings

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county has not received delivery of the crusher. County officials indicated there is no benefit for the crusher to be delivered until the quarry is operational, and delays in receiving permits from the Missouri Department of Natural Resources have been the main reason the quarry is still not operational.

Good business practices require that major projects involving the expenditure of public funds be adequately planned and documented. A cost/benefit analysis would have allowed the County Commission to better justify its decision for spending funds to establish a quarry. Land purchases should be formally and independently appraised to ensure a reasonable price is paid. Entering into a purchase agreement and paying for the rock crusher more than 3 years prior to delivery of the equipment has tied up a significant amount of county funds for which no benefit has yet to be received.

## 2.2 Disbursement review procedures

The County Commission and County Clerk need to improve disbursement review procedures to ensure all disbursements are proper and adequately documented. Our review noted the following concerns with specific county disbursements:

- Payments of \$55,000 (grader payment) and \$4,500 (logging truck rental) were documented on handwritten notes prepared by county officials and were not supported by vendor invoices. Additionally, there was no vendor invoice or other documentation for \$1,200 paid to a funeral home for autopsy costs.
- Approval for disbursements from the Law Enforcement Restitution Fund (LERF) is not adequately documented. The county made various disbursements from the fund during 2008 and 2009 totaling approximately \$52,000; however, the county could not provide documentation of LERF Board approval for the disbursements. The County Clerk indicated payments from the LERF are generally made upon verbal request of the Sheriff or a LERF board member. Section 50.565, RSMo, provides money from the LERF shall only be spent upon the approval of a majority of the board members.
- The county paid the Coroner \$1,484 twice for his annual 2008 mileage reimbursement request. According to the County Clerk, the original request was not properly cancelled or filed after payment, causing it to be processed and paid a second time. In addition, the request did not take into account changes in the county's mileage reimbursement rate during 2008 and a portion of the miles were reimbursed at a rate higher than approved by the County Commission resulting in an additional overpayment of approximately \$100. The review of the request was not sufficient to detect the incorrect mileage rate. Neither the duplicate payment nor the overpayment were identified by the county prior to our review.



Shannon County  
Management Advisory Report - State Auditor's Findings

The County Commission is currently working with the County Coroner to obtain reimbursement of the overpayments.

- Invoices for prisoner meals are not reviewed or approved by the Sheriff's office and are not compared to the Sheriff's jail logs to ensure the accuracy of the meal billings. Sheriff's personnel indicated prisoner meal invoices had been sent directly to the Sheriff's office and were compared to jail logs, but at some point prior to 2008 the invoices were sent directly to the County Clerk's office. Our review of meal billings and jail logs for 2008 and 2009 noted some discrepancies between billings and logs.

Adequate review and approval of all county disbursements is necessary to ensure all disbursements are reasonable and comply with state law, and to prevent overpayments or duplicate payments.

## Recommendations

The County Commission:

- 2.1 Perform a cost/benefit analysis prior to the approval of major projects involving the expenditure of county funds. In addition, the County Commission should obtain independent appraisals prior to the purchase of real property and ensure major equipment purchases are not made years in advance of receiving the equipment.
- 2.2 And County Clerk improve the payment and approval process to ensure all disbursements are supported by vendor invoices approved by the county officeholder who incurred the expense, and cancelled by the County Clerk upon payment.

## Auditee's Response

*The County Commission provided the following written response:*

- 2.1 *The County Commission's responsibility is to maintain county roads. Startup and operating costs for a county quarry were researched, and it was determined that a county quarry was the best plan to maintain roads for the long term. By producing road materials with county employee labor, we will be able to apply a better product on county roads at a more economical cost. During the preliminary stages of planning, state officials indicated obtaining the proper quarry operation permits would take about 3 months; however, the county has just recently obtained a draft of the final permit for public comment. Future county endeavors will include obtaining an independent appraisal for real property purchases, if necessary, and we will improve the procedures of documenting our efforts.*
- 2.2 *All LERF expenditures are approved by the LERF Board, and we will ensure minutes of LERF Board meetings include this approval*



Shannon County  
Management Advisory Report - State Auditor's Findings

*and are sent to the County Clerk. We will evaluate the county's expenditure process to ensure adequate invoice documentation is obtained and properly cancelled during the payment process. We will offset the overpayment to the County Coroner against future mileage claims.*

### **3. Payroll and Related Matters**

As similarly noted in our prior audit report, weaknesses were noted which reduced the effectiveness of county payroll processing and related controls. The county processes payroll disbursements of approximately \$925,000 per year.

#### **3.1 Timesheets**

Some employees do not prepare timesheets, some timesheets are not provided to the County Clerk's office, and some timesheet information is based on estimated hours worked.

Salaried employees of the Sheriff's office do not prepare timesheets, and road and bridge employee timesheets are not provided to the County Clerk's office. In addition, timesheets were not always signed by employees or reviewed and signed by a supervisor.

Payroll is processed twice a month, and the county policy is to have each department submit timesheets or total hours worked for each employee to the County Clerk's office 2 days in advance of the pay date to enable the payroll to be processed. The time reported for each employee represents actual hours worked from the beginning of the pay period through the date the information is submitted and estimated hours to be worked during the last 2 days of the pay period. No documentation was available to indicate the hours actually worked were subsequently compared to the hours estimated.

Paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. In addition, detailed timesheets signed by the employee and approved by a supervisor are necessary to document hours actually worked, provide information necessary to monitor overtime, leave, and compensatory time, and are beneficial in demonstrating compliance with county policies and the requirements of the Fair Labor Standards Act of 1938 (FLSA). If the county continues to use estimated hours worked for the last days of the pay period, the county should establish procedures to obtain documentation from the employees' supervisors for any differences between estimated and actual time worked, and fully document any applicable adjustments to the employees' pay or leave records when actual time worked is different from estimated time worked.



Shannon County  
Management Advisory Report - State Auditor's Findings

### 3.2 Compensatory time

Overtime and compensatory time policies are not adequate and do not appear to comply with the FLSA. The county accrues straight time off (compensatory time) to employees who work more than the county's normal 40-hour work period. The FLSA requires the county to pay overtime or provide compensatory time at time and one-half to any nonexempt employees who work more than 40 hours during a normal work week.

Additionally, the county considers nonworking time (vacation, sick leave, and compensatory time taken) when calculating employee overtime. As a result, the county may be awarding more compensatory time to employees than required. The FLSA indicates nonworking time should not be used in the calculation of overtime worked and compensatory time earned.

Overtime and compensatory time policies, including procedures to compute overtime and compensatory time in compliance with the FLSA, are necessary to ensure all employee benefits comply with the FLSA and all employees are treated equitably.

## Recommendations

The County Commission:

- 3.1 Require all employees to prepare timesheets which are signed by the employee, approved by a supervisor, and submitted to the County Clerk's office. In addition, the County Commission should develop payroll procedures which require all county employees to be paid based on actual hours worked.
- 3.2 Adopt overtime and compensatory time policies which comply with the FLSA, and ensure employee overtime and compensatory time calculations do not include nonworking time such as leave and compensatory time used.

## Auditee's Response

*The County Commission provided the following written response:*

- 3.1 *We agree and will develop procedures to ensure timesheets are prepared which agree to payroll records and are submitted to the County Clerk.*
- 3.2 *We agree and will review the county's compensatory time policy and amend as necessary.*

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## 4. Fuel and Vehicle Use

Several concerns were identified related to fuel and vehicle use.

### 4.1 Fuel use

The county has not established effective monitoring procedures regarding fuel use. Mileage and fuel use logs are not maintained for county vehicles and equipment, and fuel use is not reviewed or reconciled to fuel purchases.



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Shannon County  
Management Advisory Report - State Auditor's Findings

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The Road and Bridge department and Sheriff's department incur the majority of county fuel costs. During the 2 years ended December 31, 2009, the county incurred fuel costs of approximately \$267,000 for the Road and Bridge Department and approximately \$23,000 for the Sheriff's department.

The Road and Bridge department maintains bulk fuel tanks at five locations: one at each of the two road sheds and three at employees' residences. County personnel indicated the tanks at the employees' residences are not metered, and the meter at one road shed tank is not working. While the county has attempted to maintain some logs of fuel pumped at the road sheds, the records were not always complete and accurate. For example, beginning meter readings did not always match the previous ending readings, and some meter readings were left blank on the logs. In addition, the county does not maintain adequate bulk fuel inventory records or attempt to reconcile fuel used to fuel purchased. As a result, theft and misuse of fuel could go undetected.

The Sheriff's department purchases fuel from gas stations, and dispatchers record each fuel purchase. However, odometer readings are not provided to or recorded by the dispatcher. Thus, fuel purchases are not compared to vehicle mileage readings to help determine the reasonableness of fuel use.

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

## 4.2 Commuting mileage

The personal commuting use of county trucks by county road and bridge employees is not reported to the Internal Revenue Service (IRS). The county's 13 road and bridge employees use county vehicles to commute between their homes and work sites. County officials indicated that because of the large geographic area of the county, road and bridge worksites in many instances are closer to the employees' homes than to the two county road sheds. Because vehicle logs are not maintained, the county cannot distinguish between personal commuting and county business-related mileage, and personal mileage is not reported on employee W-2 forms.

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



Shannon County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The County Commission:

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

## Auditee's Response

*The County Commission provided the following written response:*

- 4.1 *We believe our current procedures allow for adequate review of fuel use by county employees and have determined the installation of fuel meters and the additional time for recordkeeping would not be cost effective.*
- 4.2 *Due to the size of the county, it is more economical to allow county road employees to drive a county vehicle from their residence to the work sites. We will review IRS guidelines and implement a county policy for employees commuting to the work site.*

*The Sheriff provided the following response:*

- 4.1 *We are now keeping mileage logs for all vehicles.*

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## 5. Capital Assets

As noted in previous audits, procedures and records to account for county property are not adequate. The county has no procedure in place to identify capital asset purchases and dispositions throughout the year. County property records only include road and bridge and Sheriff vehicles and equipment, as well as some Local Emergency Planning Committee equipment. In addition, property is not tagged for specific identification and annual physical inventories are not performed.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Proper tagging of county property items and specific identification of property locations are necessary to reduce the possibility of improper personal use of county property. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections



Shannon County  
Management Advisory Report - State Auditor's Findings

and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

## Recommendation

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

## Auditee's Response

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

*We agree and will attempt to work with the other county officials to create an adequate asset listing and request the annual submission of asset records from county officials.*

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## 6. Property Tax System

As similarly noted in our prior audit reports, controls and procedures over the property tax system need improvement.

### 6.1 Account book

The County Clerk does not maintain an adequate account book or other records summarizing all property tax transactions. The County Clerk maintains a spreadsheet which includes beginning tax book totals, monthly collections, and monthly totals for additions and abatements, but does not include protested taxes or delinquent balances. In addition, the County Collector has not prepared annual settlements of property tax transactions (see MAR finding number 7), and the County Clerk and County Commission do not perform procedures to verify the accuracy of the County Collector's monthly 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 tax charges and credits should be maintained by the County Clerk. Such records could be used by the County Clerk and the County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

### 6.2 Additions and abatements

There is inadequate documentation of reconciliations between the property tax additions and abatements approved by the County Commission and the related changes made to the property tax system by the County Collector. Additions and abatements are prepared by the County Assessor and approved by the County Clerk as they occur, and subsequently approved by the County Commission at the next commission meeting. The County Collector makes changes to the computerized tax books for all additions and abatements. The County Clerk prepares a summary of additions and



Shannon County  
Management Advisory Report - State Auditor's Findings

abatements and indicated she reconciles this summary to the changes made by the County Collector; however, a summary of changes made is not generated from the property tax computer system, so there is no documentation to show that the summary records prepared by the County Clerk are in agreement with changes 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.

If it is not feasible for the County Clerk to make changes directly to the property tax system, the county should generate reports of all changes made to the computerized property tax system and the County Clerk should verify all changes are complete and accurate. Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission.

## Recommendations

The County Clerk:

- 6.1 Maintain an account book of all property tax transactions with the County Collector. Additionally, the County Commission and County Clerk should perform a thorough review of the County Collector's monthly and annual settlements.
- 6.2 Develop procedures to ensure all additions and abatements are posted to the computerized property tax books.

## Auditee's Response

*The County Clerk provided the following written response:*

- 6.1 *The County Clerk attempted to prepare an account book since the prior audit but did not have enough information to reconcile the account book to delinquent tax totals. The county is currently upgrading the county's computerized property tax system which will allow the County Clerk access to the county's property tax records and allow for reconciliations to the County Collector's monthly and annual settlements.*
- 6.2 *The County Clerk attempted to correct this situation since the prior audit. The system upgrades currently in progress should allow us to fully implement this recommendation.*

## 7. County Collector's Controls and Procedures

Several weaknesses exist in the County Collector's procedures. The County Collector's office processed property tax receipts of \$4.7 million for the 2 years ended February 28, 2010, and the weaknesses in the County Collector's procedures do not provide adequate assurance that all property tax receipts and disbursements are accounted for properly.



Shannon County  
Management Advisory Report - State Auditor's Findings

### 7.1 Annual settlements

The County Collector has not prepared annual settlements of property tax transactions since taking office on March 1, 2007. In addition, the former County Collector did not file an annual settlement for her last year in office. By not preparing annual settlements, the County Collector has not provided the County Commission or the taxpayers with a complete accounting of property tax transactions.

Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources. To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements on a timely basis.

### 7.2 Monthly settlements

The County Collector does not adequately reconcile daily and monthly tax abstract totals to monthly settlements, and as a result, the monthly settlements were not always accurate. The County Collector obtains information from the daily and monthly abstract totals generated by the computerized property tax system and manually inputs this information into a separate computer spreadsheet. This spreadsheet then generates the monthly settlements which contain the tax and fee amounts distributed to the various taxing authorities. Our review noted the spreadsheets used for preparing monthly settlements contained some inaccurate formulas. In addition, amounts from the tax abstracts were not always input correctly into the monthly settlement spreadsheets. While the extent of these problems was not determined, these monthly spreadsheet errors have resulted in inaccurate distributions to some taxing authorities.

Reconciliations between abstract totals and monthly settlements are necessary to ensure monthly settlements and distributions are accurate, and to enable the County Collector to prepare accurate annual settlements.

### 7.3 Former County Collector's bank account

As of June 30, 2010, \$51,813 remained in the former County Collector's bank account which represents monies collected prior to February 28, 2007. The current County Collector indicated the balance in this account has not been identified to specific collections and she has requested the former County Collector to distribute these monies and close the account; however, the former County Collector has failed to take action on this matter and the bank has notified the county that the account can only be closed under the authority of the former County Collector. To ensure the property taxes collected by the former County Collector are properly distributed, the County Collector should continue efforts to work with the former County Collector to distribute these monies and close the account. Consulting with legal counsel may be necessary should such efforts be unsuccessful and the bank continues to require authorization of the former County Collector.



Shannon County  
Management Advisory Report - State Auditor's Findings

#### 7.4 Distributions

The County Collector does not always disburse monies on a timely basis. For example, collections in December 2009 were not disbursed until February 2010, and collections in January 2010 were not disbursed until April 2010. The County Collector indicated the workload of the office is the main cause for delays in distributing tax collections.

Section 139.210, RSMo. requires all collections to be distributed to the political subdivisions by the fifteenth day of the following month. In addition, timely and proper distribution of property tax collections to the political subdivisions is important because the political subdivisions rely on property tax revenues to fund operations.

#### 7.5 Bank accounts and liabilities

The County Collector does not compare reconciled bank account balances to liabilities. Based on a review of the County Collector's records, we identified liabilities totaling \$155,896 at February 28, 2010, which consisted of February tax collections and undistributed surtax and interest. The liabilities exceeded the reconciled bank balance of \$151,769 by \$4,127. While the County Collector could not determine the reasons for the difference between liabilities and the reconciled bank balance, errors in the monthly settlements and potential erroneous distributions (see section 7.2) could have contributed to the differences.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to identify and resolve errors.

#### 7.6 Delinquent tax fees

The County Collector does not properly assess some delinquent tax fees. State laws require fees totaling 7 percent of all delinquent taxes and interest be assessed and collected for each delinquent tax payment; however, the County Collector does not assess the 7 percent fee on the amount of delinquent interest. The County Collector computes the 7 percent fee manually on each delinquent tax payment, and she indicated she was not aware that this fee should be computed on delinquent interest. Based on the County Collector's records of total delinquent interest collected during the 2 years ended February 28, 2010, the county could have collected as much as \$5,600 in additional delinquent tax fees (which are distributed to various county funds).

To ensure county revenues are maximized, the County Collector should ensure the 7 percent fee on delinquent taxes is computed and assessed in accordance with Section 52.290, RSMo.

#### Similar conditions previously reported

Similar conditions to points 7.4 and 7.5 were noted in our prior audit report.



Shannon County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The County Collector:

- 7.1 Prepare and file annual settlements as required by state law.
- 7.2 Reconcile daily tax abstract information to the monthly settlements and correct the formulas in the monthly settlement spreadsheets. The County Collector should review prior monthly settlements and correct any significant tax distribution errors.
- 7.3 Continue efforts to work with the former County Collector to distribute the monies in the old bank account and consult with legal counsel as appropriate.
- 7.4. Distribute monthly tax collections in a timely manner in accordance with state law.
- 7.5 Prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balances, investigate any unreconciled differences, and make appropriate adjustments to correct any deficiencies noted.
- 7.6 Ensure fees are properly assessed on all delinquent tax payments in accordance with state law.

## Auditee's Response

*The County Collector provided the following written response:*

- 7.1 *I agree. Current property tax system upgrades will aide in the preparation and filing of annual settlements.*
- 7.2 *I agree. Current property tax system upgrades will allow for the accurate completion of monthly settlements. Prior monthly settlements will be reviewed and corrected as needed.*
- 7.3 *I agree and will work with the former County Collector and County Commission to distribute monies as appropriate.*
- 7.4 *I agree and will distribute monthly tax collections in a timely manner.*
- 7.5 *I agree. Current property tax system upgrades will allow the computerized system to generate more accurate reports that can be reconciled to current liabilities.*
- 7.6 *I agree. Current property tax system upgrades will allow the correct assessment of fees on delinquent tax payments.*



## 8. Prosecuting Attorney's Controls and Procedures

Weaknesses exist in accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected approximately \$40,000 and \$35,000 during the years ended December 31, 2009 and 2008, respectively.

### 8.1 Segregation of duties

The duties of receiving, recording, depositing, and disbursing monies, and reconciling the Prosecuting Attorney's bank account are not adequately segregated. One clerk performs all of these duties, and a documented supervisory review of the accounting records is not performed. As a result, there is little assurance all transactions are accounted for properly and accounting records are complete and accurate.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review to ensure the bank records are in agreement with the accounting records.

### 8.2 Bank reconciliations

As similarly noted in our prior audit, the Prosecuting Attorney's office does not have procedures to ensure all monies received are disbursed. Bank reconciliations are not documented and unidentified amounts have accumulated in the bank account. Office personnel indicated all monies received are disbursed at the end of the month and the bank account should zero out. However, at December 31, 2009, the bank account had a balance of \$1,345 which was unidentified, and the unidentified amount has fluctuated over time. Our prior audit noted an unidentified balance of \$217 at December 31, 2005.

Procedures to ensure all receipts are properly deposited and disbursed and the preparation of monthly bank reconciliations are necessary to ensure the accounting records are in balance and to identify errors in a timely manner. Unidentified monies should be disposed of in accordance with state law.

### 8.3 Deposits

Receipts are not always deposited timely. Deposits are normally made only once a month. Additionally, monies are sometimes disbursed prior to deposit of the corresponding receipts. For example, receipts collected from November 19 through December 8, 2009, totaling \$590 were not deposited until December 16, 2009. The Prosecuting Attorney's office transmitted the November 2009 bad check fees to the County Treasurer on December 1, 2009, prior to the deposit of all November receipts. Unidentified monies (see section 8.2) prevented the bank account from being overdrawn.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made timely, and monies should not be disbursed prior to deposit.



Shannon County  
Management Advisory Report - State Auditor's Findings

Similar conditions  
previously reported

Similar conditions to points 8.2 and 8.3 were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 8.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 8.2 Adopt procedures to ensure all amounts received are deposited and disbursed. In addition, monthly bank reconciliations should be prepared to ensure the bank account zeroes out, and any differences between the accounting records and bank reconciliations should be investigated and resolved. Unidentified monies should be disposed in accordance with state law.
- 8.3 Deposit receipts on a timely basis and ensure all monies are deposited prior to disbursement.

Auditee's Response

*The Prosecuting Attorney provided the following written response:*

- 8.1 *I will implement appropriate review procedures since adequate segregation of duties is not possible.*
- 8.2 *Procedures for monthly bank reconciliations will be implemented. I will review and determine how to distribute unidentified monies in the appropriate manner.*
- 8.3 *Monies will be deposited at least once a week or more frequently if necessary.*

# Shannon County

## Organization and Statistical Information

Shannon County is a county-organized, third-class county. The county seat is Eminence.

Shannon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 28 full-time employees and 5 part-time employees on December 31, 2009.

In addition, county operations include the Senate Bill 40 Board and the Senior Citizens Service Board.

### Elected Officials

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

Officeholder	2010	2009
Tony Orchard, Presiding Commissioner	\$	22,064
Dale Counts, Associate Commissioner		20,064
Herman Kelly, Associate Commissioner		20,064
Melany Williams, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Shelly McAfee, County Clerk		30,400
Jodie R. Greear-Brumble, Prosecuting Attorney		37,050
Stephen Blunkall, Sheriff		36,100
Allen L. Akers, County Treasurer		30,400
Tim Denton, County Coroner		8,550
James Orchard, Public Administrator		15,000
Susie Needels, County Collector (2), year ended February 28,	31,092	
Summer J. Crider, County Assessor, year ended August 31,		30,400

(1) Compensation is paid by the state.

(2) Includes \$692 of commissions earned for collecting city property taxes.