



Thomas A. Schweich

Missouri State Auditor

Pemiscot County

September 2011
Report No. 2011-65



<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Pemiscot County

Financial Condition and Budgets	<p>Several county funds are in poor financial condition, and poor budgeting practices have made the financial condition worse. As noted in our prior audit report, the financial condition of the county is weak. The General Revenue, Special Road and Bridge, and Assessment Funds continue to deteriorate and operate with negative cash balances. The county is using other funds, including restricted funds, to cover the negative balances. Despite its poor financial condition, the county gave its employees raises in 2010 totaling \$68,400. The county has not transferred administrative service fees from the Capital Improvement Sales Tax Fund, does not identify and pursue all inmate and dispatching fees, and has not billed some cities for their share of assessment costs. Though noted in our prior audit, the county still approves deficit budgets for several funds, which is in violation of state law.</p>
Property Taxes	<p>The County Collector does not always deposit receipts timely and intact, increasing the risk of loss, theft, or misuse of funds. Neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector.</p>
Payroll	<p>Timesheets were not available for some county employees, making it difficult to document hours worked, leave taken, and compliance with the Fair Labor Standards Act. As noted in our prior audit report, the county does not maintain centralized records of leave balances, and several employees had negative vacation and/or sick leave balances.</p>
Capital Assets and Vehicles	<p>As noted in previous audit reports, the county needs to improve its capital assets procedures; it does not tag, inventory, or track capital assets properly. As also noted in our prior audit report, the county does not adequately monitor vehicle and fuel use. The county does not maintain mileage and fuel use logs or reconcile fuel used to fuel purchased.</p>
Protested Tax Distribution and Legal Fees	<p>The county did not enter into agreements with various political subdivisions before withholding property tax payments for taxes and legal fees relating to a protested tax case. Rather than requiring the school district to return \$1.17 million to a county business when a protested tax case was settled in favor of the business, the county paid \$1.06 million to the business and withheld the August 2009 tax payment to the schools and directed the school to pay the remainder to the business. Likewise, the county paid the legal fees for the protested tax case and recouped a majority of the fees from the political subdivisions by withholding tax distributions on a pro rata basis.</p>
County Treasurer Fees	<p>The previous County Treasurer was paid almost \$50,000 in the 2 years ended December 31, 2010, from drainage district funds because of a large increase in federal funds. Ordinarily, the County Treasurer would receive about \$1,000 a year from drainage district funds. The county should check with legal counsel and the federal grantor agency to find out whether federal funds should be included in calculating this fee and if this fee was an allowable expense under the federal program.</p>

Sheriff Inmate and Commissary Monies	The numerical sequence of receipt/transaction numbers used to track inmate commissary transactions is not accounted for properly. As noted in our prior audit report, detailed bank reconciliations are not regularly performed and discrepancies resolved, and month-end liabilities are not reconciled to cash balances.
Prosecuting Attorney	Bad checks fees and court-ordered restitution are not transmitted timely to the County Treasurer or victims. Over \$11,000 was on hand during our cash count, and checks and money orders are not restrictively endorsed immediately, which increases the risk of loss, theft, or misuse of funds.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	<p>During the 2 years ended December 31, 2010, the county was awarded:</p> <p>A \$328,769 Recovery Act: Edward Byrne Memorial Justice Assistance Grant Program/Grants to State and Territories, which was received and expended to retain 4 deputies and cover operational costs. The grant does not require these positions be maintained at the end of the grant period.</p> <p>A \$107,440 Recovery Act: Homeless Prevention and Rapid Re-housing grant was paid directly to the county's sub-recipient, Delta Area Economic Opportunity Corporation, to help homeless families and those at risk of becoming homeless.</p> <p>A \$250,000 Recovery Act: Facility Renovation and Magnetic Resonance Imaging (MRI) Project grant was paid directly to the county's sub-recipient, Pemiscot County Memorial Hospital.</p> <p>A \$300,000 Recovery Act: Facility Renovation and MRI bond was paid directly to the county's sub-recipient, Pemiscot County Memorial Hospital.</p>
--	--

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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

Pemiscot County Table of Contents

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

Management Advisory Report - State Auditor's Findings	1. Financial Condition and Budgets 4
	2. Property Taxes..... 6
	3. Payroll 8
	4. Capital Assets and Vehicles 10
	5. Protested Tax Distribution and Legal Fees 12
	6. County Treasurer Fees..... 12
	7. Sheriff Inmate and Commissary Monies..... 13
	8. Prosecuting Attorney 15

Organization and Statistical Information	17
---	----



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Pemiscot County

We have audited certain operations of Pemiscot County in fulfillment of our duties under Section 29.230, RSMo. In addition, Devereux and Krauss, LLP, Certified Public Accountants, was engaged to audit the financial statements of Pemiscot County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We 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 control, (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 Pemiscot County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Julie Vollmer, CPA, CIA
Audit Staff:	Albert Borde-Koufie, MBA Jared Wooderson

Pemiscot County Management Advisory Report State Auditor's Findings

1. Financial Condition and Budgets

Several county funds are in poor financial condition. The financial condition has also been affected by poor budgeting procedures.

1.1 Financial condition

As noted in our prior audit report, the financial condition of the county is weak. In addition, the County Commission does not adequately monitor budgets. The General Revenue, Special Road and Bridge, and Assessment Funds continue to deteriorate and are not expected to improve during the year ended December 31, 2011. Additionally, the county continues to operate some funds with negative cash balances. As a result, the county is using other county funds included in its bank account, including restricted funds, to meet general cash flow needs.

The following table reflects the ending cash balances of various funds over the last 4 years and the projected ending cash balance for 2011, as reported in the county's audited financial statements and budget documents, respectively:

Fund	Ending Cash Balance, Year Ended December 31,				
	2011 Budgeted	2010 Actual	2009 Actual	2008 Actual	2007 Actual
General Revenue	\$ (698,892)	(646,294)	(298,636)	(633,633)	(519,340)
Special Road and Bridge	(158,937)	(158,038)	(128,977)	(152,186)	87,972
Assessment	(58,469)	(65,496) *	(9,310) *	57,104	47,751

*Numbers obtained from the county's budget documents

The General Revenue, Special Road and Bridge, and Assessment Funds have experienced a declining cash balance over the past several years, including negative cash balances. Additionally, the county continues to spend more than budgeted for some funds, including funds with existing negative cash balances. Furthermore, in 2010, although the county was in poor financial condition, the County Commission approved raises for county employees paid from the General Revenue and Special Road and Bridge Funds, totaling approximately \$68,400.

Several other factors have also contributed to the weak financial condition of the county:

- Prior to 2011, the county appears to have subsidized the cost of boarding city inmates and city dispatching services with General Revenue Fund monies. The county was only charging a flat rate for both services without determining whether the county's costs were covered. In May 2011, the county entered into new agreements with the cities,



Pemiscot County
Management Advisory Report - State Auditor's Findings

charging separate fees for each service. This change will result in the General Revenue Fund receiving approximately \$60,000 more each year.

- Administrative service fee transfers have not been made from the Capital Improvement Sales Tax Fund to the General Revenue Fund. Section 50.515, RSMo, allows an administrative service fee to be imposed on the Capital Improvement Sales Tax Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for related administrative services to the Capital Improvement Sales Tax Fund, and shall not exceed 5 percent of the Capital Improvement Sales Tax Fund. Five percent of 2010 Capital Improvement Sales Tax Fund actual disbursements is approximately \$32,000.
- The county does not have procedures to ensure all accrued costs due from cities for boarding city inmates and dispatching fees are adequately identified and pursued. As of April 2011, the General Revenue Fund was owed \$30,550 from two cities for fees from prior years.
- The county has not billed various cities for their share of assessment costs. Based upon each city's assessed valuations for current and real estate property, the county could have collected additional revenues of approximately \$29,300 for the 2 years ended December 31, 2010 to be deposited in the Assessment Fund.

The County Commission and County Clerk indicated they are aware of the financial concerns with the General Revenue, Special Road and Bridge, and Assessment Funds, but have no specific plans to significantly increase receipts or reduce disbursements. Although the County Commission indicated it reviews monthly reports comparing budget and actual receipts and disbursements for all county funds, actual disbursements still exceeded budgeted disbursements for several funds, including funds with negative cash balances. Spending more than budgeted further contributes to the county's weak financial condition.

It is essential the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of these funds, 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 budgets.



Pemiscot County
Management Advisory Report - State Auditor's Findings

1.2 Budgetary procedures

Budgetary procedures are not adequate and contribute to the county's poor financial condition. Although noted in our prior audit report, the County Commission continues to approve deficit budgets for multiple funds, including the General Revenue, Special Road and Bridge, and Assessment Funds. The County Commission indicated the county has reduced disbursements as much as possible, but the Commission continues to approve budgeted disbursements in excess of estimated receipts, increasing the deficit balances of some funds.

Section 50.610, RSMo, and Article VI, Section 26(a), Missouri Constitution, prohibit deficit budgeting.

Recommendations

The County Commission:

- 1.1 Closely monitor the financial condition of the General Revenue, Special Road and Bridge, and Assessment Funds and take the necessary steps to improve the financial condition of the county. The County Commission should also perform long-term planning and ensure receipts are maximized and disbursements are closely monitored. In addition, the County Commission should also ensure budgets are adequately monitored and establish procedures to ensure disbursements are made within the constraints of the budgets.
- 1.2 Refrain from budgeting deficit balances.

Auditee's Response

The County Commission provided the following written responses:

- 1.1 *We agree. We will continue to monitor the situation and try to reduce budgets next year. However, we cannot reduce the budgets once they are approved. We will ensure revenues are maximized in future years and make appropriate transfers. We will be much more conscientious and monitor budgets to keep offices from overspending.*
- 1.2 *We are anticipating positive changes and will continue to work with the county offices to align expenses with revenues.*

2. Property Taxes

The County Collector's deposit procedures need improvement. In addition, the County Clerk and County Commission do not provide adequate monitoring over property tax system activities. The County Collector collected approximately \$10 million and \$11 million during the years ended February 28, 2011 and 2010, respectively.

2.1 Deposits

Receipts are not always deposited intact and on a timely basis. During non-peak months, daily deposits are prepared by the County Collector for



Pemiscot County
Management Advisory Report - State Auditor's Findings

property taxes received; however, deposits are actually made less frequently and multiple deposits are generally taken to the bank at the same time. Peak months include November through February in which deposits are typically made on a daily basis. Our review noted during March 2010, a non-peak month, 30 deposits, totaling \$323,993, were deposited on 8 separate days resulting in an average deposit of approximately \$40,500 per trip to the bank. In addition, some monies received on March 10, 2010, and March 12, 2010, totaling \$66,507, were deposited on March 12, 2010; however, the remaining funds received between March 1 and March 19, 2010, totaling \$126,809, were held and not deposited until March 22, 2010.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact on a timely basis.

2.2 Account book and annual settlements

Neither the County Commission nor the County Clerk review the activities of the County Collector. While the County Clerk maintains files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book or other record summarizing property tax transactions and changes. As a result, the County Clerk and the County Commission are unable to ensure the accuracy and completeness of the County Collector's monthly and annual settlements.

Section 51.150(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, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector each year are complete and accurate and could also be used by the County Clerk and 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.

A similar condition was noted in our prior audit report.

Recommendations

- 2.1 The County Collector deposit monies intact and on a timely basis.
- 2.2 The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and the County Clerk should monitor property tax system activities and perform a thorough review of the County Collector's monthly and annual settlements.



Pemiscot County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Collector provided the following written responses:

- 2.1 *To ensure that county funds are deposited on a timely manner, I have contacted First State Bank and Trust and made an arrangement for a courier to pick up deposits daily.*
- 2.2 *We will work with the Clerk and County Commission in order for them to develop and maintain an account book summarizing charges, additions, abatements, and monthly collections.*

The County Clerk provided the following written response:

- 2.2 *When the Collector starts providing the needed information, I will start maintaining an account book and review settlements. This will take place as soon as the Collector's new system is perfected.*

The County Commission provided the following written response:

- 2.2 *As soon as the County Clerk gets what she needs from the Collector, she will provide it to us for our review.*

3. Payroll

Improvement is needed over payroll policies and procedures. During the 2 years ended December 31, 2010, the county processed payroll disbursements of approximately \$3 million each year.

3.1 Timesheets

Timesheets were not available for some county employees. Two Deputy County Collectors do not prepare timesheets. The County Clerk's office pays these employees the same amount each pay period unless told otherwise. In addition, the Road and Bridge Supervisor was unable to locate timesheets and overtime records for road and bridge employees for 2010. Overtime paid out for road and bridge employees totaled approximately \$102,000 in 2010.

Timesheets are necessary to document hours worked, substantiate payroll disbursements, and provide the county with a method to monitor hours worked and leave taken, and are beneficial in demonstrating compliance with county policy and requirements of the federal Fair Labor Standards Act of 1938 (FLSA).

3.2 Leave records

Centralized records of leave balances and leave used and earned are not maintained. Each official or department head is responsible for recording and accumulating employee leave balances. Our review of records maintained for some county offices noted the following issues:

- The two Deputy County Collectors do not maintain leave records. These employees indicated they informally know their leave balances.



Pemiscot County
Management Advisory Report - State Auditor's Findings

- Some Sheriff's department employees used vacation leave in excess of their balances, resulting in negative vacation leave balances. As of December 31, 2010, three employees had negative vacation leave balances totaling 48 hours, with the largest negative balance of 32 hours for one employee. The Sheriff indicated these negative balances may be the result of employees incorrectly showing holidays as vacation leave.
- Some Sheriff's department employees used sick leave in excess of their balances, resulting in negative sick leave balances. As of December 31, 2010, four employees had negative sick leave balances totaling 533 hours, with the largest negative balance of 180 hours for one employee. The Sheriff indicated some employees donate time by working additional hours without being paid to help make up for the excess leave taken by other employees; however, this donated time is not documented and did not appear to impact the leave balances for these employees. Additionally, the county does not have a policy related to donated time.

A similar condition was noted in our prior audit report.

Without centralized leave records, the County Commission cannot ensure vacation, sick leave, and compensatory balances are accurate and in compliance with county policy, and all employees are treated equitably. Centralized leave records also aid in determining unused vacation and compensatory leave upon termination of employment, in the event disputes arise, and in demonstrating compliance with the FLSA. In addition, it is not a good practice to allow employees to have negative leave balances or handle donated time in this manner.

Recommendations

The County Commission:

- 3.1 Require all county employees to prepare timesheets. These timesheets should be signed by the employee, approved by the appropriate supervisor, and filed with the County Clerk.
- 3.2 Maintain centralized leave records for all county employees and ensure individual leave balances comply with county policy. In addition, the County Commission should consider developing a policy regarding donated leave.

Auditee's Response

The County Commission provided the following written responses:

- 3.1 *The County Clerk's office now keeps a copy of all Road and Bridge timesheets. The County Clerk talked with the Collector's office to ensure timesheets are kept in the future.*



Pemiscot County
Management Advisory Report - State Auditor's Findings

3.2 *We are working on maintaining centralized leave records in our computer system and will have it implemented in 2012. In addition, we will create a policy for donated leave.*

4. Capital Assets and Vehicles

Capital asset and vehicle records are in need of improvement. At December 31, 2010, county property, excluding buildings and vehicles, was valued at approximately \$3.4 million on the county insurance policy.

4.1 Capital assets

As noted in previous reports, procedures and records to account for county property are not adequate. The county does not have procedures in place to identify capital asset purchases and dispositions throughout the year. The county's only record of capital assets is the insurance carrier's list of county property, and as a result, the property records do not always include the necessary information for assets. Property is also not tagged for specific identification. In addition, the County Clerk does not request annual physical inventories be performed by the various offices.

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

4.2 Vehicle and fuel use

The county has not established effective monitoring procedures regarding vehicle and fuel use. During the 2 years ended December 31, 2010, the county incurred fuel costs of approximately \$505,000 for the Road and Bridge Department and approximately \$81,000 for the Sheriff's office. Our review noted the following issues:

- The Road and Bridge Department does not maintain separate mileage logs for each vehicle/equipment, and the centralized logs maintained are not organized by vehicle/equipment. As a result, individual vehicle/equipment use cannot be easily reviewed and fuel use is not compared to vehicle mileage readings to help determine the reasonableness of fuel use. When fuel is dispensed, employees are required to indicate the vehicle/equipment fueled, the current mileage reading, and the amount of fuel dispensed on a centralized log maintained at each fuel tank. The Road and Bridge department had 30



Pemiscot County
Management Advisory Report - State Auditor's Findings

vehicles and 21 pieces of equipment that use fuel as of December 31, 2010, of which 9 vehicles/equipment did not have working odometers.

- The county does not maintain adequate bulk fuel inventory records or attempt to reconcile fuel used to fuel purchased. Although the county maintains records of fuel pumped, records are not reconciled to fuel purchased.

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.

Similar conditions
previously reported

Similar conditions to sections 4.1 and 4.2 were noted in our prior audit report.

Recommendations

The County Commission:

- 4.1 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.
- 4.2 Establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, bulk fuel inventory records should be maintained, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.

Auditee's Response

The County Clerk provided the following written response:

- 4.1 *I have the paperwork to give to the offices to start keeping inventory and will disburse this to them within a month.*

The County Commission provided the following written responses:

- 4.1 *We will ensure complete and accurate inventory is properly maintained in the future.*



Pemiscot County
Management Advisory Report - State Auditor's Findings

4.2 *We now have mileage and usage logs in vehicles and will track this in Excel. We will also reconcile fuel purchases to usage.*

5. Protested Tax Distribution and Legal Fees

The county did not enter into written agreements with various political subdivisions before withholding property tax payments for property taxes owed and legal fees paid relating to a protested tax case.

In 2007, the county advanced protested taxes totaling approximately \$1.17 million to a school district within the county based on court order; however, in 2009, the case was settled in favor of the business and the school district was required to pay the business for the advanced taxes received. In lieu of the school district paying the business directly, the county withheld the August 2009 tax payment to the school district, totaling approximately \$1.06 million, and subsequently paid the amount to the business and notified the school district of the remaining taxes owed to be paid directly by the school district. According to the county, there was an oral agreement with the school district to handle payment in this method; however, documentation was not retained and the county did not enter in to a written agreement to document the arrangement. As a result, it is not clear whether all parties agreed to this arrangement.

In addition, during the course of the protested tax case, the county incurred and paid legal fees from 2002 to 2009, totaling approximately \$182,000. The majority of legal fees were allocated to the various political subdivisions, including the school district, by withholding property tax distributions to the entities based on the entities percentage of property tax receipts. The county did not enter into any written agreements with the political subdivisions over the method of recouping legal fees and it is unclear if such costs could be directly deducted from property tax payments.

In the future, the county should enter into written legal agreements when political subdivisions are impacted. Section 432.070, RSMo, requires agreements of political subdivisions to be in writing. Written agreements, signed by the parties involved, are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Recommendation

The County Commission enter into written agreements with political subdivisions as required.

Auditee's Response

The County Commission provided the following written response:

We will do this in the future if a situation like this comes up again.

6. County Treasurer Fees

The previous County Treasurer personally received fees totaling \$49,756 during the 2 years ended December 31, 2010, due to a large increase in federal funds received and disbursed by the county's drainage districts.



Pemiscot County
Management Advisory Report - State Auditor's Findings

Pursuant to Section 246.050, RSMo, County Treasurers receive one percent of drainage district funds paid out. Although the County Treasurer received and disbursed federal grant funds through the Emergency Watershed program on behalf of the drainage districts, the fees retained appear excessive and it is not clear whether the statute applies to federal funding or whether the fees were an allowable expense of the federal program. During the 2 years ended December 31, 2010, the County Treasurer disbursed approximately \$2.8 million in federal funds through 39 checks on behalf of the drainage districts. The remainder of the federal program disbursements were made by the County Clerk. Based on Section 246.050, RSMo, the County Treasurer typically receives approximately \$1,000 in fees each year due to regular, non-federal, disbursement activity on behalf of the county's drainage districts.

Recommendation

The County Commission consult with the federal grantor agency and legal counsel to determine whether fees are an allowable use of federal grant funds and in line with the intent of Section 246.050, RSMo.

Auditee's Response

The County Commission provided the following written response:

We do not believe this is a problem, but we will discuss with our federal agency representative.

7. Sheriff Inmate and Commissary Monies

Records and procedures over inmate and commissary monies need improvement. The Sheriff operates a jail that holds 135 inmates. The Sheriff's office maintains inmate monies and operates a commissary for inmates to purchase various snacks and personal items. Electronic records of receipts, disbursements, and balances are maintained for each inmate. When monies are received on behalf of an inmate, the amount received is posted to the inmate's account and a receipt slip is issued. When an inmate makes a purchase from the commissary, the disbursement is posted to the inmate's account. The Sheriff's office collected inmate monies totaling approximately \$102,900 and \$121,900 during the years ended December 31, 2010 and 2009, respectively.

7.1 Receipts

The numerical sequence of receipt/transaction numbers in the computerized accounting system is not accounted for properly. The computer system automatically assigns a transaction number to every transaction entered into the system, including receipts posted. During our review of inmate collection reports, we noted several blocks of missing receipt/transaction numbers. Sheriff's office personnel were unable to determine why some receipt/transaction numbers were not accounted for on reports generated from the system. In addition, the method of payment (cash, check, or money order) is not always indicated in the system accurately or reconciled to the composition of deposits.



Pemiscot County
Management Advisory Report - State Auditor's Findings

To ensure all monies received are properly recorded and deposited and reduce the risk of loss, theft, or misuse of funds, the numerical sequence of receipt/transaction numbers should be accounted for properly and the composition of receipt slips issued should be reconciled to the composition of deposits.

7.2 Bank reconciliations

Follow up procedures are not performed on reconciling items shown on detailed bank reconciliations for the inmate bank account. Although Sheriff's office personnel post checks and deposits that clear the bank to the computer system to reconcile the Sheriff's book and bank records on a monthly basis, detailed bank reconciliations, which show all reconciling items, are not generated from the computer system and follow-up procedures are not performed to resolve reconciling items. At our request, personnel generated a detailed bank reconciliation showing all individual reconciling items for the inmate bank account as of February 22, 2011. We noted 620 checks totaling \$6,704 had been outstanding for at least a year with some dating back to 2004, and an \$82 outstanding deposit from 2002.

Preparation and review of detailed monthly bank reconciliations and adequate follow up of reconciling items are necessary to ensure bank activity and accounting records are in agreement, detect and correct errors timely, and ensure all monies are properly recorded and/or disbursed to the payee.

7.3 Liabilities

Sheriff's office personnel have not identified month-end liabilities (inmate balances) and reconciled the liabilities to available cash balances to ensure monies in the bank account are adequate to cover amounts due to inmates. The Sheriff's office has been unable to generate a list of liabilities from the computerized accounting system to perform this reconciliation. The Sheriff has requested help from the software vendor to determine how to generate this information.

A complete and accurate list of liabilities should be prepared monthly and reconciled to the inmate bank account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. The Sheriff's office personnel should investigate any differences noted and take appropriate action.

Similar conditions previously reported

Similar conditions to sections 7.2 and 7.3 were noted in our prior audit report.

Recommendations

The Sheriff:

- 7.1 Ensure the numerical sequence of receipt/transaction numbers is accounted for properly. The Sheriff should also ensure the method



Pemiscot County
Management Advisory Report - State Auditor's Findings

of payment is accurately entered into the system and the composition of receipt slips is reconciled to the composition of deposits.

- 7.2 Establish procedures to follow-up on bank reconciling items on a timely basis.
- 7.3 Ensure individual inmate account balances and various liabilities are compared to the reconciled bank account balance monthly and any discrepancies are investigated.

Auditee's Response

The Sheriff provided the following written responses:

- 7.1 *Ensuring the numerical sequence of receipt numbers will take a programming change that the programmer is working on for us. We also now show the method of payment for all receipts and agree it to the deposit.*
- 7.2 *We now run detailed bank reconciliations each month. We are also getting ready to send old outstanding checks to the State's Unclaimed Property Division and we will ensure outstanding checks and reconciling items are followed up on timely in the future.*
- 7.3 *This requires a programming change which our programmer is currently working on.*

8. Prosecuting Attorney

Bad check fees and court-ordered restitution receipts are not transmitted timely to either the County Treasurer or victims. Transmittals are usually made only once per month. Our cash count of monies on hand on March 3, 2011, totaled \$11,202 and was comprised of receipts collected from February 11 to March 1, 2011. Of this amount, \$2,665 was due to the County Treasurer for bad check fees and \$8,537 was owed to victims for bad checks and/or court-ordered restitution. Prosecuting Attorney's office personnel indicated a shortage of staff prevents them from transmitting monies more frequently. In addition, our review noted checks/money orders to be transmitted to the County Treasurer were not restrictively endorsed. According to the Prosecuting Attorney, checks/money orders are not restrictively endorsed until the transmittal is prepared. The Prosecuting Attorney's office collected bad check fees and court-ordered restitution totaling approximately \$293,000 during the 2 years ended December 31, 2010.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed immediately upon receipt and transmitted in a timely manner.



Pemiscot County
Management Advisory Report - State Auditor's Findings

A similar condition was noted in our prior audit report.

Recommendation

The Prosecuting Attorney ensure all monies are transmitted timely and county checks/money orders are restrictively endorsed immediately upon receipt.

Auditee's Response

The Prosecuting Attorney provided the following written response:

We are now stamping the money orders that are made out to the Prosecutor's Office with a "deposit only" endorsement. That is done immediately upon receipt. We are also making transmittals once per week instead of once per month.

Pemiscot County

Organization and Statistical Information

Pemiscot County is a county-organized, third-class county. The county seat is Caruthersville.

Pemiscot 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 102 full-time employees and 1 part-time employee on December 31, 2010.

In addition, county operations include the Bootheel Drug Task Force, Law Enforcement Restitution Board, and Senate Bill 40 Board.

Elected Officials

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

Officeholder	2011	2010
James A. Atchinson, Presiding Commissioner \$		28,400
Wendell Hoskins, Associate Commissioner		27,400
Lee Watkins, Associate Commissioner		27,400
Pam Strawbridge, Recorder of Deeds		40,000
Pam Treece, County Clerk		40,000
Michael B. Hazel, Prosecuting Attorney (1)		27,342
Chris Wynes, Prosecuting Attorney (1)		82,025
Thomas Greenwell, Sheriff		45,000
Pat Hoskins, County Treasurer (2)		76,504
James Brimhall, County Coroner		13,000
Carol DeRousse Miller, Public Administrator		26,000
Keith Jean, County Collector (3), year ended February 28,	48,012	
Donna Champion Snider, County Assessor , year ended August 31,		41,000

(1) Michael B. Hazel resigned in March 2010. Chris Wynes was appointed by the Governor in April 2010.

(2) Includes \$36,504 of fees for county drainage district distributions.

(3) Includes \$8,012 of commissions earned for collecting drainage district property taxes.



Pemiscot County
Organization and Statistical Information

Financing
Arrangements

In August 1997, the county passed a 1/2-cent sales tax for the purpose of constructing a criminal justice center, and this tax expires in 2017. The Certificates of Participation which were used to construct the criminal justice center were refinanced in December 2010 in the amount of \$4,145,000. The county entered into an amended lease purchase agreement with Bank of New York on December 1, 2010. The terms of the agreement call for the county to lease the justice center to the Bank of New York, then the bank leases the justice center back to the county with lease payments equal to the amount due to retire the indebtedness. The lease is scheduled to be paid off in 2018. Principal and interest are due semi-annually on March 1 and September 1. The remaining principal and interest due on the lease as of December 31, 2010, was \$4,145,000 and \$376,693, respectively.

The county entered into various capital leases for Road and Bridge equipment. As of December 31, 2010, the principle balance of the lease agreements totaled \$389,279. Final payments for the various leases are scheduled to occur from 2010 through 2015.

American Recovery and
Reinvestment Act of 2009
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A \$328,769 Recovery Act: Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories was awarded by the U.S. Department of Justice and passed through by the Missouri Department of Public Safety for the support of the Bootheel Drug Task Force, a multijurisdictional drug task force. As of December 31, 2010, \$328,769 was received and expended by the county to retain four deputies and cover operational costs including travel, vehicles, and supplies. The grant does not require these positions be maintained at the end of the grant period.

A \$107,440 Recovery Act: Homeless Prevention and Rapid Re-housing grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services (DSS) to help families and individuals who are at risk of becoming homeless and those experiencing homelessness who need temporary assistance obtaining and retaining housing. Although the county signed as the contractor for this grant, these monies were paid by the DSS directly to the county's subrecipient, Delta Area Economic Opportunity Corporation.

A \$250,000 Recovery Act: Facility Renovation and Magnetic Resonance Imaging (MRI) Project grant was awarded by the U.S. Department of Agriculture (USDA). Although the county signed as the grantee for this grant, these monies were paid directly by the USDA to the county's subrecipient, Pemiscot County Memorial Hospital.



Pemiscot County
Organization and Statistical Information

A \$300,000 Recovery Act: Facility Renovation and MRI Project bond was awarded by the USDA. Although the county signed for this bond, these monies were paid directly by the USDA to the county's subrecipient, Pemiscot County Memorial Hospital.