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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Pemiscot County

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Pemiscot County

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Pemiscot County

We have conducted follow-up work on certain audit report findings contained in Report No. 2011-65, *Pemiscot County*, issued in September 2011, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - **Implemented:** Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - **In Progress:** Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - **Partially Implemented:** Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - **Not Implemented:** Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed written statuses of selected findings and recommendations, reviewed supporting documentation submitted by county officials, and held discussions with county officials. Documentation provided by the county included budgets, budget to actual reports, fuel logs, bank statements, deposit records, transaction listings, and other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during August 2012.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Pemiscot County

Follow-Up Report on Prior Audit Findings

Status of Findings

1. **Financial Condition and Budgets** Several county funds were in poor financial condition. The financial condition was also affected by poor budgeting procedures.

1.1 **Financial Condition** The financial condition of the county was weak. In addition, the County Commission did not adequately monitor budgets. The General Revenue, Special Road and Bridge, and Assessment Funds continued to deteriorate and were not expected to improve during 2011 and the county continued to operate some funds with negative cash balances. As a result, the county used other county funds included in its bank account, including restricted funds, to meet general cash flow needs. As of December 31, 2010, the General Revenue, Special Road and Bridge, and Assessment Funds had negative cash balances totaling \$646,294, \$158,038, and \$65,496, respectively, and the projected cash balances for 2011 showed little to no improvement. The county had no specific plans to significantly increase receipts or reduce disbursements. In addition, although the County Commission indicated it reviewed monthly reports comparing budget and actual receipts and disbursements for all county funds, actual disbursements exceeded budgeted disbursements for several funds, including funds with negative cash balances.

Recommendation The County Commission 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.

Status **In Progress**

The County Commission and County Clerk indicated they are more closely monitoring the financial condition of the county and are taking steps to improve the financial condition of the county's General Revenue, Special Road and Bridge, and Assessment Funds. During the 2012 budget process, the County Clerk met with each official and department to help determine ways to reduce expenses and personnel costs. The county reduced some 2012 budgeted expenditures from amounts budgeted in past years. Although specific long-term plans have not been put in place to improve the financial condition of the county, the County Commission and County Clerk plan to continue to work closely with other officials to decrease expenditures and stay within the constraints of the approved budget. The County Commission and County Clerk indicated they review budget to actual reports on a frequent basis and periodically share those reports with the other officials and departments to help ensure expenditures stay within the constraints of the approved budget.



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The General Revenue Fund continues to have a negative cash balance and progress to improve the financial condition of the fund remains slow. The General Revenue Fund further declined by the end of 2011, with an ending cash balance approximately \$235,000 less than originally estimated, bringing the cash available at December 31, 2011, to a negative \$933,872. In 2012, appropriated expenditures were decreased and the budget reflects anticipated improvement in the General Revenue Fund balance by approximately \$90,000 from the prior year. County officials indicated as of August 2012, budget to actual reports are showing the county is on track to be within the constraints of the 2012 approved budget.

The Special Road and Bridge Fund has significantly improved. In 2011, revenues exceeded estimates and actual expenditures were less than budgeted, resulting in a positive ending cash balance of \$198,630 at December 31, 2011. In addition, the 2012 budget shows an additional decrease in appropriated expenditures and projects an ending cash balance of \$279,634 by the end of the year. County officials indicated as of August 2012, actual revenues and expenditures appeared to be on target and within the constraints of the budget.

The Assessment Fund has shown no improvement since our audit. As of December 31, 2011, the available cash balance further declined to a negative \$126,938, and the estimated ending cash balance for 2012 reflects minimal improvement. According to county officials, some improvement could be made to the financial condition of the Assessment Fund during 2012 if the county receives the allowed reimbursements from the State Tax Commission as it has in past years. However, due to an unapproved Assessment Maintenance Plan, a requirement to receive the reimbursements, the 2012 budget did not include approximately \$47,000 in estimated revenues since the county was unsure if the reimbursements would actually be received. In addition, county officials indicated that as of August 2012, appropriated expenditures are expected to be exhausted prior to the end of the year.

1.2 Budgetary Procedures

Budgetary procedures were not adequate and contributed to the county's poor financial condition. The County Commission continued to approve deficit budgets for multiple funds, including the General Revenue, Special Road and Bridge, and Assessment Funds.

Recommendation

The County Commission refrain from budgeting deficit balances.

Status

In Progress

As noted in section 1.1, the County Commission and County Clerk have taken steps to improve the financial condition of the county; however, progress remains slow. As a result, the 2012 budget continues to reflect deficit budgeted balances. In 2012, the Special Road and Bridge Fund



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approved budget reflects a positive estimated ending cash balance; however, both the General Revenue Fund and Assessment Fund budgets reflect deficit ending estimated balances.

2. Property Taxes

The County Collector's deposit procedures needed improvement. In addition, the County Clerk and the County Commission did not provide adequate monitoring over property tax system activities.

2.1 Deposits

Receipts were not always deposited intact and monies received during non-peak months were not deposited on a timely basis.

Recommendation

The County Collector deposit monies intact and on a timely basis.

Status

In Progress

The timeliness of deposits during non-peak months has not significantly improved. However, the County Collector indicated arrangements are in progress with a local bank to pick up prepared deposits on a daily basis, during both peak and non-peak months, to be deposited into the County Collector's bank account.

2.2 Account Book and Annual Settlement

Neither the County Commission nor the County Clerk reviewed the activities of the County Collector. While the County Clerk maintained files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk did 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 County Commission were unable to ensure the accuracy and completeness of the County Collector's monthly and annual settlements.

Recommendation

The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and County Clerk should monitor property tax system activities and perform a thorough review of the County Collector's monthly and annual settlements.

Status

In Progress

To date, an account book or other record summarizing the activities of the County Collector's office has not been prepared or maintained. County officials indicated they plan to contact other counties to determine the best way to maintain an account book for use in reviewing the County Collector's monthly and annual settlements. The County Clerk and County Commission indicated they continue to perform limited reviews of the County Collector's monthly and annual settlements and will include the use of an account book for this review once it is created.



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3.2 Leave Records

Centralized records of leave balances and leave used and earned were not maintained. Our review of records maintained by some county offices noted leave records were not always maintained and vacation leave used was in excess of leave balances for some employees. In addition, some employees used sick leave in excess of sick leave balances due to donated leave from other employees; however, the donated time was not documented and the county does not have a donated leave policy.

Recommendation

The County Commission 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.

Status

In Progress

In January 2012, the county installed a new QuickBooks program to track leave on a centralized basis. The County Clerk indicated the county is still working out a few problems with the new program; however, once the program is operating properly it will be able to track leave balances on a centralized basis. In addition, county officials indicated they will consider adopting a donated leave policy for the county.

4.2 Vehicle and Fuel Use

The county had not established effective monitoring procedures regarding vehicle and fuel use. The Road and Bridge department did not maintain separate mileage logs for each vehicle/equipment and the centralized logs maintained were not organized by vehicle/equipment. As a result, individual vehicle/equipment use could not be easily reviewed and fuel use was not compared to mileage readings to help determine the reasonableness of fuel used. In addition, the county did not maintain adequate bulk fuel inventory records or attempt to reconcile fuel used to fuel purchased.

Recommendation

The County Commission 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.

Status

In Progress

According to county officials, fuel use logs are now maintained for all county vehicles and equipment. The log information is entered into a spreadsheet to determine fuel use. Currently, the county Information Technology programmer is in the process of developing a method to best track and analyze fuel use. Bulk fuel tanks are now locked to help secure fuel for county purposes. In addition, although the gauges on the bulk fuel tanks do not work, the county estimates fuel levels and plans to start comparing fuel use to fuel purchased.



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7. Sheriff Inmate and Commissary Monies	Records and procedures over inmate and commissary monies needed improvement.
7.1 Receipts	The numerical sequence of receipt/transaction numbers in the computerized accounting system was not accounted for properly and several blocks of missing receipt/transaction numbers were noted. In addition, the method of payment (cash, check, money order) was not always indicated in the system accurately or reconciled to the composition of deposits.
Recommendation	The Sheriff ensure the numerical sequence of receipt/transaction numbers is accounted for properly. The Sheriff should also ensure the method of payment is accurately entered into the system and the composition of receipt slips is reconciled to the composition of deposits.
Status	In Progress The Sheriff indicated he is working with an outside system programmer to ensure all receipt and transaction numbers will be reflected on system reports. In addition, the method of payment is now entered into the system and the composition of receipts per system reports is compared to the composition of deposits.
7.2 Bank Reconciliations	Follow up procedures were not performed on reconciling items shown on detailed bank reconciliations for the inmate bank account. Although Sheriff's office personnel posted checks and deposits that cleared 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, were not generated from the computer system and follow-up procedures were not performed to resolve reconciling items.
Recommendation	The Sheriff establish procedures to follow up on bank reconciling items on a timely basis.
Status	In Progress The Sheriff indicated an outside accountant has been hired to help properly reconcile bank statements and follow-up on reconciling items.
7.3 Liabilities	Sheriff's office personnel had not identified month-end liabilities (inmate balances) and reconciled the liabilities to available cash balances to ensure monies in the bank account were adequate to cover amounts due to inmates. The Sheriff's office had been unable to generate a list of liabilities from the computerized accounting system to perform this reconciliation.
Recommendation	The Sheriff ensure individual inmate account balances and various liabilities are compared to the reconciled bank account balance monthly and any discrepancies are investigated.



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Status

In Progress

The Sheriff indicated an outside accountant has been hired to help properly reconcile month-end liabilities to the available cash balance.