



Thomas A. Schweich

Missouri State Auditor

Putnam County

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Putnam County

Hospital

The Putnam County Memorial Hospital is in poor financial condition. The hospital incurred operating losses in the 2 years ended June 30, 2011, was not able to meet bond covenants, missed a bond payment, and did not make timely payment for a tax anticipation note. In March 2012, Practice Management Plus took over the management of the hospital. The hospital does not adequately account for capital improvement sales tax monies, and there is no assurance the monies are being used for capital improvements as required by state law. Several instances were identified in which unallowable topics were discussed in closed meetings in violation of the Sunshine Law.

Prosecuting Attorney Procedures

In the Prosecuting Attorney's office, accounting duties are not adequately segregated and the Prosecuting Attorney does not provide adequate oversight of financial functions and records. Receipts are not always deposited timely, money orders are not restrictively endorsed immediately upon receipt, the numerical sequence of receipt slips is not accounted for properly, and receipts are not reconciled to deposits. The former Prosecuting Attorney did not turn some monies over to the current Prosecuting Attorney until almost a year after leaving office. Some monies have not been disbursed to the County Collector-Treasurer or to victims. One Prosecuting Attorney employee uses a facsimile signature stamp on checks without any subsequent review. Defendants are not required to sign a payment agreement for bad check restitution, the Prosecuting Attorney does not submit a record of fees collected to the County Commission as required, and the Prosecuting Attorney does not adequately secure county records and property as the former Prosecuting Attorney still has possession of some county records.

County Disbursements

The County Clerk's office does not maintain centralized compensatory records, and compensatory time is not earned in accordance with county personnel policies. The County Clerk and Sheriff track compensatory time at a rate of 1 hour earned to 1 hour worked, but county policy says compensatory time is earned at a rate of 1.5 hours earned per extra hour worked, and Sheriff's deputies do not earn compensatory time after 40 hours are worked as stated in the county personnel policies and procedures manual. Employees are required to estimate the hours they will work during the last two days of the pay period, but there is no documentation that actual hours worked are subsequently compared to those estimated. The County Clerk does not maintain a list of county credit cards and credit limits, and card assignment and usage is not periodically reviewed. Supporting documentation for credit card charges is not always submitted, supervisors do not review invoices before payment, and the county has incurred finance charges because credit card bills are not provided timely to the County

Clerk. The county does not have a written agreement with the Prosecuting Attorney or the 911 Board regarding expenses paid by the county.

County Procedures	Cash amounts presented in county budgets were understated, and, as noted in our prior audit report, the county lacks adequate procedures and records to account for county property. The county does not record mileage when fueling vehicles and fuel use is not reviewed or reconciled to fuel purchases.
Property Tax and County Collector-Treasurer Procedures	As noted in our prior audit report, neither the County Commission nor the County Clerk reviews the activities of the County Collector-Treasurer, and, therefore, cannot ensure the accuracy and completeness of the Collector-Treasurer's monthly and annual settlements. The county retained \$23,600 more in commissions than allowed for the year ended February 29, 2012, and it is unclear whether an incorrect commission rate was also used for fiscal year 2011 because state law is unclear whether railroad and utility taxes should be considered when determining the applicable commission rate.
Sheriff Procedures	The Sheriff's office does not adequately segregate accounting duties, and the Sheriff does not adequately oversee financial functions and records. Receipt slips were not issued for conceal and carry weapons monies, inmate collect call monies, and other miscellaneous monies received. Civil service fees are not recorded immediately and are not deposited timely or intact, and checks are not restrictively endorsed immediately upon receipt.
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 **Fair**.*

American Recovery and Reinvestment Act (Federal Stimulus)	Putnam County did not receive any federal stimulus monies during the audited time period.
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*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.

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Putnam County Table of Contents

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

Management Advisory Report - State Auditor's Findings	1. Hospital4 2. Prosecuting Attorney Procedures7 3. County Disbursements 10 4. County Procedures 14 5. Property Tax and County Collector-Treasurer Procedures 16 6. Sheriff Procedures 19
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Organization and Statistical Information	21
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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Putnam County

We have audited certain operations of Putnam County in fulfillment of our duties under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, was engaged to audit the financial statements of Putnam 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, 2011. 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, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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 Putnam County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Putnam County Management Advisory Report State Auditor's Findings

1. Hospital

The Putnam County Memorial Hospital is in poor financial condition. There is no assurance capital improvement sales tax monies are being used for capital improvements, and the hospital was not in compliance with the Sunshine Law. BKD, LLP, CPAs & Advisors, was engaged to audit the financial statements of the hospital for the year ended June 30, 2011.

1.1 Financial condition

The hospital is in poor financial condition. The independent audit report for the year ended June 30, 2011, identified a going concern issue with the hospital (conditions and events giving rise to substantial doubt about the entity's ability to continue). The independent audit report indicates the hospital's cash and cash equivalents totaled \$79,695 per the balance sheet as of June 30, 2011, with total operating expenditures of \$7,418,522 for the year ended June 30, 2011. According to the report, the hospital has incurred operating losses in the 2 years ended June 30, 2011. In addition, the hospital was not able to meet the bond covenants, and failed to make a \$671,078 bond payment in August 2011. Also, due to its poor financial condition, the hospital signed two tax anticipation notes totaling \$300,664 in 2011. Approximately \$22,500 of a \$250,000 tax anticipation note was not paid timely. In March 2012, the hospital contracted with Practice Management Plus to take over the management of the hospital.

The financial condition of the hospital, both in the immediate- and long-term future, needs to be addressed. To improve its financial condition, spending should be reduced as much as possible, controls evaluated, and management practices reviewed to ensure efficient use of hospital resources. In addition, the hospital should attempt to maximize all sources of revenues.

1.2 Capital improvement sales tax

The hospital has not ensured capital improvement sales tax monies are deposited in a separate fund or used for the intended purpose, as required by state law. In April 2010, county voters passed a 1/2-cent sales tax for the purpose of hospital capital improvements to replace a 1/2-cent sales tax that was expiring. This sales tax is set to expire on March 31, 2016. The county collected approximately \$191,000 and \$174,000 for the years ending December 31, 2011 and 2010, respectively.

A hospital official indicated these monies are placed into general revenue and tracking is not performed to identify how these monies are used. The County Commission provided documentation received from the hospital to support how these funds were spent for the year ending June 30, 2010; however, a hospital official confirmed no documentation has been maintained since this timeframe to ensure monies are spent appropriately. As a result, the hospital is unable to substantiate the capital improvement sales tax monies were used for the intended purpose.



Putnam County
Management Advisory Report - State Auditor's Findings

Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in its ballot, and requires the monies received from the sales tax be deposited in a separate fund and used solely for the designated capital improvement purpose.

1.3 Sunshine Law

Several instances were identified where the closed meeting minutes disclosed issues discussed that were not allowable under the Sunshine Law or issues discussed were not related to the statutory section cited. For example, the minutes stated a closed session occurred because of Section 610.021.3, RSMo, which relates to hiring and firing personnel; however, the Board discussed other matters not allowed under this statute, such as new management for the hospital, a patient complaint, and an employee complaint.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. In addition, any meeting or vote closed shall be closed only to the extent necessary for the specific reason announced to justify the closed meeting or vote. Issues not specifically allowed by the Sunshine Law should not be discussed in closed sessions.

Recommendations

The Putnam County Memorial Hospital Board of Directors:

- 1.1 Closely monitor the financial condition of the hospital and take necessary steps to improve the financial condition. The Board should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.
- 1.2 Ensure monies received from the capital improvement sales tax are deposited in a special fund and used solely for the designated purpose.
- 1.3 Ensure the minutes document the appropriate reason for going into closed meetings and ensure only allowable topics are discussed.

Auditee's Response

The Hospital Board of Directors provided the following written responses:

- 1.1 *The last three months have resulted in a dramatic improvement in the operation of the hospital. A list some of the improvements are as follows:*
 1. *Increased cash in bank from less than \$50,000 to \$580,000 at the end of April 2012*
 2. *Reduced accounts payable from \$1,300,000 to \$750,000 at the end of April 2012*



Putnam County
Management Advisory Report - State Auditor's Findings

3. *Two new primary care physicians since 3/1/2012*
4. *The following specialties have committed to increasing services:*
 - a. *Rheumatology*
 - b. *Surgery--General*
 - c. *Podiatry*
5. *The following specialties have agreed to provide services to the hospital in the future:*
 - a. *Allergy*
 - b. *Orthopedics*
 - c. *Pulmonology*
 - d. *Pain Specialist*
 - e. *Dermatology*
 - f. *Anesthesiology*
 - g. *Obstetrics & Gynecology*
 - h. *Psychiatry (In-Patient & Out—Patient)*
 - i. *Otorhinolaryngology (Ear, Nose, Throat)*
 - j. *Nurse Practitioner*
6. *Physical Therapy Department reopened April 2012*
7. *Opening Outpatient Psychiatric program with projected profit of \$336,338 the first year*
8. *Opening 10 bed in-patient geriatric psychiatric program January 2013 with projected profit of \$2,300,000 the first year*
9. *Made interest and principal bond payment of \$71,000 in May 2012*
10. *Produced \$155,000 profit hospital from March 1, 2012 to April 31, 2012*



Putnam County
Management Advisory Report - State Auditor's Findings

11. CT Scan upgrades (4 slice to 16 slice)

12. Plans to reopen Surgery Department in 2012

13. Department Heads involvement in 2012-2013 Budget preparation

14. Cost for On-Call coverage reduced from \$80,000 to \$18,000 per month

15. Enrolled in the 340B Pharmacy Program reducing the cost of certain drugs (example: \$147.00 a vial to \$34.00 a vial).

1.2 All future sales tax funds will be deposited in a special fund to pay for the capital improvements for the psychiatric programs.

1.3 Closed session board minutes will be monitored to ensure meeting Sunshine Law requirements.

2. Prosecuting Attorney Procedures

Procedures related to supervisory review, receipts and deposits, disbursements, payment agreements, monthly reports, and county records are in need of improvement. Prosecuting Attorney receipts totaled approximately \$33,300 in 2011 and \$31,100 in 2010.

2.1 Supervisory review

Accounting duties are not adequately segregated and the Prosecuting Attorney does not provide adequate oversight of financial functions and records. One individual is responsible for the duties of receipting, recording, depositing, preparing and signing checks, and preparing bank reconciliations, and can modify the payee names on the checks before the checks are printed and disbursed. Documentation is not maintained of the Prosecuting Attorney's periodic reviews of the bank reconciliations. In addition, a more detailed review would help ensure all monies received are properly deposited, recorded in the accounting system, and disbursed to the appropriate party.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected. In addition, procedures should be implemented to ensure payee names per the check register agree to payee names per actual checks disbursed.

2.2 Receipts and deposits

Receipting and depositing procedures are in need of improvement.

- Receipts are not always deposited timely, and money orders are not restrictively endorsed immediately upon receipt. For example,



Putnam County
Management Advisory Report - State Auditor's Findings

restitution monies received on October 31, 2011, were not deposited until December 1, 2011.

- The numerical sequence of computer-generated receipt slips is not accounted for properly. In addition, the date of the receipt is sometimes manually changed in the computer system, making it difficult to ensure all receipt slip numbers are accounted for adequately. The numerical sequence of receipt slips was reviewed for December 2011, and two receipt slips were identified as not in sequence. Based on the audit trail from the computer system, these receipts were manually entered into the computer system in December 2011, but the receipt was dated back to March 2011, when the monies were originally received. This issue has been allowed to occur because the system functionality allows a user to modify the date received.
- Receipts are not reconciled to deposits. Receipt slips are prepared when monies are received. However, upon preparing the deposit, reconciliations are not performed between receipt slips and deposits.

The weaknesses in procedures noted above provide less assurance that receipts are adequately safeguarded and properly recorded and deposited.

2.3 Disbursements

Bad check and court-ordered restitution receipts are not transmitted timely to either the County Collector-Treasurer or victims.

- The former Prosecuting Attorney did not turn over \$7,742 to the current Prosecuting Attorney until December 2011, almost a year after the current Prosecuting Attorney took office. Some of these monies had been collected as far back as 2001. In addition, the current Prosecuting Attorney had not disbursed approximately \$1,760 (of the \$7,742) to the County Collector-Treasurer or the victims as of December 31, 2011.
- As of December 31, 2011, the current Prosecuting Attorney had not disbursed to victims approximately \$1,623 received during the year. Some of these monies had receipt dates as far back as February 2011.

To reduce the risk of loss, theft, or misuse of funds, bad check and court-ordered restitution payments should be disbursed in a timely manner.

2.4 Facsimile signature stamp

An employee of the Prosecuting Attorney uses a facsimile signature stamp to affix the authorized check signature to the checks, but does not initial to indicate use nor is there any review of the documents stamped. The Prosecuting Attorney is the only authorized signature for signing checks. The use of the facsimile stamp diminishes the controls intended by approval signatures.



Putnam County
Management Advisory Report - State Auditor's Findings

The Prosecuting Attorney should evaluate the need for the stamp, and if he decides to continue the practice of using the stamp, controls over the stamp should be established to reduce the risk of loss, theft, or misuse of funds.

2.5 Payment agreements

Defendants are not required to sign a payment agreement for bad check restitution to document the amounts owed and establish a subsequent payment schedule. A payment agreement signed by the defendant could aid in collection of amounts owed.

2.6 Monthly reports

The Prosecuting Attorney does not submit a record of fees collected to the County Commission. Sections 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

2.7 County records

The Prosecuting Attorney has not ensured county records and property are properly secured and safeguarded.

- Case files, the signature stamp, blank checks, and other records maintained by the Prosecuting Attorney are not properly safeguarded. Although the Prosecuting Attorney's office is locked, these records are accessible to non-county employees.
- The Prosecuting Attorney has not obtained all county records held by the former Prosecuting Attorney, although the former Prosecuting Attorney's term ended December 31, 2010.

Without adequate safeguards of county records and other property, there is the risk of inappropriate access. Complete and accurate records are essential in order to better serve the county and its residents.

Similar conditions previously reported

Similar conditions to sections 2.1 and 2.3 were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 2.1 Perform and document supervisory reviews of the receipting, recording, and disbursing functions. In addition, the Prosecuting Attorney should ensure payee names per the check register agree to the payees names per actual check disbursed.
- 2.2 Deposit all monies intact and in a timely manner, restrictively endorse receipts immediately upon receipt, account for the numerical sequence of receipts, reconcile receipts to deposits, and ensure receipts are not back-dated.



Putnam County
Management Advisory Report - State Auditor's Findings

- 2.3 Ensure all monies are disbursed to the County Collector-Treasurer and victims in a timely manner.
- 2.4 Evaluate the need for the signature stamp, and if continued, establish controls over the stamp.
- 2.5 Establish payment plans and require signed agreements for cases with outstanding receivables.
- 2.6 Ensure a monthly report of fees is submitted to the County Commission.
- 2.7 Ensure county records and property are properly secured and safeguarded, and obtain all county records from the former Prosecuting Attorney.

Auditee's Response

The Prosecuting Attorney provided the following responses:

- 2.1 *I will document my review of the bank reconciliations and any other financial records reviewed. I will contact Karpel regarding changing the program regarding the payee's name so that the check written is to the appropriate party.*
- 2.2 *Deposits are being made daily, and money orders are endorsed upon receipt. We will account for the numerical sequence of receipts, and we are reconciling receipts to deposits. We will not back-date any receipts.*
- 2.3 *Monies are being disbursed monthly.*
- 2.4 *The employee will initial her use of the signature stamp.*
- 2.5 *Payment agreements will be obtained for any partial payments.*
- 2.6 *A monthly report of fees will be submitted to the County Commission.*
- 2.7 *We will ensure county records and property are properly secured and safeguarded, and we are starting the process of obtaining all applicable records from the previous Prosecuting Attorney.*

3. County Disbursements

Procedures related to compensatory time, timesheets, credit cards, and written agreements need improvement.



Putnam County
Management Advisory Report - State Auditor's Findings

3.1 Compensatory time

The County Clerk's office does not maintain centralized compensatory time (overtime) records. Currently, each department is responsible for maintaining its own records of compensatory time earned and used. In addition, compensatory time is not earned in accordance with the county personnel policies.

- Adequate supporting documentation was not obtained prior to paying compensatory leave to an employee that terminated employment. The employee was paid approximately \$2,710 for compensatory time in December 2011; however, the County Commission and the County Clerk did not receive supporting documentation prior to payment. The Sheriff's compensatory time records were reviewed, and the compensatory balance did not agree to the compensatory balance submitted to the County Clerk for payment.
- Compensatory time balances maintained are not accurate. For example, a Sheriff's employee earned 35.5 hours of compensatory time per the November 2011 timesheet; however, only 7 hours was added to the compensatory time balance kept by the Sheriff's department.
- The county policy indicates compensatory time should be compensated at a rate of 1.5 hours to 1 hour. However, the County Clerk and the Sheriff do not track the compensatory balances at this rate, but instead track the compensatory time at a rate of 1 hour to 1 hour. As a result of not tracking properly, the compensatory balance for one employee when adjusted to the 1.5 hour rate was 266 hours, which exceeded the maximum compensatory time allowed by county policy, or 240 hours. Because the maximum compensatory time was exceeded, the employee was not paid for the time in excess of the maximum amount upon termination.
- The county personnel policies and procedures manual states the work period is 40 hours, and overtime is earned whenever more than 40 hours are worked. However, the Sheriff's department requires deputies to work more than 160 hours in a 28 day period prior to accumulating compensatory time. For example, a Sheriff's deputy did not earn compensatory time until 167 hours had been worked per their November 2011 timesheet.

To ensure county policy is properly followed, centralized and complete leave records of all county compensatory time should be maintained by the County Clerk. Centralized leave records also aid in determining final pay for employees leaving county employment or in the event disputes arise.

3.2 Timesheets

County employees estimate hours to be worked during the last days of the pay period on timesheets, and documentation is not available to indicate a



Putnam County
Management Advisory Report - State Auditor's Findings

comparison is performed between actual hours worked to the reported estimated hours. The county procedure is to have the 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. For example, a Sheriff's deputy had 24 hours of estimated time to be worked per the November 2011 timesheet; however, 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 compensatory and accumulated leave balances, and the potential for employees to be over/under paid. 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 employee pay or leave records when actual time worked is different from estimated time worked.

3.3 Credit cards

Controls over county credit card use need improvement. County credit card purchases totaled approximately \$76,000 for the 2 years ended December 31, 2011.

- The County Clerk does not maintain a list of credit cards assigned to various county officials and employees or credit limits. In addition, cardholder assignments and usage are not periodically reviewed to determine the user actually needs a credit card and to evaluate and establish reasonable credit limits.
- Supporting documentation is not always submitted to the County Clerk for credit card charges prior to payment by the County Commission. In addition, the County Commission does not require other officeholders or supervisors to review applicable invoices prior to payment. We identified supporting documentation was not available for 5 (\$2,218) of 14 (\$3,532) invoices selected for testing from December 2011.
- Credit card bills are not provided to the County Clerk in a timely manner. As a result, late fees and finance charges have been incurred because payment was not made timely.

The County Commission should review credit card assignments and usage to evaluate each employee's continued need for a card, and maintain an up-to-date list of credit and fuel cards assigned to various county officials and



Putnam County
Management Advisory Report - State Auditor's Findings

employees. Failure to adequately account for active credit cards could result in loss, theft, and misuse going undetected. Detailed supporting documentation, such as itemized receipts and vendor invoices, should be maintained for all credit card transactions and reconciled to the credit card statements by someone other than the cardholder. Without adequate supporting documentation and proper approval, the county is unable to ensure purchases are for legitimate goods or services. In addition, failure to pay bills promptly exposes the county to unnecessary costs.

3.4 Agreements

The county does not have a written agreement with the Prosecuting Attorney outlining the portion of expenses to be paid by the county. In addition, the county does not have a written agreement with the 911 Board.

The Prosecuting Attorney operates the Prosecuting Attorney office from his private practice. In 2011, the county paid the Prosecuting Attorney \$4,341 for utilities and telephone costs. In 2010, the county paid the former Prosecuting Attorney \$4,787 for utilities and telephone costs. In addition, adequate documentation is not received to support the costs paid to the current Prosecuting Attorney.

The County pays \$24,000 per year to the 911 Board for expenses related to dispatching for the Sheriff's department. The county had been relying on an expired agreement dating back to 2006 to support the payment. Neither the county nor the 911 Board calculated or estimated the total cost of the services provided by the board in 2011 or 2010 to ensure the rate charged is reasonable.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. To ensure county resources are used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining expenses that will be provided by the county. In addition, the basis for the agreement should be adequately documented. The agreement should be updated when circumstances change. To ensure the amount paid is reasonable and represents the true costs of the services, the county should work with the 911 Board to establish criteria for calculating or estimating the dispatching costs.

Similar conditions
previously reported

Similar conditions to sections 3.1 and 3.4 were noted in our prior audit report.

Recommendations

The County Commission:

- 3.1 Require the County Clerk to maintain centralized compensatory time records for all employees, and ensure compensatory time is computed in compliance with county policy.



Putnam County
Management Advisory Report - State Auditor's Findings

- 3.2 Develop payroll procedures which require all county employees to be paid based on actual hours worked.
- 3.3 Ensure a centralized list of credit cards is maintained, supporting documentation is submitted and reviewed for all credit card usage, and the credit cards are used for official purposes only. In addition, invoices should be submitted in a timely manner for payment.
- 3.4 Ensure a written agreement is entered into with the Prosecuting Attorney and the 911 Board documenting contractual obligations of each party. In addition, the County Commission should ensure the amount paid for the services are reasonable, and supporting documentation is submitted and reviewed prior to payment.

Auditee's Response

The County Commission provided the following responses:

- 3.1 *We are going to a new payroll system in August 2012 and this will keep track of compensatory time. Compensatory time will be maintained in accordance with county policy.*
- 3.2 *We are considering ways to ensure we find out actual time worked for any time estimated.*
- 3.3 *We are maintaining a centralized list of credit cards and we are getting supporting documentation for all credit card usage to ensure the cards are used for official purposes. We are making credit card payments timely.*
- 3.4 *We will obtain a contract from the Prosecuting Attorney and the 911 Board. We will discuss the 911 billing with the 911 Board. We will discuss with the Prosecuting Attorney regarding getting documentation.*

4. County Procedures

Procedures related to budgets, capital assets, and fuel use need improvement.

4.1 Budgets

Cash amounts presented in the county budgets were not accurate. Monies held in repurchase agreements were not included as a beginning available resource. As a result, the cash amount in the General Revenue Fund as of December 31, 2011 and 2010, was understated by \$620,000 and \$520,000, respectively. In addition, the cash amount in the Special Road and Bridge Fund as of December 31, 2011 and 2010, was understated by \$155,000.

Accurate county budget information is necessary to ensure the county, its citizens, and other users of the county budgets have accurate data to assist in making properly informed decisions.



Putnam County
Management Advisory Report - State Auditor's Findings

4.2 Capital assets

As similarly noted in our prior audit report, procedures and records to account for county property are not adequate. The County Clerk requests each office submit an inventory list; however, she does not follow up with the offices that do not submit a list. In 2011, the County Clerk did not receive any inventory lists from the offices. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year. An inventory record is not maintained to identify the purchase date, acquisition costs, inventory tag numbers, and disposal information.

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. 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.

4.3 Fuel usage

The county has not established effective monitoring procedures regarding fuel use for county-owned vehicles. Gasoline is purchased by fuel card and on an account with a local company for ten county vehicles. Mileage is not recorded when fueling vehicles, and fuel use is not reviewed or reconciled to fuel purchases. As a result, theft and misuse of fuel could go undetected. During the 2 years ended December 31, 2011, the county incurred fuel costs of approximately \$46,000 for the road and bridge department, the Sheriff's department, and the Assessor's office.

Maintenance and review of vehicle and equipment mileage and fuel use logs 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 to enable the county to effectively monitor vehicle and equipment use and fuel costs.

Recommendations

The County Commission:

- 4.1 And the County Clerk ensure information reported in the budget is accurate.
- 4.2 And the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual



Putnam County
Management Advisory Report - State Auditor's Findings

physical inventories are conducted, and implement procedures for tracking capital asset purchases and dispositions throughout the year.

- 4.3 Reconcile fuel use to fuel purchases, and investigate any significant discrepancies.

Auditee's Response

The County Commission and the County Clerk provided the following responses:

- 4.1 *We will do this.*

- 4.2 *We are planning on implementing this sometime this summer.*

The County Commission provided the following response:

- 4.3 *We are requiring mileage logs be maintained and will require this information be submitted to the County Clerk to review for reasonableness.*

5. Property Tax and County Collector-Treasurer Procedures

Neither the County Commission nor the County Clerk review the activities of the County Collector-Treasurer. Commissions are not in accordance with state law.

5.1 Property taxes

As similarly noted in our prior audit report, neither the County Commission nor the County Clerk reviews the activities of the County Collector-Treasurer, who collected approximately \$5 million during each year of the 2 years ended February 29, 2012. While the County Clerk maintains files of tax charges, additions and abatements, and the County Collector-Treasurer'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-Treasurer's monthly and annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, 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-Treasurer each year are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's annual



Putnam County
Management Advisory Report - State Auditor's Findings

settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

5.2 Commissions

The incorrect commission rate for determining commissions was used for the year ended February 29, 2012, and an incorrect commission rate may have been used for the year ended February 28, 2011, resulting in excess commissions collected.

Section 54.280.2, RSMo, provides the commission fee structure for the collection of current and current delinquent taxes and indicates the collector-treasurer shall collect fees to be deposited into the county general fund based on the "total amount of taxes levied" each year. It allows a 2 1/2 percent commission rate when the total amount of taxes levied exceeds \$5 million but is equal to or less than \$9 million, and a 3 percent commission rate when the total amount of taxes levied is \$5 million or less. This section does not specify the exclusion of any taxes from the total amount of taxes levied when determining the appropriate percentage bracket for commission withholdings. However, Section 54.320.1, RSMo, establishes a 3 percent collection fee for current railroad and utility entities. Because this statute establishes withholding percentages for railroad and utility taxes, it is unclear if these taxes should be included in the total taxes levied amount for determining commission percentage brackets based on Section 54.280.2, RSMo.

For the 2 years ended February 29, 2012, commissions of 3 percent were withheld from all current and current delinquent taxes and distributed to the county. The County Collector-Treasurer should have collected commissions for current and current delinquent taxes at a 2 1/2 percent rate for the year ended February 29, 2012, because taxes levied for real and personal property for 2011 exceeded \$5 million even without considering railroad and utility taxes. As a result, the county retained approximately \$23,600 more in commissions than allowed for the year ended February 29, 2012.

Depending on how the statute is interpreted, the County Collector-Treasurer should have retained commissions at a 2 1/2 percent rate or a 3 percent rate for current and current delinquent taxes collected for the year ended February 28, 2011. Taxes levied for real and personal property for 2010 did not exceed \$5 million. However, if the taxes levied for railroad and utility taxes for 2010 are included, the total taxes levied exceeded \$5 million, making the 2 1/2 percent rate appropriate. If this is the correct method for determining the appropriate commission bracket under Section 54.280.2, RSMo, the county collected approximately \$22,600 more in commissions than allowed for the year ended February 28, 2011.

Because the decision significantly impacts amounts withheld from various taxing authorities as commissions to the county, it is important that a well-



Putnam County
Management Advisory Report - State Auditor's Findings

supported decision be made. In addition, legislative clarification is needed to ensure township-organized counties are properly collecting collector-treasurer commissions.

Recommendations

- 5.1 The County Clerk maintain a complete and accurate account book with the County Collector-Treasurer. In addition, the County Commission and the County Clerk should monitor property tax system activities and perform a thorough review of the County Collector-Treasurer's annual settlements.
- 5.2 The County Collector-Treasurer refund \$23,600 in excess commissions withheld for the year ended February 29, 2012. In addition, the County Commission, County Clerk, and the County Collector-Treasurer should work with their county associations and pursue a legislative change to clarify this issue. The county should review yearly the total taxes levied to ensure the correct commission rate is used, and recalculate fees for past years and make any necessary corrections.

Auditee's Response

The County Commission and the County Clerk provided the following responses:

- 5.1 *We have started maintaining an account book and the County Commission and the County Clerk will review the annual settlements.*
- 5.2 *We will work with the County Collector-Treasurer on determining how to refund these monies. We will work with our county associations regarding this matter. We will verify the amount of taxes levied to ensure the correct commission is withheld. We will make any necessary corrections if needed for past years.*

The County Collector-Treasurer provided the following written responses:

- 5.2 *The commission of 2 1/2 percent has been changed by the County Clerk on the computer. The 3 percent commission was deposited for County Revenue in the Putnam County Clearing Account. I feel it would be best to pay the monies back to the entities from the County Revenue Fund as soon as possible. I will talk to the County Commission about working with the county associations. I will review the taxes levied total to ensure the correct commission rate is used and if necessary recalculate any necessary corrections.*



6. Sheriff Procedures

Procedures related to supervisory reviews, receipts, and deposits need improvement. Sheriff receipts totaled approximately \$16,800 in 2011 and \$84,700 in 2010.

6.1 Supervisory review

Accounting duties are not adequately segregated, and the Sheriff does not provide adequate oversight of financial functions and records. One individual is responsible for receipting, recording, depositing, preparing and signing checks, and preparing bank reconciliations. The Sheriff does not document his periodic review of the bank reconciliations and disbursements.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected.

6.2 Receipts and deposits

Receipting and depositing procedures are in need of improvement.

- Receipt slips were not issued for conceal and carry weapons monies, inmate collect call monies, and other miscellaneous monies received.
- Civil service fee receipts are not recorded immediately upon receipt, are held for long periods of time, and are not deposited intact or timely. Civil service fees are paid before the civil papers are served; however, the fees are held by the Sheriff's Deputy until the civil papers are served and are then receipted and deposited. For example, a check for \$50 was received by the Sheriff's department on October 28, 2011; however, the check was not recorded until December 14, 2011.
- Checks are not restrictively endorsed immediately upon receipt.

Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies received will go undetected. To adequately safeguard receipts and reduce this risk, procedures should ensure all receipts are recorded immediately.

Similar conditions
previously reported

Similar conditions to sections 6.1 and 6.2 were noted in our prior audit report.

Recommendations

The Sheriff:

- 6.1 Document supervisory reviews of the receipting, recording, and disbursing functions.
- 6.2 Issue pre-numbered receipt slips for all monies received immediately upon receipt. In addition, monies should be



Putnam County
Management Advisory Report - State Auditor's Findings

restrictively endorsed immediately upon receipt, and receipts deposited on a timely basis.

Auditee's Response

The Sheriff provided the following responses:

- 6.1 *I will review the receipt report to agree to the deposit and also review the bank reconciliations at least 3 or 4 times a year. This also includes reviewing disbursements. These reviews will be documented.*
- 6.2 *We have obtained a receipt slip book for conceal and carry monies, monies will be restrictively endorsed, and deposits will be made 2 or 3 times a week.*

Putnam County

Organization and Statistical Information

Putnam County is a township-organized, third-class county. The county seat is Unionville.

Putnam 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 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 22 full-time employees and 8 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board, the Putnam County Memorial Hospital, and a 911 Board. The Putnam County Memorial Hospital is audited separately, with the last audit report issued for the year ended June 30, 2011.

Elected Officials

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

Officeholder	2012	2011
Randy Sands, Presiding Commissioner	\$	24,400
Shane Bradshaw, Associate Commissioner		22,440
Gerald Owings, Associate Commissioner		22,440
Jeneen Roof, Recorder of Deeds		34,000
Chrystal Perkins, County Clerk		34,000
Tom Keedy, Prosecuting Attorney		41,000
Jason Knight, Sheriff		39,000
Jennifer Gilworth, County Coroner		9,500
Nancy Mikels, Public Administrator		15,000
Sharon Thompson Parks, County Collector-Treasurer, year ended March 31,	34,000	
Paul L. Rouse, County Assessor, year ended August 31,		34,000

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

Putnam County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.