



Office of Missouri State Auditor
Nicole Galloway, CPA

Shannon County

Report No. 2018-054

August 2018

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Shannon County

Financial Condition and Sales Tax Rollback	The General Revenue Fund is in poor financial condition, and the county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received resulting in approximately \$333,000 of excess property taxes collected that were not sufficiently adjusted in subsequent years.
County Collector's Controls and Procedures	The County Collector has only filed 1 annual settlement, out of the 11 required by law, since taking office in March 2007. The County Collector does not prepare bank reconciliations and lists of liabilities or maintain a running checkbook balance. Collections received by the County Collector are not disbursed timely.
Property Tax System	The County Clerk does not prepare or verify the accuracy of the current and delinquent tax books.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform documented supervisory reviews of detailed accounting and bank records. The Sheriff's office has not remitted net proceeds to the County Treasurer from the inmate commissary account for deposit into the Inmate Prisoner Detainee Security Fund, and the County Commission has not established that fund. Receipt slips were not issued for some receipts, and deposits are not always made timely or intact. The Sheriff maintains a concealed carry weapon bank account outside the county treasury. Commissary inventory records are not accurate.
Public Administrator's Annual Settlements	The Public Administrator did not include \$17,747 in paychecks received by 5 wards on their annual settlements filed during the year ending December 31, 2017.
County Boards	The Senate Bill 40 Board Treasurer does not prepare bank reconciliations. The County Commission did not hold a public hearing and approve the Senate Bill 40 or the Senior Services property tax rates. The County Commission does not appoint individuals to fill vacancies on the Senate Bill 40 Board as required by state law.
Personnel Policies, Leave Records, and Conflict of Interest	County officials do not always follow personnel policies or update the policies when related procedures change. The County Clerk does not maintain leave records for county employees and does not ensure leave is accrued in accordance with county policy. The Northern District Associate Commissioner supervises his brother, a Northern District road and bridge employee, which presents a conflict of interest.
Capital Assets	Procedures and records to account for county property are not adequate.

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**.*

*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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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Shannon County

We have audited certain operations of Shannon County in fulfillment of our duties under Section 29.230, RSMo. In addition, Stopp & VanHoy, Certified Public Accountants, and Business Advisors, LLC, has been engaged to audit the financial statements of Shannon County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

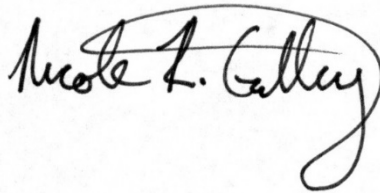
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 applicable 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 Shannon County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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Shannon County Management Advisory Report State Auditor's Findings

1. Financial Condition and Sales Tax Rollback

The General Revenue Fund is in poor financial condition, and property tax reductions were not sufficient to offset 50 percent of sales tax monies received.

1.1 Financial condition

The financial condition of the General Revenue Fund continues to be weak. Disbursements exceeded receipts in 3 of the last 4 years and, according to the 2018 budget, are projected to exceed receipts for 2018. The General Revenue Fund has significant liabilities not reflected in the cash balances shown in the county budget. As discussed in our prior audit, the General Revenue Fund owed \$139,898 to the Special Road and Bridge Fund for excess administrative transfers and incorrect payment of payroll taxes from the Special Road and Bridge Fund for non-road and bridge department employees. The General Revenue Fund still owed \$20,298 to the Special Road and Bridge Fund at December 31, 2017. The County Commission did not budget to pay any of the amount owed to the Special Road and Bridge Fund in 2018.

The following table shows the ending cash balances for the General Revenue Fund over the last 4 years and the projected ending cash balance for 2018 (as reported in the county's budget documents), the adjustments to account for the amount owed to the Special Road and Bridge Fund, and the adjusted ending cash balances.

General Revenue Fund					
Year Ended December 31,					
	2018	2017	2016	2015	2014
	Budgeted	Actual	Actual	Actual	Actual
Ending Cash Balance	\$ 889	121,562	46,420	174,438	238,406
Amount Owed to Special Road and Bridge Fund	(20,298)	(20,298)	(57,598)	(88,748)	(139,898)
Adjusted Ending Cash Balance	\$ (19,409)	101,264	(11,178)	85,690	98,508

These cash balances do not take into account an additional liability of approximately \$333,000 caused by an insufficient reduction of the property tax levy (see section 1.2).

The County Commission and County Clerk indicated they are aware of the General Revenue Fund financial concerns. In 2017, voters rejected sales taxes for law enforcement and road maintenance.

It is essential the County Commission continue to address the condition of the General Revenue Fund both in the immediate and long-term future. To ensure the financial condition of the General Revenue Fund is improved, the County Commission should reduce spending as much as possible, evaluate controls



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Management Advisory Report - State Auditor's Findings

and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue.

1.2 Reduction of property tax
levy

The county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received resulting in excess property taxes collected that were not sufficiently adjusted in subsequent years. At December 31, 2013, the total insufficient property tax reduction was approximately \$260,000. The amount has since increased by more than \$73,000, and at December 31, 2017, the insufficient reduction was approximately \$333,000. In 2017, the County Commission elected to assess a property tax rate higher than allowed per the County Clerk's sales tax rollback calculation because the County Commission had concerns that severe flooding in early 2017 would negatively impact tourism and sales tax revenues for the county in the summer of 2017.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Shannon County voters enacted a one-half of 1 percent general sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement and in the following year calculate any excess property taxes collected based upon actual sales taxes collected. Any excess should be included as an adjustment in the next year's property tax levy calculation to ensure property taxes are reduced in the subsequent year by the amount of the excess collection.

Similar conditions
previously reported

A similar condition to section 1.1 was noted in our 3 prior audit reports. A similar condition to section 1.2 was noted in our prior audit report.

Recommendations

The County Commission:

- 1.1 Closely monitor the financial condition of the General Revenue Fund and take the necessary steps to improve the financial condition of the fund. The County Commission should also perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.
- 1.2 Work with the County Clerk to reduce property tax levies for 50 percent of sales tax revenue and develop a plan to correct for the accumulation of prior years' insufficient property tax levy reductions.

Auditee's Response

- 1.1 *The County Commission will attempt passing sales tax issues in the future to address the need for additional revenues. The County Commission will budget to pay the remaining \$20,298 to the Special Road and Bridge Fund from the General Revenue Fund. Budgets will be monitored in an attempt to reduce spending as much as possible.*



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1.2 *The County Commission will attempt to reduce the property taxes if possible.*

2. County Collector's Controls and Procedures

2.1 Annual settlements

Controls and procedures in the County Collector's office need improvement. The County Collector's office collected approximately \$3.2 million in property taxes and other receipts during the year ended February 28, 2018.

The County Collector is consistently not performing one of her main responsibilities, which also violates state law. The County Collector has only filed 1 annual settlement, out of the 11 required by law, since taking office in March 2007. That annual settlement, for the year ended February 28, 2014, was prepared with guidance from the State Auditor's Office. The County Collector indicated she cannot get her monthly settlements to properly compile into an annual settlement.

Because the County Collector does not file annual settlements, the County Clerk is unable to ensure taxes charged and credited to the County Collector each year are accounted for properly, and the County Clerk and County Commission are unable to verify the County Collector's accounts.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements. Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector and the County Clerk to certify the amounts to the state. Such procedures are intended to establish checks and balances related to the collection of property taxes.

2.2 Bank reconciliations and liabilities

The County Collector does not prepare bank reconciliations and lists of liabilities or maintain a running checkbook balance.

At our request in January 2018, the County Collector began reconciling her bank account to monthly collections, starting with the November 2017 collections. In March 2018, the County Collector prepared a list of liabilities as of February 28, 2018. At February 28, 2018, the reconciled bank balance was \$157,833 and known liabilities were \$147,402, resulting in an unidentified balance of \$10,431. The County Collector did not attempt to investigate differences between liabilities and the reconciled bank balance.

Without preparing monthly bank reconciliations and lists of liabilities, and maintaining cumulative book balances there is less assurance receipts and disbursements have been properly handled and recorded. In addition, accounting and bank errors may not be detected and corrected timely. Further,



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without regular identification and comparison of liabilities to the reconciled bank balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.

2.3 Distributions

Collections received by the County Collector are not disbursed timely. For example, monthly collections from December 2017, January 2018, and February 2018 were each distributed approximately 1.5 months after the end of the month. Collections for these months totaled approximately \$2.3 million or approximately 72 percent of total collections for the year ended February 28, 2018.

Section 139.210, RSMo, requires all collections to be distributed to the political subdivisions by the fifteenth day of the following month. In addition, timely and proper distribution of property tax collections to the political subdivisions is important because the political subdivisions rely on property tax revenues to fund operations. Further, pursuant to Section 50.380, RSMo, the County Collector may be subject to penalties for failure to timely disburse monies.

Similar conditions previously reported

A similar condition to section 2.1 was noted in our 2 prior audit reports and a similar condition to section 2.2 was noted in our 4 prior audit reports.

Recommendations

The County Collector:

- 2.1 Prepare and file annual settlements in accordance with state law. In addition, the County Commission should ensure the annual settlements are filed and are carefully and fully examined to ensure the tax book charges and credits are accurately reported.
- 2.2 Ensure monthly bank reconciliations and lists of liabilities are prepared and reconciled, and maintain cumulative book balances for the bank account. Any differences between accounting records and reconciliations should be promptly investigated and resolved. In addition, if any monies remain unidentified, the monies should be disbursed in accordance with state law.
- 2.3 Ensure monies are disbursed timely in accordance with state law.

Auditee's Response

The County Collector provided the following responses:

- 2.1 *The annual settlement for the year ended February 28, 2018, has been prepared and will be filed.*
- 2.2 *This recommendation has been implemented.*



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2.3 *Monies are now being disbursed monthly.*

The County Commission provided the following response:

2.1 *The County Commission will work with the County Collector to ensure annual settlements are filed. The County Commission will review the annual settlements to ensure the settlements report accurate information.*

3. Property Tax System

As indicated in our prior audit report, the County Clerk does not prepare or verify the accuracy of the current and delinquent tax books. The County Collector uses the property tax system to prepare the current tax books based on assessed valuations provided by the County Assessor and tax levies provided by the County Clerk. The County Clerk does not adequately review the tax books, which should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to prepare and/or review the tax books and test individual tax statement computations may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

Recommendation

The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.

Auditee's Response

The County Clerk will verify the accuracy of the tax books by having the County Collector print copies from the compact disc (CD) provided by the property tax system vendor.

4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collects monies for civil paper service, bonds, boarding and transporting prisoners, concealed carry weapon (CCW) permits, inmate monies, and other miscellaneous receipts. The Sheriff collected approximately \$56,000 for the year ended December 31, 2017.

4.1 Segregation of duties and supervisory review

The Sheriff has not adequately segregated accounting duties and does not perform documented supervisory reviews of detailed accounting and bank records. The Sheriff's Office Administrator is responsible for receipting, recording, depositing monies, preparing disbursements, and reconciling the



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bank accounts. The Sheriff indicated he reviews the monthly turnover report given to the County Treasurer; however, his reviews are not documented.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential.

4.2 Inmate commissary account

The Sheriff's office has not remitted net proceeds to the County Treasurer from the inmate commissary account for deposit into the Inmate Prisoner Detainee Security Fund, and the County Commission has not established that fund. The inmate commissary account consists of inmate monies and the net proceeds from commissary sales. The inmate commissary account balance was \$11,662 at December 31, 2017.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

4.3 Receipting and depositing

Controls and procedures over receipting and depositing need improvement.

- Receipt slips were not issued for \$2,911 of the \$7,476 deposited during our review of receipts and deposits in February and June 2017.
- Deposits are not always made timely or intact. For example, \$562 receipted from June 4, 2017, through July 2, 2017, was not deposited until a \$1,116 deposit was made on July 5, 2017. In addition, \$30 receipted on January 9, 2017, and \$53 receipted on January 25, 2017, was not deposited until February 6, 2017, even though a deposit of \$1,069 was made on January 30, 2017.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

A similar condition was noted in our prior report.

4.4 CCW bank account

The Sheriff maintains a CCW bank account outside the county treasury.

There is no statutory authority allowing the Sheriff to maintain this account outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's



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Opinion 45-1992 (April 23, 1992) states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

4.5 Commissary inventory

Commissary inventory records are not accurate. The deputy in charge of commissary items does not maintain accurate records of inventory purchased and sold, and inventory remaining on hand. We performed a test of 12 commissary items on March 5, 2018, and noted the quantity on hand did not agree to the inventory records for 5 of the items tested (42 percent).

Loss, theft, or misuse of the commissary inventory may go undetected without adequate inventory records and procedures. Detailed inventory records are necessary to adequately account for commissary inventory.

Recommendations

The Sheriff:

- 4.1 Segregate accounting duties or ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 4.2 Work with the County Commission to establish an Inmate Prisoner Detainee Security Fund, and disburse net proceeds not necessary to meet cash flow needs or current operating expenses to the County Treasurer for deposit into that fund.
- 4.3 Issue receipt slips for all monies received and deposit monies timely and intact.
- 4.4 Transfer the balance of the CCW bank account to the County Treasurer and close the account.
- 4.5 Maintain accurate commissary transaction records and reconcile these records to inventory purchased and sold.

Auditee's Response

The Sheriff provided the following responses:

- 4.1 *The Sheriff has started documenting the review of the accounting and bank records.*
- 4.2 *The Sheriff will work with the County Commission to establish the Inmate Prisoner Detainee Security Fund and will disburse the net proceeds from the commissary into that fund.*
- 4.3 *This recommendation has been implemented.*



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4.4 &
4.5 *The Sheriff will implement these recommendations.*

The County Commission provided the following response:

4.2 *The County Commission will establish the Inmate Prisoner Detainee Security Fund as required.*

5. Public Administrator's Annual Settlements

The Public Administrator did not include \$17,747 in paychecks received by 5 wards on their annual settlements filed during the year ending December 31, 2017. The wards' employers give the paychecks to the wards' residential facilities instead of to the Public Administrator. The Probate Clerk indicated there is no court order approving this omission from the settlement. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division, and was responsible for the financial activity of 14 wards and estates during the year ended December 31, 2017.

To ensure the financial activity of the wards is accurately and completely reported to the court and to reduce the risk of loss, theft, or misuse of funds, Section 475.270, RSMo, requires the total amount of money or property on hand be reflected on the annual settlements.

Recommendation

The Public Administrator prepare annual settlements that include all financial activity, including paychecks.

Auditee's Response

This audit was based on the previous Public Administrator's annual reports. The current appointed Public Administrator has not filed annual settlements, pertaining to these 5 wards.

It has been common practice of the county to not list wages earned on the annual statements. These funds are paid directly to and used by the wards for personal spending money. These funds are reported to the Social Security Administration and the wards' benefit checks are adjusted according to income earned. The funds are also tracked by W-2s sent to the Public Administrator and are used in filing their annual tax returns by the Public Administrator.

The current Public Administrator is in the process of filing motions with the court to deem how the court wants these funds handled and reported.

6. County Boards

The Senate Bill 40 (SB40) Board does not prepare bank reconciliations, the County Commission did not hold a public hearing and approve the SB40 and Senior Services property tax rates, and the County Commission does not appoint SB40 Board members.



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6.1 SB40 Board bank reconciliations

The SB40 Board Treasurer does not prepare bank reconciliations. At December 31, 2017, the bank account balance was \$184,182 and the book balance was \$182,917, resulting in a difference of \$1,265. This difference was caused by 3 items that had not been recorded in the check register. One item was a \$600 check voided in October 2017, the second item was a \$487 deposit that cleared on December 19, 2017, and the third item was \$178 in monthly interest earned on the bank account during 2017. The Board Treasurer was unaware of these issues until we brought them to her attention in March 2018.

Performing adequate monthly bank reconciliations helps ensure records are accurate and increases the likelihood errors will be identified. Regular reconciliation of the ending bank balance to the ending book balance is necessary to ensure records are in balance.

6.2 Tax rates

The County Commission did not hold a public hearing and approve the SB40 or the Senior Services property tax rates. The property tax rates were approved by the SB40 Board and Senior Citizens' Service Board, respectively; however, these boards do not have the legal authority to set the property tax rates.

Section 137.055, RSMo, states the county governing body shall hold a public hearing prior to approving the tax rates of the county. In addition, the Missouri Supreme Court issued an opinion in the case of *State ex rel. Indus. Services Contractors, Inc. v. County Comm'n of Johnson County*, 918 S.W.2d 252 (Mo. Banc 1996), that there is no statutory authority allowing Senate Bill 40 Boards to set the property tax levy.

6.3 Appointment of SB40 Board members

The County Commission does not appoint individuals to fill vacancies on the SB40 Board as required by state law. Appointments are made by the SB40 Board. The County Commission indicated it was unaware the SB40 Board was appointing its own members.

Section 205.970, RSMo, states that the SB40 Board Chairman shall report vacancies to the County Commission and the vacancies shall be filled by appointments made by the governing body of the county.

Recommendations

- 6.1 The Senate Bill 40 Board ensure the Board Treasurer performs bank reconciliations monthly. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 6.2 The County Commission approve the Senate Bill 40 and Senior Services property tax rates in accordance with state law.
- 6.3 The County Commission appoint the Senate Bill 40 Board members in accordance with state law.



Auditee's Response

The Senate Bill 40 Board provided the following response:

6.1 *The Senate Bill 40 Board Treasurer will perform and record monthly bank reconciliations, and retain records indicating that the reconciliations were completed.*

The County Commission provided the following responses:

6.2 *The County Commission will include the SB40 Board and Senior Services property tax rates during the county public hearing.*

6.3 *The County Commission will appoint SB40 Board members as recommended.*

7. Personnel Policies, Leave Records, and Conflict of Interest

Personnel policies and leave records need improvement, and there is a conflict of interest between the Northern District Associate Commissioner and a road and bridge department employee.

7.1 Personnel policies

County officials do not always follow personnel policies or update the policies when related procedures change. The personnel policies also do not address several key issues.

- County employees are given all their annual leave for the year on January 1, instead of at a monthly rate as allowed by the related personnel policy. We could not find approval of this policy change in the County Commission minutes; however, the County Clerk indicated this change was approved by the County Commission.
- The personnel policies do not address key issues such as work schedules, overtime, and conflicts of interest and related parties (see section 7.3).

Compliance with county policy is necessary to limit any potential liability for annual leave not properly earned and ensures county employees are credited with the leave they have earned. Personnel policies should be updated to provide guidance to county employees, provide a basis for proper compensation, and avoid misunderstandings.

7.2 Leave records

The County Clerk does not maintain leave records for county employees and does not ensure leave is accrued in accordance with county policy. The County Clerk's office also does not review the leave balances of the Sheriff's office and Southern District road and bridge employees for accuracy and compliance with county policy even though those offices provide leave information to the County Clerk.



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Without centralized leave records, the County Commission cannot ensure employees' vacation, sick, and compensatory leave balances are accurate and in compliance with county policy. Centralized records also limit potential disputes over amounts owed when an employee stops working for the county, and help demonstrate compliance with the Fair Labor Standards Act.

7.3 Conflict of interest

The Northern District Associate Commissioner supervises his brother, a Northern District road and bridge employee, which presents a conflict of interest. The Associate Commissioner reviews and approves his brother's timesheet.

To avoid the appearance of a conflict of interest, the County Commission should consider having someone independent review the timesheet of the Northern District Associate Commissioner's brother.

Recommendations

- 7.1 The County Commission and the County Clerk ensure compliance with county personnel policies and revise the personnel policies to be more comprehensive and to reflect changes in current procedures.
- 7.2 The County Clerk maintain leave records for all county employees.
- 7.3 The County Commission avoid the appearance of a conflict of interest by not allowing the Northern District Associate Commissioner to approve his brother's timesheet.

Auditee's Response

The County Commission provided the following responses:

- 7.1 *The County Commission and County Clerk will update the personnel policies.*
- 7.3 *All road employees have knowledge of the hours worked by the Northern Road District Associate Commissioner's brother. No other supervisor would have knowledge of the timesheets for the road and bridge department.*

The County Clerk provided the following responses:

- 7.1 *The County Commission and County Clerk will update the personnel policies.*
- 7.2 *County leave hours will be maintained through the payroll system.*

8. Capital Assets

Procedures and records to account for county property are not adequate. The County Clerk did not request annual physical inventory lists from county officials and those officials have not conducted annual physical inventories or provided inventory lists to the County Clerk as required. In addition, the



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county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year, or ensure assets are tagged, identifying them as county property. As a result, the county's capital asset records are not complete and up to date.

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. In addition, property control tags should be affixed to all property items to help improve accountability and ensure assets are properly identified as belonging to the county. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by his/her department and for submitting an inventory report to the County Clerk.

A similar condition was noted in our 4 prior audit reports. Although the County Commission indicated in the prior audit reports it would implement the recommendations, no action has been taken.

Recommendation

The County Commission and the County Clerk work with other county officials to perform annual inventories as required by law, ensure complete and accurate inventory records are maintained, implement procedures for tracking capital asset purchases and dispositions throughout the year, and ensure assets are tagged as county property.

Auditee's Response

The County Commission and County Clerk will implement a program to tag and track capital assets.

Shannon County

Organization and Statistical Information

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

Shannon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. In addition to elected officials, the county employed 25 full-time employees and 9 part-time employees on December 31, 2017.

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

Elected Officials

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

Officeholder	2018	2017
Jeff Cowen, Presiding Commissioner	\$	24,440
Dale Counts, Associate Commissioner		22,440
Herman Kelly, Associate Commissioner		22,440
Melany Williams, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Shelly McAfee, County Clerk		34,000
Jodie R. Brumble, Prosecuting Attorney		41,000
Darrin W. Brawley, Sheriff		39,000
Michelle Shedd, County Treasurer		34,000
Tim Denton, County Coroner		9,500
Teresa Acord, Public Administrator (2)		6,250
Matt Derryberry, Public Administrator (2)		9,375
Susie Needels, County Collector (3), year ended February 28,	34,829	
Jimile J. Voyles, County Assessor, year ended August 31,		32,299

- (1) Compensation is paid by the state.
- (2) Matt Derryberry resigned as Public Administrator in July 2017. Teresa Acord was appointed as Public Administrator in August 2017.
- (3) Includes \$829 of commissions earned for collecting city property taxes.