



Office of Missouri State Auditor
Nicole Galloway, CPA

Audrain County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Audrain County

Sheriff's Inmate Account	The Sheriff's office does not prepare monthly bank reconciliations for the inmate bank account. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate account balance.
Prosecuting Attorney's Restitution Procedures	The Prosecuting Attorney has not established adequate procedures to ensure restitution amounts owed by defendants are accurately entered into the computer system.
County Collector's City Commissions	The county did not properly report the amount of city commissions paid to the County Collector or withhold payroll taxes from these commissions as required.
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 **Good**.*

*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 Audrain County

We have audited certain operations of Audrain County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Audrain 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:

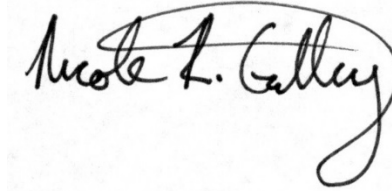
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 a legal provision, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Audrain County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style and is enclosed within a faint, light-colored rectangular border.

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
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Joel Stucky
	Scott Davis, MAc, CPA
	Tori L. Riley, MBA

Audrain County Management Advisory Report State Auditor's Findings

1. Sheriff's Inmate Account

The Sheriff's office does not prepare monthly bank reconciliations for the inmate bank account. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate account balance. Deposits into the inmate account totaled approximately \$109,000 for the year ended December 31, 2017.

Each month, Sheriff's office personnel document the transactions that have cleared the bank in the commissary system; however, a report of outstanding checks, deposits in transit, and other reconciling items is not prepared or reviewed. As a result, the inmate account's bank balance is not reconciled to the book balance. As of April 30, 2018, the bank balance of the inmate account was \$29,268, while the book balance reported in the commissary system was \$24,686. In addition, the available cash balance is not reconciled to a monthly list of liabilities, such as inmate monies held in the account and amounts due to the commissary vendor.

Performing monthly bank reconciliations helps ensure records are accurate and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

Recommendation

The Sheriff ensure monthly bank reconciliations, which include outstanding checks and deposits in transit, are prepared for the inmate bank account. In addition, prepare a monthly list of liabilities and reconcile the list to the available cash balance. Any differences should be promptly investigated and resolved.

Auditee's Response

The portion of the commissary monies that are actually monies belonging to the county are reconciled monthly. That reconciliation is based on monies received from the commissary vendor that are due the county from commissary transactions.

In addition, that reconciliation did not include monies in transit, outstanding checks, and other miscellaneous items that are not actually part of transactions directly involving the county (Sheriff's office), or county-owned monies.

After speaking with audit staff during the exit meeting and reviewing the suggested recommendation(s), I have opted to follow the recommendation in part, and periodically (at undetermined times and intervals throughout the calendar year) include monies in transit, outstanding checks, and other miscellaneous items, as reported by the vendor, in reconciliations to aid in ensuring the vendor's disbursements to the county (Sheriff's office) are accurate.



2. Prosecuting Attorney's Restitution Procedures

The Prosecuting Attorney has not established adequate procedures to ensure restitution amounts owed by defendants are accurately entered into the computer system. The office collected approximately \$95,200 in restitution during the year ended December 31, 2017.

During our test of restitution receipts, we noted the total restitution amount owed by the defendant per the computer system did not agree to documentation from the court for 2 of the 15 receipts reviewed. For example, court documentation indicated a defendant owed \$9,350; however \$9,450 was entered into the computer system and subsequently paid by the defendant, resulting in an overpayment of \$100.

To ensure the accuracy of all amounts owed, and subsequently paid by defendants, restitution amounts entered into the computer system should be reviewed and compared with court documentation. Any differences should be promptly investigated and resolved to ensure the proper amount of restitution is collected.

Recommendation

The Prosecuting Attorney establish procedures to review restitution amounts entered into the computer system to ensure amounts agree with court documentation. Any differences should be promptly investigated and resolved.

Auditee's Response

The Office of the Prosecuting Attorney has developed a process using its Karpel Case Management System software to increase the accuracy of restitution amount tracking in individual cases. The use of the "requested" restitution amount will be used until the case is closed, at which time the "ordered" restitution amount will be verified by the Restitution Coordinator and compared with the court's probation order, also stored in the electronic file, to ensure the two amounts (court-ordered and the amount of restitution in the case management system) match. This document review and cross-checking between court orders and the case management system will occur within 2 business days of the case closing and the court's restitution order being finalized.

To accomplish this, our office will rely on the case information to be entered from live data entry during court proceedings and probation orders as entered in PDF form in case.net, the Missouri state courts automated case management system, and the electronic copies provided to our office through the Missouri Electronic Filing (eFiling) System. The restitution amount requested will be entered promptly upon receipt of documentation supporting the restitution amount such as a damage estimate or an itemized receipt. Support staff, including but not limited to the Restitution Coordinator and the Victim Advocate, will have the responsibility to input requested restitution amounts. We will use existing receipt processing procedures, providing the receipt to defendants promptly upon their receipt of payment.



3. County Collector's City Commissions

The county did not properly report the amount of city commissions paid to the County Collector or withhold payroll taxes from these commissions as required. The county contracts with 7 cities for the County Collector to collect city property taxes. The county bills these cities for the commissions amount and subsequently pays the commissions to the County Collector. In March 2017, the county paid the County Collector \$5,050 in city property tax commissions without reporting this amount on her W-2 form or withholding payroll taxes. The county reported this payment to the Internal Revenue Service (IRS) on a 1099-MISC form.

IRS regulations require all compensation paid to employees be subject to payroll tax and reported on W-2 forms. The county's current practice of handling city commissions is in violation of a strict interpretation of these payroll tax regulations. The county is at risk of incurring additional payroll liabilities plus interest and penalties by utilizing the current practice.

Recommendation

The County Commission ensure commissions paid to the County Collector are subject to payroll taxes and properly reported on W-2 forms.

Auditee's Response

We have discussed the audit finding concerning the County Collector's city commissions. The city contracts are due for renewal in 2019, and at that time we will explore our options to determine the best method to handle any commissions paid by cities for tax collections.

Audrain County

Organization and Statistical Information

Audrain County is a county-organized, third-class county. The county seat is Mexico.

Audrain 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 93 full-time employees and 14 part-time employees on December 31, 2017.

In addition, county operations include the Senate Bill 40 Board.

Elected Officials

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

Officeholder	2018	2017
Steve Hobbs, Presiding Commissioner	\$	42,508
Alan Winders, Associate Commissioner		40,508
Tracy Graham, Associate Commissioner		40,508
Janis Deimeke, Recorder of Deeds		59,944
Shelley Harvey, County Clerk		59,944
Jacob Shellabarger, Prosecuting Attorney		137,072
Matt Oller, Sheriff		66,568
Patty Meyers, County Treasurer		59,944
Todd Yager, County Coroner		21,491
Connie J. Hagan, Public Administrator		59,944
Kate Becker, County Collector (1), year ended February 28,	65,194	
Melissa Maupin, County Assessor, year ended August 31,		59,553

(1) Includes \$5,050 of commissions earned for collecting city property taxes.

Other Information

The county entered into a lease-purchase agreement with Bank of Oklahoma Financial, N.A. (the trustee) on June 15, 2017. The terms of the agreement called for the trustee to sell certificates of participation totaling \$5,470,000 for the purpose of constructing, expanding, renovating, improving, furnishing, and equipping the county jail. The certificates are to be paid off in full with interest in 2034. The remaining principal and interest due on the



Audrain County
Organization and Statistical Information

certificates at December 31, 2017, was \$5,470,000 and \$1,664,755, respectively.

On April 5, 2016, Audrain County voters approved a new 1/4-cent capital improvement sales tax for a period of five years for the purpose of replacing small road structures and maintenance of bridges and related purposes.