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Missouri State Auditor

Vernon County



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Office of the
Missouri State Auditor
Susan Montee, JD, CPA

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The following findings were included in our audit report of Vernon County.

The financial condition of the General Revenue (GR) and Special Road and Bridge (SRB) Funds is deteriorating. The 2009 amended budget projects cash balances of \$9,757 and \$71,753 at December 31, 2009, for the GR and SRB Funds, respectively.

As noted in previous audits, the SRB Fund budgets do not include reasonable estimates of disbursements; and as a result, administrative service fee transfers from the SRB Fund to the GR Fund were excessive.

The county does not have a written policy and effective monitoring procedures regarding vehicle and equipment usage. Mileage/usage and maintenance logs are not maintained for the road and bridge department vehicles and equipment or most Sheriff's department vehicles. Fuel usage is not reconciled to fuel billings. In addition, the county allows a deputy sheriff who resides outside the county to commute to and from work in a county-owned vehicle.

The County Commission does not review or approve property tax additions and abatements. Contracts with cities for collection of property taxes do not clearly define procedures for assessing and distributing penalties on delinquent city tax payments.

The Deputy Public Administrator received compensation beyond her regular compensation; however, these payments were not supported by records of work performed, were not reported on the deputy's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld.

The County Clerk does not prepare minutes for closed session meetings of the County Commission.

Other findings in the audit report address accounting controls and procedures in the Prosecuting Attorney's office, the Sheriff's office, and the Circuit Clerk's office.

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YELLOW SHEET

VERNON COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County

We have audited certain operations of Vernon County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Vernon County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. 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 revenues and expenditures.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such

an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 History, 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.

The accompanying Management Advisory Report presents our findings arising from our audit of Vernon County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VERNON COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Condition

The financial condition of the General Revenue (GR) and Special Road and Bridge (SRB) Funds is deteriorating.

The following table reflects the ending cash balances of these funds over the last five years, as reported in the budget documents:

		Ending Cash Balance, Year Ended December 31,				
		2008	2007	2006	2005	2004
General						
Revenue Fund	\$	68,775	144,934	154,954	198,739	343,902
Special Road and Bridge Fund		2,593	245,318	524,905	622,133	435,973

The 2009 amended budget projects cash balances of \$9,757 and \$71,753 at December 31, 2009, for the GR and SRB Funds, respectively.

Budgeted and actual disbursements for these funds have exceeded budgeted and actual receipts in four of the five years. GR Fund disbursements exceeded receipts in part due to increasing costs of operating the sheriff's department and the jail. The excess cost of operating the Sheriff's department and the jail over receipts designated for these purposes, increased from approximately \$460,000 in 2006 to \$585,000 projected for 2009. Although the county began collecting a one-half cent sales tax in 2007 to cover annual lease purchase payments and some Sheriff's department and jail costs, and received several new grants in 2008 and 2009, total receipts designated for the Sheriff's department and jail currently cover only approximately 56 percent of operation costs. In addition, the county's SRB Fund budgetary practices are in need of improvement and annual administrative service fee transfers from the SRB Fund to the GR Fund were excessive (see MAR finding number 2).

Some restricted special revenue funds administered by elected officials have accumulated balances significantly in excess of historical actual disbursements. Consideration should be given to working with these officials to use these monies to fund the respective office's expenses, within the restrictions set forth by state law, which are currently funded by the GR Fund.

The County Commission indicated it is aware of the concern and is monitoring the county's financial condition through preparation and review of monthly budget reports. To improve the financial condition of the GR Fund and SRB Fund, the County Commission should review disbursements and reduce discretionary spending as much as

possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all sources of receipts.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Special Road and Bridge Funds by reviewing disbursements and reducing discretionary spending where practical and maximizing all sources of receipts.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission will review the Treasurer's Report on a weekly basis rather than a monthly basis in order to more closely monitor fund balances.

We will review statutes which govern special funds controlled by other Elected Officials and request additional funds be appropriated to assist during the budget year.

The Commission will more closely monitor the estimated anticipated revenues to determine that they are sufficient to cover the budgeted expenses and will cut expenditures accordingly to reduce the loss of cash balances at the end of the year.

2.

Special Road and Bridge Fund

As noted in previous audits, the SRB Fund budgets continue to contain unreasonable estimates of disbursements and the administrative transfers from the SRB Fund were excessive.

- A. As noted in our prior two audit reports, the County Commission's budget preparation procedures do not ensure the SRB Fund budget documents reasonably reflect the county's anticipated financial activity and cash balances, and reduce the effectiveness of the budget as a tool for monitoring and controlling county disbursements.

The approved budget documents did not adequately project anticipated disbursements and the ending cash balances of the SRB Fund for the 2 years ended December 31, 2007. Disbursements were significantly overestimated, and as a result, the actual ending cash balances were much higher than the projected ending cash balances as follows:

	Year Ended December 31,	
	2007	2006
Budgeted disbursements	\$2,658,168	\$3,122,530
Actual disbursements	1,640,430	1,792,627
Budgeted over actual disbursements	<u>\$1,017,738</u>	<u>1,329,903</u>
Projected ending cash balance	\$ 21,240	7,404
Actual ending cash balance	<u>245,318</u>	<u>524,905</u>
Actual over projected ending cash balance	<u>\$ 224,078</u>	<u>517,501</u>

The primary reason for the significant difference between budgeted and actual disbursements appears to be delays in the start of anticipated bridge projects. Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. To be of maximum assistance to the County Commission and to adequately inform the public, the budgets should accurately reflect the actual beginning balances, estimated receipts and disbursements, and projected ending balance.

- B. Administrative service fee transfers from the SRB Fund to the GR Fund were excessive. During the years ended December 31, 2007 and 2006, the county budgeted and made administrative service fee transfers of \$126,579 and 148,692, respectively, from the SRB Fund to the GR Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRB Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for related administrative services to the SRB Fund, and shall not exceed 5 percent of the SRB Fund budget.

Although the administrative service fee transfers were equal to 5 percent of SRB Fund budgeted disbursements, the transfers exceeded 5 percent of actual disbursements for the 2 years ended December 31, 2007 and 2006, by a total of \$117,382. This situation resulted from unreasonable budget estimates for the SRB Fund. Also, because administrative service fee transfers were excessive in all years during and subsequent to our prior audit, the amount of cumulative excessive transfers totaled approximately \$217,000 during the 6 years ended December 31, 2007.

WE AGAIN RECOMMEND the County Commission:

- A. Ensure the budgets of the Special Road and Bridge Fund include reasonable estimates of receipts and disbursements and projected ending balances.
- B. Base administrative transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund. In addition, the County Commission should

consider transferring \$217,000 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of prior excessive transfers.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission consults with Engineers to determine the estimated percentage of completion and expenses anticipated for the current budget year. Conditions such as flooding, federal regulations (i.e. pictorial essay and historical bridges), as well as conservation programs have caused unexpected delays and extended the completion of BRO projects over multiple years.

We will review more closely the actual disbursed expenditures before determining the administrative fee transfer to general revenue.

However the law states a 3rd Class County can recoup actual administrative expenses up to 5% of the total budget of the fund and at least half the Commission's time is spent administering the Road & Bridge affairs in this County. In addition the Clerk's staff handles correspondence with the twenty different townships concerning road and bridge matters, accounts payable, payroll and benefit coordination for the employees of the department. With nine employees, they are the largest group of employees from a single department with the exception of the Sheriff's department. The normal operating expenses of this department have increased dramatically with the state of our economy and with no increase of revenue to help offset the downward spiral Vernon County is suffering as many other counties across Missouri.

The Commission will consider budgeting under the 5% administrative fee allowed by law to increase the ending cash balance of the fund.

3. Vehicle and Equipment Policies and Procedures

The county does not have a written policy and effective monitoring procedures regarding vehicle and equipment usage. During 2007 approximately \$41,000 and \$28,000 was spent on fuel for the Sheriff's 16 vehicles and for the road and bridge department's 9 vehicles and various equipment, respectively. Our review noted the following concerns regarding vehicle and equipment usage:

- A. Mileage/usage and maintenance logs are not maintained for the road and bridge department vehicles and equipment or most Sheriff's department vehicles. The Sheriff indicated when the county contracted with a new fuel vendor in 2007, he told his deputies they no longer had to prepare monthly vehicle logs because some of the vehicle information is maintained by the vendor. Some officers have continued to prepare and submit vehicle logs; however, the logs are not reviewed and reconciled to fuel vendor billings.

In addition, road and bridge department employees dispense fuel into the equipment from portable tanks. The road and bridge department does not maintain fuel inventory records or logs of fuel dispensed from the portable tanks.

- B. Fuel usage is not reconciled to fuel billings. County employees purchase gasoline for county owned vehicles through gas purchasing cards and the county receives a monthly billing statement for these purchases. Fuel purchases also include bulk purchases of diesel fuel that is pumped into portable tanks used to fuel road and bridge equipment. The monthly fuel billings are reviewed by the Sheriff, road and bridge department supervisor, and the County Commission for reasonableness prior to payment. However, because mileage/usage and maintenance logs and bulk fuel inventory records are not maintained and reviewed, a reconciliation of the bills to records of fuel used is not performed.
- C. The county allows a deputy sheriff who resides outside the county to commute to and from work in a county-owned vehicle. The Sheriff indicated the deputy is on-call for specific investigations. However, because the deputy did not prepare and submit vehicle logs, the number of trips he made while on call could not be determined. The amount of personal (commuting) mileage was not maintained for this deputy's vehicle. We estimated the deputy commutes 100 miles per day or 26,000 miles a year (100 miles*5 days*52 weeks) in a county vehicle.

All other deputies live in Vernon County, are considered on-call for all emergencies, and are allowed to use county-owned vehicles for commuting. Given the excessive amount of commuting miles driven by the deputy and the high cost of fuel, the Sheriff and the County Commission should review the costs of allowing the deputy use of a county-owned vehicle for commuting purposes.

A formal written vehicle policy is needed to inform county officials and employees of the vehicles' allowable use, outline mileage/usage log documentation requirements, and address and define personal use of vehicles.

Maintenance and review of vehicle and equipment mileage/usage and maintenance logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel and maintenance purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel or other maintenance items occurring without detection. Vehicle and equipment logs typically include the date, driver or operator; purpose and destination of each trip; daily beginning and ending odometer or hour meter readings for vehicles and equipment; and fuel purchased and maintenance services performed.

WE RECOMMEND the County Commission establish written policies and procedures for all county-owned vehicles and equipment. In addition, the County Commission should review the necessity of providing vehicles to employees living outside the county for commuting purposes.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission will see that a written policy is established which sets out procedures for all county-owned vehicles and equipment per your recommendations.

4. Property Tax Controls and City Tax Collections
--

The County Commission does not review and approve all changes to the tax books. Contracts with cities for collection of city property taxes need clarification regarding penalties assessed on delinquent city tax payments.

- A. The County Commission does not review or approve property tax additions and abatements. Addition and abatement requests are prepared by the Assessor's office and submitted to the County Clerk's office which posts the changes to the property tax system. The County Clerk's office then prints the court orders for the additions and abatements which are given to the County Collector-Treasurer and the Assessor. Taxes totaling approximately \$185,000 were added to the tax books and taxes totaling approximately \$61,000 were removed from the tax books during the year ended February 29, 2008, without the approval of the County Commission.

Section 137.260, RSMo, requires tax books only be changed by the County Clerk under order of the County Commission. Court orders should be approved timely by the County Commission for all additions and abatements to the property tax system.

- B. Contracts with cities for collection of property taxes do not clearly define procedures for assessing and distributing penalties on delinquent city tax payments. The county entered into written contracts which provide for the county to bill and collect property taxes for several cities in the county. The contracts provide for the County Collector-Treasurer to receive a fee of 1 to 5 percent withheld from all current and delinquent taxes collected for the cities, and to receive penalties which are collected from the taxpayers. These fees and penalties are retained personally by the County Collector-Treasurer. Penalties from city taxes collected and retained by the County Collector-Treasurer totaled approximately \$9,000 and \$7,100 during the years ended February 28, 2008, and 2007, respectively.

The contracts provide the County Collector-Treasurer will receive penalties as prescribed by law; however, the contracts do not clearly reference the laws, define the amount of penalties to be assessed, or address the distribution of these penalties. The County Collector-Treasurer assesses a 7 percent penalty on delinquent city taxes as he does for delinquent county taxes. However, city tax

penalties are retained personally by the County Collector-Treasurer, while county tax penalties are distributed to the General Revenue Fund, the Tax Maintenance Fund, and the County Employee's Retirement Fund, as outlined by state law.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. The contracts with the cities should clearly define the amount of penalties to be assessed, describe how the penalties should be distributed, and provide a basis for the amounts and handling.

WE RECOMMEND the County Commission:

- A. Review and approve all additions and abatements on a timely basis.
- B. And the County Collector-Treasurer work with the cities and legal counsel to amend the contracts with the cities for tax collection to clarify the assessment, distribution, and basis for penalties assessed.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

In years prior to the collection of all taxes by the Collector/Treasurer, the Commission signed additions and abatements on a monthly basis during the time the Clerk's office distributed those changes to the Township Collectors (after closing of the tax books). As shown for Oct, Nov, and Dec 2006 and Jan and Feb 2007. To the best of our knowledge the additions and abatements had never been signed after being turned over to the Collector/Treasurer in March of each year.

The Clerk's office has put procedures in place to make sure additions and abatements are reviewed and approved by the Commission each month.

The Commission will work with all interested parties to clarify the contracts between the County Collector/Treasurer and the cities throughout the county.

The County Collector-Treasurer provided the following written response:

- B. *The County Collector-Treasurer will work with the cities and legal counsel to clarify the distribution of penalties as stated in contracts.*

5.**Prosecuting Attorney's Accounting Controls and Procedures**

Receipts are not deposited timely, payments recorded on the computer system are not properly reconciled to deposits, and documentation is not obtained to verify restitution payments are passed through to victims. The Prosecuting Attorney's office collected fees and restitution on bad checks totaling approximately \$135,600 and \$119,000 during the years ended December 31, 2007 and 2006, respectively.

- A. Monies received are not always deposited in a timely manner. A review of deposits made from July through December 2007 noted deposits were made two to six times per month. A cash count performed on November 17, 2008, showed over 9 working days of undeposited collections, totaling approximately \$950. In addition, money orders and certified checks payable to the Prosecuting Attorney are not restrictively endorsed until the deposit is prepared. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. In addition, money orders and certified checks should be restrictively endorsed immediately upon receipt.

A similar condition was noted in our prior report.

- B. Payments recorded on the computer system are not reconciled to deposits. Instead of generating receipt reports from the computer system to reconcile to deposits, the Criminal Clerk prepares a separate spreadsheet listing each receipt included in the deposit. The Prosecuting Attorney's staff indicated they were not aware receipt reports could be generated from the computer system. To ensure all monies received are properly recorded and deposited, reports of receipts should be generated from the computer system and reconciled to deposits.
- C. The money orders and certified checks received for restitution of bad checks are not deposited but are instead forwarded directly to the victim; and documentation is not obtained from the merchant to ensure payments are received. Good internal control procedures require that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order or certified check. Failure to do so increases the risk that loss or misuse of funds will not be detected on a timely basis.

WE RECOMMEND the Prosecuting Attorney:

- A. Deposit all monies on a timely basis and ensure money orders and certified checks are restrictively endorsed immediately upon receipt.
- B. Generate and reconcile reports of receipts posted to the computer system to deposits.

- C. Obtain documentation of money orders or certified checks turned over directly to victims.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *We agree that all monies received should be deposited on a timely basis. We respectfully disagree with your finding that we have not deposited funds in a timely manner. We do agree that the very few money orders and certified checks made payable to the Prosecuting Attorney should be restrictively endorsed immediately on receipt.*
- B. *We will reconcile payments recorded to the bad check collection program to the actual deposits. The spreadsheet we have prepared in the past has served us well, but we recognize the additional benefit in the reconciliation process you suggest.*
- C. *We agree that a receipt should be obtained from a victim when we send them a check or money order received by us, but made payable to the victim. We will take steps to implement same.*

6. Sheriff's Accounting Controls and Procedures
--

Controls and procedures over receipts and inmate monies need improvement. During the years ended December 31, 2007 and 2006, the Sheriff's office collected approximately \$125,100 and \$124,200, respectively, for bonds, civil and criminal fees, and other miscellaneous receipts. In addition, inmate commissary account deposits were approximately \$25,500 and \$17,700 during the years ended December 31, 2007 and 2006, respectively.

- A. Procedures have not been established to ensure monies (other than inmate monies) received at the jail are accounted for properly. These monies are receipted by the dispatchers and jailers, placed in a locked box, and retrieved each day by the secretary or the assistant secretary to be deposited. However, the secretaries indicated they do not compare the monies in the locked box to the receipt book to ensure all receipt slips and monies are accounted for properly. In addition, generic prenumbered receipt slips are issued for all monies received at the jail, and the books are not purchased or issued in numerical order.

To ensure all monies received at the jail are properly accounted for, receipt slips should be reconciled to monies in the locked box. The reconciliation should include agreeing the composition of receipt slips (i.e., cash, checks, and money orders) to the composition of monies in the locked box. In addition, official prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for.

B. Upon incarceration, monies in the custody of an inmate are deposited into the commissary bank account. Inmate commissary account cards are maintained for each inmate to reflect monies received on the inmate's behalf, commissary purchases, the available cash balance, and the refund of monies upon inmate release. The following concerns were noted related to these monies:

- Monthly turnovers of commissary proceeds to the GR Fund are not reconciled to inmate commissary purchases per the commissary order forms. At the end of each month, the balances in each inmate account as recorded on the inmate commissary account cards are totaled, and that amount is deducted from the reconciled bank balance of the commissary account to determine the amount to transmit to the GR Fund. Documentation of the turnover calculation is not retained. In addition, the commissary order forms are destroyed after the commissary purchases have been delivered to the inmate and posted to the inmate's account.

This process provides no assurance that all monies have been accounted for appropriately. To ensure the amount turned over to the GR Fund is accurate, the calculated amount should be agreed to the total purchases noted on commissary order forms, with any differences identified and resolved prior to the turnover.

In addition, documentation of the reconciliation and the commissary order forms should be retained. Retention of records is necessary to ensure the validity of transactions and provide an audit trail and account for all monies received. Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

A similar condition was noted in our prior report.

- When an inmate is released prior to his/her monies being deposited in the commissary account, the related receipt is voided and the monies are returned to the inmate. Documentation, such as the inmate's signature, is not always retained to support the return of monies to the inmate.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, documentation of the release of inmate funds should be maintained.

WE RECOMMEND the Sheriff:

A. Reconcile the composition of monies received at the jail to the composition of receipt slips issued. In addition, official prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

- B. Reconcile the amount turned over to the General Revenue Fund for the commissary account to total purchases noted on commissary order forms on a monthly basis. Any differences identified should be reviewed and resolved prior to the turnover. Documentation of the reconciliation, commissary order forms, and return of funds to the inmates should be retained.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Since moving to the new jail in June 2009, dispatchers are only receiving bonds and we have implemented procedures to reconcile bond monies received to receipt slips. We will purchase a stamp to identify Vernon County receipt slips.*
- B. *Beginning in August 2009, inmate monies and the commissary will be handled by a contractor. Commissary order forms are now being retained and spot checks will be performed to ensure commissary profits received from the vendor are proper. We will ensure inmate signatures are obtained when inmates are released prior to their monies being deposited.*

7. Deputy Public Administrator Compensation
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The Deputy Public Administrator received compensation beyond her regular compensation; however, these payments were not supported by records of work performed, were not reported on the deputy's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld.

The county employs a deputy to assist the Public Administrator with bookkeeping and other duties, as necessary. The deputy is paid \$11.35 per hour for up to 47 hours per month by the county. In addition, she is paid from the accounts of some wards for preparing annual settlements. Both the current and former Public Administrator indicated when the deputy's workload exceeds the maximum hours paid by the county, she is paid for preparing annual settlements after working hours. However, there is no record of additional time worked, and without such documentation it is unclear if these additional payments were appropriate. According to the former Public Administrator, the amount paid per annual settlement prepared is determined based upon the preparation time and the complexity of the annual settlement, with a payment of \$90 for a less complex annual settlement. Our review of three annual settlements prepared during 2007 noted the deputy was paid \$250, \$150, and \$85 from the wards' accounts.

These payments are not processed through the county's payroll system. As a result, these payments were not reported on the deputy's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld from the payments. The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on Forms W-2. In addition, to ensure compliance with the Fair Labor Standards

Act and ensure the propriety of payments made, time worked should be properly recorded on the monthly timesheets and paid through the regular county payroll process.

WE RECOMMEND the County Commission and the Public Administrator review the situation. The Deputy Public Administrator should be paid through normal payroll procedures for all work performed, all payments should be included on W-2 Forms, and all hours worked should be recorded on timesheets.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The Commission was not aware prior to the audit that any additional duties were being performed by the Deputy. The County Commission has met with the Public Administrator and her deputy and the budget for the Public Administrator has been increased to accommodate the additional hours required to perform all duties associated with the deputy's responsibilities to the Wards and County. Therefore all wages will be reported as required by law on her W-2 Form. Customary fees previously charged will be deposited into General Revenue to offset the addition to their budget.

The Public Administrator provided the following written response:

I agree with your finding that the deputy public administrator's compensation should be paid thru normal payroll thru the county.

This process mentioned in your audit was started by the previous Public Administrator.

My term of Public Administrator started on January 1, 2009. I have met with the county commission. We have made adjustments to the 2009 Public Administrator's budget. The fee charged to the ward for their annual settlement is now paid to the county. All compensation now paid to the Deputy Public Administrator is recorded on her regular time sheet and paid by the county thru normal payroll.

8. Circuit Clerk's Accounting Controls and Procedures
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Circuit Clerk procedures related to manual receipt slips and open items are in need of improvement. Circuit Clerk receipts totaled approximately \$810,000 and \$735,000 in 2007 and 2006, respectively, for civil and criminal case fees, fines, and bonds.

- A. There is no independent review to ensure all manual receipt slips are properly entered into the Justice Information System (JIS) and subsequently deposited. Receipts are usually posted to the JIS as received. However, manual receipt slips are issued for cash bonds and for transactions occurring when the computer system is not accessible. In addition, the manual receipt slips issued are not official, prenumbered receipt slips.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify the receipts have been recorded on the JIS and deposited. Official prenumbered receipt slips should be obtained and used when manual receipt slips are necessary.

- B. The Circuit Clerk has not adequately reviewed the status of old open items. The December 31, 2007, open items list totaled over \$144,000, including 323 closed cases with balances totaling \$18,802. Approximately 68 percent of these cases were closed prior to 2007, with some cases closed as far back as 1999.

The failure to routinely review open items and disburse monies when appropriate increases the volume of cases which must be monitored and deprives the state, county, or others the use of those monies. A procedure to routinely review open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Clerk:

- A. Ensure manual receipt slips are recorded on the JIS and subsequently deposited. In addition, official prenumbered manual receipt slips should be obtained for use when necessary.
- B. Routinely review open items and disburse or dispose of monies as appropriate.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *We have established procedures to write the JIS receipt number on each manual receipt slip and will purchase official prenumbered manual receipt slips.*
- B. *We have implemented this recommendation.*

9.

County Commission Minutes

The County Clerk does not prepare minutes for closed session meetings of the County Commission. The County Commission held five closed sessions during the 2 years ended December 31, 2007, and while the regular minutes disclosed the reason for entering into closed session, minutes were not maintained for the closed portion of the meeting.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on in an open meeting and requires

minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

WE RECOMMEND the County Commission ensure minutes are prepared and retained for all closed meetings.

AUDITEE'S RESPONSE

The County Commission provided the following written response:

The County Commission has always followed procedures required when going into closed session as noted in the minutes. Written minutes were not previously kept during closed session as no decisions or votes were taken while in closed session.

The Commission upon the suggestion of the Auditor's office has begun keeping closed minutes and will continue the same.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VERNON COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Vernon County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Nevada.

Vernon 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 judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 20,454 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 145,265,770
Personal property	54,416,070
Railroad and utilities	14,642,076
Total	<u>\$ 214,323,916</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the State Auditor; see Report No. 2007-91.

Vernon County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Law enforcement	.0050	*	None	

* The Law enforcement sales tax was passed in April 2007 to construct, furnish, equip and operate a jail and Sheriff's office. One-quarter of one percent will terminate no later than 20 years from the effective date on which the sales tax is first imposed, or from when the financing costs of the project have been paid.

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

Officeholder	2008	2007
County-Paid Officials:	\$	
Bonnie M. McCord, Presiding Commissioner		29,390
Neal F. Gerster, Associate Commissioner		27,390
Kennon R. Shaw, Associate Commissioner		26,337
Doug Shupe, Recorder of Deeds		41,500
Tammi Beach, County Clerk		41,500
Lynn M. Ewing III, Prosecuting Attorney		101,090
Ron Peckman, Sheriff		46,000
David Ferry, County Coroner		14,000
Virginia Habjan, Public Administrator		41,500
Phil Couch, County Collector-Treasurer (1), year ended March 31,	63,544	
Cherie K. Roberts, County Assessor (2), year ended August 31,		44,588

(1) Includes \$21,837 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state, and \$200 per month received from the City of Nevada for assessment of property within the city.

State-Paid Officials:

Vickie Erwin, Circuit Clerk	51,197
Neal Quitno, Associate Circuit Judge	101,090

In November 2007, the county entered into a 20-year lease purchase agreement with Southwest Trust Company, N.A. to pay for a capital improvement project for the jail and Sheriff's office. The terms of the agreement call for the trust company to issue Certificates of Participation totaling \$10 million and lease the new facility back to the county for lease payments equal to the principal and interest due on the outstanding certificates. Construction of the new facility was completed in 2009 and the lease is scheduled to be paid off in 2027. The principal and interest due on the lease at December 31, 2007, was \$10,000,000 and \$4,817,195, respectively. The lease will be paid with the revenue generated from the Law Enforcement sales tax which was passed on April 3, 2007.