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Missouri State Auditor

Reynolds County



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YELLOW SHEET

Findings in the audit of Reynolds County

County Disbursements	County procedures related to disbursements in the General Revenue and Road and Bridge Funds are in need of improvement. The county does not have a process in place to obtain bids or document price comparisons when purchasing used equipment or vehicles, and adequate documentation of purchase decisions was not always maintained. Mileage reimbursements paid to County Commissioners appear excessive. The county does not have a written policy regarding the Commissioners' use of personal vehicles for county purposes, the County Commissioners are not required to maintain adequate records of vehicle use, and, a cost/benefit analysis has not been performed in at least 5 years to determine whether reimbursing for mileage is more cost effective than providing county-owned vehicles. Additionally, the County Commission could not provide documentation to support the basis for vehicle and personal insurance allowance amounts provided to some Road and Bridge employees, and adequate supporting documentation was not retained for some disbursements made for the Sheriff's office.
Sheriff's Controls and Procedures	Cash custody and accounting duties are not adequately segregated in the Sheriff's office. In addition, mileage logs are not maintained to adequately monitor the use of county-owned vehicles.
Capital Assets	The county's property records are not up-to-date and various county officials are not complying with statutory provisions related to accounting for county property. The County Clerk does not have adequate procedures in place to identify property purchases and dispositions throughout the year, and county property records have not been updated in at least 4 years. In addition, physical inventories of county property are not performed by county officials and written authorization is not always obtained from the County Commission for the disposition of county property.

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SUSAN MONTEE, JD, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Reynolds County

We have audited certain operations of Reynolds County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Reynolds County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2009. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract 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 Reynolds County.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Reynolds County Management Advisory Report State Auditor's Findings

1. County Disbursements

County procedures related to disbursements in the General Revenue and Road and Bridge Funds are in need of improvement. According to county records, disbursements in these two funds totaled approximately \$2.2 million and \$3.6 million, respectively, during the 2 years ended December 31, 2009.

1.1 Bidding

The county does not have a process in place to obtain bids or document price comparisons when purchasing used equipment or vehicles, and adequate documentation of purchase decisions was not always maintained. As a result, the County Commission could not demonstrate that reasonable steps were taken to ensure the county received the lowest and best prices for some purchases.

Our review of various disbursements from the General Revenue and Road and Bridge Funds noted purchases for three used vehicles were made; however, documentation of bids or price comparisons was not maintained. The County Commission indicated budget constraints did not allow for the purchase of new vehicles, so when used vehicles became available at lower prices, the County Commission approved the purchase. In addition, our review noted the lowest bid was not selected for the purchase of a wheel loader for the Road and Bridge Department. According to the County Commission, the lowest bid did not meet the county's specifications so the next lowest bid was selected. In each of these instances, while the county had a reason for not bidding the purchases or accepting the lowest bid, the County Commission failed to document the reasons behind the decisions.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. To provide assurance that the county has made every effort to obtain the best and lowest prices and all interested parties are given an equal opportunity to participate in county business, documentation should be maintained of all bids, price comparisons, and purchase decisions.

1.2 County Commission mileage

Mileage reimbursements paid to County Commissioners appear excessive. The county does not have a written policy regarding the County Commissioners' use of personal vehicles for county purposes and the County Commissioners are not required to maintain adequate records of vehicle use. In addition, a cost/benefit analysis has not been performed in at least 5 years to determine whether reimbursing for mileage is more cost effective than providing county-owned vehicles. As a result, the county cannot ensure mileage reimbursements are for county purposes only or demonstrate that paying mileage reimbursement is reasonable and cost effective. According to county records, the County Commissioners were paid over \$72,000 from the Road and Bridge Fund for mileage reimbursements during the 2 years ended December 31, 2009. County officials indicated most mileage reimbursements were related to inspecting



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various county-maintained roads. A similar condition was noted in our prior audit report.

The mileage reimbursement rate for the County Commissioners is determined by the standard federal mileage reimbursement rate; however, the County Commission adjusts the mileage threshold in the budget each year to ensure each commissioner is reimbursed approximately \$1,000 per month. The monthly maximum mileage threshold was set at 1,850 miles and 2,000 miles for 2009 and 2008, respectively, which averages between 60 and 65 miles per day (including holidays and weekends). During both 2008 and 2009, the maximum mileage was generally claimed each month. The county has approximately 625 miles of county-maintained roads.

The County Commissioners stated a cost/benefit analysis, performed approximately 5 years ago, determined it was more cost-effective to reimburse them for the mileage they incurred rather than to provide them county-owned vehicles. However, this cost/benefit analysis was not documented and an updated cost/benefit analysis has not been performed in recent years.

In addition, each commissioner is required to fill out a mileage report on a monthly basis; however, the mileage reports are not always complete. For example, each commissioner provided the date and total miles of the trips; however, only Commissioner Barnes provided the purposes/destinations of his trips. For some months, the mileage reports for each commissioner showed mileage incurred every day of the month, including weekends.

Submitting accurate and adequate supporting documentation is necessary to ensure the validity of transactions, to ensure mileage reimbursed is for county purposes only, and to provide an audit trail. In addition, a documented cost/benefit analysis would provide the County Commission with data to make an informed decision regarding commissioner mileage and ensure the economical use of county resources.

1.3 Road and bridge allowances and reimbursements

The County Commission could not provide documentation to support the basis for vehicle and personal insurance allowance amounts provided to some Road and Bridge employees, and a cost/benefit analysis has not been performed to determine the reasonableness of the allowances or whether it is more cost effective to provide county-owned vehicles for employees. In addition, Road and Bridge employees are not required to provide documentation supporting allowances received and proof of insurance is not always submitted. We noted that none of the employees submitted proof of insurance for 2009 and only two of six employees submitted proof of insurance for 2008. Also, such additional compensation is not reported on employee W-2 forms. According to county records, the county paid six employees a total of \$42,000 from the Road and Bridge Fund for these



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allowances during the 2 years ended December 31, 2009. A similar condition was noted in our prior audit report.

The union contract for the Road and Bridge Department requires transportation be provided to and from the job site for all Road and Bridge employees. There are six Road and Bridge employees who operate the county's heavy equipment, requiring them to transport the equipment to and from job sites. To address the contract provisions, the six employees pull their personal vehicles behind the heavy equipment when going between job sites. The County Commission provides a \$300 per month truck allowance for the six employees for wear-and-tear on their personal vehicles. The County Commission also provides liability insurance allowances of \$100 per year to the same six Road and Bridge employees for the additional liability insurance the county requires these employees to purchase as a result of pulling their vehicles behind county equipment.

Without adequate documentation to support allowance payments, the county cannot ensure vehicles are adequately insured and county liability is minimized. In addition, without a cost/benefit analysis, the county cannot ensure the reasonableness of allowances provided. Internal Revenue Service regulations require employee business expenses not accounted for to the employer to be considered gross income and subject to applicable withholdings taxes.

1.4 Disbursement documentation

Adequate supporting documentation was not retained for some disbursements made for the Sheriff's office. We noted 7 of 17 (41 percent) of General Revenue Fund Sheriff disbursements tested, totaling \$640, lacked adequate supporting documentation. Six of these seven disbursements, totaling \$420, were credit card charges for fuel, meals, and lodging. Retaining adequate supporting documentation is necessary to ensure the validity of transactions.

Recommendations

The County Commission:

- 1.1 Establish bidding procedures and maintain adequate documentation of decisions made, including the reasons why bids are not solicited and why certain bids are selected.
- 1.2 Perform and document a cost/benefit analysis to determine the most economical method for providing commissioner travel when performing official duties. In addition, mileage reimbursement requests should be supported by appropriate documentation, including the purpose of each trip.
- 1.3 Ensure all allowances to county employees are adequately supported and perform a cost/benefit analysis to determine the most



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cost effective method of providing transportation to certain Road and Bridge employees. In addition, the County Commission should determine if the allowance amounts should be included as other income on employee W-2 forms and require employees submit proof of insurance each year.

- 1.4 And the County Sheriff ensure supporting documentation is maintained for all disbursements.

Auditee's Response

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

- 1.1 *The County Commission agrees to provide documentation when purchasing used vehicles whether it is for the Road and Bridge Department or the County Revenue Fund. The County Commission will also make documentation of the reasons why each bid was selected.*
- 1.2 *The County Commission will look into the cost effectiveness of purchasing vehicles for the commissioners. The County Commission agrees to provide detailed mileage logs for their monthly mileage. They will also consider a cost analysis on two road and bridge foremen and trucks for them.*
- 1.3 *The County Commission agrees that the Road and Bridge grader operators need to provide adequate documentation to support allowance payments made monthly. The County Commission will look into the cost effectiveness of purchasing a truck to fuel each of the graders. The County Commission is also going to require proof of the required 100,000/300,000/100,000 insurance coverage for the vehicles being pulled behind the graders. The County Commission will also look into including these allowances on the operators' W2 forms.*
- 1.4 *The County Commission agrees with this recommendation and will ensure supporting documentation is maintained for all disbursements.*

The County Sheriff provided the following written response:

- 1.4 *Receipts for all transactions are now included with the financial records. This procedure was instituted during the audit.*



2. Sheriff's Controls and Procedures

Accounting controls and procedures in the Sheriff's office are in need of improvement. The Sheriff's office collected civil and criminal processing fees and cash bonds totaling approximately \$88,000 during the 2 years ended December 31, 2009.

2.1 Segregation of duties

Cash custody and accounting duties are not adequately segregated in the Sheriff's office. One clerk is responsible for all accounting controls and procedures, including maintaining accounting records, depositing and disbursing funds, and preparing bank reconciliations. There is no independent oversight performed, such as a periodic review of accounting records or monthly reconciliations. As a result, there is little assurance all transactions are accounted for properly and accounting records are complete and accurate.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If adequate segregation cannot be achieved due to limited staff, the Sheriff's office should implement a documented independent or supervisory review of records to ensure the bank records are in agreement with the accounting records.

2.2 Vehicle mileage logs

Mileage logs are not maintained to adequately monitor the use of county-owned vehicles. The Sheriff's office maintains a fleet of 12 patrol cars to be used by the Sheriff and his deputies. Each deputy is also assigned a fuel card to log fuel pumped from the county's fuel tank. While the County Clerk's office reviews fuel reports for unusual use, without mileage logs the county cannot ensure fuel use is reasonable in comparison with miles driven. According to county records, during the 2 years ended December 31, 2009, the Sheriff's office spent approximately \$60,000 on fuel.

Mileage logs are necessary to provide assurance that vehicles are used for county purposes only and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases.

Recommendations

The Sheriff's office:

- 2.1 Segregate accounting duties to the extent possible and ensure periodic independent or supervisory reviews are performed and documented.
- 2.2 Establish procedures to ensure detailed mileage logs are maintained and reconciled to fuel purchases for all county-owned vehicles in the Sheriff's office.



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Auditee's Response

The County Sheriff provided the following written responses:

- 2.1 *Procedures are now in place where the Sheriff looks at, reviews, and initials all financial records.*
- 2.2 *As of August 1, 2010, the Sheriff's office maintains mileage logs on all vehicles to document mileage, use, and fuel.*

3. Capital Assets

The county's property records are not up-to-date and various county officials are not complying with statutory provisions related to accounting for county property. As of December 31, 2009, county property, including vehicles, was valued at approximately \$2.8 million on the county's insurance policy.

The County Clerk does not have adequate procedures in place to identify property purchases and dispositions throughout the year, and county property records have not been updated in at least 4 years. For example, a local utilities company built and furnished a new Emergency Operations Center for the county as part of a settlement agreement with the county. The county's insurance policy indicates this building, including its furnishings, are valued at approximately \$725,000; however, the county has not inventoried these assets, affixed tags identifying them as county property, or included them on its property records.

In addition, physical inventories of county property are not performed by county officials and written authorization is not always obtained from the County Commission for the disposition of county property.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. In addition, it is the county's informal policy to affix identifying tags to all property items with a value of \$500 or more. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur. Physical inventories, proper tagging of county property items, and periodic comparisons of inventories to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft.

Recommendation

The County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking and tagging capital asset purchases throughout the year. In addition, the County Commission should establish formal procedures for approving all county property dispositions.



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Auditee's Response

The County Commission and the County Clerk provided the following written response:

The County Commission and the County Clerk agree to work with other county officials to ensure complete and accurate inventory records are maintained on an annual basis. The County Commission will establish formal policies for approving all county property dispositions.

Reynolds County

Organization and Statistical Information

Reynolds County is a county-organized, third-class county. The county seat is Centerville.

Reynolds 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. The county employed 41 full-time employees and 10 part-time employees on December 31, 2009.

In addition, county operations include the 911 Board, the Senate Bill 40 Board, and the Senior Services Board.

Elected Officials

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

Officeholder	2010	2009
Donald Barnes, Presiding Commissioner	\$	23,318
Doug Warren, Associate Commissioner		22,572
Wayne Henson, Associate Commissioner		22,572
Randy L. Cowin, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Mike Harper, County Clerk		32,300
Robert A. Johnson, Prosecuting Attorney		38,250
Tom Volner, Sheriff		37,800
Elaine Albert, County Treasurer		32,300
Jeffery N. McSpadden, County Coroner		9,900
Heather Stucker, Public Administrator		18,000
Judy A. Cook, County Collector, year ended February 28 (29),	32,300	
Rick Parker, County Assessor, year ended August 31,		31,800

(1) Compensation is paid by the state.