



# Thomas A. Schweich

Missouri State Auditor

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## Lawrence County



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September 2012  
Report No. 2012-109

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of Lawrence County

County Collector Controls and Procedures	The County Collector's annual settlements were inaccurate, and on the annual settlement for the year ended February 29, 2012, tax book charges were understated by \$2.7 million compared to amounts reported in the property tax system. The County Collector did not properly calculate commissions, resulting in \$36,252 owed to schools from the General Revenue and Assessment Funds. The County Collector did not prepare a list of liabilities for the property tax collection bank account and reconcile it to the available cash balance, and there was an unexplained difference of \$25,266. Receipt slips are not issued for partial payments, and partial payment ledgers are not accurate and complete. The County Collector did not distribute interest earned timely and used incorrect ratios when calculating surtax distribution amounts.
Property Tax System Controls and Procedures	Neither the County Commission nor the County Clerk adequately reviewed or verified the amounts on the County Collector's annual settlements, and the County Clerk does not prepare the current or back tax books or verify the accuracy of the tax books. The County Assessor enters additions and abatements into the property tax system and also has the ability to change tax rates, and no one compares approved changes to actual changes made to the property tax system. Similar findings were contained in the prior report.
Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney's utilizes four separate receipting systems (two electronic and two manual) to track bad check restitution and fees and court ordered restitution, and none of the receipting systems contained a complete record of all monies received and processed. Monies received are not always posted to the computerized accounting systems or deposited timely, receipt dates are not always entered accurately and in sequential order, and amounts recorded on manual receipt slips cannot be reconciled to the computerized accounting systems and amounts deposited and transmitted. The bad check clerk receives, records, transmits, and deposits monies, and has the ability and authority to post adjustments to the computer system and grant payment extensions to defendants without independent approval, which increases the risk of errors, irregularities, or misuse occurring without detection.
Financing, Fuel Use, and Sheriff Revolving Fund	Certificates of Participation (COPS) totaling \$4,945,000 were sold in March 2010 in a negotiated sale instead of a competitive sale, and the County Commission did not competitively select the COPS underwriter or legal counsel. Though not required, competitive sales and competitive selections may result in lower costs for the county. The county lacks adequate controls and procedures over road and bridge department fuel use and purchases. Common Road District No. 1's bulk tank fuel use logs are not reconciled to fuel purchases, and Common Road District No. 2 does not maintain fuel use logs. The county did not establish a Sheriff Revolving Fund for concealed weapon permit fees.
Payroll Controls and Procedures	The county is paying more overtime to Sheriff's office employees than is required by law or its policy. Timesheets and leave records are not prepared for some employees, and on the 26th of each month full-time employees receive pay through the end of the month, in advance of services performed. The county's personnel policy does not address the use of unearned leave and some employees were allowed to incur negative sick leave and compensatory time balances.

Jail Operations	Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services, and the county houses prisoners for other cities and counties without entering written agreements with these cities and counties. As of March 2012, Jasper County owed the county over \$15,000, and various other cities owed the county a total of \$3,360. Jail receipt slips were not accounted for properly, which increases the risk that loss or misuse of monies will go undetected.
County Commission Meeting Minutes	The county did not maintain minutes of closed meetings, as required by the Sunshine Law.
Recorder of Deeds	The Recorder of Deeds bank account contained a \$1,448 overage. In the prior audit report, auditors identified a \$1,409 overage, and the Recorder of Deeds did not investigate this difference or dispose of the unidentified funds.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	<p>Lawrence County received the following Federal Stimulus funds during the audit period:</p> <p>A \$119,437 Homelessness Prevention and Rapid Re-housing Program grant, all of which was spent on this program providing homelessness prevention assistance and rapid re-housing assistance.</p> <p>A \$20,159 Title V, Section 5001 of the Recovery Act grant for Medicaid expenditures.</p> <p>\$1,267 in Child Care and Development Block Grant monies, all of which was spent on this program for educational materials.</p> <p>\$537 in Immunization and Vaccines for Children Grant monies, all of which was spent on this program.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Lawrence County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Lawrence County

We have audited certain operations of Lawrence County in fulfillment of our duties under Section 29.230, RSMo. In addition, Cook and Hamlin, LLC, Certified Public Accountants, was engaged to audit the financial statements of Lawrence County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:


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

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

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
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# Lawrence County Management Advisory Report State Auditor's Findings

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## **1. County Collector Controls and Procedures**

The County Collector did not prepare complete and accurate annual settlements and did not properly calculate commissions, resulting in \$36,252 owed to schools from the county General Revenue and Assessment Funds. Improvement is needed in the controls and procedures over liabilities and partial payments, and interest income is not distributed timely. For the 2 years ended February 29, 2012, property taxes charged to the County Collector totaled approximately \$22 million annually.

### **1.1 Annual settlements**

During our review of the County Collector's annual settlement for the year ended February 29, 2012, we identified numerous errors. In addition, collections reported on the annual settlement for the year ended February 28, 2011, were understated. The employee that prepared the settlement lacked an adequate understanding of the annual settlement report requirements and did not properly compile information from various supporting records. In addition, the County Collector did not perform an adequate review of the settlement for accuracy prior to signing and forwarding to the County Commission for review and approval. The following errors were identified on the County Collector's annual settlement for the year ended February 29, 2012:

- Tax book charges on the annual settlement were understated by approximately \$2.7 million compared to amounts reported in the property tax system.
- Collections were understated by approximately \$882,000. Current tax collections were understated by nearly \$909,000, and delinquent tax collections, including interest and penalties collected were understated by approximately \$203,000. Private car tax collections of \$51,248 and interest on investments of \$7,759 were not included on the annual settlement. Payment in lieu of tax (PILT) collections of \$7,424 were reported as abatements on the annual settlement instead of collections. In addition, the County Collector included other collections of approximately \$297,000 without documenting the source of the collections, and understated merchants licenses by \$721.
- The amount reported on the annual settlement for delinquent tax credits (real estate and personal) did not agree to the delinquent tax books, and the annual settlement was understated by approximately \$1.4 million.
- The amount reported on the annual settlement for abatements was understated by approximately \$259,000.
- Protested taxes of approximately \$185,000 were not accurately reported on the annual settlement.



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- Distributions reported on the annual settlement did not include interest earned on investments.

By not accurately reporting all activity on the annual settlement, there is less assurance collections have been handled and accounted for properly. Section 139.450, RSMo, states the collector shall include in the collector's annual settlement the whole amount of taxes collected.

### 1.2 Commissions

The County Collector did not review ratios calculated and entered into the property tax system for Proposition C commissions during the year ended February 29, 2012. As a result, a total of \$31,734, \$2,992, and \$1,526 was over withheld from the Aurora R-VIII, Verona R-VII, and Marionville R-IX school districts, respectively, and paid to the county General Revenue Fund (\$18,126) and Assessment Fund (\$18,126). Minor errors in Proposition C commission calculations were also noted during the year ended February 28, 2011. The County Collector was unaware of these errors until we brought them to his attention.

To ensure commissions are properly computed and paid to the General Revenue and Assessment Funds, the County Collector should review the computation of commissions.

### 1.3 Liabilities

A list of liabilities was not prepared for the property tax collection bank account and reconciled to the available cash balance. We prepared a list of known liabilities for the property tax collection bank account, which totaled \$483,371, while the available cash balance was \$508,637, resulting in a difference of \$25,266. Regular comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance and sufficient funds are available for the payments of all amounts due. Also, such reconciliations would allow for prompt detection and correction of errors.

### 1.4 Partial payments

Receipt slips are not issued for partial payments received and partial payment ledgers maintained for each tax payer by the County Collector are not accurate and complete. In addition, a reconciliation between the partial payment ledgers and the partial payment bank account balance has not been performed and partial payments totaling over \$3,700 are held for parcels with no related tax liabilities. As of March 31, 2012, the partial payment ledgers totaled \$12,660, while the cash balance of the partial payment bank account was \$13,463, resulting in a difference of \$803. Reconciliation is more difficult because final payments of taxes due are not recorded in the partial payment ledger. Partial payments are held in escrow until the tax bill is fully paid, whereupon the County Collector records the taxes as paid in the computerized tax system.

Issuing receipt slips and recording all partial payment activity on the ledger is necessary to ensure funds held in escrow are accounted for properly. A





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properly maintained partial payment account ledger is crucial in the process of identifying liabilities of the County Collector. Procedures should be adopted to routinely follow up on old partial payments and refund as appropriate.

## 1.5 Distribution of interest

The County Collector did not distribute the interest earned from bank deposits on a timely basis. Interest earned during the 2 years ended December 31, 2009, totaling \$52,206, was not distributed until June 2010. Interest earned during the year ended December 31, 2010, totaling \$19,023, was not distributed until October 2011, and interest earned during the year ended December 31, 2011, totaling \$12,705, had not been distributed as of April 2012. Interest income earned on property tax monies collected for other political subdivisions belongs to those entities and should be distributed timely.

A similar condition was noted in our prior audit report.

## 1.6 Distribution of surtax

While the County Collector calculated new ratios to be used in the distribution of surtaxes collected during the year ended February 29, 2012, the County Collector failed to enter the new ratios into the property tax system. As a result, over/under payments were made to 41 various political subdivisions in Lawrence County during the year ended February 29, 2012. Distribution errors ranged from an overpayment of \$778 to an underpayment of \$1,409. Proper updating of surtax ratios in the property tax system is necessary to ensure compliance with applicable state statutes.

## Recommendations

The County Collector:

- 1.1 File complete and accurate annual settlements.
- 1.2 Recalculate current and delinquent tax commissions and correct distributions from the General Revenue Fund and Assessment Fund to the various political subdivisions. The County Collector should also ensure future commission calculations are accurate.
- 1.3 Prepare and reconcile a list of liabilities to bank balances monthly. Any differences should be investigated and resolved.
- 1.4 Ensure all partial payments activity is properly recorded on the partial payment ledger and the ledger is reconciled to the bank balance periodically. The County Collector should establish procedures to routinely investigate partial payments held for long periods of time, attempt to locate the payees of the partial payments where no tax liability remains due, and refund if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.



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- 1.5 Distribute interest income in a timely manner.
- 1.6 Recalculate and correct surtax distributions for the year ended February 29, 2012, and ensure future surtax calculations are accurate.

## Auditee's Response

*The County Collector provided the following written responses:*

- 1.1 *I revised the annual settlement for the year ended February 29, 2012, and sent an approved copy to the State Auditor's Office on April 11, 2012.*
- 1.2 *I am working to ensure proper distribution.*
- 1.3 *I will prepare and reconcile a list of liabilities on a semi-annual basis. I already reconcile the bank statement to the checkbook register balance on a monthly basis. I will continue to work on resolving the overage in the account.*
- 1.4 *I am working to resolve the overage in the account. I will ensure all partial payment activity is recorded on the partial payment ledger. I will review the partial payment ledger on a semi-annual basis to identify and refund payments held for long periods of time or against property with no tax liability. I already reconcile the bank statement to the checkbook register balance on a monthly basis.*
- 1.5 *Interest earned during the years ended December 31, 2011, was distributed in May 2012.*
- 1.6 *We recalculated and corrected these surtax distributions on May 3, 2012.*

## 2. Property Tax System Controls and Procedures

As similarly noted in our prior audit reports, controls and procedures over the property tax system need improvement. As a result of the significant control weaknesses identified, there is less assurance property tax monies have been accounted for properly.

### 2.1 Review of annual settlements

Neither the County Commission nor the County Clerk adequately reviewed or verified the amounts on the annual settlements prepared by the County Collector. As a result, incorrect amounts recorded on the settlements prepared by the County Collector went undetected (see MAR finding number 1). In addition, the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes.



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Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements.

## 2.2 Tax books

The County Clerk does not prepare the current or back tax books or verify the accuracy of the tax books, and the County Collector has the ability to change tax rates in the property tax system. The County Clerk enters the tax rates in the property tax system using the County Collector's password, which allows the County Collector access to change the tax rates. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the property tax system and that disputes or questions might arise. Also, no procedures were performed by the County Clerk to verify the accuracy of the tax books. Failure to prepare and review the tax books and test individual tax statement computations may result in errors, irregularities, or misuse 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.

## 2.3 Additions and abatements

While the County Commission and County Clerk review and approve court orders for additions and abatements monthly, a subsequent comparison of approved additions and abatements to actual changes made by the County Assessor in the property tax system is not performed. Additionally, the County Assessor has access to make changes to the property tax system after the Board of Equalization has met and approved the property taxes for the year. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the property tax system and that disputes or questions regarding the propriety of property taxes might arise. We compared approved additions and abatements to amounts recorded in the property tax system for the year ended February 29, 2012, and determined differences totaling \$8,432 and \$2,972 for additions and abatements, respectively. A review of supporting documents showed explanations for some differences (i.e., type of adjustment was recorded incorrectly on the court order) while other system changes did not match court orders and a reason could not be determined. Had a comparison been performed between approved addition and abatement amounts and additions and abatements recorded in the property tax system, these errors could have been detected and resolved.



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Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with a comparison of approved additions and abatements to actual changes made to the property tax system, would help ensure changes are proper.

## Recommendations

- 2.1 The County Clerk maintain an account book with the County Collector, and the County Clerk and County Commission use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.
- 2.2 The County Clerk should verify the totals of the current and back tax books for accuracy and document the procedures performed. The County Clerk and County Commission should restrict access to the property tax system.
- 2.3 The County Clerk and the County Commission ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed.

## Auditee's Response

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

- 2.1 *We will endeavor to improve our monitoring procedures, including the implementation of an account book.*
- 2.2 *This recommendation will be implemented.*
- 2.3 *This recommendation will be implemented. We will keep copies of additions and abatements and will verify these changes with the property tax system.*

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## 3. Prosecuting Attorney Controls and Procedures

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected bad check fees totaling approximately \$23,000 and \$35,000 during the years ended December 31, 2011 and 2010, respectively. Amounts collected for bad check and court ordered restitution could not be readily determined.

### 3.1 Receipting, posting, and depositing monies

Procedures for receipting, posting, and depositing monies need improvement. The Prosecuting Attorney's office utilizes four separate receipting systems (two electronic and two manual) to track bad check restitution and fees, and court ordered restitution.



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- Each receipting system tracks different information and none of the receipting systems contain a complete record of all monies received and processed. For example, a defendant's payment amount was recorded as \$148 in two of the receipting systems, \$82 in another system, and \$60 in yet another system.
- Receipts are not always posted to the computerized accounting systems timely. For example, a manual receipt was issued to a defendant for restitution and fees paid on September 16, 2011; however, this receipt was not posted to one electronic system until September 21 and to the other electronic system until September 22.
- One of the electronic accounting systems allows the user to enter the date of the receipt into the system, and the receipt dates entered into the system are not always accurate and in sequential order. For example, receipt dates recorded for receipt numbers 720, 721, 722, and 723 were September 2, August 24, September 1, and September 8, 2011, respectively.
- Due to the various problems noted above, amounts recorded on manual receipt slips cannot be reconciled to the computerized accounting systems and amounts deposited and transmitted.
- Monies received are not always deposited timely. For example, receipts totaling \$1,662 collected between November 14 and November 30, 2011, were not deposited until December 2, 2011.

Failure to implement adequate receipting, posting, and depositing procedures, including comparing receipt records to deposits, increases the risk that loss or misuse of monies received and errors will go undetected. In addition, the use of multiple receipting systems is cumbersome and reduces the assurance that all monies received are accurately recorded and accounted for properly.

A similar condition was noted in our prior audit report.

### 3.2 Adjustments and extensions

There is no independent approval to support adjustments posted to the accounting systems or payment extensions granted to defendants by the bad check clerk, and adequate documentation of such adjustments and extensions was not retained. The bad check clerk, who also receives, records, transmits, and deposits monies, has the ability and authority to post adjustments to the computer systems. Adjustments totaling \$76,239 were made to one of the electronic systems during the 2 years ended December 31, 2011. Adjustments totaling \$22,725 were made to the other electronic system during 2011, and no adjustments were made during 2010. Given the clerk's various duties, the ability to make adjustments to the system and modify payment arrangements without sufficient oversight and approvals



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increases the risk of errors, irregularities, or misuse occurring without detection.

To ensure all adjustments and payment extensions are valid, someone independent of receipting and recording functions should review and approve all adjustments and payment extensions, and proper supporting documentation should be maintained for such adjustments.

## Recommendations

The Prosecuting Attorney:

- 3.1 Ensure a complete record of all monies received is maintained and monies are recorded promptly in the electronic accounting systems. In addition, the Prosecuting Attorney should ensure monies are deposited timely, and comparisons of receipt slips to the computerized accounting system and deposits and transmittals are performed.
- 3.2 Require someone independent of the accounting system to review and approve all adjustments and payment extensions and ensure adequate documentation is retained to support such adjustments and payment extensions.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 3.1 *As of July 10, 2012, my office consolidated the entire bad check system to one electronic accounting system. This allows a complete record of all monies received to be promptly recorded. Deposits are made more timely and a comparison of the accounting system to deposits/transmittals is being performed.*
- 3.2 *I now approve all payment extensions and independently review and approve all adjustments monthly. I will ensure adequate documentation is retained.*

## 4. Financing, Fuel Use, and Sheriff Revolving Fund

Weaknesses were noted in controls and procedures over financing and fuel use, and the Sheriff Revolving Fund was not established as required by state law.

### 4.1 Financing

Certificates of Participation (COPS) totaling \$4,945,000 were sold in March 2010 through a negotiated instead of a competitive sale. The COPS were issued to refinance COPS originally issued in 2007 for the construction of the justice center. The County Commission used an underwriter and legal counsel it was familiar with and relied upon the advice of the underwriter and legal counsel instead of seeking open bids assuring the most



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competitive rate of return for the taxpayers. In addition, the County Commission did not select the COPS underwriter or legal counsel competitively. The underwriter and legal counsel were paid \$85,800 and \$6,000, respectively.

COPS are a method of financing a capital project whereby a financial institution sells interests in the capital project, leases the project to a local government, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a minimal amount the capital project it has been leasing. COPS are not required to be approved by county voters.

While Missouri law does not require competitive sales of this type of financing instrument or competition in selecting underwriters and legal counsel, competitive sales may result in lower interest costs for the county, and competition in selecting underwriters and legal counsel is important to ensure services are obtained from the best qualified providers at a fair price.

### 4.2 Fuel use and purchases

Controls and procedures over fuel use and purchases need improvement. According to accounting records, the county purchased approximately \$100,000 of fuel for the road and bridge department during the 2 years ended December 31, 2011.

- Bulk tank fuel use logs maintained by Common Road District No. 1 are not reconciled to fuel purchases. These logs show vehicles and gallons pumped, but no mileage or hour information is recorded. As a result, the county cannot adequately monitor use of fuel or vehicles.
- Common Road District No. 2 has no records to ensure fuel purchases for its road and bridge equipment and vehicles are used appropriately. Fuel use logs are not maintained for district equipment and vehicles or the bulk fuel tank, and as a result, fuel use is not reconciled to fuel purchases.

Procedures for reviewing fuel use and reconciling use to fuel purchased are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Also, mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. Failure to account for fuel purchases could result in theft and misuse of fuel going undetected.

A similar condition was noted in our prior audit report.

### 4.3 Sheriff Revolving Fund

The Sheriff Revolving Fund was not established as required by state law, and the fees collected for processing concealed weapon permit applications or renewals were transmitted to the Sheriff's Special Fund, which is held by



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the County Treasurer. By not separately tracking concealed weapon permit fees collected and spent, the county cannot determine at a point in time what portion of the Sheriff's Special Fund represents restricted concealed weapon monies or demonstrate compliance with statutorily allowed uses. The Sheriff collected approximately \$43,530 for concealed weapon permit applications during the 2 years ended December 31, 2011. Section 571.101, RSMo, authorizes the Sheriff to charge non-refundable fees for processing a first time application and a renewal for a concealed weapon permit which shall be paid to the county treasury to the credit of the Sheriff Revolving Fund.

## Recommendations

The County Commission:

- 4.1 Pursue fair and open competition in any future financing option sales, and select the underwriter and legal counsel competitively.
- 4.2 Require fuel use logs be maintained for all county-owned vehicles and equipment, and ensure logs are reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.
- 4.3 And the County Treasurer establish the Sheriff Revolving Fund as required by state law.

## Auditee's Response

*The County Commission provided the following written responses:*

- 4.1 *We will use competitive sales and selection processes in future financing option sales.*
- 4.2&  
4.3 *We will comply.*

*The County Treasurer provided the following written response:*

- 4.3 *The Sheriff Revolving Fund will be established at the beginning of the new fiscal year, January 1, 2013.*

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## 5. Payroll Controls and Procedures

Controls and procedures over payroll disbursements need improvement.

### 5.1 Personnel policies

The county does not compensate some Sheriff's office employees for overtime in compliance with its overtime policy and Fair Labor Standards Act of 1938 (FLSA) requirements. Nonworking time (vacation, sick leave, compensatory time taken, and holidays) is included in total hours worked when determining the amount of overtime earned by employees, which is disallowed by the county personnel policy and not required by the FLSA.





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The county is paying more overtime to employees than required as a result of using nonworking time in its calculations of overtime earned.

## 5.2 Timesheets, leave records, and full-time employees

Timesheets and leave records are not prepared for some employees, and full-time employees are paid in advance of time worked. Timesheets and leave records are not prepared and submitted to the County Clerk for two assistant prosecuting attorneys. As a result, the County Clerk's office does not have sufficient records to ensure the validity of payroll disbursements totaling approximately \$118,000 in 2011 and \$132,000 in 2010, and there is no documentation to support or justify paid time off taken by these employees. Additionally, the County Clerk's office prepares and distributes payroll for full-time employees on the 26th of each month for the period ending the last day of the month. As a result, full-time employees are paid in advance for their services. In addition, there is no comparison of actual time worked to time previously reported. Paying county employees in advance of hours actually worked may lead to errors and the potential for employees to be over/under paid.

To ensure the legitimacy of payroll disbursements and demonstrate compliance with the FLSA, the County Commission should require adequate documentation to support all payroll transactions.

A similar condition was noted in our prior audit report.

## 5.3 Leave balances

The county's personnel policy does not address the use of unearned leave and some county employees used sick leave and compensatory time in excess of their balances, resulting in negative leave balances. For example, during our review of leave records and timesheets of six county employees, we noted two Sheriff's office employees had negative balances at various times during the year ended December 31, 2011. To ensure the equitable treatment of employees, the personnel policy should be updated to address the use of unearned leave.

## Recommendations

The County Commission:

- 5.1 And the Sheriff ensure compliance with county overtime policy and FLSA.
- 5.2 Require the assistant prosecuting attorneys to submit timesheets and leave records to the County Clerk's office. Additionally, the County Commission should discontinue compensating full-time employees in advance of receiving services.
- 5.3 Revise the county personnel policy to address the use of unearned leave and discontinue the practice of allowing negative leave balances.



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## Auditee's Response

*The County Commission provided the following written responses:*

- 5.1 *We will work with the Sheriff to resolve this issue.*
- 5.2 *We will review and try to remedy.*
- 5.3 *We will comply.*

*The Sheriff provided the following written response:*

- 5.1 *The Sheriff's Office is an independent office and does not fall under county policy restrictions. Case law supports this fact. The Sheriff's Office currently operates under its own personnel policy, which was adopted in May 2012. Where gaps in the Sheriff's Office personnel policy are present, we will default to county policy, so long as it does not conflict with the Sheriff's Office policy.*

## 6. Jail Operations

The county did not solicit bids for prisoner meal supplies and medical services. In addition, the Sheriff did not enter into written contracts to board prisoners and has not implemented adequate receipting procedures for monies received in the jail.

### 6.1 Bidding

Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services costing approximately \$73,000 and \$69,000, respectively, during the 2 years ended December 31, 2011. While the Sheriff changed vendors for both prisoner meal supplies and medical services during 2012 and indicated he had noticed considerable savings, neither he nor the county solicited bids for these services.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

### 6.2 Written contracts

The county has not entered into written agreements with three counties and seven cities regarding the rate to be charged for housing prisoners in the county jail. Lawrence County currently charges these counties and cities \$40 per day to house prisoners.

The county housed prisoners for Jasper County from April to September 2011. While numerous bills have been sent for payment, Jasper County has failed to pay. As of March 2012 Jasper County owes over \$15,000 in prisoner board to the county. Various other cities within the county owe the county a total of \$3,360 for prisoner board billings.



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Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires county contracts to be in writing.

**6.3 Jail receipting procedures** Receipt slips are not accounted for properly. Six receipt books were used concurrently by jailers, resulting in the use of many different sequences. We reviewed receipt slips issued during the period October through December 2011, totaling \$20,246, and noted various problems. Several instances were noted where receipt slips within the same sequence were not issued in order, some receipt slips were missing from the receipt book, several receipt slips were skipped and not properly defaced to prevent later use, some voided receipt slips were not properly retained, the date and method of payment were not always recorded on the receipt slip, and some receipt slips were not legible.

To adequately account for all monies received, prenumbered receipt slips should be issued in numerical sequence and accounted for properly. Failure to implement adequate receipting procedures increases the risk that loss or misuse of monies received will go undetected.

## Recommendations

- 6.1 The County Commission and Sheriff perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- 6.2 The County Commission and Sheriff enter into written agreements defining services provided and benefits received and continue to pursue collection of amounts due.
- 6.3 The Sheriff ensure receipt slips are issued in numerical sequence and accounted for properly.

## Auditee's Response

*The County Commission provided the following written responses:*

- 6.1 *We will discuss with the Sheriff.*
- 6.2 *We will work with the Sheriff to resolve this issue.*

*The Sheriff provided the following written responses:*

- 6.1 *I will ensure competitive bidding procedures are followed and documentation is retained in the future.*
- 6.2 *I will work with the County Commission to establish written agreements.*
- 6.3 *Jailers have begun using only one receipt book at a time.*



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## 7. County Commission Meeting Minutes

Minutes for closed session meetings are not maintained. The County Commission held three closed sessions during 2011. Without minutes of closed sessions, there is no record of the discussions held or support for decisions made, and less assurance to the public that various statutory provisions are followed.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

### Recommendation

The County Commission ensure minutes are maintained for all closed session meetings.

### Auditee's Response

*The County Commission provided the following written response:*

*No motions were made and no votes were taken. We will show as separate minutes to that effect in the future.*

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## 8. Recorder of Deeds

The prior audit report indicated a \$1,409 overage in the Recorder of Deeds bank account as of December 2006. The Recorder of Deeds did not investigate this difference or properly dispose of these monies, and an overage of \$1,448 exists in this account as of December 31, 2011. Various statutory provisions provide for the disposition of these unidentified monies.

### Recommendation

The Recorder of Deeds dispose of the unidentified overage in accordance with state law.

### Auditee's Response

*The Recorder of Deeds provided the following written response:*

*On May 24, 2012, a check was written to the Lawrence County Treasurer. The amount was \$1,448 and was to be deposited to the General Revenue Fund of Lawrence County. This check was to dispose of the overage in the account of the Recorder of Deeds. A new software program was installed in June 2011. It includes an accounting system so there will be no problem with incorrect balances in the future.*

# Lawrence County

## Organization and Statistical Information

Lawrence County is a county-organized, third-class county. The county seat is Mount Vernon.

Lawrence 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 119 full-time employees and 21 part-time employees on December 31, 2011.

In addition, county operations include the health department, Board for the Developmentally Disabled, 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	2012	2011
Sam Goodman, Presiding Commissioner	\$	31,700
Joe Ruscha, Associate Commissioner		29,700
Rodney Barnes, Associate Commissioner		29,700
Pam Robertson, Recorder of Deeds		45,000
Gary Emerson, County Clerk		45,000
Don Trotter, Prosecuting Attorney		109,366
Brad DeLay, Sheriff		50,000
Sharon Kleine, County Treasurer		45,000
Scott Lakin, County Coroner		16,000
Pam Fobair, Public Administrator		45,000
Kelli McVey, County Collector (1), year ended February 29,	51,660	
Doug Bowerman, County Assessor , year ended August 31,		45,000
Aaron Austin, County Surveyor (2)		N/A

(1) Includes \$6,660 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

### Financing ArrangementsFinancing ArrangementsArrangements

The county entered into a lease purchase agreement with UMB Bank on March 11, 2010. The terms of the agreement call for the county to lease the justice center to UMB Bank, then the bank leases the justice center back to the county with lease payments equal to the amount due to retire the



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Lawrence County  
Organization and Statistical Information

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**American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)**

indebtedness. Certificates of Participation (COPS) totaling \$4,945,000 were issued by UMB Bank in 2010 on behalf of the county and the proceeds of those certificates are being used to refinance COPS issued in 2007. The lease is scheduled to be paid off in 2016. The remaining principal and interest due on the lease at December 31, 2011, was \$4,020,000 and \$219,543, respectively. A 1/2-cent sales tax was approved by the voters in 2007 to construct, equip, furnish, and operate the new justice center.

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011.

A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$119,437 was passed through to Lawrence County. The county spent \$119,437 during the 2 years ended December 31, 2011, on this program which provides homelessness prevention assistance to households that would otherwise become homeless and rapid re-housing assistance to persons who are homeless.

For the years ended December 31, 2011 and 2010, the Lawrence County Board for the Developmentally Disabled received \$20,159 under Title V, Section 5001 of the Recovery Act which provided additional federal funding through the Medicaid Federal Medical Assistance Percentage grant. The grant was awarded by the Missouri Department of Mental Health. The payments were made for Medicaid expenditures reported between October 1, 2008, and December 31, 2010.

Child Care and Development Block Grants were awarded by the U.S. Department of Health and Human Services to the Missouri Department of Health and Senior Services and \$1,267 was passed through to Lawrence County. The Lawrence County health department received and spent \$1,267 during the 2 years ended December 31, 2011, on this program for educational materials.

Immunization and Vaccines for Children Grants were awarded by the U.S. Department of Health and Human Services to the Missouri Department of Health and Senior Services and \$537 was passed through to Lawrence County. The Lawrence County health department received and spent \$537 during the year ended December 31, 2010, on this program.