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Missouri State Auditor

Linn County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Linn County

Property Tax System	The County Collector-Treasurer and her deputy have administrative access rights in the property tax system, which allows them to alter or delete tax rates, assessed values, and property tax billings. This creates a significant control weakness, as the County Collector-Treasurer is also responsible for collecting tax monies. Users of the property tax system all use the same user identification and password, and the system does not require that the password be changed periodically. In addition, numerous receipting errors were made, requiring over 500 monetary transaction voids totaling over \$230,000 in the two years ended February 29, 2012, and such voids are not adequately reviewed or monitored by the County Collector-Treasurer.
Timesheets	The Sheriff does not sign Sheriff's department timesheets, and the Child Support Division employee's timesheets are not signed by a supervisor. County employees estimate the number of hours to be worked during the end of the pay period, which are not later compared to actual hours worked.
Fuel Use	As noted in our prior audit report, procedures to monitor fuel use in the Road and Bridge department and Sheriff department are not adequate. The Road and Bridge department does not maintain a fuel log for the bulk fuel tank, record mileage when fueling vehicles, or retain and reconcile fuel card purchase receipts to fuel use. The Sheriff's department maintains mileage and fuel logs, but these logs are not reconciled to fuel purchases, and mileage is not reviewed for reasonableness.
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)

Linn County received the following Federal Stimulus funds during the audit period:

A \$2,224 Title V, Section 5001 under Division B of the Recovery Act grant, \$400 of which was spent to build a carport for the green house operations. The Senate Bill 40 Board plans to spend the remaining \$1,824 for improvements to the green house operations.

*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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Linn County

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Linn County

We have audited certain operations of Linn County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp, & Van Hoy LLC, Certified Public Accountants, was engaged to audit the financial statements of Linn County for the 2 years ended December 31, 2011. 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) no significant 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 Linn 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
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Deborah Whitis, MBA, CPA, CIA
Audit Staff:	Richard Mosha, MBA
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Linn County

Management Advisory Report

State Auditor's Findings

1. Property Tax System

Controls and procedures over the property tax system need improvement. The County Collector-Treasurer's office processed collections totaling approximately \$8.9 million for the year ended February 29, 2012, and \$8.3 million for the year ended February 28, 2011.

1.1 Computer access

Access to the property tax system is not adequately restricted. The County Collector-Treasurer and her deputy have administrative access rights in the property tax system, which provides them with unlimited access to all information in the system and allows them the ability to make changes to individual tax records. Because the County Collector-Treasurer is responsible for collecting tax monies, the ability to alter or delete tax rates, assessed values, and property tax billings represents a significant control weakness. The County Commission was not aware the County Collector-Treasurer had full access to the system until we brought this to the county's attention in May 2012.

Properly limiting access to the property tax system will help prevent unauthorized changes to property tax records. Access should be limited based on user needs.

1.2 User identifications and passwords

Separate user identifications and passwords are not required to log onto the property tax system. The County Collector-Treasurer's office has three computers which utilize the same user identification and password to log in. Additionally, the password is not changed on a periodic basis. The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system.

To control access, a unique user identification and password should be assigned to each user of a system. These passwords should be kept confidential and changed periodically.

1.3 Receipting procedures

Numerous receipting errors were made requiring a significant number of monetary transaction voids throughout the year. Our review identified 219 voids totaling \$92,688 for the year ended February 29, 2012, and 308 voids totaling \$142,545 for the year ended February 28, 2011. Because such voids are a common occurrence and are numerous, they are not adequately reviewed or monitored by the County Collector-Treasurer. After identifying errors and requiring corrections to be made in the property tax system, the County Collector-Treasurer does not always perform a subsequent review to ensure actual changes made were proper.

Failure to perform subsequent reviews of voided transactions increases the risk that loss or misuse of monies received will go undetected.



Linn County
Management Advisory Report - State Auditor's Findings

Recommendations

- 1.1 The County Commission limit the County Collector-Treasurer and her staff's access to the property tax system through the use of access controls.
- 1.2 The County Collector-Treasurer require unique user identifications and passwords for all employees who have access to the property tax system, and require passwords be kept confidential and changed periodically.
- 1.3 The County Collector-Treasurer establish procedures to ensure receipts are properly recorded in the property tax system upon receipt and ensure monetary transaction voids are adequately reviewed.

Auditee's Response

The County Commission provided the following written response:

- 1.1 *The county was unaware of the controls set for the property tax system by the software company. The software company has been contacted to comply with recommendations.*

The County Collector-Treasurer provided the following written responses:

- 1.2 *I will try to implement using different passwords for each employee this coming tax year. We will try and log into a computer and use that computer as much as we can without having to change while doing tax receipts. In November and December it is going to be hard to do, but we will try. When we are really busy it would be very time consuming to log on and off to different computers to wait on customers with the internet service we have. In the months we are not that busy we only have one computer and one cash drawer open for collections. The other computers are for look up and reports. In the summer months it is not feasible to have both computers open for collections and have more than one batch open and have to close them both and balance out. I do understand why you are asking this, and we will try. The system is set up now to change passwords every 90 days. When the 90 days is up, the computer will tell us that we need to have a new password to log on.*
- 1.3 *We will be more attentive to making sure that the check/money order amount is for the tax amount due before entering it into the computer. I have already started reviewing voids, making sure there is a written explanation for it. I initial that I have reviewed it and the papers are kept with the daily work.*



Linn County
Management Advisory Report - State Auditor's Findings

2. Timesheets

Timesheets do not always indicate supervisory approval and some timesheets include estimated hours. The county incurred payroll costs of approximately \$1.5 million during the 2 years ended December 31, 2011.

Timesheets submitted by the Sheriff's department are not signed by the Sheriff. Instead, the timesheets are reviewed and stamped with the Sheriff's signature by the Sheriff's administrative assistant. Our review also identified the timesheets submitted by the Child Support Division employee are not signed by the supervisor.

County employees estimate hours to be worked during the last few days of the pay period on timesheets, and there is no subsequent comparison performed between actual hours worked and reported estimated hours. The county pay period ends on the last day of every month; however, the county policy is to have each department submit employee timesheets to the County Clerk's office by the 28th of the month so that payroll can be processed and paid by the last working day of the month. The County Clerk indicated she relies on the elected officials to inform her when hours actually worked do not match estimated hours.

Paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. In addition, detailed timesheets signed by the employee and approved by a supervisor are necessary to document hours actually worked and provide information needed to monitor overtime, leave, and compensatory time; and are beneficial in demonstrating compliance with county policies.

Recommendation

The County Commission require timesheets be signed by the employee and approved by the employee's supervisor. In addition, the County Commission should develop payroll procedures which require all county employees to be paid based on actual hours worked.

Auditee's Response

The County Commission provided the following written response:

Timesheets will be signed by officials. The pay period for employees on timesheets will be checked into with the software company. If the monthly time period can be changed to the 28th, we will comply. If the time period cannot be changed the elected official will again sign off, initial or somehow document the timesheet and notate compliance that all hours were accounted for by their employees.



Linn County
Management Advisory Report - State Auditor's Findings

3. Fuel Use

As similarly noted in our prior audit report, procedures to monitor fuel use in the Road and Bridge department and Sheriff's department are not adequate. Accounting records indicate the county incurred road and bridge fuel costs of \$30,557 and Sheriff's department fuel costs of \$58,574 during the 2 years ended December 31, 2011.

3.1 Road and Bridge

The county has not established effective monitoring procedures regarding fuel use for the Road and Bridge department. Gasoline and diesel fuel purchases for the county's Road and Bridge vehicles are made by using fuel cards on an account with a local company. The department also purchases diesel fuel to dispense from a portable 100-gallon bulk tank. A fuel log is not maintained for the bulk fuel tank, mileage is not recorded when fueling pickups and trucks, fuel card receipts are not retained, and fuel use is not reviewed or reconciled to fuel purchases. As a result, theft and misuse of fuel could go undetected.

Maintenance and review of vehicle and equipment mileage logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to prevent paying vendors for improper billing amounts and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment fuel costs.

3.2 Sheriff

Procedures to monitor fuel use for the Sheriff's department need improvement. Although mileage and fuel logs are maintained by the Sheriff's department, procedures are not in place to reconcile those logs with fuel purchases, and mileage is not reviewed for reasonableness to effectively monitor vehicle and fuel use. In addition, fuel card receipts are not retained when fueling.

Comparison of mileage and fuel use to fuel purchases is necessary to support fuel charges and to document the appropriate use of vehicles.

Recommendations

- 3.1 The County Commission require logs for all vehicles, equipment, and bulk fuel inventory. These logs should be reviewed and reconciled to fuel purchases, and any significant discrepancies investigated. In addition, fuel card receipts should be submitted and the County Clerk should reconcile supporting documentation to fuel card statements before payment.
- 3.2 The Sheriff establish procedures to reconcile vehicle mileage and fuel use to fuel purchases for all county-owned vehicles in the Sheriff's department and investigate any significant discrepancies. In addition, fuel card receipts should be submitted and reconciled to fuel card statements prior to authorizing payment.



Linn County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission provided the following written response:

- 3.1 *Commissioners will make improvements in fuel tracking procedures. The bulk fuel tank is only used to fill equipment on the job, however, efforts will be made to log and document fuel purchased by providing tickets from the pumps and comparing to fuel statements.*

The Sheriff provided the following written response:

- 3.2 *I will record my fuel log checks on the fuel log to help reconcile vehicle mileage and fuel usage. Fuel receipts will not become part of my logging procedures. Too many times the pump will not print receipts and will cause further problems. My fuel logs contain more information than the receipts.*

Linn County

Organization and Statistical Information

Linn County is a township-organized, third-class county. The county seat is Linneus.

Linn 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 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 36 full-time employees and 12 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include a Senior Citizens' Services Board and a Senate Bill 40 Board.

Elected Officials

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

Officeholder	2012	2011
Dick King, Presiding Commissioner	\$	25,964
Randy Wade, Associate Commissioner		23,964
Jim Libby, Associate Commissioner		23,964
Loretta Brookshier, Recorder of Deeds		36,309
Peggy Ward, County Clerk		36,309
Tracy L. Carlson, Prosecuting Attorney		43,067
Tom Parks, Sheriff		40,201
Kenny F. Creason, County Coroner		10,502
Kay Cunningham, Public Administrator		23,888
Pamela S. Reed, County Collector-Treasurer, year ended March 31,	37,232	
Marlene Graves, County Assessor , year ended August 31,		36,309



Linn County
Organization and Statistical Information

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

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:

The Linn County Senate Bill 40 Board received \$2,224 under Title V, Section 5001 under Division B of the Recovery Act which provided additional federal funding in the Medicaid Federal Medical Assistance Percentage. The grant was awarded by the U.S. Department of Health and Human Services and passed through the Missouri Department of Social Services. The payments were made for Medicaid expenditures reported between October 1, 2009, and June 30, 2011. For the years ended December 31, 2011 and 2010, the Senate Bill 40 Board received \$2,224 and spent \$400 to build a carport for the green house operations. The Senate Bill 40 Board plans to spend the remaining \$1,824 for improvements to the green house operations.