



Thomas A. Schweich

Missouri State Auditor

McDonald County



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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of McDonald County

Prosecuting Attorney Controls and Procedures	Accounting duties are not adequately segregated, and adjustments posted to the accounting system are not independently approved. Receipts are not posted to the computerized accounting systems timely and intact, and the receipt dates entered were not always accurate and in sequential order. None of the five receipting systems contains a complete record of all monies received and processed, and monies received were not always deposited intact and timely. Bank reconciliations had not been performed for any of the Prosecuting Attorney's six bank accounts, and errors in disbursing restitution, delinquent taxes, and fees were not detected. The Prosecuting Attorney's office does not have adequate procedures in place to account for and monitor the disposition of all bad checks submitted for collection.
Sheriff Controls and Procedures	The Sheriff paid himself \$13,080 from accountable fees for mileage to serve papers during the 2 years ended December 31, 2011. The Sheriff paid himself \$20 for every paper served, but some papers were served in the same location on the same day or no mileage was incurred. In one month alone the Sheriff received \$396 more than he would have received using the rate prescribed by the Internal Revenue Service and proper number of miles driven. Accounting duties are not adequately segregated, a monthly list of liabilities for the inmate bank account is not prepared and reconciled to cash balances, and the Sheriff has two dormant bank accounts which should be closed. A Sheriff's deputy, who resigned in February 2012, maintained and continues to maintain a Drug Abuse Resistance Education bank account for donations. There is no statutory authority allowing the Sheriff or his deputies to maintain this account outside the county treasury, receipt slips are not issued for donations, adequate supporting documentation for some disbursements was not retained, monthly bank reconciliations were not performed, and the check register was not accurately maintained. The Sheriff's office lacks adequate controls over seized property and several items have been held for a long period of time.
Disbursements	The county did not solicit bids for numerous purchases and did not retain documentation of some bids it did solicit. The county needs to improve controls and procedures over fuel use and purchases.
Payroll Controls and Procedures	The county did not compensate some employees for overtime in compliance with its overtime policy and Fair Labor Standards Act of 1938 (FLSA) requirements. Nonworking time is included in total hours when determining overtime earned, some employees were allowed to carry forward more vacation hours than allowed by the county personnel policy, and the county Emergency Management Director works over the standard 40 hour work week but is not paid overtime as required by county policy and the FLSA. Neither the County Clerk's office nor the employees' supervisors ensure the accuracy of timesheets, leave records, and other payroll records, and timesheets were not signed by some employees or supervisors.

Property Tax System Controls and Procedures	The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the County Assessor, neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector, and the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. The 2010 and 2011 land and personal, railroad and utility, and back tax aggregate abstracts were not prepared timely. A comparison of the initial addition and abatement information prepared by the County Assessor and the additions and abatements entered into the property tax system by the County Collector is not performed. Taxes totaling \$68,000 were outlawed and removed from the tax books by the County Collector without County Commission approval.
County Collector Commissions and Withholdings	The County Collector did not properly calculate some commissions or withholdings. Approximately \$10,500 was under withheld from fire district and surtax collections, and approximately \$7,400 was over withheld from school districts.
County Commission Meeting Minutes	While the County Commission and County Clerk indicated closed session meetings were held, open meeting minutes did not indicate any meetings were closed and minutes for closed session meetings were not maintained.
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 **Poor**.*

American Recovery and Reinvestment Act (Federal Stimulus)	McDonald County did not receive any federal stimulus monies during the audited time period.
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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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McDonald County

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County

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

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McDonald County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney Controls and Procedures

Accounting duties are not adequately segregated, and there was no independent approval to support adjustments posted to the accounting system. Procedures for receipting, posting, and depositing monies are not adequate. The controls and procedures over bank accounts; liabilities; disbursement of restitution, delinquent taxes, and fees; and tracking of bad checks need improvement. As a result of these numerous control weaknesses, there is no assurance all monies are handled and accounted for properly.

The Prosecuting Attorney's office deposited bad check restitution and fees, court-ordered restitution, and delinquent tax payments totaling approximately \$83,500 during the year ended December 31, 2011, and \$184,500 during the year ended December 31, 2010. Starting in 2011 bad check and court-ordered restitution payments are not deposited into the bank account, but are transmitted directly to the victim; however, the amount transmitted in 2011 could not be determined.

1.1 Segregation of duties and adjustments

The duties of receiving, recording, transmitting, depositing, and disbursing monies are not adequately segregated. The administrative assistant performs all of these duties, and the Prosecuting Attorney or other employees independent of these duties do not perform a comparison of monies received to those transmitted to victims or deposited. In addition, the administrative assistant and the legal assistant, who also receives and records monies and prepares deposits, are sisters. Because of this relationship and lack of segregation and oversight, there is greater risk in this area.

There also is no independent approval to support adjustments posted to the accounting systems, and adequate documentation of such adjustments is not retained. The administrative assistant, legal assistant, and office manager all have the ability and authority to post adjustments to the accounting systems without obtaining independent approval. Adjustments are needed because payment activity is not consistently recorded in the various computerized accounting systems used, defendants pay the vendor directly, amounts are deemed uncollectible, or insufficient information is provided on the complaint. During the 2 years ended December 31, 2011, adjustments totaling \$149,259 were made to the accounting systems.

Proper segregation of duties helps ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review of the records. Also, to ensure adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for such adjustments.



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1.2 Receipting, posting, and depositing monies

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

- Receipts are not posted to the computerized accounting systems timely or intact. For example, a \$100 money order was deposited on March 2, 2010, but was not posted to the computerized system until March 29, 2010; and a manual receipt slip for \$25 was issued and deposited on February 8, 2010, but was not posted to the computerized accounting system until March 16, 2010. In another example, a \$138 money order was deposited on January 6, 2010, but only \$46 was posted to the computerized system on January 4, 2010, and the remaining \$92 was not posted to the computerized system until January 11, 2010.
- One of the computerized accounting systems allows the user to enter the date of the receipt into the system, and the receipt dates entered into the system were not always accurate and in sequential order. For example, receipt dates recorded for receipt numbers 423, 424, and 425 were March 24, March 8, and March 29, 2010, respectively.
- Each receipting system tracks different information and none of the receipting systems contains a complete record of all monies received and processed by the Prosecuting Attorney's office.

The numerical sequence of computer-generated receipt slips is not accounted for properly. For example, for receipt slips issued between January and May 2010, 21 receipt slip numbers were missing. In addition, 2 receipt slips were created using another software system to resemble receipts slips issued from one of the accounting systems used; however, these receipt slip numbers had previously been issued in October 2009, to other individuals for different cases and amounts. Further, the Prosecuting Attorney's office did not detect duplicate computerized receipt slips issued for some monies received. For example, a \$500 money order was deposited on March 2, 2010, and computerized receipt slips were issued for this receipt on both March 4 and March 29, 2010.

Monies received are not always deposited intact and timely. For example, a deposit on February 12, 2010, totaling \$730, included receipt slip numbers 9166, 9167, and 9168, while receipt slip numbers 9164 and 9165 totaling \$364, were not deposited until February 16, 2010. In another example, a \$258 money order dated April 16, 2009, was held and not recorded or deposited until April 30, 2010. The money order was subsequently returned by the bank because it had not been negotiated in a timely manner.



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Numerous other examples were noted at other times during the 2 years ended December 31, 2011. Due to the various problems noted above, amounts recorded in the computerized accounting systems cannot be reconciled to the amounts deposited and transmitted.

Failure to implement adequate receipting, posting, and depositing procedures, including comparing receipt records to deposits or transmittals, 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.

1.3 Bank reconciliations and accounts, and liabilities

Bank reconciliations had not been performed for any of the Prosecuting Attorney's six bank accounts during the 2 years ended December 31, 2011. Three of these accounts were used by the former Prosecuting Attorney and have subsequently been closed by the current Prosecuting Attorney by turning over unidentified balances of \$28,035 to the County Treasurer in June 2012. On October 2, 2012, the Prosecuting Attorney prepared the paperwork and requested the County Treasurer issue a check to turn these unclaimed monies over to the state.

In addition, the former Prosecuting Attorney's trust bank account had an unidentified balance of \$833 as of June 30, 2012, and has not been closed. Also, the current Prosecuting Attorney opened a bank account in January 2011, but subsequently changed depository banks and opened another bank account in July 2011. This initial bank account had a balance of \$2,270 as of December 31, 2011, which consisted of eight outstanding checks issued between January and May 2011.

Further, a monthly list of liabilities for the bank account currently in use by the Prosecuting Attorney is not prepared and reconciled to the cash balance. At our request, the Prosecuting Attorney's office prepared a list of liabilities as of December 31, 2011, the total of which equaled the cash balance of \$2,402.

To ensure all differences between the bank and book balances are noted in a timely manner, bank reconciliations should be performed monthly. To reduce the risk of loss, theft, or misuse of funds, inactive bank accounts should be closed and outstanding checks should be followed up on timely. Regular identification of liabilities and reconciliation to the cash balance are necessary to ensure records are in balance and sufficient cash is available for the payment of all liabilities.

1.4 Disbursements

Errors in disbursing restitution, delinquent taxes, and fees occurred, but were not detected due to posting errors, receipting problems, and the lack of proper month-end bank and liabilities reconciliation procedures. For example, a \$500 receipt was recorded twice in the computerized accounting



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system (as noted above) and as a result, \$1,000 was disbursed in restitution and fees when only \$500 was received. In another example, a \$735 receipt was received to pay for fees related to a restitution case; however, these monies were disbursed to victims in error.

Additionally, monies received for restitution or delinquent tax payments were not always disbursed in a timely manner. For example, a delinquent tax payment of \$99 received in December 2011, had not been disbursed to the Department of Revenue (DOR) as of August 1, 2012. Numerous instances were noted where restitution payments were held for long periods of time before being disbursed to victims. Further, some fees collected were not disbursed monthly to the County Treasurer. For example, a total of \$252 in fees collected in June, August, September, October, and December 2011, had not been turned over to the County Treasurer as of July 2012.

The Prosecuting Attorney should take steps to review receipt and disbursement information to ensure all amounts received have been properly disbursed to victims. Timely disbursements of restitution, delinquent taxes, and fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner.

1.5 Tracking procedures

The Prosecuting Attorney's office does not have adequate procedures in place to account for and monitor the disposition of all bad checks submitted to the office for collection. Bad check complaint forms submitted by merchants when bad checks are turned over to the Prosecuting Attorney for collection are not assigned a sequential tracking number. Information from the complaint form is entered into the computer system and the complaint form is filed with other complaint forms processed. Without a tracking procedure, there is no assurance all bad check complaint forms are entered into the computer system.

To ensure bad checks are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check.

Similar conditions previously reported

Similar conditions to sections 1.1, 1.2, 1.3, and 1.4 were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 1.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented, require someone independent of the accounting system to review



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and approve all adjustments, and ensure adequate documentation is retained to support such adjustments.

- 1.2 Ensure all monies received are recorded promptly in the computerized accounting systems, dates are entered accurately, a complete record of all monies received is maintained, the numerical sequence of receipt slips issued is accounted for properly, and records are reconciled to deposits and transmittals. In addition, the Prosecuting Attorney should ensure monies are deposited timely and intact.
- 1.3 Perform monthly bank reconciliations, follow up on old outstanding checks, dispose of unclaimed monies in accordance with state law, and close inactive bank accounts. In addition, the Prosecuting Attorney should prepare a list of liabilities and reconcile the list to the cash balance monthly. Any differences should be investigated and resolved.
- 1.4 Review receipt and disbursement information to ensure all amounts paid have been properly disbursed to victims, disburse amounts received for restitution and delinquent taxes in a timely manner, prepare accurate monthly reports of fees, and disburse fees to the County Treasurer monthly.
- 1.5 Develop procedures and records that provide sufficient information to track the receipt and disposition of all bad check complaints.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

- 1.1 *Accounting duties in the Prosecuting Attorney's Office have been adequately segregated in that the legal assistant posts payments made for restitution, bad checks, and delinquent taxes to the appropriate computerized case management system when said payments are made; the administrative assistant then makes daily deposits of the payments; and the office manager then inputs the daily deposits into the office's computerized accounting system. All adjustments to the computerized case management systems are now requested by the administrative assistant, approved by the Prosecuting Attorney, performed by the office manager, and finally, reviewed and approved by the Prosecuting Attorney a second time. Adjustments are made for various reasons, including but not limited to: defendant paid vendor directly, unable to prosecute due to lack of information on the check and complaint form, and writing off amounts as uncollectible in the case of death of the defendant. All documentation regarding adjustments to the computerized systems*



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is maintained, including all documents the Prosecuting Attorney signed.

- 1.2 All monies are currently recorded and posted in the appropriate computerized case management system as soon as the monies are received by the legal assistant. A receipt is given to the defendant upon receipt of the payment. A copy of the receipt is maintained in the Prosecuting Attorney's Office and reviewed for accuracy and attached to the appropriate restitution file by the administrative assistant. Monthly reports are reviewed by the Prosecuting Attorney to ensure that the receipts issued are in numerical sequence and accounted for. The administrative assistant deposits monies received daily at 2:00 pm, in accordance with an agreement with the depository bank. The office manager reviews deposit slips on a daily basis; reconciles the daily deposit slips with the daily receipts; and enters daily deposits into the computerized accounting system. The Prosecuting Attorney checks with the office manager and legal assistant on a daily basis to ensure that a daily deposit was performed.*
- 1.3 A monthly bank reconciliation is currently performed every month upon receipt of the monthly bank statement from the depository bank, which is normally between the twelfth and eighteenth of the month. The reconciliation is performed by the office manager and administrative assistant. The reconciliation is reviewed and approved by the Prosecuting Attorney and signed off on by the Prosecuting Attorney. Cleared checks and deposits are reconciled along with any outstanding checks to ensure that the balance reflected in the computerized software system matches the monthly bank statement after all liabilities are accounted for. A list of outstanding checks is maintained by the computerized accounting system. On June 30th of each year, all outstanding checks for the previous calendar year will be reported as unclaimed funds in accordance with the recommendations and guidelines set forth by the Missouri Treasurer's Office. The Prosecuting Attorney's Office is currently reconciling the bank account of the prior administration so that the last inactive account can be closed. All other inactive accounts are closed, including inactive accounts from the two prior administrations.*
- 1.4 Currently, after the monthly reconciliation is performed and the balance is confirmed correct, monthly restitution checks are prepared and mailed to the appropriate victim/merchant. Checks for monthly fees are also prepared for the McDonald County Treasurer. The monthly checks are mailed to victim/merchant and checks for fees are delivered to the Treasurer not later than the*



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Friday preceding the fourth Wednesday of the month. All checks submitted during any given month are for payments/fees collected during the previous calendar month. The office manager and administrative assistant ensure that all monies received during a calendar month are submitted to victim/merchant/Treasurer during the following month. A monthly report for fees is prepared each month and reviewed by both the administrative assistant and office manager for accuracy before preparing checks. Prior to preparing checks the Prosecuting Attorney reviews all reports, bank statements, and computerized accounting system reports to ensure that the reconciliation is correct and also the monthly amount to be disbursed is correct. After checks are prepared, the Prosecuting Attorney reviews all checks for accuracy prior to the checks being mailed or delivered. All documents reviewed and signed by the Prosecuting Attorney are maintained.

- 1.5 *Currently, upon receipt of a bad check complaint, a number is assigned to that particular bad check complaint form. Each bad check complaint is tracked through a spreadsheet with the following details: date received, check number, name of suspect/defendant, number assigned to bad check complaint form, date ten day letter sent, date ten day letter paid, disposition of complaint, date of disposition of complaint. If criminal charges are charged based on the bad check complaint form, the case is also tracked through a computerized case management system; furthermore, the original number assigned to the bad check complaint form will be inputted into the computerized case management system for that particular case once the software is updated by the software company. The update has been requested. The spreadsheet is reviewed monthly by the Prosecuting Attorney.*

2. Sheriff Controls and Procedures

The Sheriff paid himself mileage reimbursements from accountable fees, accounting duties are not adequately segregated, and controls and procedures over the Sheriff's bank accounts and seized property need improvement.

The Sheriff's office collected civil and criminal process fees, bonds, conceal and carry weapon permits, and other miscellaneous fees totaling approximately \$242,000 during the year ended December 31, 2011, and \$557,000 during the year ended December 31, 2010.

2.1 Sheriff mileage

The Sheriff drives a personal vehicle when serving civil and criminal papers and paid himself \$13,080 from accountable fees for mileage to serve papers during the 2 years ended December 31, 2011. As a result, these disbursements were not approved by the County Commission. In addition, documentation of actual miles driven to serve the papers was not maintained



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by the Sheriff. The Sheriff pays himself a set \$20 mileage fee for every paper served. Our review of papers served during November 2011, showed the Sheriff was paid \$20 in mileage fees for each of 32 paper services (or \$640) when he should have only been paid mileage fees for 24 paper services because some papers were served in the same location on the same day or no mileage was incurred. Further, while the Sheriff paid himself \$640 in mileage fees for November 2011, we determined the mileage reimbursement would have been only \$244 using the rate prescribed by the Internal Revenue Service (IRS) and our estimate of miles driven based upon the location of papers served.

Section 57.280, RSMo, which relates to civil cases, requires the Sheriff to pay all fees collected into the county treasury and for the Sheriff to be reimbursed for each mile actually traveled to serve any summons, writ, subpoena, or other order of the court. Section 57.430, RSMo, which relates to criminal cases, allows reimbursement for actual miles traveled in serving warrants or any other criminal process and requires the Sheriff to file accurate and itemized mileage statements, showing in detail the miles traveled, the date of each trip, the nature of the business engaged in during each trip, and the places to and from which he has traveled, and the rate for mileage reimbursement be equal to the rate prescribed by the IRS.

2.2 Segregation of duties

Accounting duties are not adequately segregated. The two administrative assistants both receive, record, deposit, and disburse monies, and reconcile the bank accounts; and none of these duties are properly segregated. The Sheriff does not perform a review of the accounting records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent and supervisory review of the records.

2.3 Inmate liabilities

A monthly list of liabilities for the inmate bank account is not prepared and reconciled to cash balances. At our request, the Sheriff's office prepared a list of liabilities as of December 31, 2011, which totaled the available cash balance of \$276. A list of liabilities should be prepared monthly and reconciled to the available cash balance to ensure records are in balance and sufficient funds are available for payment of all liabilities.

2.4 Dormant bank accounts

The Sheriff has two dormant bank accounts which should be closed.

- The old civil account had a balance of \$208,473 as of December 31, 2011. This balance consisted of 11 checks which had been outstanding over a year.



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- The old inmate account had a balance of \$2,377 as of December 31, 2011. This balance consisted of 113 checks which had been outstanding over a year.

Maintaining dormant accounts increases the risk of loss, theft, or misuse of funds. The Sheriff's office should attempt to distribute the funds held in dormant bank accounts, dispose of any unclaimed funds in accordance with state law, and close the accounts.

2.5 DARE bank account

A Sheriff's deputy, who resigned in February 2012, maintained and continues to maintain a Drug Abuse Resistance Education (DARE) bank account for donations. According to bank records, receipts of \$14,488 and disbursements of \$13,596 were processed through this account during the 2 years ended December 31, 2011.

- There is no statutory authority allowing the Sheriff or his deputies to maintain this account outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. In addition, it is unclear why the Sheriff allows a former deputy to continue to maintain this account.
- Receipt slips are not issued and other records of donations received are not maintained. The only record of monies received is deposit slips. Receipt slips should be issued and a record of all donations received should be maintained to establish an adequate audit trail and reduce the possibility of loss, theft, or misuse of funds.
- Adequate supporting documentation for some disbursements was not retained. Documentation was not retained for 19 payments totaling \$3,591 during the 2 years ended December 31, 2011. Some of these checks were written to local gas stations, restaurants, and hotels. All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.
- Monthly bank reconciliations are not performed, and the check register balance was not accurately maintained. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner.

2.6 Seized property

Adequate controls over seized property have not been established. While a computerized list of seized property is maintained, it is not complete or accurate, and periodic inventories of property on hand are not conducted. For example, of five items reviewed, which were stored in the seized property storage area, one was not included on the computerized list. Also, of five items reviewed that were on the computerized list, one could not be



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located or was not on hand in the seized property storage area. Additionally, several items in the seized property storage area have been held for a long period of time.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. Accurate and complete inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, are necessary to ensure all items are accounted for properly. Periodic inventories should also be performed and compared to the list of seized property to ensure seized property is accounted for properly. Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft.

Similar conditions previously reported Recommendations

Similar conditions to sections 2.1, 2.2, 2.5. and 2.6 were noted in our prior audit report.

The Sheriff:

- 2.1 Turn over all fees to the County Treasurer on a monthly basis. In addition, the County Commission should require the submission of detailed and accurate mileage claims by the Sheriff, review the claims for reasonableness, and reimburse actual mileage driven based upon the mileage rate prescribed by the IRS. The County Commission should also evaluate the cost effectiveness of providing a county owned car to the Sheriff, compare actual reimbursements made to reimbursement amounts based on actual miles driven, and pursue reimbursement of any overpayments.
- 2.2 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 2.3 Prepare a list of liabilities for the inmate bank account and reconcile the list to the cash balance monthly. Any differences should be investigated and resolved.
- 2.4 Follow up on outstanding checks, dispose of unclaimed monies in accordance with state law, and close the dormant accounts.
- 2.5 Turn all DARE monies over to the County Treasurer, ensure receipt slips or other records of donations received are maintained, and ensure adequate supporting documentation of disbursements is retained.



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- 2.6 Maintain complete and accurate seized property inventory records. The Sheriff should perform a periodic inventory of seized property, compare it to the computerized list, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Auditee's Response

The Sheriff provided the following written responses:

- 2.1 *I have no response.*
- 2.2 *I will pass this recommendation on to the new Sheriff, who will take office in January 2013, to address this issue.*
- 2.3 *This has been implemented.*
- 2.4 *This recommendation will be implemented before the end of the year.*
- 2.5 *This recommendation will be passed on to the new Sheriff, who currently holds this account.*
- 2.6 *My office is working to implement this recommendation.*

The County Commission provided the following written response:

- 2.1 *We have no control over an elected Sheriff. These reports have been requested, and we are recommending the Sheriff adhere to your recommendation that overcharges were made and that reimbursements are made. We will discuss with legal counsel and implement suggestions wherever possible.*

3. Disbursements

As similarly noted in our prior audit reports, controls and procedures over bidding and fuel use need improvement.

3.1 Bidding

Bids were not solicited for numerous purchases made during 2011 and 2010 including:

Item or Service	Cost
Road graders (2011)	\$ 123,000
Bridge construction (2010)	110,461
Grader blades (2011 and 2010)	52,365
Building repairs (2010)	49,920
Road and bridge equipment repairs and maintenance (2011 and 2010)	40,350
Concrete (2011 and 2010)	32,285
Law enforcement vehicle maintenance (2010)	31,899
Road and bridge equipment (2010)	15,118
Bridge guard rails (2010)	11,438
Transmission repairs (2010)	10,492



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Additionally, while county officials indicated state bids were utilized for three vehicles costing \$61,655 and phone bids were obtained for bulk fuel for the road and bridge department costing \$189,127, bridge drilling services costing \$12,157, and rebar costing \$15,113, the county did not retain documentation of the bids to show compliance with state law. Also, according to county officials, the purchases of computer software for the Assessor's office costing \$19,135 and the Recorder's office costing \$19,443, were sole source purchases; however, this was not documented at the time of purchase. Further, the County Commission did not document reasons for not selecting the low bid for the purchase of ten global positioning systems (GPS) costing \$15,840.

Section 50.660, RSMo, provides bidding requirements and procedures. 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, and the county's selection process and criteria, including sole source procurement, should be retained to demonstrate compliance with state law and support decisions made.

3.2 Fuel use records

Controls and procedures over fuel use and purchases need improvement. According to accounting records, the county purchased fuel for the road and bridge department costing \$216,627 and the Sheriff's office costing \$161,629 during the 2 years ended December 31, 2011. The road and bridge department and the Sheriff's office purchase unleaded fuel at local gas stations. The road and bridge department also purchases bulk diesel fuel from a local vendor. The county has two bulk diesel fuel tanks located at road and bridge department buildings and six bulk diesel fuel tanks located at employee residences. The county utilizes a mobile tank to haul fuel from the tanks at the road and bridge department buildings to the tanks located at employee residences.

- Fuel use logs are not maintained for road and bridge department equipment and vehicles. As a result, fuel use is not reconciled to fuel purchases. While a log of fuel pumped from the tanks located at the road and bridge department buildings is maintained and reconciled to fuel purchases, a log of fuel pumped and used from the other tanks is not maintained.
- While a Sheriff's deputy indicated he reviewed fuel bills and compared them to mileage logs maintained on employee timesheets, no evidence of this review was documented. In addition, mileage logs were not always accurate and complete. For example, during the period of June 25 to July 24, 2011, 3 of 14 deputies assigned a vehicle did not record odometer readings, mileage, or fuel purchases on their timesheet. In



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addition, beginning and ending odometer readings did not always match from day to day, some odometer readings were left blank, and an employee recorded mileage on a day vacation leave was taken.

Further, the Sheriff has a fuel card with a personal identification number (PIN), but the Sheriff drives his own personal vehicle, and he indicated he does not use this fuel card. However, 1,031 gallons of fuel totaling \$2,721 were purchased with this fuel card during the 2 years ended December 31, 2011. The Sheriff could not provide an explanation for the use of his PIN to make fuel purchases. As a result, there is no assurance this fuel was used appropriately.

Procedures for reviewing fuel use and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements. In addition, 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 going undetected.

Recommendations

The County Commission:

- 3.1 Ensure bids are solicited for all applicable purchases in accordance with state law and sufficient documentation is maintained.
- 3.2 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.

Auditee's Response

The County Commission provided the following written responses:

- 3.1 *We have always received bids, by mail or phone, but we have begun using bid forms to document any bids received.*
- 3.2 *We will implement these recommendations.*

4. Payroll Controls and Procedures

Controls and procedures over payroll disbursements need improvement.

4.1 Personnel policies

The county does not compensate some employees for overtime in compliance with its overtime policy and Fair Labor Standards Act of 1938 (FLSA) requirements. In addition, the county has not always followed its own personnel policies regarding employee leave and has not adopted policies regarding unearned leave.



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- 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 not allowed by the county personnel policy and not required by the FLSA. The county is allowing employees to accrue more compensatory time than required as a result of using nonworking time in its calculations of overtime earned. For example, a Sheriff's office employee accrued 164 additional hours during the year ended December 31, 2011, as a result of using nonworking time in the calculation of overtime earned.
- In January 2011, one employee was allowed to carry forward 144 vacation hours and another employee was allowed to carry forward 162 vacation hours when the maximum allowed by the county personnel policy was only 80 hours. The county personnel policy states employees with 1 to 5 years continuous service may accrue vacation leave up to a maximum of 10 days per 12 month period and employees with 10 years of continuous service may accrue vacation days up to a maximum of 15 days, and any days over must be taken or will be forfeited.
- The county Emergency Management (EM) Director has multiple duties and compensation rates, works over the standard 40 hour work week, and is not paid overtime as required by county policy and the FLSA. For example, during the month ended March 31, 2011, the EM Director worked 153 hours as EM Director and was paid a salary of \$2,667 and worked an additional 63 hours on litter control and was paid \$11 per hour (\$693). Because the county did not combine hours worked each week for both duties, the EM Director was not compensated at time and a half for actual hours worked in excess of 40 hours each work week. The county personnel policy and the FLSA require any time worked over 40 hours in a week (for non-emergency personnel) to be paid at time and a half.
- The county personnel policy does not address the use of unearned leave and in February 2011, a county employee took 40 hours of compensatory leave prior to earning the leave.

To ensure employees are treated equitably and are properly compensated, strict compliance with personnel policies is necessary and the personnel policy should be updated to address the use of unearned leave.

4.2 Reviews

An adequate review of employee timesheets, leave records, and other payroll records was not performed by the County Clerk's office or by the employees' supervisory officials, increasing the potential for errors to go undetected. In addition, timesheets were not signed by some employees and were not always reviewed or signed by supervisors to ensure accuracy.



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Timesheets and records of compensatory, vacation, and sick leave for Sheriff's office employees are not filed with the County Clerk until the end of the calendar year. The County Clerk prepares payroll checks from a timesheet and leave record summary report prepared by the Sheriff's Chief Deputy each month; however, the summary report was not always accurate. For example, in July 2010, the Chief Deputy failed to record 16 hours of sick leave used by himself on the summary report. In another example, 40 hours of vacation leave taken by a Sheriff's office employee in April and May 2011 was not included on the summary report. As a result, the County Clerk's leave records for these employees were overstated. In addition, several discrepancies were noted between the amount of leave taken on timesheets and the related leave records for other county employees.

To ensure the accuracy of time worked and leave taken, timesheets should be reviewed and signed by the employee and the employee's supervisor to indicate their agreement to the actual time worked and leave taken. In addition, timesheets and leave records should be filed with the County Clerk monthly and reviewed for accuracy.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The County Commission:

- 4.1 Ensure compliance with county overtime and vacation leave policies and the FLSA. The County Commission should also revise the county personnel policy to address the use of unearned leave.
- 4.2 Ensure adequate reviews of timesheets, leave records, and other payroll records are performed. The County Commission should also ensure timesheets are signed by the employee and their supervisor, and require Sheriff's employees to file timesheets and leave records with the County Clerk's office monthly.

Auditee's Response

The County Commission provided the following written responses:

- 4.1 *We will comply with county and federal regulations. We will review all payroll and time cards for accuracy and reasonableness, and we will revise the county handbook to make clear the procedures that allow the employee to accrue overtime.*
- 4.2 *We will continue to review all available timesheets and request time records be filed with the County Clerk's office.*



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5. 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. For the 2 years ended February 29, 2012, property taxes charged to the County Collector totaled approximately \$13 million annually.

5.1 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the County Assessor. A review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. 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.

5.2 Review of activity

In addition to not preparing or testing the accuracy of the tax books, neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, and misuse of property tax monies, and less assurance the monthly and annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to 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 would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

5.3 Aggregate abstracts

The land and personal, railroad and utility, and back tax aggregate abstracts were not prepared for the 2011 and 2010 tax year in a timely manner. The land and personal and railroad and utility aggregate abstracts were not prepared until May 21, 2012, for 2011, and June 24, 2011, for 2010, although the information needed to prepare these aggregate abstracts was available at the beginning of November. The back tax aggregate abstracts



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were not prepared until May 23, 2012, for 2011, and July 5, 2011, for 2010, although the information needed to prepare the back tax aggregate abstract was available at the beginning of March. In addition, the land and personal tax aggregate abstracts for the 2011 and 2010 tax years were incorrect and reported the valuation and tax for railroad and utility. Section 137.295, RSMo, provides for the County Clerk to prepare these reports and forward them to the DOR and State Tax Commission (STC) upon completion of current and delinquent tax books.

5.4 Additions and abatements While the County Commission and County Clerk review and approve court orders for additions and abatements monthly, a comparison of the initial addition and abatement information prepared by the County Assessor and the addition and abatements entered into the property tax system by the County Collector is not performed. In addition, the County Collector, who collects property taxes, should not have access to the property tax system to make changes throughout the tax year. We compared initial addition and abatement information prepared by the County Assessor to amounts recorded in the property tax system for ten additions and abatements made during the period October 2011 to January 2012, and noted differences for two of the ten items reviewed. Reasons for the differences could not be determined. Had a comparison been performed between the initial addition and abatement information and the actual additions and abatements recorded in the property tax system, these errors may have been detected and resolved.

Sections 137.260, RSMo, assigns 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 initial addition and abatement information to actual changes made to the property tax system, would help ensure changes are proper.

5.5 Outlawed taxes The County Commission does not approve personal property taxes outlawed each year. Taxes totaling approximately \$68,000 were outlawed and removed from the tax book by the County Collector during the 2 years ended February 29, 2012, without County Commission approval. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under the order of the County Commission.

Recommendations

- 5.1 The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.



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- 5.2 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.
- 5.3 The County Clerk prepare and file accurate tax aggregate abstracts with the DOR and STC in a timely manner.
- 5.4 The County Clerk and the County Commission restrict access to the property tax system to ensure the County Collector cannot make changes. In addition, the County Clerk and County Commission should ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed.
- 5.5 The County Collector work with the County Commission to establish proper controls over property taxes outlawed each year.

Auditee's Response

The County Clerk provided the following written response:

5.1-5.4 I will implement these recommendations.

The County Commission provided the following written response:

*5.2, 5.4,
& 5.5 We have implemented these recommendations.*

The County Collector provided the following written response:

5.5 I will take the printed report to the County Commission each year before they are outlawed so they can review and approve the year of personal property taxes to be outlawed.

6. County Collector Commissions and Withholdings

The County Collector did not properly calculate some commissions or withholdings for the 2 years ended February 29, 2012. The County Collector was unaware of these errors until we brought them to her attention.

- The County Collector did not withhold a 1.5 percent commission on current tax collections, a 1 percent commission on delinquent and railroad and utility tax collections, or the 1.5 percent assessment withholding on current, delinquent, and railroad and utility tax collections related to a fire district and surtax. As a result, approximately \$3,900 and \$6,600 was under withheld from fire district and surtax collections and is owed to the county (\$5,200) and the Assessment Fund (\$5,300).



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- The County Collector incorrectly withheld 1.5 percent commission on the school portion of all railroad and utility taxes collected when only 1 percent was allowed, resulting in approximately \$7,400 over withheld from school districts during the 2 years ended February 29, 2012.

Sections 52.250, 52.260, and 137.720, RSMo, establish commission and withholding rates for the various tax collections noted above.

Recommendation

The County Collector recalculate current and delinquent tax commissions and withholdings distributed, and correct distributions. The County Collector should also ensure future commission and withholding calculations are accurate.

Auditee's Response

The County Collector provided the following written response:

I will contact the fire district and make arrangements to withhold past amounts due from the fire district. I will recalculate past commissions and make corrections to amounts distributed in December 2012. The 1.5 percent commission will be withheld on future fire district and surtax collections. I have spoken with the person that enters this information into our program, and he said the corrections would be made on the November report. The 1.5 percent commission that was withheld on the school portion of railroad and utility taxes has been corrected to 1 percent. I will ensure future commission and withholding calculations are accurate.

7. County Commission Meeting Minutes

While the County Commission and County Clerk indicated closed session meetings were held, open meeting minutes did not indicate any meetings were closed by the County Commission, and minutes for closed session meetings were not maintained. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that various statutory provisions are followed.

The Sunshine Law, Chapter 610, RSMo, requires the County Commission to document the specific reasons for going into closed sessions and 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.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission ensure specific reasons for closing a meeting are documented in open meeting minutes and minutes are maintained for all closed session meetings.



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Auditee's Response

The County Commission provided the following written response:

We will implement this recommendation.

McDonald County

Organization and Statistical Information

McDonald County is a county-organized, third-class county. The county seat is Pineville.

McDonald 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 90 full-time employees and 10 part-time employees on December 31, 2011.

Elected Officials

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

Officeholder	2012	2011
Keith Lindquist, Presiding Commissioner	\$	30,380
Sam Gaskill, Associate Commissioner		28,380
Ronnie Walker, Associate Commissioner		28,380
Kenny Underwood, Recorder of Deeds		43,000
Barbara Williams, County Clerk		43,000
Jonathan Pierce, Prosecuting Attorney		109,366
Robert M. Evenson, Sheriff		48,000
Joye Helm, County Treasurer		43,000
Tracy Dowd, County Coroner		15,000
Donna Underwood, Public Administrator		43,000
Brenda Gordon, County Collector, year ended February 29,	43,000	
Laura Pope, County Assessor , year ended August 31,		43,000
Travis Green, County Surveyor (1)		

(1) Compensation on a fee basis.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

McDonald County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.