



# Thomas A. Schweich

Missouri State Auditor

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## Sullivan County



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July 2012

Report No. 2012-66

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of Sullivan County

Property Tax System	The Collector-Treasurer does not maintain a complete record of payments received and refunds issued and does not record adjustments adequately. As a result, the Collector-Treasurer cannot always reconcile the composition of receipts to the composition of deposits. Neither the County Commission nor the County Clerk adequately reviews the Collector-Treasurer's activities or verifies the accuracy of the Collector-Treasurer's monthly and annual settlements.
Vehicle and Fuel Use	The county lacks effective monitoring procedures for vehicle and fuel use in the Sheriff's office and the Road and Bridge department. The Road and Bridge department does not keep fuel logs, and the Sheriff's office maintains mileage logs, but the logs are not complete or reconciled to fuel purchased and reviewed for reasonableness. Neither the Sheriff's office nor the Road and Bridge department submits receipts for fuel purchased, so fuel card statements cannot be reconciled before payment is made.
Public Administrator	The Public Administrator does not adequately oversee expenditures made by nursing home facility representatives on behalf of some wards living in a nursing home. The Public Administrator does not retain quarterly expense reports and does not compare them to bank statements or other supporting documentation, and bank reconciliations are not always completed.
County Sales Tax	In 2011, the county erroneously reported a voluntary reduction rather than a sales tax reduction on the property tax certification, and the county had no worksheets or other documentation to support the 2011 property tax reduction calculation and classification.
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 **Good**.\*

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Sullivan County did not receive any federal stimulus monies during the audited time period.

\*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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# Sullivan County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Sullivan County

We have audited certain operations of Sullivan County in fulfillment of our duties under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Sullivan 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; 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 Sullivan County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized 'S' at the end.

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:	Alice M. Fast, CPA, CIA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Matthew Schulenberg, CFE
Audit Staff:	Amy Wilson
	Jared Wooderson

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# Sullivan County Management Advisory Report State Auditor's Findings

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## **1. Property Tax System**

The County Collector-Treasurer's deposit procedures need improvement. In addition, the County Clerk and the County Commission do not provide adequate monitoring over property tax system activities. During the 2 years ended February 29, 2012, the County Collector-Treasurer collected approximately \$11.4 million.

### **1.1 Reconciliation of deposits**

A complete record of payments received and refunds issued is not maintained, and adjustments recorded are not sufficient. As a result, the County Collector-Treasurer cannot always reconcile the composition of tax receipts (cash, check, money order) per receipt records to the composition of deposits. When a property tax payment in excess of the amount due is received, only the amount due is entered into the property tax system. The excess amount paid is either noted on a daily receipt report printed from the system for cash refunds, or tracked as an open item until month-end distributions for refunds are issued by check.

To ensure all monies received are accounted for properly, the composition of monies received should be reconciled to the compositions of deposits. In addition, a complete record of monies received and refunds issued should be maintained.

### **1.2 Account book and annual settlements**

Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing the property transactions each month, such as the total charges, additions, abatements, or delinquent credits. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy of the County Collector-Treasurer's monthly and annual settlements.

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 that summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the taxes charged and credited to the County Collector-Treasurer each year are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector-Treasurer's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

## **Recommendations**

- 1.1 The County Collector-Treasurer maintain a complete record of monies received and refunds issued. In addition, the County Collector-Treasurer should reconcile the composition of receipts to the composition of deposits.



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Management Advisory Report - State Auditor's Findings

- 1.2 The County Clerk maintain a complete account book with the County Collector-Treasurer. In addition, the County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.

## Auditee's Response

*The County Commission, the County Clerk, and the County Collector-Treasurer provided the following written response:*

- 1.1 *Upon review of the Auditor's findings and recommendations the County Collector-Treasurer will maintain a record of monies received and issued. The County Collector-Treasurer will also reconcile the composition of the receipts to the deposits. This will be implemented immediately.*

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

- 1.2 *The County Clerk will maintain a reconciliation of the County Collector-Treasurer's annual settlements and review monthly settlements with commissioners. This will be implemented immediately.*

## 2. Vehicle and Fuel Use

The county has not established effective monitoring procedures for vehicle and fuel use in the Sheriff's office and the Road and Bridge department. The Sheriff's office and the Road and Bridge department spent approximately \$35,000 and \$22,000, respectively, for fuel during the 2 years ended December 31, 2011.

Fuel is purchased by the Sheriff's office and the Road and Bridge department using fuel cards from a local oil company to fuel eight vehicles and nine pieces of equipment.

- Fuel logs are not maintained for Road and Bridge department vehicles and equipment, and, as a result, fuel use is not reconciled to fuel purchased.
- The mileage logs maintained for Sheriff's office vehicles do not always include odometer readings and are not reconciled to fuel purchased, and mileage is not reviewed for reasonableness.
- Sheriff's office and Road and Bridge department employees do not submit receipts for fuel purchased. As a result, a reconciliation of fuel card statements to supporting documentation cannot be performed before payment is made.





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Management Advisory Report - State Auditor's Findings

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Procedures for maintaining and reviewing mileage/fuel use logs and reconciling log information to fuel purchased and related records are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment fuel costs.

## Recommendation

The County Commission and the Sheriff establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, fuel use should be reconciled to fuel purchases, individual fuel invoices should be reconciled to fuel statements, and any significant discrepancies should be investigated.

## Auditee's Response

*The County Commission, the County Clerk, and the Sheriff provided the following written response:*

*Upon review of the Auditor's findings and recommendations the County Sheriff's office and County Road and Bridge Department will log all fuel purchases. The County Sheriff's office will utilize a system already in place to a more tailored need of documentation. The County Road and Bridge Department will provide a hand written accountability of fuel purchases and report this to the County Clerk's office for monthly reconciliation with fuel statements. This will also be included in an update to our personnel policies. Discrepancies will be reported immediately to the County Commission for further review.*

*The Sheriff also provided the following response:*

*Fuel purchase procedures will include a radio log-in with dispatch when fueling, using a designated code. In addition, deputies will radio in their vehicle mileage and number of gallons of fuel purchased each time they fuel a vehicle.*

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## 3. Public Administrator

The Public Administrator does not adequately review the financial activity of some individuals (wards) living in a nursing home. The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division. During the 2 years ended December 31, 2011, the Public Administrator was responsible for the financial activity of 29 individuals, of which 19 reside in a nursing home.

For the 19 wards living in a nursing home, financial activity is managed by a nursing home facility representative with some oversight by the Public Administrator; however, such oversight is not always adequate. For 12 of these wards, the facility representative is responsible for paying expenses on



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behalf of the wards upon verbal approval of the Public Administrator, depositing funds into the wards' individual bank accounts, and preparing quarterly expense reports. The Public Administrator indicated she reviews the quarterly expense reports for reasonableness; however, reports were not retained and were not compared to bank statements or other supporting documentation. In addition, bank reconciliations were not always performed. As a result, there is less assurance disbursements made are reasonable and proper, and financial activity reported is complete and accurate.

Part of the Public Administrator's function is to serve in a fiduciary role for individuals who cannot provide adequate oversight of their own finances. Without adequate oversight, the Public Administrator cannot fulfill this role. In addition, the failure to adequately review and monitor the financial activity of wards increases the risk that errors or misuse of funds could go undetected.

## Recommendation

The Public Administrator establish procedures to adequately monitor the financial activity of all wards. In addition, the Public Administrator should ensure bank reconciliations and review procedures are completed and adequately documented.

## Auditee's Response

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

*Upon review of the Auditor's findings and recommendations the Public Administrator will implement a computer program currently available to reconcile client's bank statements and cash accountability. Documentation will be scanned and tracking of monies will be reviewed and compared with client charting.*

*The Public Administrator provided the following written response:*

*I am going to make sure all financial activity I receive of individual wards living in a nursing home will be reviewed and scanned in on the program. All bank statements will be reviewed and scanned monthly.*

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## 4. County Sales Tax

The county certified a property tax reduction to the State Auditor's office as a voluntary reduction rather than a sales tax reduction on its 2011 property tax certification forms. In previous years, the county reported sales tax reductions and the County Commission indicated it was the intent to report a sales tax reduction rather than a voluntary reduction for 2011. The required sales tax reduction for 2011 was approximately \$116,000. In addition, the county had no worksheets or other documentation to support the 2011 property tax reduction calculation and classification. An error in the county's property tax reduction certification during a non-reassessment



## Sullivan County Management Advisory Report - State Auditor's Findings

year (even year) could reduce the tax ceiling during the subsequent reassessment year, potentially impacting the amount of property taxes the county could collect.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Sullivan County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet a 50 percent reduction requirement, and certify to the State Auditor's office the annual property tax levy including the amount the levy is required to be reduced for sales tax collections, as well as any voluntary reductions. For 2008 through 2011, the county certified the sales tax reduction and voluntary reductions as follows:

	2011	2010	2009	2008
Sales tax reduction \$	.0000	.1500	.1400	.1500
Voluntary reduction	.1351	.0000	.0000	.0000
Actual tax levy	.2500	.2500	.2600	.2500

Effective procedures are necessary to ensure the sales tax reduction is properly calculated to avoid putting an undue financial burden on the county.

### Recommendation

The County Commission and the County Clerk properly distinguish between sales tax and voluntary reductions on certified property tax forms and assess the results of the actual property tax reductions to clearly show compliance with state law. In addition, all supporting worksheets should be maintained.

### Auditee's Response

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

*In review of the findings for county sales tax reports the new County Clerk will attend a training session regarding reporting of sales tax which will be conducted at the NW Clerk's meeting later in the year. The commissioners and County Clerk will review documentation more closely for errors in the future. The County Clerk will implement past reports for documentation to compare to current calculations to be kept on file. This will be implemented in the fall of 2012.*

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# Sullivan County

## Organization and Statistical Information

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Sullivan County is a township-organized, third-class county. The county seat is Milan.

Sullivan 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, 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 37 full-time employees and 1 part-time employee on December 31, 2011. The townships maintain county roads.

In addition, county operations include the 911 Board and the Sullivan County Memorial Hospital 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
Chris May, Presiding Commissioner	\$	24,440
James C. Howard, Associate Commissioner		22,440
Danny Busick, Associate Commissioner		22,440
Peggy Sloan, Recorder of Deeds		34,000
Jackie Morris, County Clerk		34,000
Jerry A. Hollon, Prosecuting Attorney		41,000
Roger Smiley, Sheriff		39,000
Paul Ruschmeier, County Coroner		9,500
Joan Brummit, Public Administrator		25,000
Jennifer Hollon-Russell, County Collector-Treasurer, year ended March 31,	34,000	
Karen LaFaver, County Assessor , year ended August 31,		34,000

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

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