



# Thomas A. Schweich

Missouri State Auditor

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## Wayne County



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January 2013  
Report No. 2013-06

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Wayne County

Financial Condition	As noted in our prior audit report, the county's General Revenue Fund remains in poor financial condition. The ending cash balance was \$7,548 at the end of 2011 and is budgeted to be only \$461 at the end of 2012 and does not take into account over \$430,000 in liabilities related to the county's sales tax rollback methodology and over \$19,000 due to the Sheriff's Revolving Fund.
County Sales Tax	As noted in several prior audit reports, the General Revenue Fund owes the Special Road and Bridge Fund \$432,896 as of December 31, 2011, for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 2002. In addition, as of December 31, 2011, property tax levies had not been adequately reduced by \$39,607.
Prosecuting Attorney Procedures	Prior audit reports have addressed the inadequacy of Prosecuting Attorney's office procedures, but there are still significant weaknesses. The Prosecuting Attorney frequently reduces charges filed on traffic tickets in exchange for a defendant's donation to the county's Special Law Enforcement Fund, and donations totaling \$180,000 were deposited into this fund during the 2 years ended December 31, 2011. However, there appears to be no statutory authority for these donations. In addition, the duties of receiving, recording, and transmitting monies are not adequately segregated, receipt slips are not issued for restitution monies received, and a detailed record of restitution monies is not maintained. Receipt slips are not issued immediately upon receipt of monies, checks and money orders are not restrictively endorsed promptly, and monies are not transmitted timely.
Sheriff Procedures	Fees are not always disbursed to the County Treasurer timely and intact. The Sheriff's office does not maintain a summary control log documenting all seized property, does not conduct a physical inventory of seized property, and does not maintain adequate documentation of seized property that has been destroyed and the witness to the destruction. As noted in our prior audit report, the Sheriff's office does not prepare a monthly list of liabilities and reconcile it to the cash balance of the fee account, so the office was unaware of discrepancies and cannot ensure sufficient funds are available to meet liabilities.
Payroll and Mileage	As noted in our prior audit report, the county has not documented reasons for classifying bailiffs as independent contractors rather than county employees, which may not comply with state and/or federal law. Some employee leave balances were not accurate. During 2011 and 2010, the custodian received some additional compensation and overtime which did not appear proper or supported by timesheet documentation. In addition, the custodian received \$500 a year for mileage reimbursement, but the County Commission did not require him to submit itemized reports, and the County Clerk was reimbursed \$572 in 2011 for mileage at a higher rate than that established by the County Commission.

Property Tax System Controls and Procedures	The County Commission and County Clerk do not adequately monitor property tax system activities, as noted in our prior audit report. Reviews of additions and abatements is not sufficient and the County Commission and County Clerk to not adequately review the County Collector's monthly and annual settlements. Moreover, the County Assessor, who enters additions and abatements into the computer system, is the mother-in-law of the County Collector; the close relationship and inadequate reviews increase the risk.
Capital Assets and Vehicles	As noted in prior audit reports, the county lacks adequate procedures and records to account for county property, and the county has not established effective procedures for monitoring vehicle and equipment fuel use. Logs of fuel dispensed from bulk fuel tanks are maintained, but they are not used to reconcile to fuel purchased and are not always complete.
Recorder of Deeds Reconciliation Procedures	The Recorder of Deeds does not identify and resolve monies remaining in the account after the monthly distribution of fees, which allowed \$666 in unidentified amounts to accumulate in the bank account between January 2011 and April 2012.
Computer Controls	In the County Collector's, Recorder of Deeds', and County Clerk's offices, passwords are not required to be periodically changed, and data is not backed up by the County Clerk.
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)	The county was awarded a \$205,190 Recovery Act: Homelessness Prevention and Rapid Re-housing grant, \$126,458 of which it passed through to the South Central Missouri Community Action Agency to help families and individuals who are at risk of becoming homeless and those experiencing homelessness.
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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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# Wayne County

## Table of Contents

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State Auditor's Report	2
------------------------	---

---

Management Advisory Report - State Auditor's Findings	1. Financial Condition .....4 2. County Sales Tax.....6 3. Prosecuting Attorney Procedures .....8 4. Sheriff Procedures .....10 5. Payroll and Mileage.....12 6. Property Tax System Controls and Procedures .....15 7. Capital Assets and Vehicles .....17 8. Recorder of Deeds Reconciliation Procedures .....19 9. Computer Controls .....19
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Organization and Statistical Information	21
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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Wayne County

We have audited certain operations of Wayne County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Wayne 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) 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 Wayne 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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Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Jeannette Eaves, CPA
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Audit Staff:	Gina Henley, MBA Lindsay Pearson

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# Wayne County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Financial Condition**

As noted in our prior audit report, the county's General Revenue Fund remains in poor financial condition. The table below reflects the ending cash balance of the General Revenue Fund over the last 4 years and the projected ending cash balance as reported in the county's audited financial statements and 2012 budget document.

Ending Cash Balance, Year Ended December 31,				
2012 Budgeted	2011 Actual	2010 Actual	2009 Actual	2008 Actual
\$ 461	7,548	4,136	35,146	7,866

The cash balances do not take into account liabilities of the General Revenue Fund, including \$432,896 due to the Special Road and Bridge Fund as a result of the county's sales tax rollback methodology and \$19,511 due to the Sheriff's Revolving Fund. Also, the county's financial burden has increased with opening a new jail in recent years and cash flow problems have required extensive borrowing.

The county does not have sufficient monies to repay amounts from the General Revenue Fund to other funds, adequately reduce the property tax levy in the General Revenue Fund in future years, operate a new jail, and establish a debt reserve account. A significant increase in revenues or reduction in expenditures will be required for a period of several years to resolve the county's financial concerns.

- This cash balance would be less if the General Revenue property tax levy had been properly rolled back to compensate for sales tax monies collected during the 4 years ended December 31, 2011. Property tax levies have not been adequately reduced by \$39,607 as of December 31, 2011. In addition, the General Revenue Fund owes the Special Road and Bridge Fund \$432,896 as of December 31, 2011, because the county reduced the Special Road and Bridge property tax levy to meet a portion of the rollback requirement (see MAR finding number 2).
- The General Revenue Fund is experiencing significant cash flow problems, and as a result, the county has had to borrow monies from other county funds and a local bank to pay bills. In 2011, the County Commission established a line of credit with a local bank and borrowed \$155,000 for the General Revenue Fund. In addition, the County Commission approved loans to the General Revenue Fund of \$20,500 and \$40,000 from the Special Road and Bridge Fund in 2011 and 2010, respectively, and \$61,574 from the Title III Fund in 2010. Also, the county borrowed \$105,000 for the General Revenue Fund from the line of credit and \$25,000 from the Special Road and Bridge Fund through the first 6 months of 2012. The



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Wayne County  
Management Advisory Report - State Auditor's Findings

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county has repaid all monies borrowed in each respective year. However, monies from the Special Road and Bridge Fund are restricted for certain purposes by Section 137.555, RSMo, and Title III Fund grant receipts are restricted for specific purposes per the grant agreement.

- The financial condition of the General Revenue Fund has been further strained by the additional costs associated with a new jail that opened in June 2009. While cost feasibility studies were performed for the project, the studies did not adequately consider all operating costs, such as utilities and a possible need for increased staffing for the jail. Further, no cost analysis or consideration of future billing revenues for holding prisoners for other counties was projected. As a result of additional salary costs, utilities, and lease payments related to the new jail, annual jail operation costs have increased approximately \$114,000. In addition, the loan resolution security agreement for the new jail requires \$4,399 to be deposited annually into a debt reserve account until the accumulated balance is \$43,990. The required deposits have not been made for 2009, 2010, and 2011.
- During the 2 years ended December 31, 2011, the county transferred a total of \$19,511 from the Sheriff's Revolving Fund to the General Revenue Fund. The Sheriff indicated these monies were transferred to assist the county in paying various expenses of the Sheriff's office; however, there was no supporting documentation to demonstrate if these monies were expended in accordance with state law. Section 50.535, RSMo, provides Sheriff's Revolving Fund monies are to be used to process applications for concealed carry endorsements or renewals.

The County Commission indicated it is aware of the concern and is continually trying to reduce disbursements and maximize receipts. In April 2012, Wayne County voters passed a 1/2-cent general sales tax levy under Section 67.547, RSMo, for a period of 6 years. The additional sales tax revenue is to be used to make repairs to the courthouse and pay for operational expenses.

It is essential the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue.





Wayne County  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The County Commission perform long-term planning, closely monitor the county's financial condition, and continue to take the necessary steps to improve the financial condition of the General Revenue Fund. In addition, the County Commission should establish a debt reserve account and repay the Sheriff's Revolving Fund \$19,511 from the General Revenue Fund. Also, the county should refrain from interfund borrowing from restricted funds.

## Auditee's Response

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

*We will review the statutes concerning the concealed carry permits and determine what action is needed to comply. The new sales tax will generate approximately \$250,000 per year after the rollback. We plan to use about half of that for the courthouse building and use the other \$100,000 to \$125,000 to help the cash flow of the General Revenue Fund. The Wayne County Improvement Corporation has established a debt reserve account. We will attempt to refrain from interfund borrowing from restricted funds.*

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## 2. County Sales Tax

Although we have reported this situation in several prior reports, the General Revenue Fund has not reimbursed the Special Road and Bridge Fund for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 2002, and \$432,896 is owed as of December 31, 2011. Additionally, as of December 31, 2011, property tax levies have not been adequately reduced by \$39,607.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected and provides for actual sales tax revenue of the preceding year which is higher or lower than that year's estimated sales tax revenue to be included in the subsequent year's property tax revenue roll back calculation.

### Special Road and Bridge property tax levy reduction

Annually Wayne County certifies to the State Auditor's office the annual property tax levy including the amount the levy is reduced for sales tax collections, as well as any voluntary reductions. Each year the General Revenue property tax levy is reduced to approximately 14.5 cents and the Special Road and Bridge property tax levy is reduced to 11 cents. Because reducing the General Revenue property tax levy to 14.5 cents is not sufficient to compensate for 50 percent of the sales taxes collected, the county reports a portion of the Special Road and Bridge levy reduction as related to sales tax and the rest as voluntary. Since revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo, to be used only for improving and maintaining county roads and bridges, lost property tax revenues of the Special Road and Bridge Fund that relate to the sales tax rollback requirement should be reimbursed by the General Revenue Fund. The county has reduced the Special Road and Bridge property tax levy each year since 2002 to satisfy a portion of the levy rollback requirement, but made no transfers from the General Revenue Fund to the Special Road and



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Wayne County  
Management Advisory Report - State Auditor's Findings

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Bridge Fund to replace lost property taxes. As a result, the General Revenue Fund owes the Special Road and Bridge Fund \$432,896 as of December 31, 2011. Based upon 2012 property tax levy information provided to the State Auditor's office by the county, it is estimated that this liability will increase by more than \$35,000 if the county again fails to make a transfer to the Special Road and Bridge Fund. Also, this liability is becoming significant and represents approximately 23 percent of the county's typical annual General Revenue Fund receipt activity.

Overall reduction of property tax levies

The county has not established a procedure to monitor or assess results of actual property tax reductions for sales tax collections. As a result, the county has not sufficiently reduced its property tax levies to account for excess collections which have continued to accumulate since 2007 and total approximately \$39,607 as of December 31, 2011.

Additional Sales Tax Levy

As discussed in MAR finding number 1, an additional 1/2-cent general sales tax levy was approved by county voters in April 2012. The sales tax ballot language requires the General Revenue Fund property tax levy to be reduced annually by an additional 50 percent of the sales taxes collected, totaling a 100 percent reduction of the General Revenue Fund property tax levy. Because this new sales tax also requires a rollback, the county's rollback calculations will become more complicated and it is possible that reduction of the Special Road and Bridge Fund levy will now be required, not optional.

Overall

To better document decisions regarding property tax levies and ensure the Special Road and Bridge Fund receives general sales tax monies equivalent to the property tax reduction, the County Commission should monitor the portion of the Special Road and Bridge property tax levy reduction which relates to sales tax, transfer \$432,896 from the General Revenue Fund to the Special Road and Bridge Fund, and ensure transfers are made in the future when appropriate. The County Commission should determine the effect of the new sales tax on the property tax levies of the General Revenue and Special Road and Bridge Funds.

Recommendation

The County Commission and County Clerk adequately reduce property tax levies for 50 percent of all General Revenue sales tax revenue and develop a plan to correct the accumulation of prior years' excess property tax collections. In addition, the County Commission should transfer \$432,896 from the General Revenue Fund to the Special Road and Bridge Fund. Subsequent property tax levy rollbacks should be made entirely from the General Revenue Fund or the Special Road and Bridge Fund should be repaid the appropriate amount on an annual basis.



Wayne County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

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

*Beginning in 2013, we will roll the General Revenue property tax levy back to zero. We did not intend to roll back the Special Road and Bridge property tax levy for the new sales tax. If funding becomes available in the future, we will make every attempt to reduce the liability to the Special Road and Bridge Fund.*

## 3. Prosecuting Attorney Procedures

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's office procedures. Although some improvements have been made, significant weaknesses still exist. The Prosecuting Attorney's office collected bad check fees totaling approximately \$35,000 and donations totaling approximately \$180,000, during the 2 years ended December 31, 2011.

### 3.1 Unallowable donations

The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$50 to \$1,500, to the county's Special Law Enforcement Fund as a condition of reducing the charges. During the 2 years ended December 31, 2011, donations totaling \$180,000 were deposited into this fund. Although the Prosecuting Attorney has a fee schedule, the amount paid to the Special Law Enforcement Fund to amend traffic violations to non-moving violations can be negotiated with the Prosecuting Attorney. The county has also established a Law Enforcement Restitution Fund to account for assessments paid by defendants for certain offenses. The Prosecuting Attorney indicated both the Law Enforcement Restitution Fund and the Special Law Enforcement Fund are needed because there are restrictions on the type of cases for which the Law Enforcement Restitution Fund can be utilized and the amount assessed cannot exceed \$300.

There appears to be no authority for the Prosecuting Attorney to require a donation to reduce charges filed on traffic tickets. Article IX, Section 7, Missouri Constitution, states the proceeds of all penalties, forfeitures, and fines are to be distributed to the County School Fund. In addition, while Section 50.565, RSMo, provides for the deposit of certain assessments and payments into a county law enforcement restitution fund, the section provides that, "No court may order the assessment and payment authorized by this section if the plea of guilty or the finding of guilt is to the charge of speeding, careless and imprudent driving.... No assessment and payment ordered pursuant to this section may exceed three hundred dollars for any charged offense."

### 3.2 Segregation of duties

The duties of receiving, recording, and transmitting monies are not adequately segregated. One of the Prosecuting Attorney's secretaries is responsible for receipting, recording, and transmitting monies received for bad checks and another secretary performs these same duties for donations



Wayne County  
Management Advisory Report - State Auditor's Findings

to the Special Law Enforcement Fund. As a result, there is less assurance all transactions are accounted for properly and accounting records are complete and accurate.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting records are essential.

### 3.3 Restitution

Receipt slips are not issued for restitution monies received and a detailed record of restitution receipts is not maintained. While the Prosecuting Attorney's secretary makes a copy of each money order and places it in the defendant's file, there is no centralized record of all monies collected to ensure all monies are properly recorded and transmitted to the victims.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, official prenumbered receipt slips should be issued for all monies immediately upon receipt and a centralized record of restitution receipts and disbursements should be maintained.

### 3.4 Bad check fee and donation receipts

Receipt slips are not issued immediately upon receipt of monies, checks and money orders are not restrictively endorsed promptly, and monies are not transmitted timely. Per office personnel, receipt slips are usually issued and checks and money orders are endorsed when receipts are transmitted to the County Treasurer. The Prosecuting Attorney's office transmits bad check fees approximately once each month and donation receipts approximately every two weeks. A March 28, 2012, cash count identified 8 checks and money orders for bad check fees totaling \$1,737 and 31 money orders for donations totaling \$7,100 which had not been endorsed. Receipt slips had been issued for none of the bad check fees and for only seven of the donation receipts on hand.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued and checks and money orders endorsed immediately upon receipt of monies, and transmittals should be made intact on a timely basis.

Similar conditions  
previously reported

Similar conditions to sections 3.1, 3.2, and 3.3 were noted in our prior audit report.

### Recommendations

The Prosecuting Attorney:

- 3.1      Reevaluate the practice of requiring donations to the county as part of reducing charges filed.



Wayne County  
Management Advisory Report - State Auditor's Findings

- 3.2 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 3.3 Issue receipt slips for all monies received and maintain a centralized record of restitution receipts and disbursements.
- 3.4 Issue receipt slips and restrictively endorse money orders and checks immediately upon receipt of monies and transmit all monies intact on a timely basis.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 3.1 *We will take this recommendation under advisement, however, since the last audit in 2008, the county has passed an ordinance which relates to the handling of charitable contributions for law enforcement purposes through the County Treasurer's office.*
- 3.2 *The Prosecutor's office has engaged in a method of independent verification of receipts, recording and transmitting of monies by having a different employee than the one who receives, records or transmits monies to verify the accuracy of those activities.*
- 3.3 *Receipts will be maintained in the form of a log showing the name of the recipient, the name of the payor, the date and the amount; additionally a copy of the money order will be placed in the relevant file.*
- 3.4 *Prosecutor's personnel will attempt to immediately receipt the checks and money orders with restrictive endorsements rather than aggregating them. Restrictive endorsements will be placed upon the check or money orders immediately upon receipt and notation made in a record maintained by the office, and monies will be transmitted to the County Treasurer or victim.*

## Auditor's Comment

- 3.1 The county ordinance was passed in May 2012. An ordinance passed by the County Commission does not supersede constitutional provisions which do not allow such donations.

## 4. Sheriff Procedures

The Sheriff's office accounting procedures are not sufficient and do not provide assurance that monies collected are accounted for properly. In addition, controls over seized property are not adequate. The Sheriff's office collected various fees related to civil services fees, mileage, and concealed carry permits totaling approximately \$143,000 annually during the 2 years ended December 31, 2011.



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

### 4.1 Monthly disbursements

Fees are not always disbursed to the County Treasurer intact and on a timely basis. A review of fees collected in 2011 indicated disbursements generally occurred approximately 2 to 3 months after collection. For example, fees for August 2011 totaling \$4,771 were disbursed to the County Treasurer on October 31, 2011; and, fees for September and October 2011 totaling \$3,791 and \$1,507, respectively, were disbursed to the County Treasurer in December 2011. In addition, the Sheriff indicated monies from the fee account are sometimes used to pay for employees' personal purchases (guns, bullet proof vests, etc.) and office operating costs and equipment and later repaid by the employee and/or County Treasurer. For example, the purchase of a siren in March 2012 for \$120 was reimbursed by the County Treasurer in May 2012 and car registration fees paid in March 2012 for \$22 had not been reimbursed to the Sheriff's fee account as of July 2012.

Timely disbursement of fees collected is necessary to provide adequate controls over account balances and increase the likelihood discrepancies are promptly detected. Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer. In addition, there is no statutory authority for the Sheriff to make disbursements from accountable fees.

### 4.2 Seized property

Controls and records for seized property are not sufficient. While the Sheriff's office records seized property in the computer for each case, a summary control log documenting all seized property is not maintained. In addition, the Sheriff's office has not conducted a physical inventory of all seized property. Further, the Sheriff's office does not maintain adequate documentation of seized property that has been destroyed and the witness to the destruction.

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. Inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, along with the performance of periodic physical inventories, are necessary to ensure items are accounted for properly. Also, a detailed listing of the items destroyed including the signatures of witnesses should be maintained.

### 4.3 Liabilities

As noted in our prior audit, a monthly list of liabilities is not prepared and reconciled to the cash balance for the Sheriff's fee account. As a result, the Sheriff's office was unaware of discrepancies and cannot ensure sufficient funds are available to meet liabilities.

At our request, Sheriff's office personnel prepared a list of liabilities as of March 31, 2012. The reconciled bank balance of \$13,717 exceeded identified liabilities by \$1,115. Sheriff's office personnel noted liabilities for



Wayne County  
Management Advisory Report - State Auditor's Findings

civil fees, drug testing fees, board bill receipts, commissions, and carry and conceal weapon fees had not been disbursed for October 2010. Also, as noted in our prior audit report, the seizure account has maintained an unidentified balance of \$6,646 since August 2005, prior to the beginning of the current Sheriff's term of office.

To ensure records are in balance, identify errors timely, and ensure sufficient cash is available for payment of amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. Various statutory provisions address the disposal of unidentified monies.

## Recommendations

The Sheriff:

- 4.1 Disburse fees to the County Treasurer monthly in accordance with state law and discontinue the practice of using accountable fees for purchases.
- 4.2 Ensure a seized property inventory control log is maintained and a periodic physical inventory is conducted and reconciled to the log. In addition, the Sheriff should maintain a list of all seized property destroyed, including a description of the property and signatures of the witnesses.
- 4.3 Ensure a list of liabilities is prepared monthly and compared to the available cash balance. Differences should be promptly investigated. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies, including the old seizure account, should be disposed of in accordance with state law.

## Auditee's Response

*The Sheriff provided the following responses:*

- 4.1 *We will implement.*
- 4.2 *We are trying to obtain a new software program that will allow us to scan seized property and create a bar code. We will add the date destroyed and witness signature to the destruction order.*
- 4.3 *I will ensure the \$6,646 from the old seizure account is turned over to the County Treasurer as unclaimed fees. We are trying to do monthly listings of liabilities as time allows.*

## 5. Payroll and Mileage

County procedures and controls over employee compensation, records and mileage reimbursement are in need of improvement



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

### 5.1 Bailiff compensation

As similarly noted in our prior audit report, the county has not documented reasons for classifying individuals hired to perform bailiff duties as independent contractors rather than employees, and did not consult with legal counsel for clarification as indicated in response to a prior report recommendation. The county did not withhold payroll and income taxes from payments made to these individuals. Rather, these payments were reported to the Internal Revenue Service (IRS) on 1099 forms.

The county considers individuals hired to perform bailiff duties to be independent contractors; however, these individuals were required to complete a standard county timesheet similar to other Sheriff's employees. Payments to the six bailiffs totaled \$25,706 for the 2 years ended December 31, 2011.

Section 105.300, RSMo, defines an elected or appointed officer or employee of a county as an employee for Social Security and Medicare tax purposes. For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer share of Social Security and Medicare on the compensation paid to employees.

### 5.2 Employee leave records

Although the County Clerk indicated his office reviewed and recalculated employee leave balances, some leave balances were not accurate. Each employee is responsible for recording and accumulating leave balances on their timesheets, which are reviewed and approved by the official or department head. We reviewed vacation, sick, and compensatory time leave balances of seven employees as recorded on their timesheets, and determined balances were incorrect for five of these employees as a result of math or recording errors. In addition, vacation and sick leave were not accrued at the correct amounts for one employee and compensatory time earned was not calculated on one time sheet when the employee had worked more than 40 hours during the week.

Without proper review and approval of leave records, the County Commission cannot ensure vacation, sick, and compensatory balances are accurate and in compliance with county policy, and all employees are treated equitably. Accurate leave records also aid in determining unused vacation and compensatory leave upon termination of employment, in the event disputes arise, and in demonstrating compliance with the Fair Labor Standards Act of 1938 (FLSA).

### 5.3 Additional compensation

During 2011 and 2010, the custodian received additional compensation from the Special Election Fund for performing election work while performing his normal job duties, which does not appear proper. A total of





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

\$305 was paid from the Special Election Fund for these 2 years. There were no timesheets to document the additional hours worked and these payments were not included in the county payroll records, were not reported on employee W-2 forms, and were not subject to proper payroll tax withholdings. In addition, the custodian was paid \$589 from the General Revenue Fund for working overtime for two election nights in 2010; however, his timesheets did not document working overtime during either pay period.

The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on W-2 forms. Processing these payments through the county's normal payroll process would help ensure the payments are properly reported and withholdings are made. In addition, the FLSA requires accurate records of actual time worked be maintained by employees.

### 5.4 Mileage reimbursement

The custodian received an annual mileage reimbursement of \$500 during 2011 and 2010 for commuting to and from the courthouse at night or on weekends for emergencies. The County Commission did not require the custodian to submit itemized reports indicating the date of trips, nature of business, and locations traveled, and did not report the amount paid on his W-2 form.

In addition, during 2011, the County Clerk received mileage of approximately \$572 at the IRS rate even though the County Commission had established a lower rate of 37 cents per mile on February 1, 2011.

The IRS Code specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. Therefore, the annual mileage reimbursement should be considered gross income and reported on the W-2 form for the custodian. In addition, the county's approved mileage rate should be utilized for all mileage reimbursements.

## Recommendations

The County Commission:

- 5.1 Ensure all persons hired by the county are properly classified as employees or contract employees in compliance with state and federal laws and regulations, and all compensation paid is subject to applicable income and payroll taxes and properly reported.
- 5.2 Ensure the balance of leave accumulated and taken for each employee is reviewed by the County Clerk and all elected officials to ensure accuracy.



Wayne County  
Management Advisory Report - State Auditor's Findings

- 5.3 Ensure all compensation is processed through the county's payroll system and is subject to payroll withholdings and reported on employee W-2 forms. In addition, ensure all payments to employees are supported by time sheets which document hours worked.
- 5.4 Require employees to submit itemized mileage expense reports or report the mileage reimbursements as compensation to the IRS. In addition, the County Commission and County Clerk should ensure mileage reimbursements comply with county policy.

## Auditee's Response

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

- 5.1 *We consider these individuals to be contract employees. The timesheet is just completed to document the hours to be paid.*
- 5.2 *The County Clerk will continue to review leave balances and will work with elected officials to correct errors.*
- 5.3 *This issue was addressed during the 2012 election. Separate timesheets were prepared for the Election Fund and no hours worked were recorded on the timesheets paid from the General Revenue Fund for these dates.*
- 5.4 *The custodian now submits itemized mileage reports and everyone receives 37 cents per mile except the sheriff's department.*

## 6. Property Tax System Controls and Procedures

As noted in our prior audit report of the County Collector, the County Commission and the County Clerk do not provide adequate monitoring of the property tax system activities. The County Collector's office processed property taxes totaling approximately \$5.5 million annually for the 2 years ended February 29, 2012.

The County Assessor enters information for additions and abatements into the property tax system and provides documentation to the Collector's office. The Deputy Collector prepares the court orders at the end of the month and provides a copy of each court order to the Assessor and the County Clerk. The Deputy Collector also generates a report of additions and abatements from the computer system which is provided to the County Clerk. Although the County Clerk initials each court order and the County Clerk and Presiding Commissioner sign the summary report, there is no independent comparison of additions and abatements to the actual changes in the property tax system. Furthermore, the County Assessor, who enters additions and abatements into the computer system, is the mother-in-law of the County Collector. Because of this close relationship and inadequate independent reviews of changes to the property tax system, there is a greater



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Wayne County  
Management Advisory Report - State Auditor's Findings

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risk in this area and it is especially important that the County Clerk and County Commission thoroughly review the property tax system changes.

While the County Clerk maintains files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book or other record summarizing property tax transactions and changes. Therefore, the County Clerk and County Commission do not have information readily available, and do not adequately review the monthly and annual settlements prepared by the County Collector. As a result, errors and irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved additions and abatements to actual corrections made to the property tax system would help ensure changes are proper.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, 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 each year 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.

## Recommendation

The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and the County Clerk should monitor property tax system activities and perform a thorough review of the County Collector's monthly and annual settlements.

## Auditee's Response

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

*The County Clerk will begin an account book in 2013. In addition, the County Commission will review property tax activities as closely as possible.*

*The County Assessor provided the following response:*

*A new County Collector has been elected and will take office March 1, 2013. At that time, there will no longer be a relationship between the County Assessor and the County Collector.*



Wayne County  
Management Advisory Report - State Auditor's Findings

## 7. Capital Assets and Vehicles

Capital asset and vehicle records are in need of improvement. At December 31, 2011, county property, excluding buildings and vehicles, was valued at approximately \$1.7 million on the county insurance policy.

### 7.1 Capital assets

As noted in our prior audit reports, procedures and records to account for county property are not adequate. Procedures have not been developed to identify capital asset purchases and dispositions throughout the year. In addition, records lack some necessary information such as purchase date and disposition information. Also, annual inventories are not performed in some offices. The County Clerk requests each office submit an inventory list annually; however, no follow up is performed with those offices that do not submit a list. In 2011, the Sheriff, Prosecuting Attorney, Public Administrator, and Eastern District County Road and Bridge department did not submit inventory lists. As a result, the county is unable to ensure county-owned property is accounted for properly.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

### 7.2 Vehicles and fuel use

Effective monitoring procedures have not been established for vehicle and equipment fuel use in the road and bridge department and the Sheriff's office. The road and bridge department spent approximately \$344,000 and the Sheriff's office spent approximately \$65,000 for fuel during the 2 years ended December 31, 2011, for the 33 road and bridge vehicles and equipment items and 5 patrol cars.

Logs of fuel dispensed from bulk fuel tanks are maintained; however, these logs are not used to reconcile to fuel purchased and are not always complete. For example, the Sheriff's office did not record 256 gallons of the 847 gallons of fuel dispensed for 1 month. In addition, the Sheriff's bulk fuel tank is not secured to prevent unauthorized use.

Procedures for maintaining and reviewing fuel usage 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 amounts, and decrease the risk of theft or misuse of fuel



Wayne County  
Management Advisory Report - State Auditor's Findings

occurring without detection. Logs should provide sufficient details to enable the county to effectively monitor vehicle and equipment fuel costs.

## Recommendations

The County Commission and the County Clerk:

- 7.1 Work with the Sheriff, Prosecuting Attorney, and Public Administrator to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking capital asset purchases and dispositions throughout the year.
- 7.2 Work with the Sheriff and establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, bulk fuel inventory records should be maintained, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated. Also, the Sheriff's fuel tank should be secured to prevent unauthorized use.

## Auditee's Response

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

- 7.1 *It is the statutory duty of each elected official and department head to conduct an inventory. In 2012, second requests were sent out by the County Clerk.*
- 7.2 *The Sheriff's fuel tank is now secured. The County Commission reviews the logs of fuel dispensed into each road and bridge vehicle and if usage appears excessive, more extensive monitoring is performed. We will also consider comparing the invoices to the fuel log.*

*The Sheriff provided the following responses:*

- 7.1 *I will update the inventory listing.*
- 7.2 *The tank cannot be turned on unless the dispatcher turns it on in the office. When the dispatcher is called to turn on the tank, the mileage readings are recorded. Invoices will be compared to fuel logs.*

*The Prosecuting Attorney provided the following written response:*

- 7.1 *An inventory of capital assets for the Prosecuting Attorney's office was prepared for 2012. It is possible that the County Clerk's request for this inventory was misplaced or overlooked by Prosecuting Attorney personnel. Effort will be made to obtain such an inventory each year as of October 10th of each calendar year.*



Wayne County  
Management Advisory Report - State Auditor's Findings

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*The Public Administrator provided the following response:*

7.1 *The only county property I have is a fax machine. I will ask the County Clerk if it should be inventoried.*

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## **8. Recorder of Deeds Reconciliation Procedures**

The Recorder of Deeds does not identify and resolve monies remaining in the account after the monthly distribution of fees. The Recorder of Deeds processed approximately \$80,000 annually during the 2 years ended December 31, 2011.

Although monthly bank reconciliations are prepared by the Recorder of Deeds, unidentified amounts have continued to accumulate in the bank account since it was opened in January 2011. Office personnel indicated all monies received are usually disbursed at the end of each month and the bank account should zero out. However, at April 30, 2012, the bank account had an unidentified balance of \$666. At our request, the Recorder of Deeds identified these monies as undistributed interest, unidentified monies from the former Recorder of Deeds, a bad check collected on behalf of the former Recorder of Deeds, undisbursed receipts, and overpayments which had not been refunded. These amounts were disbursed in May 2012.

Procedures to ensure all receipts are properly disbursed are necessary to ensure accounting records are in balance and to identify errors in a timely manner. Unidentified monies should be disposed of in accordance with state law.

### **Recommendation**

The Recorder of Deeds ensure all amounts received are properly disbursed. In addition, any unidentified differences between the accounting records and bank reconciliations should be investigated and resolved. Unidentified monies should be disposed in accordance with state law.

### **Auditee's Response**

*The Recorder of Deeds provided the following response:*

*I am reconciling monthly and disbursing everything except interest monthly.*

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## **9. Computer Controls**

Controls over computer systems are not sufficient to prevent unauthorized access and data is not backed-up by the County Clerk. As a result, county records are unprotected and susceptible to damage or theft.

### **9.1 User passwords**

Passwords are not required to be periodically changed in the County Collector's, Recorder of Deeds', and County Clerk's offices. Changing passwords periodically reduces the possibility of unauthorized access to county computers and data.



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Wayne County  
Management Advisory Report - State Auditor's Findings

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## 9.2 Back-up data

Data is not backed up by the County Clerk. The County Clerk's computers are used to process disbursements, maintain budget files, prepare payroll and maintain annual payroll information.

Preparation of backup data, preferably on a daily or at least weekly basis, periodic testing to ensure it is adequate, and off-site storage would provide increased assurance county data could be recreated if necessary.

## Recommendations

The County Commission:

- 9.1 Work with the County Collector, Recorder of Deeds, and County Clerk to require passwords be periodically changed.
- 9.2 Ensure data is periodically backed up by the County Clerk and stored in a secure off-site location and backups are tested on a regular, predefined basis.

## Auditee's Response

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

- 9.1 *We will consider implementing this recommendation. We do not believe this is a significant security threat for the county.*
- 9.2 *This will be implemented.*

*The Recorder of Deeds provided the following response:*

- 9.1 *I will start changing passwords periodically.*

*The County Collector provided the following response:*

- 9.1 *I will be leaving office at the end of February. I will let the new collector know about this finding and decide how she wants to handle passwords in the future.*

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# Wayne County

## Organization and Statistical Information

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Wayne County is a county-organized, third-class county. The county seat is Greenville.

Wayne 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 48 full-time employees and 13 part-time employees on December 31, 2011.

In addition, county operations include the Law Enforcement Restitution Fund Board and the 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
Brian M. Polk, Presiding Commissioner	\$	27,177
James (Bill) Hovis, Associate Commissioner		25,177
Chad Henson, Associate Commissioner		25,177
Cindy Stout, Recorder of Deeds		38,147
Alan R. Lutes, County Clerk		38,147
Robert M. Ramshur, Prosecuting Attorney		45,175
Phillip P. Burton, Sheriff		42,163
Carol Hale, County Treasurer		38,147
Gary Umfleet, County Coroner		11,043
Donna Eads, Public Administrator		25,000
Erica Huitt, County Collector, year ended February 29,	38,147	
Frances K. Huitt, County Assessor , year ended August 31,		38,147
Brian Ferguson, County Surveyor (1)		

(1) Compensation on a fee basis.

### Financing Arrangements

The county entered into a lease-purchase agreement in May 2008, with the Wayne County Improvement Corporation to build the Justice Center. The terms of the agreement are for the Wayne County Improvement Corporation to build the facility and lease the facility back to the county for payments totaling the principal and interest due on the lease-purchase. The county





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## Wayne County Organization and Statistical Information

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makes the lease payments from the General Revenue Fund. The final payment for the lease-purchase is scheduled to be in 2038. The remaining principal and interest due on the lease-purchase agreement at December 31, 2011, was \$680,745.

The county has entered into several lease-purchase agreements for road and bridge equipment. Principal and interest payments are made from the Special Road and Bridge Fund. Final payments for the various leases are scheduled to occur from 2013 through 2016. As of December 31, 2011, the principal balance of the leases totaled \$324,917.

### 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:

A \$205,190 Recovery Act: Homelessness Prevention and Rapid Re-housing grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services to help families and individuals who are at risk of becoming homeless and those experiencing homelessness who need temporary assistance obtaining and retaining housing. Wayne County signed as the sponsor for this grant for Carter, Dent, Reynolds, Shannon, and Wayne Counties. During the 2 years ended December 31, 2011, \$126,458 was received and expended by the county related to this grant. The county passed these monies through to the South Central Missouri Community Action Agency.