



# Thomas A. Schweich

Missouri State Auditor

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## Shelby County



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August 2013

Report No. 2013-067

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of Shelby County

County Collector	After our prior audit, the County Collector opened a new bank account for which bank reconciliations and liability listings are prepared, but the old bank account, which is now dormant, still contains an unidentified balance of \$3,559. Maintaining this account increases the risk of loss or misuse of funds, and various state laws provide guidance on how to appropriately dispose of unidentified funds. The County Collector has contracts to collect taxes for municipalities, but the contracts do not clearly specify the amount of compensation to which the County Collector is entitled or the amount of penalties to be assessed on delinquent taxes.
Sheriff	The Sheriff's office does not deposit civil fees received timely and intact, which increases the risk of loss, theft, or misuse of funds. The Sheriff's evidence room was disorganized, and items in the room were difficult to locate. When two items on the evidence log could not be located, court files revealed the items had been returned to the owners, but the disposition was not recorded on the log.
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)	Shelby 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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# Shelby County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Shelby County

We have audited certain operations of Shelby 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 Shelby County for the year ended December 31, 2012. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Shelby County.

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

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Terese Summers, MSAS, CPA
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# Shelby County Management Advisory Report State Auditor's Findings

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## **1. County Collector**

The County Collector maintains a dormant bank account with an unidentified balance. The County Collector's contracts for the collection of municipal property taxes do not clearly define the amount of compensation to be provided to the County Collector.

### **1.1 Unidentified bank balance**

The County Collector maintains a bank account with an unidentified balance of \$3,559. The County Collector opened this account when he started his first term of office in March 2007. As noted in our prior audit, the County Collector did not prepare bank reconciliations or liability listings for this account. The County Collector opened a new account as of March 1, 2011, and has prepared monthly bank reconciliations and liability listings for this account.

After opening the new account on March 1, 2011, the County Collector, assisted by the County Treasurer, reviewed the activity of the old account and identified and disbursed \$1,703 in March 2012, leaving an unidentified balance of \$3,559.

The County Collector has implemented most of the recommendations from our prior audit, including adequate depositing and reconciliation procedures. However, maintaining a dormant bank account with unidentified funds increases the risk of loss or misuse of funds. Various state laws address the disposition of unidentified funds.

### **1.2 City commissions**

The County Collector receives compensation for collecting municipal property taxes as allowed by Section 50.332, RSMo; however, the contracts with the municipalities do not clearly define the amount of compensation for collecting delinquent taxes.

The County Collector collects both current and delinquent property taxes for the Village of Bethel and for the cities of Clarence and Hunnewell. The County Collector has written agreements with these entities which state the following:

" . . .the collector shall withhold from each remittance and retain as compensation for the services provided by him at the rate of three percent of the total amount of the taxes collected by the collector for the city (village), together with the penalty charge as prescribed by the ordinances of the city (village)."

We contacted the three municipalities, and the two cities adopted ordinances which provide for the collection of penalties on delinquent city taxes as allowed by state law for the collection of county taxes. The village could not provide an ordinance related to penalties on delinquent taxes.



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

The County Collector receives as compensation 3 percent of all current and delinquent municipal taxes collected. In addition, the County Collector receives as compensation 7 percent of all delinquent municipal taxes and interest collected, which is withheld from the amounts distributed to the municipalities and paid annually to the County Collector upon approval of the County Commission. The County Collector bases this percentage on Section 52.290, RSMo, which provides for a 7 percent delinquent penalty to be added to the tax bill. In addition to withholding 7 percent from municipal taxes and interest, the County Collector assesses the 7 percent delinquent penalty to taxpayers and distributes this amount to various funds as provided by Section 52.290, RSMo. It is unclear whether state law and city ordinances which allow for the collection and distribution of the 7 percent penalty also allow the collector to retain the same percentage from taxes collected as compensation. During the year ended February 28, 2013, the County Collector received \$1,054 as compensation related to the 7 percent withholding.

To ensure the County Collector receives the proper amount of compensation for collecting municipal taxes and to prevent misunderstandings, the language in the contracts with the municipalities should be amended to clearly define the amount of penalties assessed and the compensation paid to the County Collector for collecting delinquent taxes.

## Recommendations

The County Collector:

- 1.1 Close the dormant bank account and disburse the unidentified balance in accordance with state law.
- 1.2 Ensure the contracts for the collection of municipal taxes clearly define the amount of compensation paid to the County Collector and penalties assessed on delinquent taxes.

## Auditee's Responses

*The County Collector provided the following written responses:*

- 1.1 *The "unidentified bank balance" stems from the County Collector's first year in office. The reasoning for opening the new account was to isolate the first four years of county business and to stop carrying the unidentified 2007 funds forward. The account was allowed to "settle" with no business being conducted from that account. After one year there remained four (4) checks for refunded amounts totaling \$33.00 that were un-cashed and are noted in the accounting records. An amount from the Missouri Conservation Department (\$1703.00) was identified and distributed to the entitled taxing entities.*



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

*The old account has been closed as of June 26, 2013. The collector's office is in the process of distributing those funds (\$3,561.09) in an equitable manner, based on the 2007 tax year percentage of distributions to the entitled taxing entities. Those monies will be distributed by the end of July 2013.*

- 1.2 *This spring and summer, I visited with each of the cities this office has contracts with for the collection of tax. The amounts received for commissions have been outlined and discussed. The cities are aware of and in agreement with, all compensation received by the County Collector, the General Revenue Fund, and the Assessment Fund. The original contracts between the cities, the collector, and the commission were in place three years prior to my taking office in 2007. I am unaware of how the commission amounts were originally determined; however, the city contracts have been honored.*

*New contracts have now been drawn with all commission amounts discussed and clarified.. Section 2 (b) of the contracts now state: "The Collector shall withhold an additional (7%) percent from all delinquent taxes, fees, penalties, and interest charges due when paid after said due date".*

*Contracts with cities are signed by the County Commission, by the County Collector, and by the Mayors of the respective cities. Clerks for county and cities are also witnesses to the signed documents.*

*For the County Collector to receive any compensation for contracted services, as mentioned in the audit report, the County Collector petitions, in writing, for the release of those funds from the County Commission, which are held by the County Treasurer until petitioned, then approved for release by the County Commission on an annual basis.*

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## 2. Sheriff

The Sheriff does not deposit some receipts intact on a timely basis. Some items in the Sheriff's evidence room are not properly identified, and the disposition of some items was not properly recorded.

### 2.1 Bank deposits

Civil fees received by the Sheriff's office are not deposited intact on a timely basis. Civil fees are received frequently throughout the month. Fees which are not associated with serving papers are recorded upon receipt and generally held and deposited at the end of the month. Fees received for serving papers for civil cases are held until the papers are actually served, recorded on the receipts ledger when served, and deposited at the end of the month when served.



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

Timely and intact depositing procedures are necessary to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

### 2.2 Evidence room

The Sheriff does not adequately record the disposition of evidence and other seized property. In addition, our review noted the Sheriff's evidence room was disorganized and items in the room were difficult to locate. The Sheriff indicated the majority of items had been seized during the prior Sheriff's administration from 2005 to 2008, and should be disposed.

Sheriff's office personnel could not initially locate the evidence log upon our request, but it was later found. We attempted to locate two items listed on the log, but neither item could be located. Sheriff's personnel found documentation in applicable court case files indicating these items were returned to the owners, but the disposition had not been recorded on the log.

Considering the often sensitive nature of seized property and evidence, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. Complete and accurate inventory control records should be maintained and periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property and evidence are accounted for properly. The disposition of items should be properly recorded in the evidence log. In addition, proper disposal of items no longer needed would eliminate the risks of unauthorized access, use, or theft, and the related potential liability of the county.

### Recommendations

The Sheriff:

- 2.1 Deposit all monies timely and intact.
- 2.2 Maintain complete and accurate inventory records of all items in the evidence room, and perform periodic physical inventories and compare the results to the inventory records. The Sheriff should perform a complete review of all items and take action to dispose of items no longer needed. In addition, the disposition of all items should be recorded on a timely basis.

### Auditee's Responses

*The Sheriff provided the following written responses:*

- 2.1 *I agree and will deposit all monies intact weekly.*
- 2.2 *I agree that the inventory records need to be better maintained, and I will start working on disposing of all items that need to be returned and items that need to be destroyed.*

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# Shelby County

## Organization and Statistical Information

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Shelby County is a county-organized, third-class county. The county seat is Shelbyville.

Shelby 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 46 full-time employees and 10 part-time employees on December 31, 2012.

### Elected Officials

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

Officeholder	2013	2012
Glenn Eagan, Presiding Commissioner	\$	29,788
Kerry McCarty, Associate Commissioner		27,458
Maurice Shuck, Associate Commissioner		27,458
Audrey Grawe Buzzard, Recorder of Deeds		41,603
Tracy Smith, County Clerk		41,603
Jordan Force, Prosecuting Attorney		49,757
Dennis Perrigo, Sheriff		46,427
Jesse C. Burton, County Treasurer		41,603
Ralph Eagan, County Coroner		11,566
Susan C. Wilt, Public Administrator		23,296
John Chinn, County Collector (1), year ended February 28 (29),	45,248	
Marge Gander, County Assessor , year ended August 31,		41,367
Martin T. Wasson,, County Surveyor (2)		

(1) Includes \$3,527 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

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

Shelby County did not receive any federal stimulus monies during the year ended December 31, 2012.