



Thomas A. Schweich

Missouri State Auditor

Audrain County



May 2014

Report No. 2014-035

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of Audrain County

Property Tax System	As noted in our two prior audits, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk's account book does not indicate additions, abatements, and delinquent credits, and therefore, does not provide all information needed to perform adequate reviews of the County Collector's annual settlements. The County Commission does not document its review of the monthly additions and abatements report and does not document procedures performed to verify the County Collector's annual settlements. As a result, errors and irregularities could go undetected, and there is an increased risk of loss, theft, or misuse of property tax monies going undetected.
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**.*

*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.

Audrain County

Table of Contents

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

Management Advisory Report - State Auditor's Findings	Property Tax System4
---	----------------------------

Organization and Statistical Information	5
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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Audrain County

We have audited certain operations of Audrain County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Audrain County for the 2 years ended December 31, 2013. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2013. 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 a legal provision, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of Audrain 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, and the middle initial "A" in between.

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:	Jeannette Eaves, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Nicholas Schafer, MBA
	Dustin T. Davis

Audrain County Management Advisory Report State Auditor's Findings

Property Tax System

As similarly noted in our prior two audit reports, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector, who processed property tax monies of approximately \$25.8 million during the year ended February 28, 2014.

The County Clerk's account book does not indicate additions, abatements, and delinquent credits, and therefore, does not provide all information needed to perform adequate reviews of the County Collector's annual settlements. The County Commission receives a monthly report of additions and abatements, but does not document its review of this report and does not document procedures performed to verify the County Collector's annual settlements. As a result, errors and irregularities could go undetected and there is an increased risk of loss, theft, or misuse of property tax monies going undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that 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 are accounted for properly and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Properly documented approvals and independent comparisons of approved additions and abatements to changes made to the property tax system would help ensure changes to the property tax system records are proper.

Recommendations

The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and County Clerk should ensure all property tax additions and abatements are properly approved and monitored, and use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Auditee's Response

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

The County Clerk is in the process of compiling a spreadsheet that will enable her to balance with the County Collector. The County Clerk and County Commission will use this spreadsheet to review the annual settlement for the year ended February 28, 2014. The County Commission will document its review of additions and abatements monthly.

Audrain County

Organization and Statistical Information

Audrain County is a county-organized, third-class county. The county seat is Mexico.

Audrain 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 91 full-time employees and 15 part-time employees on December 31, 2013.

In addition, county operations include 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	2014	2013
Steve Hobbs, Presiding Commissioner	\$	39,423
Roger Young, Associate Commissioner		37,423
Thomas Groves, Associate Commissioner		37,423
Janis Deimeke, Recorder of Deeds		50,435
Shelley Harvey, County Clerk		50,435
Jacob Shellabarger, Prosecuting Attorney		73,277
Stuart D. Miller, Sheriff		61,499
Patty Meyers, County Treasurer		50,435
Todd Yager, County Coroner		19,854
Connie J. Hagan, Public Administrator		54,461
Kate Becker, County Collector (1), year ended February 28,	60,614	
Melissa Maupin, County Assessor, year ended August 31,		55,379

(1) Includes \$5,050 of commissions earned for collecting city property taxes.

Financing Arrangements

The county entered into a lease agreement with a not-for-profit corporation on June 1, 1997, calling for the corporation to issue bonds of \$5,595,000 for the purpose of constructing a new jail and for the corporation to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. The bonds are scheduled to be paid off in March 2017. The remaining principal outstanding at December 31, 2013, was



Audrain County
Organization and Statistical Information

\$1,675,000. Interest remaining to be paid over the life of the agreement totals \$117,926.

The county entered into a lease purchase agreement with a local bank on October 29, 2013, for the purpose of making improvements to the courthouse totaling \$700,000. The lease purchase agreement is scheduled to be paid off in October 2018. The remaining principal outstanding at December 31, 2013, was \$700,000. Interest remaining to be paid over the life of the agreement totals \$62,383.