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Missouri State Auditor

Howell County



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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Howell County

County Collector Controls and Procedures	The County Collector did not include city tax collections totaling \$777,849 and the related charges and credits in the annual settlement for the year ended February 28, 2014. The County Collector's office does not deposit receipts intact or timely, and does not reconcile the composition of receipts to the composition of deposits. The County Collector does not retain copies of manual receipt slips issued for partial payments received and does not maintain a ledger or the amounts collected, due, and deposited. Monies received for partial payments are held in the vault until the final payment.
Property Tax System Controls and Procedures	The County Collector and his employees have access rights in the property tax system that allow changes to be made to individual tax records throughout the tax year. Because the County Collector is responsible for collecting tax monies, good internal controls require the County Collector and his employees not have access rights allowing alteration or deletion of assessed valuation and property tax information. The County Clerk does not reconcile abatement court orders to the actual changes made in the system, and the County Collector has not established adequate password controls to reduce the risk of unauthorized access to computers and data.
Sheriff Controls and Procedures	The inmate account clerk does not timely deposit receipts into the inmate account, and the Sheriff has used some commissary profits for jail expenses instead of turning over all commissary profits to the county treasury as required. In addition, the Sheriff's office has collected and retained \$2,237 between July 2009 and December 31, 2013, in medical visit fees, but the inmate's medical costs are paid from the Law Enforcement Sales Tax Fund, and the medical fee is intended to partially reimburse the county for these costs. The Sheriff's office personnel do not prepare monthly lists of liabilities to reconcile to the cash balances for the inmate account and the seized monies account. At our request, lists of liabilities were prepared, and we identified a \$21 shortage in the inmate account and a \$1,100 shortage in the seized monies account. Sheriff's office personnel determined the \$1,100 shortage occurred due to a duplicate disbursement that they are in the process of recouping.
Public Administrator Controls and Procedures	The former Public Administrator did not always file annual settlements timely in compliance with state law, and the current Public Administrator did not always timely file inventories of assets. In addition, the former Public Administrator did not always obtain court approval for some fees and did not consistently assess fees from the accounts of some wards. The current Public Administrator did not always issue receipt slips for monies received, deposit receipts timely, and indicate the method of payment or date received on receipt slips issued.

Fuel	The road and bridge department does not reconcile logs of fuel dispensed from bulk fuel tanks to fuel purchased or review logs for reasonableness. We reviewed the logs and purchase invoices for one bulk fuel tank for 2013 and identified 3,987 gallons of fuel unaccounted for.
Senate Bill 40 Board Cash Reserves	The Senate Bill 40 Board has accumulated a cash balance of \$552,000, which is more than 3 times the total operating disbursements for 2013, and has no specific plans for its use.
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 **Fair**.*

*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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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Howell County

We have audited certain operations of Howell County in fulfillment of our duties under Section 29.230, RSMo. In addition, Deidiker Accounting & Consulting, LLC, Certified Public Accountants, was engaged to audit the financial statements of Howell County for the year 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 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 Howell County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Howell County Management Advisory Report State Auditor's Findings

1. County Collector Controls and Procedures

Controls and procedures in the County Collector's office need improvement. The County Collector's office processed collections totaling approximately \$19.6 million during the year ended February 28, 2014.

1.1 Annual settlement

The County Collector did not include city tax collections totaling \$777,849 and the related charges and credits in the annual settlement for the year ended February 28, 2014. By not including all information on the annual settlement, the County Collector hinders the ability of the County Clerk and County Commission to effectively review the annual settlement.

To help ensure the validity of tax book charges, collections, and credits, and for the County Commission and County Clerk to properly verify these amounts, it is important the County Collector file complete annual settlements.

1.2 Receipts and deposits

The County Collector's office does not deposit receipts intact or timely, and does not reconcile the composition of receipts to the composition of deposits. As a result, there is less assurance the office accounted for all receipts properly.

- The County Collector does not deposit receipts intact and does not maintain the change fund at a constant amount. The Deputy County Collector prepares the deposit and typically includes an even amount of cash in the deposit and withholds the balance of cash receipts for the change fund. Although the beginning and ending change fund balance is documented each day, the balance fluctuates daily as the cash deposited does not correspond with the day's cash receipts. During the month of November 2013, the daily change fund balance fluctuated between \$508 and \$787.
- The County Collector does not deposit monies received for partial payments intact or timely (see section 1.3).
- The Deputy County Collector does not reconcile the composition of receipts to the composition of deposits. Tax statements are marked with the method of payment (cash, check, money order, or credit card) and the method of payment is entered in the computer system. During the end-of-day procedures, a journal tape is produced from the computer system that totals collections by the method of payment. However, the composition of receipts per the journal tape is not reconciled to the composition of deposits.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact and the composition of receipts should be reconciled to the composition of deposits. If a change



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fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

1.3 Partial payments

The County Collector does not retain copies of manual receipt slips issued for partial payments received and does not maintain a ledger of the amounts collected, due, and deposited. Manual receipt slips issued for partial payments received are only retained until the final payment is received and then discarded. These monies are deposited when a taxpayer's final payment is received and the full amount owed is recorded in the property tax system. If a check or money order is used to make a partial payment, the check or money order will be deposited with the day's receipts with a corresponding amount of cash withheld from that deposit. Office personnel indicated partial payments are held in the vault until the final payment.

Without accurate and detailed records for all partial payments collected and balances due, there is little assurance partial payments are properly handled and recorded. Manual receipt slips issued for partial payments should be retained and reconciled to detailed records of all amounts collected and balances due. In addition, all monies should be deposited timely and reconciled to amounts held in the bank account.

Similar conditions
previously reported

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

Recommendations

The County Collector:

- 1.1 Include city taxes when preparing annual settlements.
- 1.2 Deposit all receipts intact, reconcile the composition of receipts to the composition of deposits, and maintain the change fund at a constant amount.
- 1.3 Implement procedures to ensure partial payments are adequately recorded and deposited timely, and retain all receipt slips written.

Auditee's Response

The County Collector provided the following written responses:

- 1.1 *Resolved - city collections will be a part of the annual settlement from this point on.*
- 1.2 *The County Collector will take the matter under advisement and work to change the daily "check out" procedure to eliminate fluctuation in cash receipts. Note - historically the current method of handling receipts has been in place for many years and through various elected County Collectors and there have been no misappropriation of any tax dollars. The County Collector is*



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upgrading to a new system which will eliminate the current method of reconciling receipts and deposits.

1.3 *The County Collector will no longer accept partial payments.*

2. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. As a result of the significant control weaknesses identified, there is less assurance all property tax monies have been accounted for properly.

2.1 Computer access

The county has not adequately restricted property tax system access. The County Collector and his employees have access rights in the property tax system that allows changes to be made to individual tax records throughout the tax year. Because the County Collector is responsible for collecting tax monies, good internal controls require the County Collector and his employees not have access rights allowing alteration or deletion of assessed valuation and property tax information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Failure to properly restrict access can result in the deletion or alteration of data files.

2.2 Abatements

The County Clerk does not reconcile abatement court orders to the actual changes made in the system. The County Assessor prepares court orders for abatements that are reviewed by the County Commission and posted by the County Collector and his employees in the property tax system. Because these abatements represent changes to amounts the County Collector has been charged with collecting and the County Collector and his employees are making these changes in the property tax system, it is important that the County Clerk compare the changes made to the approved court orders. Abatements totaled approximately \$230,000 during the year ended February 28, 2014.

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. In addition, if changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, errors or irregularities could go undetected.

2.3 Password controls

The County Collector has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Collector has 10 computers in his office and each computer has a separate password that is known by all employees. In addition, passwords are not required to be changed on a periodic basis.



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Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping passwords confidential. However, since passwords are shared among employees and not periodically changed, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Similar conditions
previously reported

Similar conditions to sections 2.2 and 2.3 were noted in our prior audit report.

Recommendations

- 2.1 The County Commission ensure property tax system access is limited to only what is needed for the users to perform their job duties and responsibilities.
- 2.2 The County Commission and the County Clerk ensure approved abatements are reconciled to actual changes made to the property tax system.
- 2.3 The County Collector require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the computers and data.

Auditee's Response

The County Commission provided the following written response:

- 2.1 *The tax system in place has worked well for many years. We have not experienced any problems in the past. Offices involved have worked cooperatively to ensure timely response and convenience to the taxpayers. We will work with the affected officeholders in this process in an attempt to address the recommendation.*

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

- 2.2 *This recommendation will be implemented.*

The County Collector provided the following response:

- 2.3 *We will no longer share passwords and will develop a process to change passwords periodically.*



3. Sheriff Controls and Procedures

Controls and procedures in the Sheriff's office over the inmate account and seized monies account need improvement. Deposits into the inmate account totaled approximately \$35,000 and deposits into the seized monies account totaled approximately \$9,000 during the year ended December 31, 2013.

3.1 Depositing procedures

The inmate account clerk does not make deposits timely for the inmate account. Cash received for inmates from visitors is collected in the lobby kiosk while monies in the possession of inmates when they are booked are put in the drop safe. We reviewed receipts related to 4 of the 9 deposits made during the months of April and December 2013. Inmate monies, totaling \$1,499, collected from November 20, 2013, through December 9, 2013, were not deposited until December 10, 2013. Of this amount, the office received receipts totaling \$1,208 on or prior to December 3, 2013, and held them for 7 to 20 days before deposit.

Failure to implement adequate depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper depositing procedures are necessary to ensure all receipts are handled and accounted for properly.

3.2 Commissary profits and medical fees

The Sheriff's office has not turned over all commissary profits to the county treasury and has used some commissary profits for jail expenses. Our review of the commissary records indicates the Sheriff's office remitted \$6,000 of commissary profits to the county treasury and paid \$2,013 from commissary profits to vendors for jail expenses related to mold inspections and uniforms during 2013. These expenses were not approved by the County Commission and were not handled through the normal county procurement and budget process. In addition, the Sheriff's office has retained commissary profits totaling \$1,853 in the commissary bank account as of December 31, 2013.

In addition, the Sheriff's office has not turned over any medical visit fees to the county treasury. The Sheriff's office charges inmates \$10 for each medical visit. Records indicate the Sheriff's office has collected and retained medical fees totaling \$2,237 from July 2009 through December 31, 2013. The county contracts for health care services for inmates and pays for those services from the county's Law Enforcement Sales Tax Fund. The charges to inmates represent a partial reimbursement for the county's costs.

Section 221.102, RSMo (effective August 28, 2013), requires each county jail to keep revenues from its canteen or commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (profits) into the county Inmate Prisoner Detainee Security Fund. In addition, there is no statutory authority allowing the Sheriff to hold county monies outside the



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county treasury. Section 50.370, RSMo, requires county officials in third and fourth class counties who receive any fees or other remuneration for official services to pay such monies to the County Treasurer.

3.3 Liabilities

Sheriff's office personnel do not prepare monthly lists of liabilities to reconcile to the cash balances for the inmate account and the seized monies account. At our request, a list of liabilities for the inmate account was prepared and identified liabilities totaled \$7,363, at December 31, 2013. The reconciled bank balance was \$7,342, for a shortage of \$21. In addition, at our request, a list of liabilities for the seized monies account was prepared and identified liabilities totaled \$16,917, at December 31, 2013. The reconciled bank balance was \$15,817, for a shortage of \$1,100. Sheriff's office personnel researched this shortage and determined it resulted from a duplicate disbursement in November 2011. Office personnel are in the process of recouping the overpayment.

Monthly lists of liabilities should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The Sheriff:

- 3.1 Ensure inmate account receipts are deposited timely.
- 3.2 Ensure existing and future commissary profits not necessary to meet cash flow needs or current operating expenses are turned over to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. Expenditures related to jail operations should be processed through the county's disbursement process. In addition, ensure all medical visit fees received are turned over to the County Treasurer.
- 3.3 Prepare a monthly list of liabilities for both accounts and compare to the reconciled bank balances. Any differences should be promptly investigated and resolved. The Sheriff should continue efforts to recoup the \$1,100 overpayment.

Auditee's Response

The Sheriff provided the following responses:

- 3.1 *Deposits are now being made weekly.*



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3.2 *We are currently turning all profits and medical visit fees over to the County Treasurer and will run all expenditures through the county disbursement process.*

3.3 *Account liabilities are now tracked on the computer and compared with manual bank statements and reconciled. We have developed spreadsheets for both accounts to identify and reconcile liabilities, which is being done monthly. It will not be a problem to recoup the \$1,100 overpayment.*

4. Public Administrator Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and is responsible for the financial activity of approximately 120 individuals (wards).

The former Public Administrator left office when her term expired on December 31, 2012, and the current Public Administrator took office in January 2013. The former Public Administrator prepared final settlements and turned over cases to the newly elected Public Administrator throughout 2013. Recommendations are directed to the current Public Administrator since he is in a position to work with the Associate Circuit Court, Probate Division and implement changes.

4.1 Annual settlements and inventories of assets

Procedures for filing annual settlements and inventories of assets are not adequate.

- The former Public Administrator did not always file annual settlements timely in compliance with state law. The former Public Administrator filed final settlements on 6 cases during April through July 2013 that covered periods of activity for up to 19 months. In addition, these settlements should have been filed prior to the expiration of her term on December 31, 2012.
- The current Public Administrator did not always file inventories of assets timely. An inventory of assets for one ward was due in September 2013, and was not filed with the court until December 2013.

Section 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely filing of settlements and inventories of assets are necessary for the court to properly oversee the administration of cases and reduce the possibility that loss, theft, or misuse of funds will go undetected. In addition, state law (see section 4.2) requires a public administrator receiving a salary to make necessary filings prior to leaving his or her term of office.

A similar condition was noted in our prior audit report.



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4.2 Fees

The former Public Administrator did not always obtain court approval for some fees and did not consistently assess fees from the accounts of some wards. Section 473.742, RSMo, provides all fees collected by a Public Administrator who elects to be salaried are to be deposited into the county treasury. For final settlements filed during 2013 by the former Public Administrator, the fees were prorated based on months of service applicable to the settlements. The county received fees related to services performed in 2012 and the former Public Administrator received fees related to services performed in 2013 since she was no longer a salaried employee.

- The former Public Administrator did not always petition the Associate Circuit Court, Probate Division for approval of fees paid to the former Public Administrator, the county, and attorneys during 2013. Our review of 4 wards' accounts identified 12 payments for fees totaling \$4,017 were not approved by the court. Attorney fees were charges for assistance in preparing the settlements. After our inquiries, the court determined a portion of the fees paid from one ward's account were excessive. The court disallowed and ordered refunds to the ward's account of \$615 and \$550 for fees paid to the county and attorney, respectively.
- The former Public Administrator did not consistently assess fees, and neither the current nor former Public Administrator maintained a fee schedule or documented criteria used when determining the appropriate fee to charge. For 4 cases reviewed, the former Public Administrator paid fees to the county in 2013 ranging from \$21 per month to \$91 per month based on the number of months covered by the applicable settlement. There was no supporting documentation to show how the fees were determined for each of these wards.

To ensure fees are properly assessed against the accounts of wards, the Public Administrator should work with the Associate Circuit Judge to establish a fee schedule. Without documenting criteria used when determining the appropriate fee to charge, and without adequate supporting documentation, there is less assurance fees charged to each ward are fair, reasonable, and properly assessed. In addition, Section 473.767, RSMo, indicates "In counties where the public administrator is paid a salary, the public administrator shall deliver property and make necessary filings as required in this section prior to leaving his or her term of office." Thus, the former Public Administrator should have completed all annual settlements, etc. before the end of her term and not retained any fees personally for those annual settlements filed after the end of her term.

4.3 Receipting and depositing

The current Public Administrator did not always issue receipt slips for monies received after he started issuing receipt slips on August 22, 2013, and does not always deposit receipts timely. In addition, the current Public



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Administrator did not always indicate the method of payment or date received on receipt slips issued.

For one of 6 cases we reviewed, the current Public Administrator did not issue receipt slips for 3 receipts after August 22, 2013, totaling approximately \$3,890 and deposited between November 25, 2013, and January 28, 2014.

Our review of receipt slips issued between August 22, 2013, and March 6, 2014, identified 5 pension checks totaling \$125 payable to one ward for the months of April through August 2013, were not deposited until August 22, 2013. The current Public Administrator indicated these checks were found during the process of moving offices. Monies received for a receipt slip issued for \$3,593 on September 10, 2013, were not deposited until September 26, 2013. In addition, the current Public Administrator did not record the method of payment on 15 receipt slips and did not record the receipt date on 12 receipt slips issued during this period.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper receipting and depositing procedures are necessary to ensure all receipts are handled and accounted for properly.

Recommendations

The Public Administrator:

- 4.1 Ensure annual settlements and inventories of assets are filed timely.
- 4.2 Obtain court approval prior to disbursing fees. Additionally, the Public Administrator should work with the Associate Circuit Judge to establish a formal policy outlining the fee amount to assess wards. Also, the Associate Circuit Judge should reconsider fees paid to the former Public Administrator after her term of office ended.
- 4.3 Issue receipt slips for all monies received and ensure the method of payment and date of receipt is recorded on receipts slips. In addition, the Public Administrator should ensure receipts are deposited timely.

Auditee's Response

The Public Administrator provided the following written responses:

- 4.1 *The Probate Court sends notice to the Public Administrator approximately 30 days before an annual settlement and report are due; this date is set by the court's computer software and the original filing date for each case. Upon receipt of this notice an account summary is prepared and the bank statements are provided to the office of the attorney on that case for review. If at that time,*



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(due to the volume of statements being prepared or other issues with work flow), there is insufficient time to prepare an annual settlement the attorney's office is now required to submit a request for an extension of time to file the annual settlement with the Probate Court. This process helps to ensure that these filings are addressed in a timely manner.

4.2 *The Public Administrator has reviewed the issue of fees with a number of other members of MAPA (Missouri Association of Public Administrators) and concluded that policy on this matter varies greatly from one county to the next. The Public Administrator has worked with the Associate Circuit Judge to establish a formal policy outlining the fee amount to assess the wards in a fair and equitable manner. This process has led to increased consistency in the fees charged to each estate, and provides transparency in this matter.*

4.3 *The Public Administrator has refined the procedure for tracking the receipt of all monies. Most monies are received by direct deposit from the payor in the individual account of each ward respectively. Any funds received in the office are immediately receipted including method of payment, date and amount, a deposit slip is completed, then they are photocopied. The deposit is placed in a zipper deposit bag and placed in a locked cabinet until deposited at the appropriate bank near the end of business that day. The bank deposit receipts are then attached to the photocopy, entered into the computer, and placed in filing to be filed in the ward's file for future reference.*

The Associate Circuit Judge provided the following written response:

4.2 *The court, being bound by established rules of procedure and applicable substantive law, will reconsider its prior order approving fees paid to the former Public Administrator for services she rendered after her term of office expired if the County Commission files a motion requesting reconsideration.*

5. Fuel

The road and bridge department does not reconcile logs of fuel dispensed from bulk fuel tanks to fuel purchased or review logs for reasonableness. The road and bridge department maintains 60 vehicles and equipment items. According to county records, road and bridge department fuel purchases totaled approximately \$246,000 for the year ended December 31, 2013. The road and bridge department purchases bulk diesel and unleaded fuel from local vendors for 11 bulk fuel tanks at 11 locations throughout the county.

We reviewed the logs and purchase invoices for one bulk fuel tank for the year ended December 31, 2013, and noted the calculated fuel usage



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(beginning gallons plus gallons purchased less ending gallons) of 16,503 gallons exceeded the logged fuel usage of 12,516 gallons, resulting in 3,987 gallons of fuel unaccounted for.

Procedures for maintaining and reviewing fuel usage logs and reconciling the 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 loss, theft, or misuse of fuel occurring without detection.

Recommendation

The County Commission work with the road and bridge department to ensure fuel use is reconciled to fuel purchases, and any significant discrepancies should be promptly investigated, and fuel logs are reviewed for reasonableness.

Auditee's Response

The County Commission provided the following written response:

A review of the road and bridge department fuel tanks has revealed that some fuel readings were incorrect and attributable to faulty measuring equipment. Steps have been taken to replace this equipment. Fuel logs will continue to be maintained and will be reconciled periodically.

6. Senate Bill 40 Board Cash Reserves

The Senate Bill 40 Board (Board) has accumulated a significant cash reserve without any specific plans for its use. The cash balance of the General Fund at December 31, 2013, totaled approximately \$552,000, and is more than 3 times the total operating disbursements of approximately \$157,000 for the year ended December 31, 2013. A Board official indicated the Board intends to use these monies to offset operating shortfalls in the Targeted Case Management (TCM) Fund in the event of reductions in funding for that operation. However, at December 31, 2013, the cash balance of the TCM Fund totaled approximately \$292,000, or approximately the operating disbursements of the fund for the year.

Accumulating an excessive cash balance with no specific long-term plans for the use of the monies puts an unnecessary burden on taxpayers. The Board should determine its future needs, and consider reducing future tax levies if a specific use for the cash reserves is not determined.

Recommendation

The Senate Bill 40 Board should evaluate funding needs and consider reducing the property tax levy. If plans have been made for expending the accumulated cash balance, such plans should be set forth publicly in the budget document.



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Auditee's Response

The Senate Bill 40 Board provided the following written response:

During the period of 1994 through 2008, the Board voluntarily rolled back the tax levy by an average of 43.58 percent. The voluntary reduction in 2008 lowered the tax rate ceiling beginning in 2009, and the Board has not opted to take action to raise the tax rate back to the rate effective in 2008. The Board agrees the revenue balance is significant even while reducing the tax levy.

Ozark Sheltered Industries (OSI) employs between 85 and 90 individuals with developmental disabilities. The Board provides funding for transportation costs and has agreed to fund most of an expansion project of a loading dock to enhance the loading and unloading of large vehicles, which will enable the OSI to use mechanical equipment in lieu of manual labor. Other future capital improvement projects have been discussed, but have not received final approval as of this date. Future projects will be documented in the budget.

The Board also provides TCM services for county residents with developmental disabilities. Workshop and TCM funds are kept separate.

The Board is fortunate to have funds available to ensure the stability of services for individuals with special needs and their families. For many of these individuals, a disruption of services would be catastrophic. Unfortunately, unpredictable events can and do take place. For example:

- A major employer in the area has just recently announced it will be closing its doors and relocating to Mexico. This closure causes the loss of approximately 400 jobs. It will negatively impact the OSI since approximately 80 percent of its sales are derived from this company. Additional costs will be incurred while transitioning to new product lines, and if necessary, employee wages will be subsidized during transition.*
- The recent down-sizing of the Missouri Department of Mental Health has left uncertainty in the department's future services.*

The Board anticipates that the voluntary reduction in the tax levy will continue and it will monitor fund balances while ensuring that financial stability remains intact.

Auditor's Comments

The Board has assessed its maximum tax rate levy since 2010. Property tax rate forms submitted to the State Auditor's office for 2010 through 2013 show no reductions from the Board's tax rate ceiling and the tax rate to be levied. The Board voluntarily reduced its tax rate levy in 2008, which



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resulted in a reduced tax rate ceiling beginning in 2009 and also voluntarily reduced its tax rate levy in 2009.

Howell County Organization and Statistical Information

Howell County is a county-organized, third-class county. The county seat is West Plains.

Howell 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 99 full-time employees and 22 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
Mark B. Collins, Presiding Commissioner	\$	35,057
Bill Lovelace, Associate Commissioner		32,845
Billy Sexton, Associate Commissioner		32,845
Sharon Trowbridge, Recorder of Deeds		49,765
Dennis K. Von Allmen, County Clerk		49,765
Michael P. Hutchings, Prosecuting Attorney		60,824
James M. (Mike) Shannon, Sheriff		55,295
Ernestine Doss, County Treasurer		49,765
James T. Tim Cherry, County Coroner		17,694
John Pruett, Public Administrator		49,765
Larry Spence, County Collector (1), year ended February 28,	82,022	
Daniel Franks, County Assessor, year ended August 31,		49,488
Ralph Riggs, County Surveyor (2)		

(1) Includes \$32,132 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

Financing Arrangements

The county entered into a lease-purchase agreement with the Public Building Corporation of Howell County (corporation) on December 1, 2004, calling for the corporation to obtain a loan of \$760,000 for the purpose of acquiring an administrative building and for the corporation to lease the facility back to the county for payments totaling the principal and interest



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due on the outstanding loan. The lease-purchase agreement was amended and refinanced on September 6, 2012, and the loan is scheduled to be paid off in September 2017. The remaining principal outstanding at December 31, 2013, was \$522,462. Interest remaining to be paid over the life of the agreement totals \$63,958.

The county entered into several lease-purchase agreements for road and bridge equipment. Principal and interest payments are made from the Special Road and Bridge Fund. The final payment on the lease-purchase agreements is scheduled for October 2018. The remaining principal amount at December 31, 2013, was \$315,758. Interest remaining to be paid over the life of the agreements totals \$22,957.