



# Thomas A. Schweich

Missouri State Auditor

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## Worth County

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December 2014  
Report No. 2014-122



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Worth County

Financial Condition	The financial condition of the General Revenue Fund has declined and is not expected to improve during the year ended December 31, 2014. Disbursements have exceeded receipts in each of the last 4 years and are expected to again in 2014. The General Revenue Fund lost potential funding in past years due to administrative service fee transfers from the various Road and Bridge Funds and Capital Improvement Sales Tax Funds not being consistently made, or calculated correctly.
Property Tax System	The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform an adequate review of the County Collector's annual settlements and the County Clerk does not prepare or verify the accuracy of the current or delinquent tax books.
Officials' Salaries	Salaries paid to most Worth County elected officials during 2013 were not in compliance with state law. Since at least 2009, most county officials have been paid approximately 65 percent of the authorized amount. State law establishing base salaries for elected officials was amended in 2007 and now provides the minimum amount to be paid. The County Commission was unaware of this change in law and as a result, elected officials were underpaid by approximately \$86,000 during 2013.
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.

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# Worth County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Worth County

We have audited certain operations of Worth 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 Worth 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 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 Worth County.



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: Randall Gordon, M.Acct., CPA, CGAP  
Audit Manager: Todd M. Schuler, CPA  
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Royce Lauer

# Worth County Management Advisory Report State Auditor's Findings

## 1. Financial Condition

The financial condition of the General Revenue Fund has declined and is not expected to improve during the year ended December 31, 2014. The following table presents General Revenue Fund activity and balances as reflected in county budget documents:

	Year Ended December 31,				
	2014 Projected	2013 Actual*	2012 Actual*	2011 Actual	2010 Actual
Beginning balance	\$ 13,896	29,567	36,995	53,781	65,088
Receipts	454,041	423,324	427,873	392,771	518,622
Disbursements	467,937	438,995	435,301	409,557	529,929
Ending balance	\$ 0	13,896	29,567	36,995	53,781

\* Amounts agreed to audited financial statements.

Disbursements have exceeded receipts in each of the last 4 years and are expected to again in 2014. The County Commission has limited opportunities to reduce disbursements from the General Revenue Fund as salaries paid are the majority of the disbursements. Most elected officials are currently only paid 65% of the base salary rate for their position based on assessed valuations, which is not in compliance with state law. As of November 1, 2014, the county had a liability of approximately \$86,000 for underpaid salary amounts in 2013 relating to a statutory change affecting the base salary amounts paid to elected county officials (see MAR finding number 3).

In addition, the General Revenue Fund has lost potential funding in past years due to administrative service fee transfers from the various Road and Bridge Funds and Capital Improvement Sales Tax Funds not being consistently made, or calculated correctly. Section 50.515, RSMo, allows an administrative service fee to be imposed on the Road and Bridge Funds and the Capital Improvement Sales Tax Funds. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for related administrative services to the Road and Bridge Funds and Capital Improvement Sales Tax Funds, and shall not exceed 5 percent of the actual expenditures from these funds. The county has budgeted for these transfers in past years, but only began taking them in 2013.

The county cannot continue to spend more than it receives in the General Revenue Fund. The County Commissioners indicated they are aware of the concern, but have not developed a formal or specific plan to reduce disbursements or increase receipts in order to address the county's financial condition.



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It is essential the County Commission address the county's financial condition both in the immediate and long-term future. The County Commission needs to consider significant changes to ensure the necessary funds are available to cover all liabilities. Possible options to improving the county's financial condition include reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring county budgets.

## Recommendation

The County Commission closely monitor the county's financial condition and take the necessary steps to ensure the General Revenue Fund has sufficient monies available to pay salary liabilities and improve the overall financial condition of the General Revenue Fund.

## Auditee's Response

*The County Commission provided the following written response:*

*We will do our best to closely monitor the county's financial condition and take steps to ensure the General Revenue Fund is properly managed.*

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## 2. Property Tax System

Property tax system controls and procedures need improvement. For the year ended February 28, 2014, property taxes and other monies collected by the County Collector totaled approximately \$2.3 million.

### 2.1 Account book

The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform adequate procedures to verify the accuracy of the County Collector's annual settlements. As a result, errors and irregularities on the annual settlement could go undetected. The County Clerk reviews the monthly and annual settlements for mathematical accuracy and the County Commission scans the annual settlements; however, a detailed review is not performed. The County Clerk indicated she was not aware an account book needed to be maintained and has now started to maintain one.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, 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 accounted for properly and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements.

### 2.2 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The county's computer programmer enters the property tax levies into the property tax system, as provided by the County



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Clerk, and the County Collector extends and prints the current and delinquent tax books and tax statements and verifies the accuracy of amounts to be collected. The County Clerk does not test or verify the accuracy of the tax books. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A review of tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to perform adequate reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

## Recommendations

The County Clerk:

- 2.1 Maintain a complete and accurate account book with the County Collector. In addition, the County Commission and the County Clerk should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 2.2 Prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.

## Auditee's Response

*The County Clerk provided the following written responses:*

- 2.1 *Although I was unaware of these duties for my position, going forward, I will prepare an account book to help verify the annual settlement filed by the County Collector and closely monitor tax collections.*
- 2.2 *I will ensure I document the process for verifying the current and delinquent tax books in the future.*

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## 3. Officials' Salaries

During 2013, salaries paid to most Worth County elected officials were not in compliance with state law. Since at least 2009, county officials have been paid salaries set as a percentage of the base salary amounts authorized by state statute. For 2013, all elected officials, except the Public Administrator and County Assessor, received salaries set at approximately 65 percent of authorized amounts. The County Assessor received a salary set at



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approximately 70 percent of the authorized amount, while the Public Administrator received the authorized amount. However, Section 50.327, RSMo, as amended in 2007, revised requirements regarding base salaries and now provides the minimum amount to be paid to each elected official. The County Commissioners indicated they were not aware of the statutory change affecting base salaries. As a result, by not paying the base salary, the county underpaid various elected officials approximately \$86,000 during 2013.

Various state statutes include salary schedules that, according to Section 50.327, RSMo, are to be used as base schedules for those county officials. The County Commission should consult with legal counsel and review salaries paid to elected officials to ensure amounts comply with state law and to evaluate if amounts are owed to officials for any underpaid salaries since 2009.

## Recommendation

The County Commission review salaries paid to elected officials since 2009 with legal counsel to ensure amounts comply with state law and to evaluate if any amounts are owed to officials for underpaid salaries.

## Auditee's Response

*The County Commission provided the following written response:*

*We will take this recommendation under advisement and work with the salary commission and legal counsel to find the best possible solution for Worth County.*

# Worth County

## Organization and Statistical Information

Worth County is a county-organized, third-class county. The county seat is Grant City.

Worth 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 10 full-time employees and 9 part-time employees on December 31, 2013.

In addition, county operations include a Senior Citizen Services 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
Ted Findley, Presiding Commissioner	\$	15,320
Regan Nonneman, Associate Commissioner		13,199
Chevy Davidson, Associate Commissioner		13,199
Barbara Foland, Recorder of Deeds		19,998
Roberta Owens, County Clerk		19,998
David A. Baird, Prosecuting Attorney		25,515
Terry Sheddric, Sheriff		24,825
Linda L. Brown, County Treasurer		19,998
Sharon Supinger, County Coroner		5,517
Patsy A. Worthington, Public Administrator		7,957
Julie Tracy, County Collector, year ended February 28,	19,998	
Carolyn J. Hardy, County Assessor, year ended August 31,		21,642

### Financing Arrangements Arrangements

The county has entered into a lease-purchase agreement for a 2011 Case Motor Grader. Principal and interest payments are made from the Special Road and Bridge Fund. The lease is scheduled to be paid off in August 2017. The remaining principal outstanding at December 31, 2013, was \$97,243. Interest remaining to be paid over the life of the agreement totals \$7,433.



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The county has entered into a lease-purchase agreement for a 2012 Case Motor Grader. Principal and interest payments are made from the Special Road and Bridge Fund. The lease is scheduled to be paid off in November 2017. The remaining principal outstanding at December 31, 2013, was \$146,887. Interest remaining to be paid over the life of the agreement totals \$11,569.