



# Thomas A. Schweich

Missouri State Auditor

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## Shannon County



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December 2014  
Report No. 2014-136

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Shannon County

### Financial Condition and County Sales Tax

The county's Special Road and Bridge (SRB) Fund financial condition has continued to decline over the past several years, and the county's General Revenue (GR) Fund has significant liabilities not reflected in the cash balances. SRB Fund disbursements have generally exceeded receipts and are projected to again exceed receipts in 2014. The county's 2014 GR Fund budget estimated revenues would decrease by about \$91,000 while expenditures would increase by about \$214,000. As of December 31, 2013, the GR Fund owes the SRB Fund \$139,898 for excess administrative transfers and incorrect payment of payroll taxes from the SRB Fund for non-road and bridge employees. In 2013, the county inappropriately transferred \$15,797 from the Sheriff's Revolving Fund to the GR Fund. Property tax reductions were not sufficient to offset 50 percent of sales tax monies received by approximately \$260,000. The county did not perform sales tax reduction calculations, and therefore, did not have documentation to support property tax levy reductions reported to the State Auditor's office or demonstrate compliance with state law.

### County Collector's Controls and Procedures

The County Collector had not prepared annual settlements since taking office March 1, 2007. The County Collector did not routinely prepare monthly lists of liabilities and compare the balance to the reconciled bank balance and, she did not investigate any differences for months for which a comparison was performed. In addition, the County Collector does not maintain a running check register balance. Further, the County Collector did not use the correct withholding rates for current personal property tax collections for the Assessment Fund in November and December 2013, and she found similar errors on the November and December settlements in 2011 and 2012. The County Collector also failed to withhold mailing commissions on current delinquent real estate and personal property taxes, and has not withheld mailing commissions on current delinquent real estate and personal property taxes since she took office in 2007. The total not withheld likely exceeds \$5,000.

### Property Tax System Controls and Procedures

Access to the property tax system is not adequately restricted. The County Collector and her deputies have access rights in the property tax system, which allows changes to be made to individual tax records throughout the tax year. In addition, the County Clerk does not prepare or verify the accuracy of the current and delinquent tax books prepared by the county's computer programmer.

### Sheriff's Controls and Procedures

The office manager's receipting and transmitting procedures are not adequate. Receipts are not always transmitted intact, the numerical sequence of receipt slips is not accounted for properly, and the composition of receipts is not reconciled to the composition of transmittals. Checks and money orders are not restrictively endorsed immediately upon receipt, and transmittals are not made timely. The office manager did not adequately identify Deputy Sheriff Salary Supplementation Fund (DSSSF) fees collected on civil process papers on transmittal reports. Additionally, the

Sheriff does not deposit inmates' monies, but instead keeps the cash in separate envelopes for each inmate along with his/her personal effects.

County Procedures	The Sheriff authorized \$18,285 of unallowable disbursements from the Sheriff's Revolving Fund during 2013. The County Clerk does not maintain overall county property records and none of the county officials or departments perform and submit an annual inventory list. The Sheriff does not require mileage logs to be maintained for some Sheriff's office vehicles. Full-time employees of the Sheriff's office do not prepare timesheets, and the value of personal commuting mileage for using a county-owned vehicle to commute between home and work is not reported on road and bridge employees' W-2 forms as required by Internal Revenue Service guidelines.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney does not provide adequate oversight to ensure all monies received are properly transmitted to victims or fees deposited and disbursed to the County Treasurer. The Prosecuting Attorney's secretary does not prepare monthly bank reconciliations and listings of liabilities, maintain a running check register balance, compare total deposits for the month with the amounts of fees disbursed to the County Treasurer, and has allowed unidentified amounts to accumulate in the bank account. Receipts are not deposited timely, and receipt slips are not issued for court-ordered restitution monies received. The Prosecuting Attorney defers prosecution on certain non-traffic tickets by requiring defendants to make a donation to the county's Law Enforcement Restitution Fund. There is no authority for the Prosecuting Attorney to require a donation to dismiss charges filed on these tickets.
Public Administrator's Annual Settlements	The Public Administrator does not always timely file annual settlements in compliance with state law. In addition, the Probate Divisions does not timely notify the Public Administrator prior to the deadline for the annual settlement or follow up on annual settlements not filed by the required date.
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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# Shannon County

## Table of Contents

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State Auditor's Report	2
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Management Advisory Report - State Auditor's Findings	1. Financial Condition and County Sales Tax .....4 2. County Collector's Controls and Procedures.....7 3. Property Tax System Controls and Procedures ..... 10 4. Sheriff's Controls and Procedures ..... 11 5. County Procedures ..... 13 6. Prosecuting Attorney's Controls and Procedures ..... 16 7. Public Administrator's Annual Settlements..... 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 Shannon County

We have audited certain operations of Shannon County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, was engaged to audit the financial statements of Shannon 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 control, (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 Shannon County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized 'S' at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

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# Shannon County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Financial Condition and County Sales Tax**

The county's Special Road and Bridge (SRB) Fund financial condition has continued to decline over the past several years and the county's General Revenue (GR) Fund has significant liabilities not reflected in the cash balances. The county did not prepare sale tax reductions and property tax levy reductions have not been sufficient.

##### **1.1 Financial condition**

As indicated in the chart below, the SRB Fund has had declining balances (with the exception of 2012) for the past several years, and the projected balance at December 31, 2014, is estimated to be approximately \$12,000. The declining SRB Fund balance was noted in our prior audit of 2009.

While the chart below indicates increasing balances for the GR Fund for the years 2010 through 2013, we project a serious decline by the end of 2014, and we have noted the GR Fund has been in poor financial condition in several prior audits dating back to 1999. The GR Fund balances noted below do not reflect various liabilities totaling over \$415,000 at December 31, 2013, as discussed in the following paragraphs and in section 1.2. The following chart reflects ending cash balances of these funds for the last 4 years and the anticipated ending cash balances for 2014, according to the approved county budgets.

	2014	2013	2012	2011	2010
Cash Balance, December 31	Budgeted	Actual*	Actual*	Actual	Actual
Special Road and Bridge Fund	\$ 12,027	24,525	171,356	153,666	359,698
General Revenue Fund	16,677	250,792	179,604	129,701	47,862

\* Amounts agreed to audited financial statements.

SRB Fund disbursements have generally exceeded receipts and are projected to again exceed receipts in 2014. As noted in our prior audit, the county had purchased 12 acres of undeveloped land for \$31,657 to be used as a county quarry. The county was unable to obtain a permit to use this land for a quarry. The county still owns the land and there is no current plan for selling it.

Total receipts and disbursements of the GR Fund have remained fairly consistent during the past 4 years. The county's 2014 GR Fund budget estimated revenues would decrease by about \$91,000 while expenditures would increase by about \$214,000. We noted increased expenditures for elected officials salaries (due to the increase in the county's total assessed valuation), employee salaries, health insurance costs, and for buildings and grounds improvements. The GR Fund cash balances noted above do not reflect the various liabilities discussed in the following paragraphs.



Shannon County  
Management Advisory Report - State Auditor's Findings

As discussed in our prior audit, the GR Fund owed \$202,598 to the SRB Fund for excess administrative transfers and incorrect payment of payroll taxes from the SRB Fund for non-road and bridge employees. As documented in the June 16, 2014, meeting minutes, the County Commission has resolved a portion of this liability by not making the budgeted administrative transfers to the GR Fund from the SRB Fund of \$31,350 in both 2009 and 2013. The GR Fund still owes the SRB Fund \$139,898 at December 31, 2013.

In 2013, the county inappropriately transferred \$15,797 from the Sheriff's Revolving Fund to the GR Fund to cover the budget overruns in the Sheriff's office (see MAR finding number 5.1). The GR Fund should repay \$15,797 to the Sheriff's Revolving Fund.

As noted in section 1.2, the county failed to adequately reduce the GR property tax levy and must develop a plan to correct for the \$260,000 over collection of property taxes in prior years.

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.

## 1.2 County sales tax

Property tax reductions were not sufficient to offset 50 percent of sales tax monies received by approximately \$260,000 at December 31, 2013. The county did not perform sales tax reduction calculations, and therefore, did not have documentation to support property tax levy reductions reported to the State Auditor's office or demonstrate compliance with state law.

Additional or increased property tax levy reductions will be required in future years to offset this liability. The county has not adopted adequate procedures to monitor or assess the results of the actual property tax reductions. The following table presents the cumulative liability resulting from insufficient reductions.

		Year Ended December 31,			
		2013	2012	2011	2010
Required property tax revenue reduction	\$	112,348	111,978	113,770	117,179
Actual property tax revenue reduction		47,251	44,513	48,710	58,483
Amount not sufficiently reduced		65,097	67,465	65,060	58,696
Prior years under/(over) reduction		194,562	127,097	62,037	3,341
Total insufficient property tax revenue reduction	\$	259,659	194,562	127,097	62,037





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

The county voters have approved two sales tax ballot proposals (2001 and 1987). The August 1987 sales tax proposal includes a provision to reduce property taxes by 50 percent of sales taxes collected. The county did not perform a sales tax rollback calculation to support the sales tax rollback reported to the State Auditor's office when certifying property tax rates. In addition, county officials were not aware the rollback was insufficient, which of the county's general sales taxes had a statutory rollback requirement, or how to properly calculate the rollback. The County Clerk said the General Revenue tax rate was set at the rate needed to meet the county's financial needs and the difference between the tax rate ceiling and the necessary General Revenue tax rate was reported as the sales tax rollback.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. In August 1987, Shannon County voters approved a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales tax collected. Therefore, the county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement and in the following year calculate any excess property tax collected based upon actual sales tax collection.

## Recommendations

The County Commission:

- 1.1 Closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund and the Special Road and Bridge Fund. In addition, the County Commission should repay \$15,797 to the Sheriff's Revolving Fund and \$139,898 to the Special Road and Bridge Fund from the General Revenue Fund.
- 1.2 Work with the County Clerk to properly calculate and adequately reduce property tax levies for 50 percent of sales tax revenue, and develop a plan to correct for the accumulation of prior years' insufficient property tax levy reductions.

## Auditee's Response

*The County Commission provided the following response:*

- 1.1 *The County Commission will work on developing a plan to repay those funds and to improve the financial condition of the General Revenue Fund and the Special Road and Bridge Fund.*



Shannon County  
Management Advisory Report - State Auditor's Findings

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

*1.2 The County Clerk has properly calculated the 2014 sales tax rollback. The County Commission will work on developing a plan to correct for past over collections.*

## **2. County Collector's Controls and Procedures**

Weaknesses exist in the County Collector's accounting controls and procedures. The County Collector's office processed transactions totaling approximately \$3.1 million for the year ended February 28, 2014.

### **2.1 Annual settlements**

The County Collector had not prepared annual settlements since taking office in March 2007. The County Collector indicated she did not understand how to prepare the annual settlement. Our audit staff provided her guidance on compiling the necessary information and preparing an annual settlement. Subsequently, the County Collector filed an annual settlement for the year ended February 28, 2014, with the County Clerk on July 28, 2014.

Because the County Collector did not file annual settlements, the County Clerk was unable to ensure taxes charged and credited to the County Collector each year were accounted for properly and the County Clerk and County Commission were unable to verify the County Collector's annual settlements. For related comments, see MAR finding number 3.

Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources. To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements timely. Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector and for the County Clerk to certify the amounts to the state.

### **2.2 Liabilities**

The County Collector did not routinely prepare monthly lists of liabilities and compare the balance to the reconciled bank balance. In addition, when the County Collector did prepare lists of liabilities, she made no attempt to investigate differences between total liabilities and the reconciled bank balance.

For the year ended February 28, 2014, there were reconciliations documented for December, January, and February only. In addition, a



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

running check register balance is not maintained for the bank account. The County Collector prepared a list of liabilities as of February 28, 2014, totaling \$138,039, which included February taxes to be distributed and surtax distributed annually. At this date, the reconciled bank balance totaled \$142,022, exceeding identified liabilities by \$3,983. However, the County Collector understated the surtax amount included in her list of liabilities by \$1,039 due to an error when recording the April 2013 surtax amount on her surtax worksheet. This amount remains in the bank account as the annual surtax distribution was based on the surtax worksheet. After adjusting for this error, the County Collector held unidentified monies totaling \$2,944 as of February 28, 2014.

Maintaining running check register balances and performing monthly bank reconciliations helps ensure records are accurate and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled bank balance, is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained. Applicable state laws address the disposition of unidentified monies.

**2.3 Assessment withholdings** The County Collector did not use the correct withholding rates for current personal property tax collections for the Assessment Fund, and as a result, \$1,867 is due to the Assessment Fund for the period November and December 2013. The County Collector reviewed the monthly settlements for prior years and found similar errors totaling \$3,202 on the November and December settlements in 2011 and 2012.

Withholdings on tax collections for the Assessment Fund should have been at the rate of 1.7 percent; however, the County Collector used a rate of 1.45 percent. In addition, the County Collector made no withholdings from collections for the hospital district.

Section 137.720.1, RSMo, requires a one percent commission on ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent commission, but limits the amount deducted to \$75,000. An additional one-fifth of one percent is allowed per Section 137.082, RSMo.

Adequate monitoring and proper calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.

## 2.4 Commissions

The County Collector failed to withhold mailing commissions of approximately \$810 on current delinquent real estate and personal property taxes for the period January 1, 2014, through February 28, 2014. The



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

County Collector indicated she has not withheld mailing commissions on current delinquent real estate and personal property taxes since she took office in 2007. Given this date and amount not withheld for the year ended February 28, 2014, the total mailing commissions not withheld likely exceeds \$5,000.

Section 52.250, RSMo, provides for a one-half of one percent mailing commission on all current taxes collected, except railroad and utility tax collections, to be paid to the county's General Revenue Fund.

Similar conditions  
previously reported

Similar conditions to sections 2.1 and 2.2 were noted in our prior audit report.

### Recommendations

The County Collector:

- 2.1 Prepare and file annual settlements timely. In addition, the County Commission should ensure the annual settlements are filed timely and are carefully and fully examined to ensure the tax book charges and credits are accurately reported.
- 2.2 Maintain a running book balance, prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and promptly investigate any differences. In addition, the County Collector should disburse the undistributed \$1,039 surtax to the taxing districts and unidentified monies in accordance with state laws.
- 2.3 Review Assessment Fund withholdings for past years, calculate the amount owed by each taxing district, withhold amounts from future tax collections and disburse amounts under withheld to the Assessment Fund.
- 2.4 Ensure commissions calculations comply with statutory provisions. The County Collector should review commissions on current delinquent real estate and personal property tax collections for past years, and calculate the amount owed by each taxing district.

### Auditee's Response

*The County Collector provided the following responses:*

- 2.1 *The County Collector will continue to prepare and file annual settlements and will do so in a timely manner.*
- 2.2 *This recommendation has been implemented. The \$1,039 of surtax was disbursed on the July 2014 monthly settlement. The County Collector intends to go back and investigate the remaining unidentified differences as time permits.*



Shannon County  
Management Advisory Report - State Auditor's Findings

2.3 *The County Collector has reviewed the Assessment Fund withholdings and identified the amounts to be withheld from each taxing district. The amounts will be withheld from the November 2014 monthly settlement and turned over to the Assessment Fund in December.*

2.4 *For the current delinquent taxes collected in 2015 and future years, the correct commissions will be withheld. The County Collector will go back and review prior years commissions and calculate the amounts owed by each taxing district.*

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

2.1 *The County Commission will work with the County Clerk and the County Collector to ensure annual settlements are filed timely. In addition, the County Clerk will ensure tax book charges and credits are accurately reported as she did for the annual settlement in July 2014.*

### **3. 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 property tax monies have been accounted for properly.

#### **3.1 Computer access**

Access to the property tax system is not adequately restricted. The County Collector and her deputies have access rights in the property tax system, which allows changes to be made to individual tax records throughout the tax year. Because the County Collector and her deputies are responsible for collecting tax monies, good internal controls require they not have system access rights allowing the alteration or deletion of tax rates, assessed values, and property tax information.

Without adequate computer access restrictions, there is an increased risk of loss, theft, misuse, and errors occurring and going undetected. In addition, due to the lack of oversight of the County Collector's office activities (as explained in the following section), any erroneous or improper changes made in the system by the County Collector could go undetected.

#### **3.2 Tax books**

The County Clerk does not prepare or verify the accuracy of the current and delinquent tax books prepared by the county's computer programmer. The County Clerk verifies some individual entries in the current tax book, but does not recalculate the tax book totals and charges. A review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges.



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

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, she should implement procedures to verify the accuracy of the tax books and document approval of the tax book amount to be charged to the County Collector. Failure to prepare and review the tax books may result in errors, irregularities, or misuse going undetected. In addition as discussed in MAR finding number 2, accurate tax books are necessary to verify the County Collector's annual settlements.

### Recommendations

- 3.1 The County Commission ensure property tax system access rights are limited to only what is needed for users to perform their job duties and responsibilities.
- 3.2 The County Clerk 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 adequately documented.

### Auditee's Response

*The County Commission provided the following response:*

- 3.1 *The County has implemented a new software system that appropriately limits computer access.*

*The County Clerk provided the following response:*

- 3.2 *The County Clerk will verify the accuracy of the tax books and will maintain documentation of the procedures performed.*

## 4. Sheriff's Controls and Procedures

Accounting controls and procedures need improvement. Sheriff's office records indicate the office processed receipts of approximately \$63,000 during the year ended December 31, 2013.

### 4.1 Receipts

The office manager's receipting and transmitting procedures are not adequate. The office manager issues receipt slips, accumulates monies for transmittal, and prepares transmittal reports. Monies are transmitted to the Crime Victim Advocate who makes deposits, prepares checks, reconciles the bank account and prepares the report of fees for the County Treasurer.

- Receipts are not always transmitted intact. Civil paper services fees are receipted immediately, but maintained on hand in the Sheriff's office until papers are served.
- The numerical sequence of receipt slips is not accounted for properly on the transmittal reports and the composition of receipts (cash, check, or money order) is not reconciled to the composition of transmittals.



Shannon County  
Management Advisory Report - State Auditor's Findings

- Checks and money orders are not restrictively endorsed immediately upon receipt, but are endorsed when transmittals are prepared.
- Transmittals are not made timely. Transmittals are made on average twice a month. For monies received during August 2013, office personnel made transmittals on August 14 for \$1,199, August 19 for \$480, and September 6, 2013, for \$645 and deposited monies on the day transmitted.

Proper receipting and timely transmitting procedures are necessary to reduce the risk of loss, theft, or misuse of monies received.

#### 4.2 Deputy Sheriff Salary Supplementation Fund fees

The office manager did not adequately identify Deputy Sheriff Salary Supplementation Fund (DSSSF) fees collected on civil process papers on transmittal reports. As a result, the fees were not properly reported to the County Treasurer and monies were not disbursed as required by state law.

During our review of civil paper service fees collected during the year ended December 31, 2013, we identified approximately 161 civil paper fees received and deposited, for which \$1,610 (\$10 for each service) should have been disbursed to the County Treasurer as DSSSF fees. However, because the office manager did not identify the breakdown of the fees on transmittal reports to the Crime Victim Advocate, the Crime Victim Advocate identified all amounts received for civil paper service as civil fees on the report she prepared for the County Treasurer. As a result, the County Treasurer deposited these fees into the Sheriff Civil Fees Fund and did not disburse them to the State Treasurer in compliance with state law. The Sheriff indicated all DSSSF fees collected since implementation of the fee in 2008 were deposited into the Sheriff Civil Fees Fund.

Effective August 28, 2008, Section 57.280.4, RSMo, provides the sheriff shall receive \$10 for service of any civil summons, writ, subpoena, or other order of the court. These monies shall be paid into the county treasury and the county treasurer shall make such monies payable to the state treasurer who shall deposit them into the DSSSF created under Section 57.278, RSMo. The Sheriff's office increased the fee for civil process paper service in compliance with this law.

#### 4.3 Inmate monies

The Sheriff does not deposit inmates' monies, but rather keeps the cash in separate envelopes for each inmate along with his/her personal effects. The monies an inmate has at the time he/she arrives at the jail are recorded on an arrest and booking property receipt form. Any additional monies received on behalf of the inmate are recorded on the outside of the envelope but no receipt slip is issued. Prisoner monies can only be used for phone card purchases and a receipt slip is issued for these purchases. The cash remaining in the envelope is returned to the inmate upon release and the



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Shannon County  
Management Advisory Report - State Auditor's Findings

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inmate and officer both sign in the property returned section at the bottom of the arrest and booking property receipt form. The envelopes are given to inmates when they are released and a copy is not retained.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the Sheriff should establish alternative procedures for maintaining inmate monies and ensure receipt slips are issued for all monies received and a record documenting each inmate's balance, receipts, and disbursements is maintained.

## Recommendations

The Sheriff:

- 4.1 Ensure receipts are transmitted intact and timely, the numerical sequence of receipt slips is accounted for properly, the composition of receipts is reconciled to the composition of transmittals and deposits, and checks and money orders are restrictively endorsed immediately upon receipt.
- 4.2 Work with the County Treasurer to identify DSSSF fees deposited into the Sheriff Civil Fees Fund and distribute funds in compliance with state law.
- 4.3 Deposit all inmate monies in an official bank account and maintain records indicating balances, receipts, and disbursements by inmate. These records should be reconciled monthly to the bank account balance. In addition, issue prenumbered receipt slips for all monies received from or on behalf of inmates.

## Auditee's Response

*The Sheriff provided the following responses:*

- 4.1 *The Sheriff will make sure these things are done.*
- 4.2 *The Sheriff is currently working with the County Treasurer to identify the DSSSF fees collected and plans on distributing the monies to the state in compliance with state law.*
- 4.3 *The Sheriff will implement this recommendation.*

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## 5. County Procedures

Disbursements from the Sheriff's Revolving Fund were not always appropriate. Procedures related to capital assets, fuel usage, and payroll need improvement.

### 5.1 Sheriff's Revolving Fund

The Sheriff authorized \$18,285 of unallowable disbursements from the Sheriff's Revolving Fund during 2013 out of disbursements totaling \$19,127. None of these purchases and/or transfers were related to the issuance of concealed carry weapon permits as required by state law. The





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

unallowable disbursements were for computers and computer accessories totaling \$1,488, a desk phone for \$127, labor arbitration training costing \$364, shirts for \$92, supplies for \$77, a meal for \$13, a \$15,797 transfer to the General Revenue Fund, and a \$327 transfer to the Crime Victim Advocate Fund.

Per Section 50.535, RSMo, Sheriff's Revolving Fund monies are to be used for the purchase of equipment, to provide training, and to make necessary expenditures to process applications for concealed carry endorsements or renewals, including but not limited to the purchase of equipment, training, fingerprinting, background checks, and employment of additional personnel.

### 5.2 Capital assets

The County Clerk does not maintain overall county property records. The county only maintains records of road and bridge and Sheriff department vehicles and equipment and some Local Emergency Planning Committee equipment. None of the county officials or departments perform and submit an annual inventory list. Neither the County Clerk nor other county officials track property purchases and dispositions of assets throughout the year or performed annual physical inventories. In addition, property is not tagged, identifying it as county property.

Adequate county property 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 property purchases and dispositions throughout the year, along with periodic physical inventories and comparisons of the results to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft. Proper tagging of county property items is necessary to facilitate the record-keeping process. Section 49.093, RSMo, requires third and fourth class counties to account for personal property costing \$1,000 or more, assigns responsibilities to the officer or applicable designee of each county department, and describes details to be provided in the inventory records.

### 5.3 Fuel use and purchases

The Sheriff does not require mileage logs to be maintained for some Sheriff's office vehicles. Logs maintained were not submitted for review and reconciliation of fuel usage to fuel purchases. Fuel is purchased for vehicles with fuel cards from a local vendor. Accounting records indicate office personnel purchased approximately \$19,600 of fuel during the year ended December 31, 2013.

Procedures for reviewing fuel use and reconciling use to fuel purchased are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Also, mileage and fuel logs are necessary to document the appropriate use of vehicles and to support fuel charges. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.



Shannon County  
Management Advisory Report - State Auditor's Findings

## 5.4 Timesheets

Full-time employees of the Sheriff's office do not prepare timesheets. As a result, the county cannot substantiate compliance with Fair Labor Standards Act of 1938 (FLSA) requirements for these employees.

Detailed timesheets would document hours actually worked, provide information necessary to monitor tasks performed, and are beneficial in demonstrating compliance with the county personnel policy and FLSA requirements.

## 5.5 Commuting mileage

The value of personal commuting mileage for using a county-owned vehicle to commute between home and work is not reported on road and bridge employees' W-2 forms as required by Internal Revenue Service (IRS) guidelines. According to county officials, because of the large geographic area of the county, road and bridge worksites in many instances are closer to employees' homes than to the two county road sheds. The road and bridge employees are not required to maintain mileage logs showing business and personal use.

IRS reporting guidelines indicate personal and commuting mileage are a reportable fringe benefit and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal use. Additionally, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

## Similar conditions previously reported

Similar conditions to sections 5.2, and 5.4 were noted in our 3 prior audit reports and similar conditions to sections 5.3 and 5.5 were noted in our 2 prior audit reports.

## Recommendations

The County Commission:

- 5.1 And the Sheriff use Sheriff's Revolving Fund monies in accordance with state law. In addition, the County Commission should authorize the transfer of \$327 from the Crime Victim Advocate Fund to the Sheriff's Revolving Fund.
- 5.2 And the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained, purchases and dispositions of assets are tracked, annual physical inventories are conducted, and assets are tagged as county property.
- 5.3 Require fuel use logs be maintained for all county-owned vehicles, and ensure these logs are reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.



Shannon County  
Management Advisory Report - State Auditor's Findings

- 5.4 Require all employees to prepare and submit timesheets to the County Clerk's office.
- 5.5 Comply with IRS guidelines for reporting fringe benefits related to commuting miles and require mileage logs that distinguish between business and commuting use.

## Auditee's Response

*The County Commission provided the following responses:*

- 5.1 *The County Commission will discuss with the Sheriff how to implement this recommendation. We will authorize the transfer from the Crime Victim Advocate Fund to the Sheriff's Revolving Fund.*
- 5.2 *The County Commission will implement this recommendation.*
- 5.3 *The County Commission will work with the Sheriff to implement this recommendation.*
- 5.4 *The County Commission will implement this recommendation.*
- 5.5 *The County Commission will require each employee who drives a county vehicle to sign a memo acknowledging the vehicle is to be used for official county business only.*

*The Sheriff provided the following response:*

- 5.1 *The Sheriff will implement this recommendation.*

*The County Clerk provided the following response:*

- 5.2 *The County Clerk will implement this recommendation.*

## 6. Prosecuting Attorney's Controls and Procedures

Accounting duties are not adequately segregated and supervisory reviews are not performed. Bank reconciliation, and depositing and receipting procedures are not adequate. The Prosecuting Attorney's practices related to deferred prosecution are not authorized under state law. The Prosecuting Attorney's office collected approximately \$17,000 in restitution payments and \$4,800 in fees during the year ended December 31, 2013. The office only accepts money orders. Restitution payment money orders are generally transmitted directly to the victim. Fees are deposited into the Prosecuting Attorney's bank account.

### 6.1 Segregation of duties

The Prosecuting Attorney does not provide adequate oversight to ensure all monies received are properly transmitted to victims or fees deposited and disbursed to the County Treasurer. The Prosecuting Attorney's secretary is responsible for the duties of receipting, recording, depositing bad check



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Shannon County  
Management Advisory Report - State Auditor's Findings

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fees, preparing checks, and transmitting monies received for bad checks and court-ordered restitution.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement and document a supervisory review of accounting records.

## 6.2 Bank reconciliations

The Prosecuting Attorney's secretary does not prepare monthly bank reconciliations and listings of liabilities and unidentified amounts have accumulated in the bank account. In addition, a running check register balance is not maintained for the bank account. The Prosecuting Attorney's secretary indicated all monies received are disbursed at the end of the month and the bank account should zero out; however, it does not because she does not have procedures in place to ensure this happens. She does not compare total deposits for the month with the amounts of fees being disbursed to the County Treasurer and at December 31, 2013, the bank account had an unidentified balance of \$2,799. Our prior report noted an unidentified balance of \$1,345 at December 31, 2009. We scanned bank statements and identified \$1,575 in restitution had been deposited into the bank account in February 2011 since the money order had been made payable to the office instead of the victim; but, a check had never been issued to disburse the monies to the victim.

Maintaining running check register balances and performing monthly bank reconciliations helps ensure records are accurate and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance, is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

## 6.3 Deposits

Fees are not deposited timely. Deposits are normally made once a month and averaged approximately \$400. The office only accepts money orders.

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.

## 6.4 Receipting

Receipt slips are not issued for court-ordered restitution monies received. Manual receipt slips are only issued for bad check restitution and fees monies. Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse of monies received will go undetected.



Shannon County  
Management Advisory Report - State Auditor's Findings

## 6.5 Deferred prosecution

The Prosecuting Attorney defers prosecution on certain non-traffic tickets by requiring defendants to make a donation (up to \$300) to the county's Law Enforcement Restitution Fund. Once the agreed upon amount has been paid by the defendant to the fund, the Prosecuting Attorney dismisses the case. During the year ended December 31, 2013, the Prosecuting Attorney deferred prosecution on 58 cases and collected \$14,350 in donations to the Law Enforcement Restitution Fund for these cases.

There is no authority for the Prosecuting Attorney to require a donation to dismiss charges filed on these tickets. Section 50.565, RSMo, provides for the deposit of certain assessments and payments into the county law enforcement restitution fund, however, this statute relates to a court ordering an assessment after a plea or finding of guilt.

Similar conditions  
previously reported

Similar conditions to sections 6.1 and 6.2 were noted in our 2 prior audit reports and a similar condition to section 6.3 was noted in our 3 prior audit reports.

## Recommendations

The Prosecuting Attorney:

- 6.1 Ensure periodic supervisory reviews of accounting records are performed and documented.
- 6.2 Ensure running balances in the check register are maintained, and monthly bank reconciliations are performed and reconciled to lists of liabilities. In addition, the Prosecuting Attorney should disburse \$1,575 of restitution monies held in error to the appropriate party. Any differences between accounting records and reconciliations should be investigated and resolved. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.
- 6.3 Ensure receipts are deposited timely.
- 6.4 Require issuance of receipt slips for all monies received.
- 6.5 Reevaluate the practice of requiring donations to the Law Enforcement Restitution Fund to defer prosecution.

## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

- 6.1 *We will attempt to segregate duties but, as a two person office, this is difficult to do. But we will attempt to incorporate your recommendation.*



Shannon County  
Management Advisory Report - State Auditor's Findings

- 6.2 *We will ensure running balances in the check register are maintained, and monthly bank reconciliations are performed and reconciled to lists of liabilities. Our bank account had an excess amount in it when I took office. The large restitution amount (\$1,575) is from a victim who had already been compensated by the victim's credit card company. That amount will be distributed to the merchants who were also victims and the remaining amounts will be sent to the office for unclaimed property.*
- 6.3 *We will make deposits weekly as long as we have a deposit to make.*
- 6.4 *We send letters to people paying restitution and also to the person receiving restitution. We have already began issuing receipts for restitution.*
- 6.5 *I disagree with this finding. First, we do not accept "donations" in exchange for dismissals. We use this as a tool for punishment and place defendants basically on unsupervised probation with a contribution to the fund. We require these payments as a condition of the agreement so that defendants receive some type of punishment without losing any financial aid they might be receiving nor losing their license if they have no prior offenses. I do not believe the statute precludes our collection under the circumstances in which we do so.*

Auditor's Comment

- 6.5 Political subdivisions of the state may only do those things specifically authorized by law. This is especially true of counties. Article VI, Section 7, Missouri Constitution requires county business to be managed as prescribed by law. The General Assembly authorized county commissions to establish a county law enforcement restitution fund when it enacted Section 50.565, RSMo. However, as it is with all funds created by the General Assembly, the only monies that can go into that fund are those specifically prescribed by the law. "Donations" to the fund are not authorized.

## 7. Public Administrator's Annual Settlements

The Public Administrator does not always timely file annual settlements in compliance with state law. In addition, the Associate Circuit Court, Probate Division does not timely notify the Public Administrator prior to the deadline for the annual settlement or follow up on annual settlements not filed by the required date.

We reviewed the 11 cases managed during the year ended December 31, 2013, by the current Public Administrator who took office January 2013. We noted 6 of 11 cases had an annual settlement due during January through April of 2014, but none of these settlements had been filed as of July 31, 2014. The Public Administrator indicated she thought she only had



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Shannon County  
Management Advisory Report - State Auditor's Findings

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to prepare annual settlements on cases when notified by the Associate Circuit Court, Probate Division until she learned about the annual statutory requirement at a training session in early 2014.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. In addition, while Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement, these sections do not excuse the Public Administrator from making the settlement at the time required by law. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

## Recommendation

The Public Administrator ensure annual settlements are timely filed. In addition, the Associate Circuit Court, Probate Division should notify the Public Administrator of annual settlement deadlines timely and follow up on those settlements which are not filed by the required date.

## Auditee's Response

*The Public Administrator provided the following response:*

*I have implemented procedures to ensure annual settlements are filed timely.*

*The Associate Circuit Judge provided the following written response:*

*I will direct the Probate Clerk to send timely notices to the Public Administrator regarding filing annual settlements.*

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# Shannon County

## Organization and Statistical Information

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Shannon County is a county-organized, third-class county. The county seat is Eminence.

Shannon 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 30 full-time employees and 12 part-time employees on December 31, 2013.

In addition, county operations include the Senate Bill 40 Board and the Senior Citizens' Service 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
Jeff Cowen, Presiding Commissioner	\$	22,064
Dale Counts, Associate Commissioner		20,064
Herman Kelly, Associate Commissioner		20,064
Melany Williams, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Shelly McAfee, County Clerk		30,400
Jodie R. Brumble, Prosecuting Attorney		37,050
Steven Blunkall, Sheriff		36,100
Michelle Shedd, County Treasurer		30,400
Tim Denton, County Coroner		8,550
Linda Wolff-Brewer, Public Administrator		15,000
Susie Needels, County Collector (2), year ended February 28,	31,489	
Summer J. Crider, County Assessor, year ended August 31,		30,400

(1) Compensation is paid by the state.

(2) Includes \$773 of commissions earned for collecting city property taxes.

### Financing Arrangements

The county entered into capital leases for 2 pieces of road and bridge equipment and a maintenance shed. 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 2017. The total





Shannon County  
Organization and Statistical Information

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remaining principal outstanding at December 31, 2013, was \$115,407.  
Interest remaining to be paid over the life of the agreements totals \$8,078.