



# Nicole R. Galloway, CPA

Missouri State Auditor

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## Ray County



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July 2015

Report No. 2015-051

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<http://auditor.mo.gov>



**Nicole R. Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Ray County

Financial Condition and Budgets	The General Revenue Fund is in poor condition. The General Revenue Fund cash balance steadily decreased from 2012 to 2014, as receipts sharply declined in 2013, and disbursements exceeded receipts in both 2013 and 2014. County budgets are not approved timely and expenditures occurred before establishment of approved budgets. The Noxious Weed Board has accumulated a significant cash reserve of \$207,572 without any specific plans for its use.
County Procedures	The County Clerk's office does not maintain centralized compensatory time records and no formal compensatory time policy exists. Regarding the election account, the County Clerk did not issue receipt slips, restrictively endorse checks upon receipt, make timely deposits, prepare adequate monthly lists of monies held for political subdivisions or reconcile those lists to the bank balance. The County Clerk does not transmit monies received timely to the County Treasurer.
Sheriff's Controls and Procedures	Procedures are not in place to properly identify and prepare a month-end list of liabilities of inmate monies and compare these liabilities to the reconciled bank balance. Manual receipt slips issued for inmate monies received prior to November 17, 2014, were not retained in accordance with state law. Additionally, commissary profits are not transmitted to the County Treasurer and were used to purchase items for jail operations and the Sheriff's office. The Sheriff's office does not issue receipt slips for some monies received for concealed and carry weapon licenses, and these monies are not timely transmitted to the County Treasurer. The Sheriff's office does not reconcile fuel transactions charged to the fuel account to vehicle logs.
Prosecuting Attorney's Controls and Procedures	Bad check payments are not always receipted when received, not restrictively endorsed until entered in the computer system, and are not deposited timely. The Prosecuting Attorney does not have controls and procedures in place to ensure payments received for bad checks are timely remitted to victims.
Recorder of Deeds' Controls and Procedures	Receipts are not issued for some monies received and some receipts were not disbursed. As noted in the two prior audit reports, receipts are not deposited timely.
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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# Ray County

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**NICOLE R. GALLOWAY, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Ray County

We have audited certain operations of Ray County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Ray County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

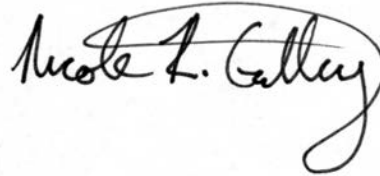
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Ray County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Colby Dollens, CPA, CFE
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Lisa Schlup

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# Ray County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Financial Condition and Budgets**

The General Revenue (GR) Fund is in poor financial condition. Budgets are not approved timely and non-payroll expenses were incurred before the final budget was approved. Also, the Noxious Weed Fund has accumulated a significant cash reserve.

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

The GR Fund is in poor financial condition. The following table reflects actual receipts, disbursements, and ending cash balance of the GR Fund over the last 3 years and anticipated for 2015, as reported in county budget documents:

		Year Ended December 31,			
		2015 (Budgeted)	2014 (Actual)	2013 (Actual)	2012 (Actual)
Beginning balance	\$	21,087	53,210	81,438	77,667
Receipts		3,323,988	3,391,323	3,357,631	3,887,769
Disbursements		3,278,186	3,423,446	3,385,859	3,883,998
Ending balance	\$	66,889	21,087	53,210	81,438

The GR Fund balance steadily decreased from 2012 to 2014, as receipts sharply declined in 2013, and disbursements exceeded receipts in both 2013 and 2014. The 2014 ending balance of \$21,087 is less than 1 percent of 2014 disbursements.

##### **Debt**

In order to maintain a positive cash balance in the GR Fund the County Commission has borrowed money from several sources. On November 22, 2013, the County Assessor agreed to loan the GR Fund \$75,000 from the Assessment Fund because the GR Fund balance was insufficient to pay the county's bills. As of December 31, 2014, the GR Fund owed \$65,000 to the Assessment Fund. In addition, as of December 31, 2014, the county had \$72,000 in debt related to the purchase of two Sheriff's vehicles and a \$50,000 debt on the county's line of credit with a local bank.

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. Reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of receipts, and closely monitoring the county's budgets will help the County Commission improve the county's financial condition.

##### **1.2 Budgets**

County budgets are not approved timely and expenditures occurred before establishment of approved budgets. The 2015, 2014, and 2013 budgets were approved in February 2015, March 2014, and March 2013, respectively. In all 3 years, the county expended county funds, including significant non-payroll expenses, without a final approved budget. In 2015, the County disbursed approximately \$476,000 in non-payroll-related disbursements prior to the budget being approved in February.



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Management Advisory Report - State Auditor's Findings

Section 50.540, RSMo, requires the County Clerk to submit the budget to the County Commission by February 1. Section 50.740, RSMo, states the county shall not pay any expenses, other than payroll, until the finalized county budget is filed with the State Auditor's office. Approving the county budget as close to the beginning of the fiscal year as possible allows the commission and office holders to more effectively monitor county finances.

1.3 Noxious Weed Fund cash reserves

The Noxious Weed Board (Board) has accumulated a significant cash reserve in the Noxious Weed Fund without any specific plans for its use. During the year ended December 31, 2014, the Board's accumulated cash reserves increased to \$207,572, which based on previous spending patterns, represents more than 5 years of funding for noxious weed control. Despite the significant accumulated cash balance, the Board continues to assess the maximum property tax rate allowed.

Accumulating an excessive cash balance with no specific long-term plans for use of these 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. Pursuant to Section 263.462, RSMo, the County Commission is given the taxing authority to levy a property tax rate for controlling noxious weeds. Thus, the County Commission has final approval of the proposed tax rate to be levied and does not necessarily have to set the rate recommended by the Board.

Similar conditions previously reported

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

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. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.
- 1.2 Approve budgets prior to approving expenditures other than payroll.
- 1.3 Work with the Noxious Weed Board to 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.

Auditee's Response

- 1.1 *The County Commissioners have been monitoring the financial condition of the county. We are making progress. The jail debt has been paid off, and we are cutting expenses, but revenues continue to*



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

*decline. We operate on sales and use taxes only. We don't believe taxing the citizens of Ray County further is the answer. We have made strides and will continue to monitor and address the situation.*

*1.2 We will do our best to complete the budget timely and ensure a budget is in place prior to incurring any non-payroll expenses.*

*1.3 The Noxious Weed Fund tax levy will be reduced to zero until we see the need to change it. We will monitor the fund closely and only raise the tax levy when necessary to cover expenses.*

## 2. County Procedures

Improvement is needed in the county's controls and procedures over compensatory time, the election account, and the County Clerk's transmittal of fees to the County Treasurer.

### 2.1 Compensatory time

As noted in our prior report, the County Clerk's office does not maintain centralized compensatory time records. Additionally, no formal compensatory time policy has been adopted. The Road and Bridge department is the only county office or department allowing employees to earn compensatory time. Records for compensatory time are maintained by the road and bridge foreman and are only provided annually to the County Clerk.

Without centralized records, the County Commission cannot ensure employees' compensatory time usage and balances are accurate. Also, centralized records aid in ensuring equitable treatment of employees, and compliance with federal regulations. A formal compensatory time policy is important to establish formal procedures for monitoring compensatory time and provide clarity for when compensatory time is permissible.

### 2.2 Election account

Significant weaknesses exist in accounting controls and record-keeping procedures for the election account.

- The County Clerk did not issue receipt slips for any payments received for the election account during the year ended December 31, 2014. In addition, checks are not always restrictively endorsed upon receipt and deposits are not made timely.
- The County Clerk does not prepare monthly lists of monies held for political subdivisions in the election bank account, and reconcile those lists to the bank balance. Monies in the election account are payments made from political subdivisions participating in elections handled by the county, and usually are not disbursed until the election is held.

To reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received for the election account





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are properly receipted, restrictively endorsed, and deposited timely. In addition, maintaining a list of election monies on hand and reconciling it to the bank balance helps ensure monies held for political subdivisions is accounted for properly.

## 2.3 Transmittal of fees

The County Clerk does not timely transmit monies received to the County Treasurer. We reviewed transmittals for June 2014 and noted delays as much as 13 days between receipt and transmittal. Timely transmitting procedures are necessary to reduce risk of loss, theft, or misuse of monies received.

## Recommendations

- 2.1 The County Commission ensure the County Clerk maintains centralized compensatory time records for all employees. In addition, the County Commission should adopt a formal compensatory time policy.

The County Clerk:

- 2.2 Establish procedures to ensure all monies received for the election account are properly receipted, restrictively endorsed upon receipt, and deposited timely. In addition, the County Clerk should prepare a monthly list of monies held for the Election Fund account and reconcile it to the reconciled bank balance.
- 2.3 Ensure fees received are transmitted timely to the County Treasurer.

## Auditee's Response

*The County Commission provided the following response:*

- 2.1 *A compensatory time policy has been written and is being finalized. The County Clerk will track all compensatory time going forward.*

*The County Clerk provided the following responses:*

- 2.2 *All receipts will be receipted, all checks will be restrictively endorsed, and will be deposited timely. In addition, a listing of monies held for each entity will be kept with the receipt book and compared to the bank reconciliation monthly.*
- 2.3 *Our new policy is to make a transmittal weekly, or when receipts exceed \$500.*

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## 3. Sheriff's Controls and Procedures

Weaknesses exist in the accounting controls and procedures of the Sheriff's office. The Sheriff's office collected approximately \$362,000 in bonds, inmate monies, civil services fees, and conceal and carry weapon (CCW) fees for the year ended December 31, 2014.



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### 3.1 Inmate liabilities and records

Procedures regarding the receipting and tracking of inmate monies are not adequate. Upon incarceration, monies in the custody of an inmate are receipted and deposited into the inmate bank account. Inmate monies are refunded to the inmate upon release. However, we noted the following concerns:

- Procedures are not in place to properly identify and prepare a month-end list of liabilities and compare these liabilities to the reconciled bank balance. Monthly, the Sheriff reconciles the bank statement to the check register but does not reconcile the balance to a list of liabilities. Monthly lists of liabilities should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient cash is available for the payment of all liabilities.
- Manual receipt slips issued for inmate monies received prior to November 17, 2014, were not retained in accordance with state law. Section 109.270, RSMo, indicates all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law. Adequate retention of records is necessary to ensure the validity of transactions and provide an audit trail.

### 3.2 Commissary profits

The Sheriff maintains profits from commissary sales in an account outside the county treasury and uses these monies to purchase items for jail operations and the Sheriff's office. The County Commission did not approve these purchases and purchases did not go through the normal county procurement or budget process. As of December 31, 2014, there was approximately \$6,400 of profits remaining in the commissary account that should be distributed to the Inmate Prisoner Detainee Security Fund.

Section 221.102, RSMo (effective August 28, 2013), requires each county jail to keep revenues from its 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.

### 3.3 Receipting and depositing

The Sheriff's office does not issue receipt slips for some monies received for CCW licenses. Our review of CCW receipts noted receipt slips were not written for \$250 transmitted to the County Treasurer on June 6, 2014. We also noted the Sheriff's office does not transmit CCW receipts to the County Treasurer timely. These monies are transmitted to the County Treasurer weekly. The Sheriff's office collected approximately \$28,540 for CCW licenses for the year ended December 31, 2014.



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

In addition, the Sheriff's office does not deposit civil service fees intact or timely. The civil service clerk deposits receipts on a weekly basis and does not deposit all receipts on hand. During our review of civil service deposits we noted receipts from June 9, 2014, through June 11, 2014, were not deposited with the June 11, 2014, deposit but deposited on June 18, 2014. The Sheriff's office collected approximately \$63,000 in civil service fees during the year ended December 31, 2014.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies could occur and go undetected. Issuing and maintaining records on pre-numbered receipt slips for all monies received, and depositing and transmitting all monies received intact and timely would help ensure all monies are accounted for and deposited properly.

### 3.4 Fuel bills

The Sheriff's office does not reconcile fuel transactions charged to the fuel account to vehicle logs. Mileage and fuel logs are maintained for each vehicle, and mileage is reviewed for reasonableness. Reconciling mileage and fuel logs to fuel purchases is necessary to ensure the completeness of logs and to help ensure all fuel charged is for appropriate purposes.

Similar conditions  
previously reported

Similar conditions to sections 3.1 and 3.3 were noted in our prior audit report.

### Recommendations

The Sheriff:

- 3.1 Prepare a monthly list of liabilities for the inmate account and reconcile it to the reconciled bank balance. Any differences should be promptly investigated and resolved. Any unidentified monies should be disposed of in accordance with state law. In addition, the Sheriff should ensure accounting records are properly retained.
- 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 to the Inmate Prisoner Detainee Security Fund.
- 3.3 Issue official pre-numbered receipt slips for all monies received, and deposit and transmit all monies intact and timely.
- 3.4 Establish procedures to reconcile vehicle mileage and fuel use to fuel purchases for all county-owned vehicles in the Sheriff's office and investigate any significant discrepancies.



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## Auditee's Response

- 3.1 *A manual listing of liabilities was compiled as of the end of May 2015 and agreed to the reconciled balance of the Inmate Account. We will continue this reconciliation going forward. In addition, we are in the process of installing a program to help track all inmate monies electronically. All records will be retained for future periods.*
- 3.2 *We have determined a balance of \$3,000 is necessary for cash flow purposes in the commissary account. The money exceeding this amount will be transferred to the Inmate Prisoner Detainee Security Fund.*
- 3.3 *We will ensure pre-numbered receipt slips are issued for all monies received, and will maintain separate receipt slip books for the various types of monies received. CCW monies will be transmitted timely, and the depositing of civil service monies will be monitored more closely to ensure all monies are deposited intact and timely.*
- 3.4 *Procedures have been updated to match all fuel tickets to the fuel statement. Procedures have also been added to monitor fuel use to ensure it is reasonable.*

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## 4. Prosecuting Attorney's Controls and Procedures

Weaknesses exist in the accounting controls and procedures of the Prosecuting Attorney's office for bad checks. The Prosecuting Attorney's office collected approximately \$57,000 for bad check payments and fees for the year ended December 31, 2014.

### 4.1 Receipts and deposits

Bad check payments are not always receipted when received, and are not restrictively endorsed until payment are entered in the computer system. In addition, the clerk does not always deposit receipts timely. Our review of deposits for 5 months noted deposits were only made 1 to 3 times per month, with several receipts held as long as 2 months before being deposited.

To reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are properly receipted, restrictively endorsed upon receipt, and deposited timely.

### 4.2 Disbursements

The Prosecuting Attorney does not have controls and procedures in place to ensure payments received for bad checks are timely remitted to victims. The clerk receipts and deposits bad check payments received into the bad check bank account and disburses the monies to victims; however some payments received have been held for extended time periods. We reviewed 3 cases with bad check payments totaling \$648 and noted none were disbursed timely to victims. Office personnel received payments on these cases in



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May 2014, but did not make disbursements to victims until August 20, 2014.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, bad check monies received should be disbursed timely.

## Recommendations

The Prosecuting Attorney:

- 4.1 Establish procedures to ensure all monies received are properly receipted, restrictively endorsed immediately upon receipt, and deposited timely.
- 4.2 Develop procedures to ensure bad check monies collected are disbursed to victims timely.

## Auditee's Response

- 4.1 *We will establish procedures to ensure receipts get processed when received, including restrictively endorsing upon receipt, and are deposited timely.*
- 4.2 *We will make the timely distribution of bad check monies a higher priority going forward.*

## 5. Recorder of Deeds' Controls and Procedures

Weaknesses exist in accounting controls and procedures in the Recorder of Deeds' office. The Recorder of Deeds' office collected fees of approximately \$148,000 for issuing marriage licenses, recording deeds and releases, filing of tax liens, and providing copies for the year ended December 31, 2014.

### 5.1 Receipts

Receipts are not issued for some monies received and some receipts were not disbursed. The Recorder of Deeds receives ACH payments from federal and state government agencies filing tax liens, yet these payments were not recorded in the computer system and were not assigned receipt numbers. In addition, approximately \$4,000 in tax lien receipts had not disbursed to the County Treasurer as of December 31, 2014, and had accumulated in the Recorder of Deeds' bank account for more than a year.

To reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are properly receipted and disbursed appropriately.

### 5.2 Deposits

As noted in previous audit reports, the Recorder of Deeds does not deposit receipts timely. During our review of the June 2014 bank statement, only 4 deposits were made during the month with each deposit totaling between \$2,000 and \$5,500. We also noted the Recorder of Deeds held receipts for up to 13 days prior to depositing.



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Timely deposits help to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

## Recommendations

The Recorder of Deeds:

- 5.1 Ensure all monies received are properly receipted and disbursed.
- 5.2 Deposit receipts timely.

## Auditee's Response

- 5.1 *A software update has been installed to our system that resolved our inability to receipt and disburse the ACH payments received.*
- 5.2 *Procedures have been updated to ensure receipts are deposited at the close of business each day or the next morning.*

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# Ray County

## Organization and Statistical Information

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Ray County is a county-organized, third-class county. The county seat is Richmond.

Ray 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 81 full-time employees and 10 part-time employees on December 31, 2014.

In addition, county operations include a Senate Bill 40 Board, 911 Board, Senior Citizens Services Board, and Noxious Weed Board.

### Elected Officials

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

Officeholder	2015	2014
Bob King, Presiding Commissioner	\$	30,380
Allen Dale, Associate Commissioner		27,390
Michael Twyman, Associate Commissioner		28,390
Shirley O'Dell, Recorder of Deeds		43,000
Glenda Powell, County Clerk		43,000
Danielle Rogers, Prosecuting Attorney		125,287
Garry Bush, Sheriff		50,000
Joann Burnine, County Treasurer		43,000
Toby Polley, County Coroner		15,000
Kenneth A. Nolker, Public Administrator		43,000
Margie A. Bowman, County Collector (1), year ended February 28,	79,585	
Kent Wollard, County Assessor, year ended August 31,		43,000
Thomas Sisco, County Surveyor (2)		

(1) Includes \$32,177 of commissions earned for collecting city property taxes.

(2) Not compensated by the county.