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Missouri State Auditor

Pulaski County



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CITIZENS SUMMARY

Findings in the audit of Pulaski County

Sheriff's Controls and Procedures	<p>As noted in our prior 2 audits, the sheriff needs to segregate accounting duties or perform adequate supervisory reviews of accounting and bank records, and the office lacks sufficient procedures for receiving and depositing monies. Formal bank reconciliations are not prepared, running cash balances are not maintained, and monthly lists of liabilities are not prepared or reconciled to available cash balances. Procedures have not been established to periodically reissue or dispose of old outstanding checks. The sheriff's department fails to resolve inactive inmate commissary accounts and does not maintain perpetual inventory records of commissary items or perform periodic physical inventory counts. The sheriff also turns over commissions for collect calls and a number of other fees and donations to the wrong county fund.</p>
Property Tax System Controls and Procedures	<p>As noted in prior audit reports, the county clerk and county commission fail to perform adequate reviews of the county collector's financial activities. The county clerk also does not maintain sufficient records to ensure checks and balances are in place relating to the collection of property taxes and does not prepare or verify the accuracy of current or delinquent tax books. The county clerk did not prepare the land and personal, and railroad and utility aggregate abstracts for 2011, 2012, 2013, and 2014.</p>
County Procedures	<p>A number of county procedures need improvement. The county needs to better monitor fuel use for county vehicles and equipment. Additionally, the sheriff authorized and the county commission approved nearly \$24,000 for expenses not allowed by state law from a particular fund. The salaries of the sheriff and public administrator should have increased in 2014 due to a change in the county's assessed valuation, but the salaries were not adjusted. The value of personal commuting mileage for using a county-owned vehicle to commute between home and work is not reported on employees' W-2 forms as required. The county also failed to compensate road and bridge department employees in accordance with its own overtime policy and did not withhold payroll taxes for city commissions paid to the county collector.</p>
Prosecuting Attorney's Controls and Procedures	<p>The prosecuting attorney needs to conduct supervisory reviews of adjustments made to the accounting system. A clerk does not account for the numerical sequence of manual receipt slips to ensure all receipt slips issued have been turned over to her. The office also maintains a federal forfeiture bank account and a charity back account outside the county treasury without statutory authority.</p>

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 not 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.

All reports are available on our Web site: auditor.mo.gov

Pulaski County

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Pulaski County

We have audited certain operations of Pulaski County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Pulaski 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:

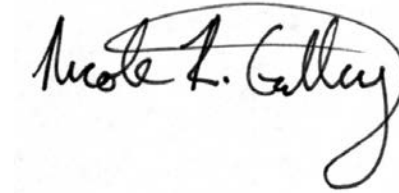
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Pulaski 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
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	Sherrye Lesmes

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Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's department need improvement. The Sheriff's department collected monies for civil fees, concealed carry weapon permits, jail phone commissions, commissary commissions, and other miscellaneous receipts totaling approximately \$318,000 for the year ended December 31, 2014.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting records. The Bookkeeper is responsible for receipting, recording, depositing, and disbursing monies from the civil bank account. Prior to her retirement in November 2014, the former Bookkeeper was the only approved signer on this bank account and only one signature was required on checks. The Sheriff indicated he reviewed the former Bookkeeper's work extensively for the first year of his administration in 2013 and found no problems. However, he limited his review in 2014 to reviewing the bank statements for the civil bank account and did not document any of his reviews.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review of accounting and bank records.

1.2 Receipting and depositing

Controls and procedures over receipting and depositing monies need improvement.

- The Bookkeeper does not issue receipt slips for civil paper service fees and the monies are not deposited until the civil paper process is completed. The Bookkeeper records the receipt of these monies on invoices and a spreadsheet when received. When the civil papers cannot be served, the monies received are returned to the payor and the return is noted on the spreadsheet. A cash count performed on May 11, 2015, identified 22 checks with dates ranging from April 2, 2015, to May 1, 2015. These checks were recorded on invoices and the spreadsheet but remained undeposited pending the service of the civil papers. Another check dated October 15, 2014, was not recorded on an invoice or the spreadsheet. The Bookkeeper thought the October check was for a copy of an accident report and should have been recorded on a receipt slip and deposited at that time. In addition, the numerical sequence of the invoices is not accounted for. We found 17 invoices missing from the invoices issued in 2014. Upon our request, the Bookkeeper was able to determine what happened to these invoices.
- The former Bookkeeper did not issue receipt slips timely for some monies received and deposited in the civil account. For example, receipt slips were not issued until July 2014 for the 9 deposits made throughout



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June 2014 for cash taken from inmates envelopes for commissary purchases.

- The numerical sequence of receipt slips for the civil account is not accounted for properly on the monthly fee report and the composition of receipts (cash, check, or money order) is not reconciled to the composition of deposits.
- Multiple receipt slip books are used by the jailers at the same time for bond monies received during the hours the Circuit Clerk's office is closed and the numerical sequence of receipt slips is not accounted for properly.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds or other errors going undetected, prompt receipting and recording of payments received and depositing intact and timely are necessary.

1.3 Bank reconciliations and liabilities

Controls and procedures over bank reconciliations and liabilities need improvement. At December 31, 2014, the bank balances in the current civil, old civil, and jail booking bank accounts were \$14,254, \$2,890, and \$3,847, respectively. The new inmate trust account was not active until April 2015 and had a bank balance of \$1,997 as of April 30, 2015.

Bank reconciliations

The Bookkeeper did not prepare formal bank reconciliations or maintain running cash balances during the year ended December 31, 2014, for the current civil, old civil, and jail booking bank accounts. However, she did identify outstanding checks.

Liabilities

The Bookkeeper did not prepare monthly lists of liabilities for any of these accounts; therefore, liabilities are not reconciled to the available cash balances. We reviewed the bank statements and other records as of December 31, 2014, for the 3 bank accounts open at that time. We identified \$12,715 in liabilities for the current civil account. The available cash balance of \$12,740 exceeded the list of liabilities by \$25. We identified \$316 in liabilities for the old civil account. That amount agrees to the available cash balance. We identified \$3,783 in liabilities for the jail booking account. The available cash balance of \$3,847 exceeded the list of liabilities by \$64. The old civil account has been dormant since 2011 and the cash balance consists of accumulated interest and old outstanding checks. In addition, the Bookkeeper did not prepare monthly lists of liabilities to reconcile to the available cash balances for the inmate trust bank account.

Outstanding checks

The current civil account has numerous old outstanding checks and the Sheriff has not established procedures to periodically reissue or dispose of



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these checks. As of December 31, 2014, 17 checks totaling \$758 had been outstanding for over a year.

Conclusion

Without maintaining a cumulative book balance and preparing monthly bank reconciliations, there is little assurance cash receipts and disbursements have been properly handled and recorded. In addition, accounting and bank errors may not be detected and corrected timely. Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.

1.4 Inactive inmate accounts The Sheriff's department has not made adequate efforts to review and resolve old inmate commissary accounts. As of June 30, 2015, 138 inmates had inactive accounts totaling \$3,783 that had been initially deposited in the jail booking account. These inmates were released from the county jail, but did not claim their commissary account balance. Additional deposits of inmate accounts totaling \$4,625 from cash being held in the vault for released inmates were made to the jail booking account during March and April 2015. Of this amount, \$1,569 has been disbursed as of June 30, 2015. As a result, at June 30, 2015, the jail booking account held monies totaling \$6,839.

Follow up on inactive accounts is necessary to ensure monies are appropriately disbursed to the former inmates or as otherwise provided by state law. An attempt should be made to locate former inmates with commissary account balances. If the inmates cannot be located, the Sheriff should dispose of the monies according to state law.

1.5 Commissary inventory The Sheriff's department does not maintain perpetual inventory records of commissary items and periodic physical inventory counts are not performed. Although the Sheriff began using a contracted vendor in April 2015, the Sheriff continued to hold some commissary items for sale. In addition, the Sheriff indicated he plans to begin selling phone cards to inmates. Items held for sale and phone cards, if made available, should all be included in the commissary inventory records.

A detailed inventory ledger is necessary to adequately account for commissary inventory. To ensure commissary items are properly recorded and handled, purchases and sales should be compared to actual inventory on hand. Loss, theft, or misuse of commissary inventory may go undetected without adequate inventory records.

1.6 Turnover of monies The Sheriff is not turning over jail phone commissions earned on collect calls to the appropriate fund. The Sheriff turned over \$22,448 of collect call commissions to the Inmate Prisoner Detainee Security Fund along with



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\$1,000 from calendar sales, \$80 of sex offender registry fees, \$1,663 in accident report fees, and \$153 in unrestricted donations. None of these monies are commissary net proceeds and therefore should have been deposited into the General Revenue Fund.

Section 221.102, RSMo, requires each county jail to keep revenues from its canteen or commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

Similar conditions
previously reported
Recommendations

Conditions similar to sections 1.1 and 1.2 were noted in our prior 2 audit reports.

The Sheriff:

- 1.1 Adequately segregate accounting duties or ensure independent or supervisory review of accounting and bank records are performed and documented.
- 1.2 Ensure receipt slips are issued for all monies when received, deposits are made timely and include all monies on hand at the time a deposit is prepared, the numerical sequence of receipt slips and invoices is accounted for properly, and the composition of receipts is reconciled to the composition of deposits. In addition, limit the number of receipt slips books in use at one time for bonds.
- 1.3 Ensure running balances in the check register are maintained, monthly bank reconciliations are performed, and reconciled to lists of liabilities. Any differences between accounting records and reconciliations should be promptly investigated and resolved. In addition, old outstanding checks should be voided and reissued to payees that can be readily located and the old civil account should be closed. If the payee cannot be located and any monies remain unidentified, the monies should be disbursed in accordance with state law.
- 1.4 Establish procedures to routinely review inactive accounts and timely disburse monies to former inmates. An attempt should be made to resolve unclaimed commissary balances. If the former inmates cannot be located, the monies should be disbursed in accordance with state law.



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- 1.5 Maintain inventory records of commissary items and phone cards and reconcile the records to purchases, sales, and periodic physical inventory counts.
- 1.6 Remit monies received for collect call commissions, calendar sales, sex offender registry fees, accident reports, and donations to the county's General Revenue Fund.

Auditee's Response

- 1.1 *The new Bookkeeper and Sheriff have reviewed and modified procedures for the collection of, and handling/depositing monies from the civil fees. The Bookkeeper began submitting monthly reports to the Sheriff and reporting all transactions regarding the civil fees, beginning the month of September. This replaces the previous periodic reviews that were not documented.*

The Bookkeeper has reviewed and reconciled all of the statements that the prior bookkeeper failed to complete during the previous year. All accounts "did balance" and no funds appeared to be questionable. This was completed in October 2015. The Sheriff also ensures that all bank statements are reconciled on a monthly basis.

All outgoing checks now require two signatures, which are the Bookkeeper's and the Sheriff's signatures. The Sheriff reviews all outgoing checks on a weekly basis, and has since the auditor recommended such in September/October. The Bookkeeper has also added balances on each page on the checkbook.

All accounting procedures that were being neglected and/or not conducted by the prior Bookkeeper have been reviewed, and corrected, where necessary.

- 1.2 *The Bookkeeper issues receipt slips for incoming checks for civil processes, and records receipts on a spreadsheet, which is submitted to the Sheriff on a monthly basis.*

Deposits for monies received are conducted in a timelier manner, at multiple intervals throughout the week/month. Also all monies received will have a receipt slip issued, the sequence of receipt slips will be accounted for, and the composition of receipts will be reconciled to the composition of deposits.

Individual inmate monies are not collected by the Bookkeeper, instead a commissary vending company (Keefe) has been implemented that involves depositing money into a kiosk. An armored car company is then sent to the jail, where these monies are collected and deposited. Once the inmate is released, he/she is



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issued a bank card with the entire balance on it. This negates the handling of any monies or financial transactions by Sheriff's department personnel. For the commissary items, bank statements are reconciled by bookkeepers from both the Sheriff's department and Keefe Commissary Company.

- 1.3 *As outlined above, the Inmate Trust Fund no longer exists and is handled by money kiosks put in the Sheriff's department and Jail by Keefe. This system was implemented to establish a more efficient, accurate and "basically theft proof" system.*

Bank statements are reconciled monthly and excel spreadsheets are submitted monthly to the Sheriff and County Treasurer.

All prior accounts that were not being balanced or reconciled by the previous Bookkeeper have been balanced and reconciled.

Outstanding checks that had not yet been cashed were reissued and sent back to the recipient. The unclaimed checks have all now been turned over to the Missouri State Treasurer's Office.

A running balance in the check registry is being maintained and reconciled with the monthly bank statements and with lists of liabilities.

All of the above modifications were made immediately after receiving the recommendations from the on-site auditors, during the months of August and September.

- 1.4 *The prior Bookkeeper had secured unclaimed monies belonging to prior inmates but apparently had made little effort to return unclaimed money to the rightful owners. These accounts have been reconciled and balanced by the new Bookkeeper, and all monies appear to be accounted for.*

Since August, aggressive efforts have been made by the new Bookkeeper to return all unclaimed inmate money to their owner. For those who can't be located, the bookkeeper has been turning these monies over to the Missouri State Treasurer's Office as unclaimed monies.

- 1.5 *As outlined earlier in this report, the jail now uses the Keefe Commissary system, which negates the handling of money and most inventory in the jail. There are still a very limited amount of inventory, such as aspirin, toothpaste, and hygiene items, that are kept for indigent inmates. Also, phone cards are sold to inmates that*



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are incarcerated in the Pulaski County Jail. The phone cards are now monitored and monies collected for them by the Bookkeeper. This procedure was implemented in September. The log for the few inventory items kept in the jail will be monitored by the new Jail Lieutenant who was promoted three weeks ago.

- 1.6 *At the beginning of the 2016 Budget Year, a line will be added to the General Revenue Fund that pertains to monies for miscellaneous items such as calendars, sex offender registration fees, accident reports, and donations. These monies will be turned over to the County Treasurer to deposit in the General Revenue Fund.*

A line will also be added to the General Revenue Fund regarding telephone commissions, if necessary. The Sheriff's department has two telephone systems in the jail. The first is that which was installed and maintained by the County of Pulaski. This is the system that new inmates are allowed their initial free telephone call, and business calls are made on.

The second telephone system is one that was installed by a private vendor at the request of the Sheriff, which can be used by the inmates at their discretion. There are revenues generated from these calls but this is a machine-generated revenue, similar to a vending machine, which is not mandated by law for inmate's rights. This system is maintained by the Sheriff's department and a private vendor, which can be removed at the Sheriff's discretion. Revenues from this are used for jail supplies and jailer salaries.

2. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. For the year ended February 28, 2015, property taxes and other monies collected by the County Collector totaled approximately \$20.3 million.

2.1 Review of property taxes

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not include yearly totals in the account book summarizing the monthly property tax transactions. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarize all taxes charged to the



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County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

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 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.

2.3 Aggregate abstracts

The County Clerk did not prepare the land and personal, and railroad and utility aggregate abstracts for 2011, 2012, 2013, and 2014. The back tax aggregate abstracts for these years were prepared on May 15, 2015, after we asked the County Clerk for the aggregate abstracts.

Section 137.295, RSMo, requires the County Clerk to prepare these reports and forward them to the Department of Revenue (DOR) and State Tax Commission (STC) upon completion of current and delinquent tax books.

Similar conditions previously reported Recommendations

Conditions similar to section 2.1 and 2.2 were noted in our prior 2 audit reports. Conditions similar to section 2.3 was noted in our prior audit report.

The County Clerk:

- 2.1 Determine yearly totals in the account book and the County Clerk and the County Commission should use the account book to review



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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.

2.3 Prepare and file land and personal and railroad and utility tax aggregate abstracts and timely file the back tax aggregate abstracts with the DOR and STC.

Auditee's Response

2.1 *I will determine the yearly totals and compare them to the County Collector's annual settlements. The County Commission will review the County Collector's annual settlements with the County Clerk's totals.*

2.2 *I will verify the accuracy of tax books and will document those procedures.*

2.3 *I will timely prepare all aggregate abstracts and file them with the DOR and STC.*

3. County Procedures

Procedures related to fuel use and payroll need improvement, and unallowable disbursements were made from the Sheriff's Revolving Fund.

3.1 Fuel use

The county has not established effective monitoring procedures for vehicle and equipment fuel use by the road and bridge department, the Sheriff's department, the Prosecuting Attorney's office, and the County Assessor's office. During the year ended December 31, 2014, fuel purchases totaled approximately \$200,000 for the road and bridge department, \$95,000 for the Sheriff's department, \$600 for the Prosecuting Attorney's office, and \$2,400 for the County Assessor's office.

The fuel purchased by the road and bridge department is stored in bulk fuel tanks at the 4 road and bridge sheds. The Sheriff's department purchases fuel using local gas station charge accounts or fuel cards furnished by the county. The Prosecuting Attorney's and County Assessor's offices charge fuel to the county's account at a local convenience store. We noted the following concerns:

- A formal reconciliation of fuel use to fuel purchases is not prepared. Logs of fuel dispensed from bulk fuel tanks are maintained by the road and bridge department. County officials indicated fuel use is compared to fuel purchases; however, this review is not documented.



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- Mileage and fuel logs are not maintained for the road and bridge department's vehicles and equipment, the Prosecuting Attorney's 2 vehicles, or the County Assessor's vehicle.
- The Sheriff's department does not reconcile mileage and fuel use logs with fuel purchases on the monthly billing statements. Also, the fuel and usage logs maintained by the Sheriff's department are discarded after the information is posted to a spreadsheet. We reviewed the September 2014 information on the spreadsheet and noted it seemed incomplete because fuel purchases listed totaled 1,715 gallons while the September billing statements showed purchases of 2,620 gallons.

Procedures for maintaining and reviewing mileage and fuel usage logs and reconciling the information to fuel purchased and related records are necessary to ensure vehicles and equipment are properly utilized; prevent paying vendors for improper amounts; and decrease the risk of loss, theft, or misuse of fuel going undetected. Mileage and fuel usage logs should provide sufficient details to enable the county to effectively monitor vehicle and equipment use and fuel costs.

3.2 Sheriff's Revolving Fund The Sheriff authorized \$23,922 of unallowable disbursements from the Sheriff's Revolving Fund during 2014 out of disbursements totaling \$80,066. None of these purchases were related to the issuance of concealed carry weapon permits as required by state law. The unallowable disbursements included equipment and supplies (security camera system, computers, printers, etc.) totaling \$18,431, insurance for \$1,532, uniform shirts and patches totaling \$1,243, dues totaling \$350, fuel for inmate transportation totaling \$594, cell phone and cable television service totaling \$628, storage totaling \$623, and meals totaling \$521. The County Commission approved these disbursements.

Section 50.535, RSMo, indicates Sheriff's Revolving Fund monies are to be used 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.

3.3 Officials' salaries

During 2014, salaries paid to the Sheriff and the Public Administrator were not in compliance with state law. The county's assessed valuation for 2013 increased to over \$450 million causing an increase in the salary basis for some elected officials. The Sheriff and the Public Administrator did not receive the salary increase in 2014 authorized by statute due to the increased assessed valuation.

Section 50.333.8, RSMo, states salaries shall be adjusted each year on the official's year of incumbency for any change in the last completed assessment that would affect the maximum allowable compensation for that



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office. The County Commission should consult with legal counsel and review salaries paid to the Sheriff and the Public Administrator to ensure amounts comply with state law and to evaluate if amounts are owed to officials for any underpaid salaries.

3.4 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. At least 4 road and bridge employees are allowed to use county-owned vehicles to commute to and from home daily. According to county officials, the road and bridge supervisors are on call 24 hours a day for emergency situations and the road and bridge worksites are closer to the home of these employees than to the county road sheds. As discussed in section 3.1, road and bridge employees are not required to maintain mileage logs.

IRS reporting guidelines indicate personal and commuting mileage is a reportable fringe benefit and require the value for all use 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.

3.5 Compensatory time/overtime

The county does not compensate road and bridge department employees in accordance with county policy. Road and bridge employees currently accrue compensatory time or receive overtime pay at a rate of time and one-half for any hours worked in excess of 8 hours a day. However, county policy requires overtime to be paid or compensatory time to be awarded at a rate of time and one-half for hours exceeding the county's normal 40-hour work week. The payroll clerk generated a report indicating 24 road and bridge employees had earned a total of approximately 1,740 hours of overtime/compensatory time valued at about \$25,000 during the year ended December 31, 2014. The number of overtime/compensatory hours that would have been earned based upon a 40-hour work week is not known.

By not following county policy, the county may be paying more overtime and compensatory time than required resulting in a greater financial burden. Accurate compensatory time calculation procedures are necessary to ensure compliance with county policy and equitable treatment of county employees.

3.6 County Collector's city commissions and contracts

The county did not withhold payroll taxes from the city commissions paid to the County Collector as required. During the year ended December 31, 2014, the county paid the County Collector \$9,849 in city property tax commissions without reporting this amount on her W-2 form or withholding



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payroll taxes. The county reported the payments to the IRS on a 1099-MISC form.

The county's current practice of handling city commissions in this manner is in violation of a strict interpretation of payroll tax regulations. The county is at risk of incurring additional payroll liabilities plus interest and penalties by utilizing the current practice. IRS regulations require all compensation paid to employees be subject to payroll tax and reported on W-2 forms. In addition, the County Commission and County Collector should consider these additional costs to the county and reevaluate the existing city tax collection contracts.

Recommendations

The County Commission:

- 3.1 Require mileage and fuel use logs be maintained for all vehicles and equipment and require reconciliation of fuel use logs and fuel purchases. Any significant differences should be investigated. In addition, the Sheriff should retain the fuel and usage logs.
- 3.2 And the Sheriff use the Sheriff's Revolving Fund monies in accordance with state law.
- 3.3 Review salaries paid to the Sheriff and Public Administrator in 2014 with legal counsel to evaluate if any amounts are owed to officials.
- 3.4 Comply with IRS guidelines for reporting fringe benefits related to commuting miles and require mileage logs that distinguish between business and commuting use.
- 3.5 Ensure employees accrue compensatory time in accordance with county policy.
- 3.6 Ensure commissions paid to the County Collector are subject to payroll taxes and properly reported on W-2 forms. The County Commission and County Collector should consider these additional costs and reevaluate the existing city tax collection contracts.

Auditee's Response

The County Commission provided the following responses:

- 3.1 *We will require mileage and fuel use logs be maintained for all vehicles and equipment and require fuel use logs and fuel to be reconciled. Any significant differences will be investigated. In addition, we will request the Sheriff to retain the original fuel and usage logs until the next audit.*



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- 3.2 *We will ask the Sheriff to use the Sheriff's Revolving Fund monies in accordance with the state law.*
- 3.3 *We have consulted with the Prosecuting Attorney and amounts due to the Sheriff and Public Administrator have been paid.*
- 3.4 *We will report commuting mileage fringe benefits on the employee's W-2 forms and require county employees that take home county vehicles to record personal miles on the vehicle mileage logs.*
- 3.5 *We are working on revising the compensatory time policy for county employees.*
- 3.6 *The County Commission and County Collector will work together and will follow all IRS regulations.*

The Sheriff provided the following responses:

- 3.1 *The Sheriff's department actually has two different methods of purchasing fuel. The primary method is through three gas stations in Pulaski County, that offer the Sheriff's department discounted fuel due to some tax benefit that have been granted by the State of Missouri. Once a week a Patrol Lieutenant collects these receipts and reconciles them with the Sheriff's Administrative Assistant. The Administrative Assistant then reconciles them with the monthly statements from each vendor.*

The second method for purchasing fuel is via fuel cards, which can be used at any fueling station nationwide. There are also small discounts for fuel when these cards are used. The Administrative Assistant is in charge of collecting all fuel card receipts, in which she reconciles with the monthly statements. Therefore, there are several methods in place regarding the purchase of and reconciling fuel usage.

In addition to the above, each employee who has a Sheriff's department vehicle assigned to them is required to submit a monthly vehicle log to a dedicated supervisor, which are then forwarded to the Sheriff for review. Each sheet reflects the date, mileage, fuel gallons and any other vehicle gas station expenses. This also helps in the quality control of fuel usage and vehicle expenses. These expense logs were previously logged into a computer database and thrown away, but will now be kept for future auditing purposes after being entered into the database.



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3.2 *These funds have been used primarily for expenses related to the conceal and carry weapons (CCW) permits but a small portion have been used to purchase other departmental items for the Sheriff's department. Other expenditures were for needed equipment for the Sheriff's department, such as computers, security cameras, supplies, etc. Some of the additional expenditures listed in the audit report were directly related to the CCW program. Some examples were for employee benefits directly related to the program, along with some additional equipment and supplies.*

Some of the additional above listed purchases were previously made due to misinterpretation of the state statute regarding the CCW fund. Adjustments have now been made to ensure that all purchases are directly based on the CCW operations.

The County Collector provided the following response:

3.6 *I will work with the County Commission to ensure all IRS regulations are followed.*

4. Prosecuting Attorney's Controls and Procedures

Accounting controls and procedures need improvement. The Prosecuting Attorney's office collected monies for bad check and court-ordered restitution and related fees totaling approximately \$288,000 during the year ended December 31, 2014.

4.1 Adjustments

One clerk, who is responsible for recording and depositing all monies in the 2 computerized accounting systems, also has the ability to post adjustments to the systems without obtaining independent approval. Common reasons for adjustments included transfers from the old system to the current system and payments made directly to victims. Adjustments totaling \$18,645 were made during the year ended December 31, 2014.

To reduce the risk of loss, theft, or misuse of funds, and ensure the validity of all adjustments, adjustments should be reviewed and approved by a supervisor.

4.2 Manual receipt slips

The clerk does not account for the numerical sequence of manual receipt slips to ensure all receipt slips issued have been turned over to her. Office personnel issue manual receipt slips for all monies received. Individual receipt slips are put in a locked box for the clerk to deposit and record in the computerized accounting systems.

To reduce the risk of loss, theft, or misuse of funds, and to adequately safeguard receipts, the numerical sequence of manual receipt slips should be accounted for properly.



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4.3 Accounts held outside treasury

The Prosecuting Attorney maintains a federal forfeiture bank account and a charity bank account outside the county treasury.

The federal forfeiture bank account consists of equitable sharing proceeds from the U.S. Department of Justice (DOJ) Equitable Sharing Program. In September 2014, the Prosecuting Attorney's office received equitable sharing proceeds of \$1,418 from the DOJ related to a federal asset seizure and deposited these monies into this account. The monies remained in the account at December 31, 2014.

The charity bank account consists of proceeds from charity golf tournaments held for Victims' Rights Week and Shop With a Cop and this money has been used to pay for the expenses incurred for holding such events and to distribute monies to local nonprofit agencies and other charitable events with some proceeds to be used in the victims advocacy program within the Prosecuting Attorney's office. However, \$614 of the net proceeds remained in the account. The Prosecuting Attorney indicated the retained monies were to be used to pay for a payment window installed in the Prosecuting Attorney's office and to contribute towards the cost of the exhumation and DNA testing of an unidentified woman murdered in the county in 1981.

There is no statutory authority allowing the Prosecuting Attorney to maintain accounts outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to the Hickory County Prosecuting Attorney, states prosecuting attorneys are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

Recommendations

The Prosecuting Attorney:

- 4.1 Require documented supervisory review and approval for all adjustments.
- 4.2 Account for the numerical sequence of manual receipt slips.
- 4.3 Transfer the balances of the federal forfeiture and charity accounts to the County Treasurer and close the accounts.

Auditee's Response

- 4.1 *All of the adjustments were approved by the Prosecuting Attorney. However, they were not documented to the satisfaction of the auditor. The Prosecuting Attorney has developed a new form documenting any adjustment and evidence of approval for each adjustment to be maintained in the future. It should be noted that all*



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of the adjustments made were for proper reasons and all funds were accounted for with these adjustments.

- 4.2 *All payments made to the Prosecutor's Office are recorded on a receipt slip. One copy is given to the person making the payment for his/her records, a second copy is given to the Restitution Clerk, and a third copy remains in the receipt book. It is done manually because the Prosecutor's Office receives payments for multiple accounts, to include delinquent tax collection, bad checks, and court-ordered restitution. Thus, once received the funds need to be placed in the correct account for disbursement and recorded into the various electronic systems that go with each type of disbursement. The office collects no cash payments in order to reduce the risk of theft. In addition, the person who receives the payment is different from the individual who deposits and disburses the funds to further reduce the risk of theft. Finally, all disbursements are by check and must be approved by the Prosecuting Attorney and one Assistant Prosecutor or two Assistant Prosecutors, further reducing the risk of loss and ensuring all disbursements can be tracked.*

The Prosecuting Attorney has now developed a form for the Restitution Clerk to do a monthly review of all receipts to ensure they are accounted for properly and to document for future review. It should also be noted that there were no receipts missing and no funds were unaccounted for during this review.

- 4.3 *It should be noted that the Prosecuting Attorney's Office maintains multiple accounts outside the County Treasury in order to accomplish its required duties to collect and disburse payments for delinquent income taxes, bad checks and fees, and restitution for victims of crimes. The Office maintained two other accounts, one to receive federal forfeiture funds and the second to assist with the accounting and disbursement of funds from the Prosecutor's Office's events to benefit charity and crime victim organizations in Pulaski County.*

The federal forfeiture account was set up so that Prosecutor's Office funds could be received in an account different than that of the Sheriff's department, which also receives the same type of funds, in order to segregate and better account for those funds. The Prosecutor's Office first received funds from the federal government in late 2014. The funds were in the account at the time of the audit. The funds have been transferred to the County Treasury as have funds that have now been received in 2015. This account will remain open, with no funds in it except a very minimal amount to



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keep the account active, until or if the account is able to be changed with the federal government. It should be noted that all of these funds were accounted for and there was no improper expenditure of these funds made.

The charity bank account was set up due to the success of several events the Prosecutor's Office hosted, to include an annual Victims' Rights Week Breakfast and several charity golf tournaments. The account helped the Prosecutor's Office provide better accounting of the receipt and disbursement of the funds. In the past, these funds were raised by donations and distributed to organizations such as Kids Harbor, Genesis House, or the Prosecutor's Office own Victim Advocate Program and activities. No county or taxpayer funds were used or received in this account. At the time of the audit, the only funds remaining in the account were funds that were to pay for a repair and upgrade of the window victims use when they first enter the Prosecutor's Office, as the office awaited an invoice for that upgrade. In addition, there were funds earmarked to help exhume a murder victim's body for DNA analysis in hopes that new technology could help solve her murder. Finally, there had been a late donation to the Golf with a Cop tournament that was held to support Pulaski County Shop with a Cop (which had already happened) and those funds were being held to donate to the 2015 event. Unfortunately, this audit recommendation will hamper the Prosecutor's Office ability to raise funds, distribute funds to deserving victim service agencies and victim services, and account for such activities. The account has been closed and the remaining funds disbursed to the County Treasury in a segregated account. It should be noted that all of the funds in this account were accounted for and there are no missing funds.

Pulaski County

Organization and Statistical Information

Pulaski County is a county-organized, third-class county. The county seat is Waynesville.

Pulaski 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 5 part-time employees on December 31, 2014.

In addition, county operations include the Senate Bill 40 Board, the Senior Citizens Service Board, and eight Neighborhood Improvement Districts.

Elected Officials

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

Officeholder	2015	2014
Gene Newkirk, Presiding Commissioner	\$	34,670
Lynn Sharp, Associate Commissioner		32,670
Rickey Zweerink, Associate Commissioner		32,670
Rachelle Beasley, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Brent Bassett, County Clerk		49,500
Kevin Hillman, Prosecuting Attorney		124,639
Ron Long, Sheriff		55,000
Sue Rapone, County Treasurer		49,500
Mikel Hartness, County Coroner		17,600
Loretta Rouse, Public Administrator		49,500
Terri Mitchell, County Collector (2), year ended February 28,	60,078	
Kim Skaggs-Henson, County Assessor, year ended August 31,		49,500
Don Mayhew, County Surveyor (3)		

(1) Compensation is paid by the state.

(2) Includes \$10,578 of commissions earned for collecting city property taxes.

(3) Compensation on a fee basis.