



Office of Missouri State Auditor
Nicole Galloway, CPA

Wayne County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Wayne County

Financial Condition	The county's General Revenue Fund is in poor financial condition. The cash balance is low and does not take into account significant liabilities of the fund, including \$471,846 due to the Special Road and Bridge Fund.
County Sales Tax	The General Revenue Fund has not reimbursed the Special Road and Bridge Fund for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 1991, and \$471,846 is owed as of December 31, 2015.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$50 to \$300, to the county's Special Law Enforcement Fund as a condition of reducing the charges. Donations totaled approximately \$44,500 for the year ended December 31, 2015. Written plea agreements signed by the defendant and the Judge do not disclose the amount the defendant was required to donate to the Special Law Enforcement Fund. Receipt slips are not issued immediately upon receipt of bad check fees and donations, checks and money orders are not restrictively endorsed promptly, and monies are not transmitted timely. The Prosecuting Attorney has not established adequate procedures to ensure 10-day letters are issued and charges are filed timely with the court for unresolved bad check complaints.
Sheriff's Controls and Procedures	The Sheriff does not restrictively endorse checks and money orders immediately upon receipt. The Sheriff maintains a bank account outside the county treasury to account for proceeds from the U.S. Department of Justice Equitable Sharing Program without statutory authority. The Sheriff's fee bank account had an unidentified balance, and the Sheriff used part of this money to make office-related purchases. The Sheriff has not entered into written agreements with the City of Greenville or surrounding counties for the boarding of prisoners detailing the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.
Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. The County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. The County Clerk and County Commission do not adequately monitor additions and abatements entered into the property tax system.
County Collector's Check Procedures	The County Collector does not issue checks in numerical sequence and does not retain all voided or spoiled checks.
County Procedures	The county does not reconcile fuel usage logs to fuel purchases. Employee timesheets and leave balances are not always reviewed and approved to ensure accuracy.

Sheriff's Car Lease	The county has not performed a cost-benefit analysis comparing the cost of purchasing a car for the Sheriff versus paying the Sheriff a mileage reimbursement for the personal use of his vehicle.
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 **Poor**.*

*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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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County

We have audited certain operations of Wayne County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Wayne County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

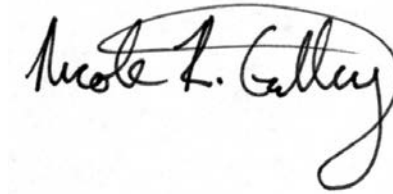
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Wayne 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:

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Wayne County

Management Advisory Report

State Auditor's Findings

1. Financial Condition

The county's General Revenue Fund remains in poor financial condition. The following table reflects the ending cash balance of the General Revenue Fund over the last 4 years as reported in the county's audited financial statements and the projected ending cash balance as reported in the 2016 budget document.

Ending Cash Balance, Year Ended December 31,				
2016 Budgeted	2015 Actual	2014 Actual	2013 Actual	2012 Actual
\$ 1,076	44,003	6,395	77,694	815

The cash balances are low and do not take into account significant liabilities of the General Revenue Fund, including \$471,846 due to the Special Road and Bridge Fund as a result of the county's sales tax rollback methodology.

- The General Revenue Fund owes the Special Road and Bridge Fund \$471,846, because the county reduced Special Road and Bridge property tax levies by this amount to meet the sales tax rollback requirement (see MAR finding number 2).
- The General Revenue Fund continues to experience significant cash flow problems, and borrowed \$503,000 on a bank line of credit to fund county operations from 2012 to 2015. The county has generally repaid these amounts by year-end, and as of June 30, 2016, all amounts have been repaid.
- The financial condition of the General Revenue Fund has been further strained by the operating costs associated with the county jail, which opened in June 2009. The county did not adequately consider all operating costs, such as utilities, cost of boarding prisoners, and the need for increased staffing for the jail. In addition, no cost analysis or consideration of future billing revenues for holding prisoners for other counties has been projected. Although board bill revenues have increased from \$81,626 in 2012 to \$300,739 in 2015, jail operation costs have also increased from \$251,483 to \$371,028 during the same time period.

In an effort to improve the county's financial condition, the county proposed and voters passed in April 2012 an additional 1/2-cent general sales tax under Section 67.547, RSMo, for a period of 6 years. However, the positive impact of this sales tax is lessened due to the rollback requirement as discussed in MAR finding number 2. The sales tax ballot language requires the General Revenue property tax levy to be reduced annually for a 100 percent reduction in general revenue property tax. The new sales tax is generating approximately \$485,000 in revenues each year, of which the county is using approximately \$307,000 to reduce property taxes and to pay



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Management Advisory Report - State Auditor's Findings

for repairs and renovations to the county courthouse and approximately \$178,000 for general operating expenses. The county is using none of the revenue to repay the Special Road and Bridge Fund. The expiration of the sales tax will result in less revenues and the county will likely need to reduce disbursements.

The county does not have sufficient monies to repay the amounts owed from the General Revenue Fund to the Special Road and Bridge Fund, operate the jail, and pay other county operating costs. A significant increase in receipts or reduction in disbursements will be required for a period of several years to resolve the county's financial concerns.

The County Commission indicated it is aware of the concern and is continually trying to reduce disbursements and maximize receipts. 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 receipts.

Similar condition
previously reported

A similar condition was noted in our 2 prior audit reports. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 1), issued in July 2013, reported the status, at that time, as in progress. The County Commission needs to continue to take steps to improve the county's financial condition.

Recommendation

The County Commission closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the General Revenue Fund. In addition, the County Commission should perform long-term planning and take advantage of any opportunities to decrease disbursements and maximize receipts.

Auditee's Response

With the existing 1/2-cent sales tax and now the one and 1/2-cent use tax, the county's financial condition is improving. As of this month, the county is \$100,000 ahead of where it was last year. The county has not had to borrow any money this year. Each officeholder in the county is doing everything to keep budgetary items at a minimum to help with the county's bottom line.

2. County Sales Tax

The General Revenue Fund has not reimbursed the Special Road and Bridge Fund for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 1991, and \$471,846 is owed as of December 31, 2015.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected and provides for actual sales tax revenue



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for the preceding year, which is higher or lower than that year's estimated sales tax revenue to be included in the subsequent year's property tax revenue roll back calculation. In addition, Wayne County voters passed an additional sales tax under Section 67.547, RSMo, in 2012. The 2012 sales tax ballot language requires the general revenue property tax levy to be reduced annually by an additional 50 percent of the sales taxes collected, totaling a 100 percent reduction of the general revenue property tax levy.

Special Road and Bridge
property tax levy reduction

Annually, Wayne County certifies to the State Auditor's Office the annual property tax levy including the amount the levy is reduced for sales tax collections, as well as any voluntary reductions. The General Revenue property tax levy was reduced to 12.59 cents in 2012, and beginning in 2013, the county reduced the General Revenue Fund property tax levy to zero.

The county also reduced the Special Road and Bridge property tax levy each year from 1991 to 2012 to satisfy a portion of the rollback requirement related to the General Revenue sales taxes. However, county officials made no transfers from the General Revenue Fund to the Special Road and Bridge Fund to replace lost property tax revenue. As a result, the General Revenue Fund owes the Special Road and Bridge Fund \$471,846 as of December 31, 2015. This liability is significant and represents approximately 23 percent of the county's typical annual General Revenue Fund activity.

Since revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo, to be used only for improving and maintaining county roads and bridges, lost property tax revenues of the Special Road and Bridge Fund that relate to the sales tax rollback requirement should be reimbursed by the General Revenue Fund.

Similar condition
previously reported

A similar condition was noted in several prior audit reports dating back to 1991. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 2), issued in July 2013, reported the status, at that time, as partially implemented. Although the General Revenue property tax levy was reduced to zero, the amount owed to the Special Road and Bridge Fund has not been repaid.

Recommendation

The County Commission transfer \$471,846 from the General Revenue Fund to the Special Road and Bridge Fund.

Auditee's Response

From this point forward, the county will work to reimburse the Special Road and Bridge Fund for property tax reductions related to General Revenue Fund sales tax collections since 1991. The county will look into using projected use tax revenues and other means to start the reimbursement.



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3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected bad check and restitution fees totaling approximately \$20,100 and donations totaling approximately \$44,500 for the year ended December 31, 2015. The Prosecuting Attorney also collects bad check restitution and other restitution monies.

3.1 Unallowable donations

The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$50 to \$300, to the county's Special Law Enforcement Fund as a condition of reducing the charges. During the year ended December 31, 2015, donations totaling approximately \$44,500 were deposited into this fund. Although the Prosecuting Attorney has a fee schedule, the amount paid to the Special Law Enforcement Fund to amend traffic violations to non-moving violations can be negotiated with the Prosecuting Attorney. There is no authority for the Prosecuting Attorney to require a donation to reduce charges filed on traffic tickets. Article IX, Section 7, Missouri Constitution, states the proceeds of all penalties, forfeitures, and fines are to be distributed to the County School Fund.

In addition, the written plea agreement signed by the defendant and the Judge does not disclose the amount the defendant was required to donate to the Special Law Enforcement Fund. Supreme Court Rule 24.02 states that if a plea agreement has been reached by the parties, the court shall require the disclosure of the agreement on the record and a determination that there are no promises apart from the plea agreement.

3.2 Bad check fee and donation receipts

Receipt slips are not issued immediately upon receipt of bad check fees and donations, checks and money orders are not restrictively endorsed promptly, and monies are not transmitted timely. Office personnel indicated receipt slips are prepared and checks and money orders are endorsed when receipts are transmitted monthly to the County Treasurer. A cash count performed on January 11, 2016, identified 22 money orders for donations totaling \$3,015 that had not been restrictively endorsed. Receipt slips were not prepared for these money orders until the next day.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, office staff should issue receipt slips when monies are received, endorse checks and money orders immediately upon receipt, and make transmittals timely.

3.3 Ten day letters and charges filed

The Prosecuting Attorney has not established adequate procedures to ensure 10-day letters are issued and charges are filed timely with the court for unresolved bad check complaints.



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We reviewed 10 bad check cases and noted the Prosecuting Attorney's office did not timely issue a 10-day letter notifying the bad check writer he/she had 10 days to pay before charges would be filed for 4 of them. For these 4 cases, 10-day letters were issued 28 to 58 days after the date the office received the complaint. In addition, as of June 30, 2016, charges for 2 cases received by the Prosecuting Attorney's office on February 12, 2015, and February 19, 2016, have not been filed and payment has not been received.

Procedures should be established to ensure 10-day letters are issued promptly upon receipt of the complaint and charges are filed timely with the court for unresolved bad check complaints. Untimely processing of bad check complaints may limit the ability to collect bad check payments for merchants.

Similar conditions previously reported

A similar condition to section 3.1 was noted in our 2 prior audit reports and a similar condition to section 3.2 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (sections 3.1 and 3.4), issued in July 2013, reported the status, at that time, as not implemented for section 3.1 and implemented for section 3.2. The current Prosecuting Attorney who took office in 2015 needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 3.1 Reevaluate the practice of requiring donations to the county as part of reducing charges filed.
- 3.2 Issue receipt slips and restrictively endorse money orders and checks immediately upon receipt of monies and timely transmit all monies.
- 3.3 Establish procedures to ensure 10-day letters are issued timely and charges are filed with the court timely.

Auditee's Response

- 3.1 *The Prosecuting Attorney's office disagrees with the auditor's characterization of the operation of the fund. The fund was legally established in accordance with statute prior to the legislation creating the Law Enforcement Restitution Fund. The fund is utilized in two instances. On traffic tickets defendants are advised in writing of the opportunity for them to resolve the charges by pleading to an amended charge by written plea, thus avoiding the necessity of coming to court. This is done in most cases, i.e., in cases where the defendant's known driving record does not suggest that it would be proper for points to be assessed. It is the same disposition available to individuals who elect to come to court. The processing of the*



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letters and written pleas does cause additional expense to the office. The amount paid by defendants is the same as they would have paid upon a plea of guilty in person to the original charge.

The Prosecuting Attorney's office also conducts a deferred prosecution (also known as diversion in some venues) wherein upon the signing of an agreement with the office, charges are dismissed without prejudice but the defendant has agreed to conditions similar to those that would be imposed had the defendant pleaded guilty and been placed on probation. The most common use of the program is for non-violent young offenders without a prior criminal history. The cases are often in the nature of minor in possession of alcohol or misdemeanor marijuana. Even a suspended imposition of sentences on these cases is enough to prevent the defendant from qualifying for college aid. This program also creates additional workload on the office and additional costs.

Your report indicated a varying fee schedule for the programs set out above. There is occasionally a variation in which the normal administrative costs are lowered or waived in recognition of indigent or nearly indigent defendants. Accordingly the opportunity to utilize the program is not denied based on any inability to pay.

- 3.2 *Based on suggestion by your office all payments are being immediately endorsed via stamp upon receipt. It will be impossible to accomplish daily deposits due to shortage of staff, but a strong effort will be made to deposit at least on a weekly basis.*
- 3.3 *Our staffing level is inadequate to promptly issue ten day letters or to timely follow up with charges. For that to be done staff members would have to be pulled from preparing felony charges, trial preparation, witness notification, etc.*

Auditor's Comment

- 3.1 When the Prosecuting Attorney says the amount paid by defendants is the same as they would have paid upon a plea of guilty in person to the original charge, he is referring to the amount that is paid to the court. However, our finding is referring to the additional amounts that are paid to the Prosecuting Attorney's office and deposited into the Special Law Enforcement Fund in order to have the charges reduced. There is no authority for the Prosecuting Attorney to require a donation to reduce charges filed on traffic tickets. As noted in the audit finding, the written plea agreement does not disclose the additional amount the defendant is required to donate.



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4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. During the year ended December 31, 2015, the Sheriff's office collected conceal and carry weapon (CCW) fees, civil process fees, transport fees, dispatch fees, and other miscellaneous fees totaling approximately \$71,000, and board bill reimbursements totaling approximately \$139,000.

4.1 Receipts

The Sheriff does not restrictively endorse checks and money orders immediately upon receipt. They are restrictively endorsed when the deposit is prepared. A cash count performed on January 12, 2016, identified 4 checks totaling \$156 that had not been restrictively endorsed.

Failure to implement adequate receipting procedures increases the risk of loss, theft, or misuse of monies and the likelihood that errors will go undetected. Procedures should be established to ensure all monies received are restrictively endorsed immediately upon receipt.

4.2 Seizure bank account

The Sheriff maintains a bank account outside the county treasury to account for proceeds from the U.S. Department of Justice Equitable Sharing Program. During 2015, the Sheriff used part of this money totaling \$5,926 to purchase ammunition, bullet proof vests, a cargo kennel for the drug dog, checks, and radio tower repairs. The account had a \$7,411 balance as of the December 13, 2015, bank reconciliation.

There is no statutory authority allowing the Sheriff to maintain this account 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 sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

4.3 Fee bank account

The Sheriff's fee bank account had an unidentified balance of \$3,817 at December 31, 2015. In addition, the Sheriff used this account to make purchases totaling \$1,307 during 2015. Items purchased included office supplies, jail supplies, office furniture, postage, title fees, and repairs made on 2 patrol cars. The Sheriff indicated these monies were remaining from the prior Sheriff.

Sections 50.360 and 50.370, RSMo, require every county official who receives any fees or other remuneration for official services to pay such monies monthly to the County Treasurer. In addition, various statutory provisions provide for the disposition of unidentified monies.

4.4 Written agreements

The Sheriff has not entered into written agreements with the City of Greenville or surrounding counties for the boarding of prisoners, detailing



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the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.

Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

Similar condition
previously reported

A similar condition to section 4.3 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 4.3), issued in July 2013, reported the status, at that time, as implemented. The current Sheriff who took office in 2013 needs to take steps to correct this weakness.

Recommendations

The Sheriff:

- 4.1 Restrictively endorse checks and money orders immediately upon receipt.
- 4.2 Transfer the balance of the federal forfeiture bank account to the County Treasurer and close the account.
- 4.3 Dispose of any remaining unidentified monies in accordance with state law. Further, the Sheriff's office should make all purchases through the normal county process for expenditures.
- 4.4 Enter into written agreements with other political subdivisions as appropriate, and ensure the agreements are signed by all parties and specify the services to be rendered and the manner and amount of compensation to be paid.

Auditee's Response

The Sheriff provided the following responses:

- 4.1 *This recommendation was implemented June 1, 2016. All checks and money orders are now endorsed upon receipt.*
- 4.2 *The seizure account will be placed in a special fund with the County Treasurer by October 31, 2016.*
- 4.3 *Money held in the Sheriff Special account will be kept to a minimum balance to cover bank fees. All other money will be turned over to the County Treasurer and deposited in the Sheriff's Civil Fund by October 31, 2016. Going forward, all transactions will be recorded in QuickBooks software so all deposits can be correctly identified.*



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4.4 *The Sheriff's office will draft written agreements for prisoner housing and have agreements signed to ensure all parties are aware of their duties and responsibilities by December 31, 2016.*

The County Commission provided the following response:

4.4 *The County Commission agrees to sign the written agreements that the Sheriff's office will be obtaining in relation to prisoner housing.*

5. Property Tax System Controls and Procedures

5.1 Review of property taxes

The County Clerk and the County Commission do not provide adequate monitoring of the property tax system activities. For the year ended February 29, 2016, property taxes and other monies collected by the County Collector totaled approximately \$5.8 million.

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. Although the County Clerk maintains files of tax charges, additions and abatelements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book. In addition, the County Clerk and the 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 into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatelements, 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 the 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.

5.2 Additions and abatelements

The County Clerk and County Commission do not adequately monitor additions and abatelements entered into the property tax system. Although the County Clerk initials each court order and the County Clerk and Presiding Commissioner sign the summary report, there is no independent comparison of additions and abatelements to the actual changes in the property tax system. The County Assessor enters information for additions and abatelements into the property tax system and provides documentation to the County Collector's office. The Deputy Collector prepares the court orders at the end



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of the month and provides a copy of each court order to the County Assessor and the County Clerk. The Deputy Collector also generates a report of additions and abatements from the computer system for the County Clerk, however, this report is not reconciled to the court orders. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored, and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved additions and abatements to actual corrections made to the property tax system would help ensure changes are proper.

Similar conditions previously reported

Similar conditions to sections 5.1 and 5.2 were noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 6), issued in July 2013, reported the status, at that time, as implemented. The County Clerk who took office in 2015 and the County Commission need to take steps to correct these weaknesses.

Recommendations

- 5.1 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 5.2 The County Clerk and the County Commission ensure all property tax additions and abatements are properly approved and monitored.

Auditee's Response

The County Clerk provided the following responses:

- 5.1 *The County Clerk has begun the process of a spreadsheet and will be getting additional input at her yearly conference. She will work with the County Collector to balance the monthly and annual settlements.*
- 5.2 *The County Clerk agrees to implement additional checks and balances to compare court orders received from the County Assessor's office to the reports received from the County Collector's office.*

The County Collector provided the following response:

- 5.2 *Information in the Property Tax Systems Controls and Procedures portion of the audit findings require clarification.*



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The County Collector has no access to the tax software system that generates abatements and other court orders. The County Assessor's office is the point of origination for all changes to tax books. The procedures in the County Collector's office are as follows:

On the last day of every month, the Chief Deputy prints all court orders from the system. Three different items are printed. One, is a spreadsheet of the total dollar amount of court orders for the month. This spreadsheet is segregated by real and personal taxes and further by current and delinquent taxes and further by the type of court order. The second printout type is individual court order sheets for each change made. The third and final printout type is court order total sheets by tax year and type of court order. The Chief Deputy compiles all the court order sheets and attaches documentation for each court order from the County Assessor's office. A calculator tape of individual court order sheet amounts is ran and compared to the total amounts on the court order total sheets and the monthly spreadsheet.

The County Collector reviews all court order information before it is sent to the County Assessor and County Clerk and County Commission for review. Totals from the court order total sheets and the calculator tapes are compared. The County Collector then signs off on the reports and forwards them to the County Assessor. The totals calculator tape is attached to all copies of the court order total sheets and sent to the County Assessor and County Clerk for review.

Further review of the court order amounts is performed by the County Collector periodically throughout the year with tax summary reports generated from the computer system. The monthly spreadsheet of court orders is cumulative and lists monthly totals for each tax year. This information is compared to amounts on the tax summary reports. Finally, during the process of preparing the County Collector's annual settlement, the annual cumulative amounts of court orders are reconciled to the spreadsheet. The County Collector ensures that amounts reported as abatements, additions, and increases on the annual settlement agree to the totals on the court order spreadsheets.

In addition, the new tax software system that was upgraded in June 2013 allows for the County Clerk to generate the tax summary reports, which can be used for review of the court order information as well as the County Collector's monthly and annual settlements.



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Auditor's Comment

5.2 Although the County Collector compares the monthly spreadsheets of court orders to the property tax system summary reports, Sections 137.260 and 137.270, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. The performance of independent reconciliations provides an important control because the County Collector has responsibility for collecting property taxes.

**6. County Collector's
Check Procedures**

The County Collector does not issue checks in numerical sequence and does not retain all voided or spoiled checks.

The County Collector does not always use the next check in the numerical sequence when preparing checks. The County Collector issued 51 checks out of sequence in calendar year 2015. In addition, voided or spoiled checks are not retained for either of the County Collector's bank accounts. Also, these checks are not recorded into the computerized accounting system and, as a result, do not appear on detailed check reports. The County Collector could not locate 31 checks not listed on the check reports for calendar year 2015. The County Collector indicated she had been shredding any voided or spoiled checks.

To ensure all checks are accounted for and issued only for authorized purposes, the numerical sequence of all checks should be accounted for, and all voided and spoiled checks should be properly defaced and retained.

Recommendation

The County Collector account for the numerical sequence of checks issued and deface and retain all voided and spoiled checks.

Auditee's Response

The County Collector's office issues refund checks for overpayments of taxes. The County Collector generally issues refund checks at the end of each month after reconciling all cash balances and ensuring refund amounts are correct. At that time, normally the first part of the following month, the County Collector generates any refund checks. For reconciliation purposes, the County Collector dates refund checks the date that corresponds with the paid date in the tax collections system. Although this process will cause checks to appear to be issued out of numerical sequence by date, the County Collector is of the opinion that it is vital that refund check dates correspond with system paid dates. This process allows the County Collector to easily reconcile a particular day's activity.

Although the County Collector is of the opinion that, with the ever increasing problem of identity theft, it is more secure to shred voided checks, procedures have been adopted to retain voided checks. All voided checks will be mutilated by removing the bottom portion of the check that includes bank routing and account numbers as well as the signature line. The bottom part of the check will be shredded and the top portion retained



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until after Missouri State Auditor's Office audits are complete, at which time the top portion will be shredded.

7. County Procedures

As similarly noted in our prior audit report, improvements are needed in the county's procedures over fuel use and employee leave records.

7.1 Fuel use

The county does not reconcile fuel usage logs to fuel purchases. During the year ended December 31, 2015, fuel purchases totaled approximately \$132,000 for the Road and Bridge department and \$31,000 for the Sheriff's office.

The fuel purchased by the Road and Bridge department is stored in bulk fuel tanks at both Road and Bridge sheds. The fuel purchased by the Sheriff's office is stored in a bulk fuel tank at the Sheriff's building. Although fuel usage logs are maintained by personnel for all equipment and vehicles and logs of fuel dispensed from bulk fuel tanks are maintained, these logs are not used to reconcile to fuel purchases.

Procedures for reconciling fuel use to fuel purchases 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.

7.2 Employee timesheets and leave records

Employee timesheets and leave balances are not always reviewed and approved to ensure accuracy. As a result, county officials did not detect several leave balance errors. Each employee is responsible for recording and accumulating leave balances on his/her timesheets. County procedures require the official or department head for whom an employee works to review and approve the employee's timesheet. We reviewed vacation, sick, and compensatory time leave balances for 6 employees as recorded on their timesheets, and determined 2 of the employees had incorrect balances due to math or recording errors. In addition, the County Clerk does not review and approve her employee's timesheets.

Without proper review and documented approval of employee timesheets and leave records, the County Commission cannot ensure vacation, sick, and compensatory balances are accurate and in compliance with county policy. Accurate timesheets and leave records also aid in determining unused vacation and compensatory leave upon termination of employment, in the event dispute arises, and in demonstrating compliance with the Fair Labor Standards Act.

Recommendations

The County Commission and County Clerk:

- 7.1 Ensure fuel logs are reconciled to fuel purchases and any significant differences identified are investigated.



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- 7.2 Ensure timesheets are reviewed and approved by the appropriate officials and also ensure the accuracy of leave information on the timesheets.

Auditee's Response

The County Commission and County Clerk provided the following responses:

- 7.1 *Fuel logs for the Road and Bridge department will be made available monthly to the County Clerk's office, showing the fuel received from the vendor and the fuel pumped into the trucks. The County Clerk's office will reconcile the logs to the invoices received.*
- 7.2 *The County Clerk is looking at different timesheets from other counties and is making an effort to come up with a timesheet that will show past months and the employees' accumulation totals. The office will make every effort to check for accuracy on holiday pay, vacation, compensatory time, and sick leave, and making sure policy guidelines are followed correctly.*

The Sheriff provided the following response:

- 7.1 *This recommendation was implemented on August 1, 2016. Fuel logs will be reconciled on a monthly basis to identify any differences to fuel purchases.*

8. Sheriff's Car Lease

The county has not performed a cost-benefit analysis comparing the cost of purchasing a car for the Sheriff versus paying the Sheriff a mileage reimbursement for the personal use of his vehicle. During June 2013 and again in June 2015, the county entered into a lease agreement with the Sheriff for the use of his personal vehicle while performing his official duties. The lease agreement requires the county to pay \$1 per year for the lease of the vehicle and requires the Sheriff to be responsible for all maintenance, upkeep, and operating expenses. Although not specified in the lease agreement, the Sheriff was paid \$0.56 per mile as compensation for leasing his vehicle to the county during the year ended December 31, 2015. Mileage reimbursements paid to the Sheriff during the year ended December 31, 2015, totaled \$19,425.

The Sheriff maintains mileage logs that include his badge number, the date, and the number of miles driven per day while patrolling the county. In addition to the mileage logs submitted to the County Clerk's office for reimbursement, we noted the Sheriff's badge number also appeared on the fuel logs used to track fuel obtained from the Sheriff's office bulk fuel tank during 2015. These logs indicate the Sheriff fueled his vehicle from the bulk



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fuel tank 68 times in 2015; totaling 791 gallons, in addition to claiming and receiving compensation of \$19,425 for the miles driven.

Beginning in 2016, the Sheriff began subtracting the cost of the fuel obtained from the bulk fuel tank from the mileage logs submitted to the County Clerk monthly. For example, in April 2016, the Sheriff was reimbursed \$1,600 for 3,282 miles driven (\$0.54 per mile for 2016) after deducting \$172 for 97 gallons of fuel obtained from the county's bulk fuel tank. The Sheriff calculated the amount to be deducted by multiplying the number of gallons pumped times the current price per gallon.

A documented cost-benefit analysis would provide the County Commission with data to make an informed decision regarding the Sheriff's vehicle and ensure the economical use of county resources.

Recommendation

The County Commission should perform a cost-benefit analysis to determine if leasing the Sheriff's personal vehicle is more cost beneficial than buying a county vehicle. If the county continues to pay the Sheriff mileage for the use of his personal vehicle, the Sheriff should not be allowed to use county fuel or the mileage rate should be adjusted accordingly.

Auditee's Response

The County Commission provided the following response:

The County Commission has talked extensively about the cost benefit of leasing the vehicle compared to purchasing outright. The County Commission has agreed to doing a cost-benefit analysis and having the Prosecuting Attorney to review any new lease agreements the county may enter into concerning the Sheriff's vehicle.

The Sheriff provided the following response:

This recommendation was implemented on January 1, 2016. Mileage for the Sheriff's car is adjusted for his county fuel use.

The insurance and maintenance for the Sheriff's car is paid by the Sheriff. Fuel logs will be modified by September 1, 2016, to include the vehicle number and badge number when tracking fuel. Currently, only the badge number is used, but the officer could be using any vehicle, including the department's Hummers. With this change, we will be able to get an accurate fuel use of all department vehicles.

A cost-benefit analysis will be performed by October 31, 2016, to determine if a lease is still beneficial for the county.

Wayne County

Organization and Statistical Information

Wayne County is a county-organized, third-class county. The county seat is Greenville.

Wayne 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 55 full-time employees (including elected officials) and 23 part-time employees on December 31, 2015.

In addition, county operations include the Law Enforcement Restitution Fund Board and the Senate Bill 40 Board.

Elected Officials

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

Officeholder	2016	2015
Brian M. Polk, Presiding Commissioner	\$	28,400
Bill Hovis, Associate Commissioner		26,400
Chad Henson, Associate Commissioner		26,400
Cindy Stout, Recorder of Deeds		40,000
Brenda L. Seal, County Clerk		40,000
Michael L. Jackson, Prosecuting Attorney		47,000
Dean Finch, Sheriff		44,000
Carol Hale, County Treasurer		40,000
Gary Umfleet, County Coroner		12,000
Donna Eads, Public Administrator		40,000
Mary Hampton, County Collector, year ended February 29,	40,000	
Frances K. Huitt, County Assessor, year ended August 31,		38,147

Other Information

On November 3, 2015, Wayne County voters approved a one and one-half cent use tax which became effective in April 2016 for the purposes of county operations.