

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Pulaski County

Report No. 2019-089

September 2019

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Pulaski County

County Controls and Procedures	The county lacks adequate controls and procedures to account for fuel used by the road and bridge department and County Assessor's office. Some budgets for county funds do not reasonably reflect the anticipated financial activity and cash balances, reducing the effectiveness of the budget as a tool for monitoring or controlling disbursements. For many county funds, including the General Revenue Fund and the Law Enforcement Sales Tax Fund, budgeted disbursements equal available resources, resulting in a projected ending cash balances of \$0. Actual disbursements were significantly less than budgeted for the General Revenue Fund and Law Enforcement Sales Tax Fund in 2018.
Sheriff's Controls and Procedures	The bookkeeper does not deposit civil paper service fees until the papers are served, and procedures have not been established to routinely follow-up on outstanding checks.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not deposit receipts timely, and procedures have not been established to routinely follow-up on outstanding checks.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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NICOLE GALLOWAY, CPA

Missouri State Auditor

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, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Pulaski County for the year ended December 31, 2018. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2018. The objectives of our audit were to:

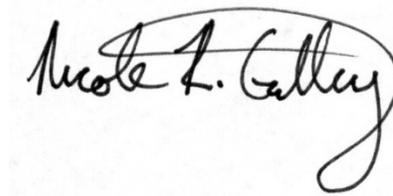
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 applicable contract, grant agreement, 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) no significant 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 that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Shannon Spicer, MBA
Audit Staff:	Albert Borde-Koufie, MBA
	Troy Tallman, CFE
	Emmett Spradlin

Pulaski County Management Advisory Report State Auditor's Findings

1. County Controls and Procedures

Controls and procedures over fuel use need improvement. In addition, budgets need to reflect realistic disbursement estimates.

1.1 Fuel use

The county lacks adequate controls and procedures to account for fuel used by the road and bridge department and County Assessor's office.

The fuel purchased by the road and bridge department is stored in bulk fuel tanks at 4 road and bridge sheds. County Assessor's office personnel charge fuel to the county's account at a local convenience store. During the year ended December 31, 2018, fuel purchases totaled approximately \$139,000 for the road and bridge department and \$1,500 for the County Assessor's office.

A formal reconciliation of fuel use to fuel purchases for the bulk tanks is not prepared. Logs of fuel dispensed from bulk fuel tanks are maintained by road and bridge department personnel. County officials indicated fuel use is compared to fuel purchases; however, this review is not documented. In addition, mileage and usage logs are not maintained for the road and bridge department or the County Assessor's office vehicles and equipment.

Procedures for maintaining and reviewing mileage and fuel use logs and reconciling the information to fuel purchased 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 occurring and going undetected. Mileage and usage logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases.

A similar condition was noted in our prior audit report.

1.2 Budgets

Some budgets for county funds do not reasonably reflect the anticipated financial activity and cash balances, reducing the effectiveness of the budget as a tool for monitoring or controlling disbursements. For many county funds, including the General Revenue Fund and the Law Enforcement Sales Tax Fund, budgeted disbursements equal available resources, resulting in a projected ending cash balance of \$0. Actual disbursements were significantly less than budgeted for the General Revenue Fund and the Law Enforcement Sales Tax Fund in 2018. This practice also impacts projected and actual cash balances of each fund budgeted in this way. We identified similar budget practices for 2016 and 2017.

As noted in the following table, the County Commission significantly overestimated disbursements for the General Revenue Fund and the Law Enforcement Sales Tax Fund for the 2018 budgets, and as a result the actual ending cash balances were significantly higher than the projected ending cash balances.



Pulaski County
 Management Advisory Report - State Auditor's Findings

	Year Ended December 31, 2018	
	General Revenue	Law Enforcement Sales Tax
Budgeted disbursements	\$ 4,020,997	2,546,296
Actual disbursements	3,682,459	1,746,466
Budgeted over actual disbursements	\$ 338,538	799,830
Projected ending cash balance	\$ 0	0
Actual ending cash balance	539,543	921,600
Actual over projected ending cash balance	\$ 539,543	921,600

Realistic projections of the county's uses of funds are essential for the efficient management of finances and for communicating accurate financial data to county residents. Significantly overestimating anticipated disbursements is misleading to the public and prevents an accurate estimate of the county's financial condition.

Recommendations

The County Commission:

- 1.1 Document reconciliations of fuel logs to fuel purchases. Any significant discrepancies should be promptly investigated. In addition, the County Commission and County Assessor should require mileage and usage logs be maintained for all vehicles and equipment.
- 1.2 Ensure budgets provide reasonable estimates of anticipated disbursements and ending cash balances.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *We agree and will ensure a documented reconciliation of fuel logs and purchases is performed periodically, and any significant differences will be investigated. We will ensure mileage and usage logs are maintained in the future.*
- 1.2 *We agree and will make every effort to ensure budgeted expenditures and cash balances more closely reflect anticipated activity for each fund.*

The County Assessor provided the following response:

- 1.1 *I agree and will ensure mileage and usage logs are maintained in the future.*



2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil paper service fees, concealed carry weapon permits, jail phone commissions, commissary profits, and other miscellaneous receipts totaling approximately \$271,000 during the year ended December 31, 2018.

2.1 Depositing

The bookkeeper does not deposit civil paper service fees until the papers are served. The bookkeeper records the receipt of these monies on prenumbered invoices and a spreadsheet when received. During a cash count performed on February 26, 2019, we identified 23 checks, totaling \$2,037, with dates ranging from June 1, 2018, to February 19, 2019, for service fees for civil papers not served. In the same cash count we identified \$1,035, which included 13 other checks, totaling \$1,015, with dates ranging from May 8, 2018, to February 21, 2019, for service fees for civil papers that had been served. This money should have been deposited based on office procedures.

Failure to implement adequate depositing procedures increases the risk that loss, theft, or misuse of monies could occur and go undetected.

2.2 Outstanding checks

The Sheriff has not established procedures to routinely follow-up on outstanding checks. As of December 31, 2018, 61 checks issued from the Sheriff's fee account totaling \$3,317 had been outstanding for over one year. Twenty-seven of the checks were also identified as outstanding for over one year during our prior audit. In addition, as of December 31, 2018, 23 checks issued from the commissary account totaling \$96 had been outstanding for over one year.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of monies in the account and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The Sheriff:

- 2.1 Ensure monies received are deposited intact and timely.
- 2.2 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the monies should be disposed of in accordance with state law.

Auditee's Response

- 2.1 *I agree and have already taken steps to implement the recommendation.*
- 2.2 *I agree and will implement the recommendation.*



3. Prosecuting Attorney's Controls and Procedures

3.1 Depositing

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$175,000 in bad check and court-ordered restitution, delinquent taxes, and related fees during the year ended December 31, 2018.

The Prosecuting Attorney's office does not deposit receipts timely. For example, \$7,813 in restitution received from November 30, 2018, through December 13, 2018, was not deposited until December 14, 2018.

Failure to implement adequate depositing procedures increases the risk that loss, theft, or misuse of monies could occur and go undetected.

3.2 Outstanding checks

The Prosecuting Attorney has not established procedures to routinely follow-up on outstanding checks. As of December 31, 2018, 97 checks issued from the restitution account totaling \$8,855 had been outstanding for over one year, with 7 checks dating back to 2013. In addition, as of December 31, 2018, 22 checks issued from the 3 bad check accounts totaling \$1,864 had been outstanding for over one year, with one check dating back to 2012.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of monies in the account and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

Recommendations

The Prosecuting Attorney:

- 3.1 Ensure monies received are deposited timely.
- 3.2 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the monies should be disposed of in accordance with state law.

Auditee's Response

- 3.1 *My office generally deposits weekly. The period selected by the auditors for testing was during a transition period between clerks and when another clerk was on vacation, which contributed to the delay in depositing during that period.*
- 3.2 *I agree and have already implemented this recommendation and have adopted procedures to turn over unclaimed monies every six months.*

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. In addition to elected officials, the county employed 92 full-time employees and 12 part-time employees on December 31, 2018.

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	2019	2018
Gene Newkirk, Presiding Commissioner	\$	34,832
Lynn Sharp, Associate Commissioner		32,297
Rickey Zweerink, Associate Commissioner		33,575
Rachelle Beasley, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Brent Bassett, County Clerk		50,871
Kevin Hillman, Prosecuting Attorney		138,644
Jimmy Bench, Sheriff		57,703
Sue Rapone, County Treasurer		50,871
Nicholas Pappas, County Coroner		16,036
Loretta Rouse, Public Administrator		53,174
Terri Mitchell, County Collector (2), year ended February 28,	64,839	
Daniel Whittle, County Assessor, year ended August 31,		50,357
Don Mayhew, County Surveyor (3)		

- (1) Compensation is paid by the state.
- (2) Includes \$13,099 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.