



Scott Fitzpatrick

Missouri State Auditor

Chariton County

Report No. 2023-075

October 2023

auditor.mo.gov



Findings in the audit of Chariton County

General Revenue Fund Cash Reserves and Budgets	The County Commission has passed inaccurate budgets that do not reasonably reflect the anticipated disbursement activity from the General Revenue (GR) Fund, resulting in a fund balance equal to 4.6 years of funding based on current levels of operating disbursements, and has chosen to not lower the GR property tax rate despite the significant fund balance and without documented, long-term plans for the use of this money. Because the GR Fund budgets are not accurate, they reduce the effectiveness of the budget as a tool for monitoring or controlling disbursements and for determining the needed GR property tax rate.
Sheriff's Compensation	The County Commission authorized mid-term salary increases totaling \$12,767 to the Sheriff in violation of constitutional provisions.
Sheriff's Controls and Procedures	The Sheriff did not always deposit timely and does not prepare bank reconciliations and monthly lists of liabilities for the inmate account and the fee account.
Prosecuting Attorney's Administrative Fees	The Prosecuting Attorney's office does not assess or collect the statutorily-required fees from defendants who owe court-ordered restitution.
Fuel Controls and Procedures	The Road and Bridge department does not maintain mileage and fuel logs for either of its fuel tanks. Neither the County Clerk nor the Sheriff reconcile fuel used to fuel purchased for the Sheriff's fuel tank.
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.

Chariton County

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

County Commission
and
Officeholders of Chariton County

We have audited certain operations of Chariton County in fulfillment of our duties under Section 29.230, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2022. 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 performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. 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 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 Chariton County.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and "F".

Scott Fitzpatrick
State Auditor

Chariton County Management Advisory Report State Auditor's Findings

1. General Revenue Fund Cash Reserves and Budgets

The County Commission has accumulated a significant cash reserve in the General Revenue (GR) Fund and budgets for the GR Fund need improvement.

1.1 Cash reserves

The County Commission has accumulated a significant cash reserve in the GR Fund without documented plans for its use. The GR Fund cash balance as of December 31, 2022, totaled \$7,959,526. Based on previous spending patterns, this represents approximately 4.6 years of funding for the operating disbursements of the GR Fund. The County Commission indicated it plans to use the accumulated cash balance for courthouse improvements including a new heating and cooling system and foundation repairs and various bridge projects. The County Commission also indicated it had not considered the need to create a documented plan for the use of the GR Fund cash reserve.

Despite the significant accumulated cash balance, the County Commission continues to assess a GR property tax rate that results in over \$600,000 in property tax collections each year. The County Commission indicated it is hesitant to significantly increase the voluntary reduction to the GR property tax rate because it will reduce the following years' tax rate ceiling and may prohibit the county from collecting sufficient property tax revenues in the future.

Accumulating an excessive cash balance without documented, long-term plans for use of this money puts an unnecessary burden on taxpayers. The County Commission should determine its future needs, and consider reducing future tax levies if a specific use for the cash reserves is not determined.

1.2 Budgets

The GR Fund budgets do not reasonably reflect the anticipated disbursement activity, reducing the effectiveness of the budget as a tool for monitoring or controlling disbursements and for determining the needed GR property tax rate. As noted in the following table, the County Commission significantly overestimated disbursements for the GR Fund for the 2020, 2021, and 2022 budgets.

	Year Ended December 31,		
	2022	2021	2020
Budgeted disbursements	\$ 3,174,324	3,133,076	2,981,186
Actual disbursements	1,725,813	1,429,719	1,777,216
Budgeted disbursements over actual disbursements	\$ 1,448,511	1,703,357	1,203,970



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Budgeted disbursements exceeded actual disbursements by over \$1.4 million for the year ended December 31, 2022. Examples of disbursement categories that were budgeted significantly higher than actual disbursements include the following:

	Transfers Out	Building & Grounds	Public Safety
Budgeted	\$ 883,922	599,546	560,016
Actual	352,659	119,257	410,013
Difference	\$ 531,263	480,289	150,003

The County Commission indicated it prefers to use a conservative approach and ensure budgeted appropriations are sufficient to cover known needs for the year, as well as sufficient additional appropriations for emergencies. The County Commission also indicated some planned purchases have been delayed due to the pandemic and the state of the national economy including supply-chain shortages.

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 Evaluate funding needs and consider reducing the property tax levy. Plans made for expending the accumulated cash balance should be set forth publicly in the budget document.
- 1.2 Ensure budgets provide reasonable estimates of anticipated disbursements.

Auditee's Response

- 1.1 *The Chariton County Commission agrees our cash reserve has accumulated to a significant amount. Since members of the current County Commission have been in office, the property tax rate has been reduced every year, totaling a 37.5 percent rate reduction. The County Commission will continue to monitor the county's finances to determine if rates should continue to be reduced in the future.*

Over the last 3 years, the influx of funding from the federal government due to the COVID-19 pandemic has greatly increased our revenues. At the end of 2022, the county had a surplus in all funds of \$692,789. Without the \$722,000 received from the federal government in 2022 as part of the American Rescue Plan Act, the county would have run a small deficit. We do not anticipate any additional funding from the federal government due to the COVID-



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19 pandemic. Therefore, if regular revenue and expenditure trends continue, the county will not experience a large yearly surplus like we have experienced over the last decade.

In addition, the Chariton County courthouse will be 50 years old in 2024 and is in need of numerous capital improvements. These include foundation repair, additional insulation, ceiling grid and lighting replacement, and more. All of these expenditures are necessary to improve the safety and energy efficiency of the courthouse building and grounds. A recent proposal by an outside firm estimated the cost of these improvements at \$4.2 to \$4.9 million. Due to our cash reserve, we will be able to fund these capital improvements over the next several years without having to borrow any money. While our cash reserve in the GR Fund is significant at this time, it will be greatly reduced as capital improvements are completed.

Considering the discontinuation of pandemic related federal funding and the planned capital improvements listed above, it would be unwise to drastically reduce our property tax rate. The County Commission will continue to responsibly reduce the rate as necessary in the future. We will also work to spend down the reserve in a fiscally responsible manner. Going forward, the County Commission will include more detailed information regarding expected capital improvements in the budget document.

1.2 The County Commission will work to estimate anticipated disbursements more accurately in our yearly budget.

2. Sheriff's Compensation

The County Commission authorized mid-term salary increases totaling \$12,767 to the Sheriff in violation of constitutional provisions. The Sheriff took office in 2021 at the salary level approved by the Chariton County Salary Commission.

Section 57.317.1(2), RSMo, enacted in 2021, states the sheriff shall receive an annual salary computed based on a percentage of the compensation of an associate circuit judge of the county, with the percentage determined by a statutory schedule using the county's current assessed valuation level. The law indicates if the increase to the Sheriff's salary is less than \$10,000, the increase shall take effect January 1, 2022, but if the salary increase is more than \$10,000, the increase shall be paid equally over a 5-year period. However, Article VII, Section 13 of the Missouri Constitution prohibits an increase in compensation for state, county, and municipal officers during the term of office. Court cases have concluded that to receive additional compensation during a term of office there must be new or additional duties or the mid-term increase must result from the application of a statutory formula for calculating compensation that was in place prior to the individual



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being elected or taking office. Without either of these provisions, the increase to the Sheriff's salary should be effective only for any Sheriff elected and sworn into office after January 1, 2022.

The County Commission did not seek a written legal opinion on these matters and authorized an immediate salary increase for the Sheriff. The total increase was calculated at \$26,747, to be paid over a 5-year period, with an annual increase of \$5,349. The Commission also authorized salary increases for the Sheriff based on salary increases given to associate circuit judges during 2022 and 2023. As of July 2023, the Sheriff received salary increases totaling \$12,767 during his term.

The County Commission indicated it was aware of constitutional provisions preventing mid-term salary increases, but felt the county was required to increase the Sheriff's salary due to the change in state law.

Recommendation

The County Commission discontinue the mid-term salary increase and consider various methods for possible recoupment of money already paid.

Auditee's Response

The changes to Section 57.317, RSMo, were passed by the Missouri General Assembly in 2021 and signed by the Governor. The County Commissioners Association of Missouri filed suit against the State of Missouri arguing the constitutionality of the legislation. Judge Daniel Green ruled against the County Commissioners Association of Missouri on February 22, 2022, which kept the legislation in place. Due to the ruling, the Chariton County Commissioners decided to enact the raise as instructed in the legislation.

The Missouri General Assembly specifically put in wording to state "the increase shall take effect January 1, 2022." This is yet another example of the Missouri General Assembly passing contradictory legislation with no regard to the impact it will have on local government entities. The Missouri General Assembly is more interested in scoring political points than passing well thought out and researched legislation. By tying the Sheriff's compensation to that of an Associate Circuit Judge, they are placing a continually increasing unfunded mandate upon the counties of Missouri. While members of the Missouri General Assembly complain about mandates handed down on them by the federal government, they do the exact same thing to our local government entities.

In addition, attorneys in the Missouri State Auditor's Office only recently came to a decision that counties should not have given raises to the Sheriff. This decision was two years too late for Missouri counties. It was blatantly clear the legislation would cause confusion and turmoil at the county level and leave the county in a no-win situation. Guidance should be provided to counties from the state level when contradictory legislation is passed by the Missouri General Assembly.



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Finally, the County Commission could have chosen not to enact the raises as stated in the legislation; however, that would also risk a potential lawsuit with the Sheriff, as has now happened in other Missouri counties. In that situation, the Chariton County taxpayer would be left on the hook to pay attorney fees for both sides. The County Commission did not view this as a viable alternative or a wise use of taxpayer money.

The County Commission will continue to implement the salary increases as instructed in legislation passed by the Missouri General Assembly and signed by the Governor of Missouri.

Auditor's Comment

As stated in the finding, Missouri's Constitution prohibits mid-term raises as set out in Article VII, Section 13. Because the Sheriff took office before the effective date of the changes to Section 57.317, RSMo, the Chariton County Commission should not have implemented the changes to Section 57.317, RSMo, until the Sheriff's next term of office.

The County Commission's response states "guidance should be provided to counties from the state level when contradictory legislation is passed by the Missouri General Assembly." The State Auditor's Office (SAO) would not be independent from the county if it provided guidance of this type and this would result in the SAO being unable to perform audits of counties in compliance with Government Auditing Standards. Had the County Commission sought guidance from the SAO on this issue, the SAO would have advised the county to seek legal advice regarding the implementation of this statutory revision in relation to the overriding Constitutional provision.

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected receipts for civil process fees, bonds, conceal carry weapon (CCW) permits, sex offender registrations, and other miscellaneous receipts totaling approximately \$86,000 during the year ending December 31, 2022.

3.1 Receipting and depositing

The Sheriff did not always deposit timely. During 11 months of 2022, the average deposit totaled approximately \$3,300. For 3 of these months only 1 deposit was made and 2 deposits were made in the other 8 months. In addition, the Sheriff did not restrictively endorse checks and money orders until the deposit was prepared. The Sheriff indicated he believed his depositing frequency was sufficient and he was not aware he needed to endorse checks and money orders as they were received.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, and misuse of money received will occur and go undetected.

3.2 Bank reconciliations and liabilities

The Sheriff does not prepare bank reconciliations and monthly lists of liabilities for the inmate account and the fee account. The Sheriff indicated



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he did not know how to perform bank reconciliations or how to prepare monthly lists of liabilities.

We prepared a bank reconciliation for the inmate account as of December 31, 2022, and determined the reconciled bank balance was \$6,757. The check register balance totaled \$6,723, resulting in an overage of \$34. The Sheriff was not able to provide reports from the commissary system that would allow us to identify recorded liabilities to compare them to the reconciled bank balance.

For the fee account, we prepared a bank reconciliation as of December 31, 2022, and determined the reconciled bank balance agreed to the check register balance of \$4,444. We were able to identify liabilities, totaling \$4,321, that consisted of fees collected in December. As a result, unidentified money totaled \$123.

Performing monthly bank reconciliations and preparing monthly lists of liabilities helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Regular identification and comparison of liabilities to the reconciled bank balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and money is available to satisfy all liabilities. Differences should be adequately investigated and resolved. Various statutory provisions provide for the disposition of unidentified money.

Similar conditions
previously reported

Similar conditions to sections 3.1 and 3.2 were noted in our prior audit report of the county, *Chariton County*, Report No. 2016-119, issued in November 2016. In addition, a similar condition to section 3.1 was noted in our prior audit report of the Sheriff's office, *Chariton County Sheriff*, Report No. 2017-130, issued in November 2017.

Recommendations

The Sheriff:

- 3.1 Ensure deposits are made timely and checks and money orders are restrictively endorsed at the time of receipt.
- 3.2 Ensure monthly bank reconciliations and lists of liabilities are prepared and reconciled timely. Any differences between accounting records and reconciliations should be promptly investigated and resolved, and any unidentified money should be disposed of in accordance with state law.

Auditee's Response

I agree with the findings and immediately began restrictively endorsing checks when the auditors brought the problem to my attention in March. In addition, I started the process of implementing the other recommendations in



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June. All recommendations have now been implemented except I am still working to resolve the differences in the bank accounts. I plan to turn over any unidentified differences to the Missouri State Treasurer's Office as unclaimed property in the near future.

4. Prosecuting Attorney's Administrative Fees

The Prosecuting Attorney's office does not assess or collect the statutorily-required fees from defendants who owe court-ordered restitution. The office collected approximately \$25,500 in court-ordered restitution and bad checks restitution and fees during the year ended December 31, 2022.

The statutorily-required administrative handling cost fee was not assessed for any applicable court-ordered restitution cases handled during the year ended December 31, 2022. As of April 2023, the office was responsible for collecting approximately \$60,000 on 13 court-ordered restitution cases. The administrative handling cost fees that should have been assessed for these 13 cases totaled \$900. The Prosecuting Attorney indicated he was unaware this fee is required.

Section 559.100.3, RSMo, provides, ". . . each prosecuting attorney or circuit attorney who takes any action to collect restitution shall collect from the person paying restitution an administrative handling cost." This fee is \$25 for restitution of less than \$100 and \$50 for restitution of at least \$100 but less than \$250. For restitution of \$250 or more, there is an additional fee of 10 percent of the total restitution, with a maximum fee not to exceed \$75.

Recommendation

The Prosecuting Attorney assess and collect fees on all court-ordered restitution cases as required by state law.

Auditee's Response

I agree with the finding and immediately implemented the recommendation when the auditors brought the problem to our attention in March.

5. Fuel Controls and Procedures

Fuel controls and procedures need improvement. The county maintains 3 fuel tanks, with 2 tanks maintained at the Road and Bridge department and the other tank maintained behind the Sheriff's office. Approximately \$66,000 in fuel was purchased for use by the Road and Bridge department and the Sheriff's office during the year ended December 31, 2022.

The Road and Bridge department does not maintain mileage and fuel logs for either of its tanks. As a result, fuel use was not reconciled to fuel purchased. In addition, neither the County Clerk nor the Sheriff reconcile fuel used to fuel purchased for the Sheriff's tank. Deputies record fuel use on a fuel log maintained at the tank and on the logs maintained in each patrol vehicle. The Sheriff provides these logs to the County Clerk each month. The County Clerk stated that she and the County Commission have not considered it necessary to keep mileage and fuel logs at the Road and Bridge department or reconcile fuel used to fuel purchased because they are not aware of any



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instances of missing fuel at either location. The County Clerk added that the County Commission reviews the fuel invoices each month to ensure the number of gallons purchased is reasonable.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Without sufficient information, county officials cannot evaluate the propriety and reasonableness of fuel used or reconcile amounts used to fuel billings. Failure to account for fuel purchased and fuel used could result in loss, theft, or misuse going undetected.

Recommendation

The County Commission require usage and fuel logs be maintained for all vehicles and equipment. In addition, ensure fuel logs are reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

The County Commission has implemented the recommendations regarding fuel controls and procedures.

Chariton County

Organization and Statistical Information

Chariton County is a township-organized, third-class county. The county seat is Keytesville.

Chariton 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 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 28 full-time employees and 5 part-time employees on December 31, 2022. The townships maintain county roads.

County operations also include a Senate Bill 40 Board and a Senior Citizens Services Board.

Elected Officials

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

Officeholder	2023	2022
Evan Emmerich, Presiding Commissioner	\$	34,647
Jared Meyer, Associate Commissioner		32,507
Terry Milford, Associate Commissioner		32,507
Eric Stallo, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Susan Littleton, County Clerk		46,010
Cliff Thornburg, Prosecuting Attorney		56,710
Erick Billups, Sheriff		59,526
Nyle Bowyer, County Coroner		18,190
Regina Emmerich, Public Administrator		28,890
Darlene Shipp, County Collector-Treasurer, year ended March 31,	48,632	
Darrin E. Gladbach, County Assessor, year ended August 31,		47,100

(1) Compensation is paid by the state.