



Thomas A. Schweich

Missouri State Auditor

Reynolds County



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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Reynolds County

County Disbursements	The county does not always solicit competitive proposals or bids for purchases of goods and services. The County Commission did not solicit bids for a multi-phase courthouse interior renovation project that began in 2010. The County Commission did not obtain proposals for legal and property appraisal services and neither the County Commission nor the Sheriff solicited bids for prisoner meals. The county did not enter into written agreements for professional services related to protested property taxes and the prorating of these costs among taxing authorities.
Employee Classification and Salaries	The county did not document the reasons for different classifications of 2 individuals hired to perform courthouse renovations. The county classified one individual as an employee and the other as an independent contractor, although the county required both individuals to furnish their own tools and paid each a fixed hourly rate as established by the County Commission. The Reynolds County Salary Commission has not met since 2009, yet the county increased the salaries of some elected officials starting in 2013 due to an increase in the county's assessed valuation.
Public Administrator Undeposited Checks	The Public Administrator holds checks received on behalf of some wards for extended periods of time before depositing to help wards retain Medicaid eligibility. Additionally, the Public Administrator does not restrictively endorse checks until the deposit is prepared. Our cash count performed on August 25, 2014, noted the Public Administrator held 4 checks totaling \$2,577 for approximately 5 months based upon the check issue dates.
County Collector Controls and Procedures	The County Collector made several errors in the annual settlements filed for the 2 years ended February 28, 2014. The annual settlements did not accurately present current collections and protested property taxes. The County Clerk and County Commission's review of annual settlements is not adequate to detect errors. In September 2014, the County Collector overpaid taxing authorities approximately \$124,000 when distributing protested taxes resolved because she did not deduct amounts previously distributed. Additionally, as of November 2014, the County Collector had not refunded the portion of the resolved protested taxes and interest due to the mining corporation that had protested its taxes. The County Collector does not accurately allocate interest earned on the protested tax account to the individual parcels and, as a result, cannot determine the proper amount of interest to disburse or refund when a protested parcel is settled.
Property Tax Controls	The County Commission does not approve changes to the property tax system for additions, abatements, and outlawed personal property taxes. During the year ended February 28, 2014, additions totaling over \$69,000 and abatements and outlawed taxes totaling over \$21,000 were recorded in the property tax system.

Sheriff Controls and Procedures	The Sheriff does not have proper controls to follow up and ensure the timely collection of amounts billed for civil paper service fees. The Sheriff and Circuit Clerk do not communicate regarding collections of civil paper service fees received. As a result, the Sheriff cannot ensure his office's accounts receivable balances are correct. Controls and procedures over receipting and depositing monies are not sufficient and the Sheriff maintains some monies in the Sheriff's fee account outside the county treasury without statutory authority allowing the Sheriff to do so. The Sheriff's office has not disbursed approximately \$900 held in the fee account to the County Treasurer as of August 31, 2014, and made several purchases from these monies. Additionally, the Sheriff's office has not turned over commissary profits to the county treasury timely.
Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney has not established adequate segregation of accounting duties or review and approval procedures. Additionally, the Prosecuting Attorney has not assessed statutorily required fees from defendants who owe court-ordered restitution and bad check fees collected are not deposited in the correct fund.
County Assessor Controls and Procedures	The County Assessor does not ensure independent or supervisory reviews of the accounting records are performed. In addition, the County Assessor does not reconcile receipts per the manual receipt slips to the manual ledger to ensure all monies are transmitted to the County Treasurer. Additionally, receipt slips are issued from separate receipt slip books and receipt slips are recorded in the manual ledger by date issued instead of numerical sequence, making it difficult to account for the numerical sequence of receipt slips issued.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

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

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

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Reynolds County

We have audited certain operations of Reynolds County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, was engaged to audit the financial statements of Reynolds County for the 2 years ended December 31, 2013. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2013. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Reynolds County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: Regina Pruitt, CPA
Audit Manager: Travis Owens, MBA, CPA, CFE
In-Charge Auditor: Erica Schroer, MBA
Audit Staff: Sara Lewis, CPA
Joshua Shope, M.Acct.
Connor Dougan

Reynolds County Management Advisory Report State Auditor's Findings

1. County Disbursements

County procedures related to disbursements including bidding and written agreements need improvement.

1.1 Bidding

The county does not always solicit competitive proposals or bids for purchases of goods and services. As a result, the County Commission could not demonstrate that reasonable steps were taken to ensure the county received the lowest and best price for some purchases.

Courthouse renovation

The County Commission did not solicit bids for a multi-phase courthouse interior renovation project that began in 2010 and is still ongoing. The county spent about \$118,000 for this project during 2010, 2011, 2012, and 2013, and budgeted \$15,000 for the project during 2014.

The County Commission determined there were a limited number of local contractors qualified to perform the work due to the age of the courthouse built in 1871. As a result, the County Commission selected a local individual with expertise in renovating historic structures and hired him as a temporary, hourly employee. The County Commission established the hourly wage and purchased materials as needed through local suppliers. The project was performed in 4 phases with each phase designed to target a different portion of the building. The County Commission only advertised to hire an individual for the temporary position once, prior to the second phase of the project, after a citizen voiced concerns about the lack of competition. The only applicant that responded was the individual that performed phase one of the renovation project. As a result, the same individual was rehired for the second phase. After this individual left employment, the County Commission selected a different individual with the necessary expertise to complete the third and fourth phases though the county did not solicit applicants.

Legal and professional services

The County Commission did not obtain proposals for legal and property appraisal services. The services primarily related to representing the county and local taxing authorities in the resolution of protested property taxes. The property appraisal consultants also provided services related to property reassessments. The county paid the attorney approximately \$48,000 and paid the property appraisal consultants approximately \$91,000 during the year ended December 31, 2013.

The County Clerk indicated county officials considered these firms sole source vendors because of their expertise and qualifications with the mining industry; however, the county did not document this reasoning for not soliciting competitive proposals.

Prisoner meals

Neither the County Commission nor the Sheriff solicited bids for prisoner meals. The county spent over \$41,000 for prisoner meals during the year



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ended December 31, 2013. The Sheriff indicated he contacted the only two local diners in 2012 for price quotes but did not document these contacts and has not advertised for these services or contacted other vendors outside the immediate area.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to obtain the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

A similar condition was noted in our prior audit report.

1.2 Professional services agreements

The county did not enter into written agreements for professional services related to protested property taxes and the prorating of these costs among various taxing authorities.

As discussed in section 1.1, the county obtained legal and appraisal services to assist with resolving property taxes protested by a mining corporation. The county did not enter into written agreements with these vendors. According to the County Clerk, the county and various political subdivisions verbally agreed to share all expenses incurred. The portion of fees owed is based on the portion of taxes the various taxing authorities would receive if the real estate taxes due are not abated. The county periodically bills the various taxing authorities for their share of the expenses; however, there are no written agreements in place describing the terms and conditions of this arrangement.

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.

Recommendations

The County Commission:

- 1.1 Ensure bids are solicited for all applicable purchases of goods or services in accordance with state law.
- 1.2 Enter into written agreements with vendors and taxing authorities as required by state law.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *We believe each of the goods or services listed in this audit finding are sole source procurements. Two of the current commissioners were not in office at the time the renovation project was started.*



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Prior to the start of the renovation project, an engineering firm provided a cost estimate that was significantly more than the amount we spent by hiring an individual to perform the work. We were unable to locate a copy of this estimate to provide the auditors. For prisoner meals, we are unable to order from outside the immediate area because there are no vendors who offer delivery and it would not be cost effective to require Sheriff's office staff to make 3 daily trips to pick up food needed.

We believe we are acting in the best interest of the county by attempting to purchase most goods or services within the county, which supports the local economy and returns money back to the county indirectly when individuals employed by local businesses spend their wages locally. In the future we will ensure more detail is included in the minutes to provide our reasoning for exempting some types of purchases from competitive procurement.

1.2 *We will consider implementing a written agreement between the county and parties responsible for sharing the cost of these professional services. The County has not had any difficulties collecting amounts billed to the various taxing authorities and there are no amounts currently due. The cost sharing arrangement relates to a single taxpayer who began protesting taxes over 10 years ago. At that time the various taxing authorities were notified of the cost sharing requirements and verbally agreed to the terms and the terms have not significantly changed since that time.*

Auditor's Comment

1.1 The County Commission's desire to purchase goods and services locally does not relieve them of their obligation to comply with statutory bidding requirements. If the county has determined a good or service to be sole source then sufficient documentation should be retained which includes an explanation of why there are no other qualified vendors who can supply the good or service. Unless the good or service is deemed to be a sole source the county should follow relevant statutory requirements for competitive bidding.

1.2 The county indicated there have been no billing disputes; however, the county's failure to enter into written agreements could lead to future billing disputes. As a result, it is necessary to implement written agreements outlining the method of prorating costs so that all parties understand their duties and responsibilities and provide a legal recourse in the event of a dispute.



2. Employee Classification and Salaries

The county assigned 2 individuals hired to perform courthouse renovations different employment classifications though both performed similar work. Additionally, the Salary Commission did not meet as required, yet the county increased salaries for some officials.

2.1 Employee classification

The county did not document the reasons for different classifications of 2 individuals hired to perform courthouse renovations.

The county hired the first individual in December 2010, classified him as an employee, and reported his compensation to the Internal Revenue Service (IRS) on a W-2 form. After he left employment, the county hired another individual in January 2012, classified him as an independent contractor, and reported his compensation to the IRS on a 1099-MISC form. For both individuals, a County Commissioner reviewed and approved their timesheets or invoices. The county required both individuals to furnish their own tools and paid them a fixed hourly rate.

Section 105.300, RSMo, defines an elected or appointed officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. For employees, the IRS requires employers to report employee compensation on W-2 forms and withhold and remit income and payroll taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees. Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations. The failure to withhold and properly report payroll and income taxes for county employees makes the county potentially subject to additional tax liabilities along with penalties and interest.

2.2 Salary Commission

The Reynolds County Salary Commission has not met since 2009, yet the salaries of some elected officials increased starting in 2013. The Salary Commission last met in August 2009 and established salaries for elected officials with terms beginning in 2011. For officials with terms beginning in 2013, the county increased salaries due to an increase in the county's assessed valuation.

Section 50.333.7, RSMo, states the Salary Commission shall meet as many times as it deems necessary on or before November 30th of each odd numbered year for the purpose of determining the amount of compensation to be paid for the next term of office for each county officer to be elected in the next general election. Section 50.333.9, RSMo, states the current compensation of each affected office or officer shall continue to be paid if the Salary Commission fails to meet or reach agreement. Salaries represent a significant disbursement for the county and, as a result, it is essential the Salary Commission meet regularly as required and document decisions.



Recommendations

The County Commission:

- 2.1 Ensure all persons hired by the county are properly classified as employees or independent contractors in compliance with state and federal laws and regulations, and all compensation paid is subject to applicable income and payroll taxes and properly reported.
- 2.2 Ensure the Salary Commission meets at least once prior to November 30th of each odd numbered year as required by state law. In addition, the Salary Commission should review the current salary schedule and consult with legal counsel as appropriate to ensure the schedule complies with state law.

Auditee's Response

The County Commission provided the following responses:

- 2.1 *We will take this under advisement for future hiring. We made the decision to classify the first individual as a county employee because the individual did not have secondary employment and worked on a continuous daily schedule. The second individual was classified as an independent contractor because the individual had secondary employment and was not working on the courthouse renovation on a continuous basis.*
- 2.2 *We were unaware the Salary Commission was required to meet every odd year and believed the 2009 decision applied to all future years. We will seek legal advice to determine whether the current schedule is in compliance with state law and whether the Salary Commission can still meet in 2014 to adjust salaries for terms starting in 2015. We will ensure the Salary Commission meets every odd numbered year in the future.*

3. Public Administrator Undeposited Checks

The Public Administrator holds checks received on behalf of some wards for extended periods of time before depositing them to help wards retain Medicaid eligibility, and checks are not restrictively endorsed until the deposit is prepared. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and is responsible for the financial activity of 17 individuals.

On August 25, 2014, our cash count noted 4 checks (for 4 different wards), totaling \$2,577, had been held by the Public Administrator for approximately 5 months based upon the check issue dates. These 4 checks were also counted during our cash count performed on July 8, 2014. In addition, these checks were not restrictively endorsed. According to the Public Administrator, checks are often held for future expenses so a ward's assets remain below Medicaid eligibility limits. We reviewed Medicaid eligibility forms and identified some differences between reported cash



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balances and actual cash available. For example, a Medicaid eligibility form filed for one ward during May 2014 indicated a bank account balance of \$242; however, this balance did not include a tax refund check of \$750 received in March 2014 held by the Public Administrator and not deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited timely and checks should be restrictively endorsed immediately upon receipt. When initially applying for or re-determining eligibility for Medicaid through the Department of Social Services (DSS), the Public Administrator is required to report all assets for each ward that may be in the form of cash, property, or other assets on the program application or eligibility review form. In addition, Section 208.210.1, RSMo, requires recipients to notify county welfare offices if they possess property that affects their right to receive benefits. Further, Section 208.210.2, RSMo, provides that if it is found that a recipient or spouse possessed income in excess of the amount reported that would affect his/her right to receive benefits, the amount of benefits may be recovered as a debt due to the state.

Recommendation

The Public Administrator discontinue the practice of holding checks and report accurate asset information for wards to the DSS, Family Support Division. Additionally, the Public Administrator should contact the DSS, Family Support Division to determine whether any monies are due to the state. Also, monies should be deposited timely and checks restrictively endorsed immediately upon receipt.

Auditee's Response

The Public Administrator provided the following written response:

Prior to the audit, I had already spoken with employees of the DSS and Social Security Administration, and a representative of the Missouri Association of Public Administrators and each of these agencies or organizations informed me it was acceptable to hold checks to ensure continued eligibility of assistance such as Medicaid. The 4 checks have since been deposited. These checks were all tax refunds received only once per year and never for more than \$750. The wards assigned to me have very little income or resources, with these refunds being the only monies available for them to spend on things that they need and want other than their room and board. I believe it is my duty to make sure they have as many available resources as possible. In the future I will continue to safeguard checks prior to deposit and will restrictively endorse the checks. There were no monies from wards missing and the wards receive all of the monies owed to them from these checks at the time they need it. As a Public Administrator, I must do what is in the best interest of my wards and with the permission of DSS, the Social Security Administration, and the Missouri Association of Public Administrators, I have been able to do that in the manner it was currently done at the time of the audit.



Auditor's Comment

For 2 of the 4 wards, the Public Administrator submitted the Medicaid eligibility forms after receiving the tax refund checks, but did not report these monies as assets as required by state law and DSS procedures. DSS procedures and state law require reporting of all assets including monies available to the ward, not just monies held in a bank account. When a Public Administrator does not provide a complete and accurate listing of a ward's income and assets, the DSS does not have all of the information needed to make the proper eligibility determination.

4. County Collector Controls and Procedures

Improvement is needed in accounting controls and procedures of the County Collector's office. The County Collector's office processed tax collections and other revenues of approximately \$7.4 million during the year ended February 28, 2014.

4.1 Annual settlements

The County Collector made several errors in the annual settlements filed for the 2 years ended February 28, 2014. The annual settlements did not accurately present current collections and protested property taxes. A mining corporation protested property taxes for 2011, 2012, and 2013. The County Collector included all or a portion of protested taxes still being held in escrow and pending resolution in the current collections and distributions amounts rather than separately reporting these amounts as protested taxes. As a result, the annual settlements overstated collections and distributions amounts reported by approximately \$2.2 million for the year ended February 28, 2014, and approximately \$839,000 for the year ended February 28, 2013. After we discussed the errors with her, the County Collector revised the annual settlements and plans to refile the amended settlements.

The County Clerk and County Commission's review of annual settlements is not adequate to detect errors. The County Commission approved the annual settlement for the year ended February 28, 2014, containing the \$2.2 million overstatement of collections and distributions (22 percent of charges totaling about \$10 million). Without adequate review procedures, there is an increased risk of loss, theft, and misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

4.2 Distributions and refunds

In September 2014, the County Collector overpaid taxing authorities approximately \$124,000 when distributing protested taxes resolved because she did not deduct amounts previously distributed.

A mining corporation protested 6 parcels annually for tax years 2011, 2012, and 2013. For each parcel the taxpayer originally paid the full amount owed and submitted a proposed assessed valuation and notice of the company's intent to protest a portion of the assessed valuation. The County Collector used the taxpayer's proposed assessed valuation amount to determine what



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portion of the monies to distribute immediately to taxing authorities and what portion of the monies to place in escrow as the amount protested. The County Collector marked the parcels as paid in the tax system and manually adjusted the amounts distributed to taxing authorities to account for monies that were protested and required to be held until resolution.

In August 2014, the State Tax Commission reached resolution on the valuation of 1 parcel that was protested for tax years 2011 and 2012. The taxpayer's bill was reduced and the adjusted assessed valuation for the resolved parcel is approximately 47 percent of the original assessed valuation determined by the County Assessor. Using the adjusted valuation, the County Collector manually calculated the taxes and interest amounts to distribute to taxing authorities and disbursed these amounts in September 2014. However, the County Collector did not account for the property taxes from this parcel already distributed in December 2011 and December 2012. The County Collector discovered this discrepancy when we requested documentation of her calculations to support the distribution of taxes and interest, and the County Collector plans to request refunds from the various taxing authorities. Additionally, as of November 2014, the County Collector had not refunded the portion of the resolved protested taxes and interest due to the mining corporation. Future distributions will be needed but the State Tax Commission has not yet reached resolution on the valuation of this parcel for tax year 2013 or the valuation of the remaining 5 parcels for tax years 2011, 2012, or 2013.

To ensure future distributions are accurate, the County Collector should maintain appropriate accounting records of prior distributions, amounts escrowed, interest earned, and adjustments to assessed valuations for all parcels with protested taxes. Additionally, the County Collector should process refunds to taxpayers timely if protested taxes have been resolved and result in a reduction of taxes owed.

4.3 Protested interest

The County Collector does not accurately allocate interest earned on the protested tax account to the individual parcels and, as a result, cannot determine the proper amount of interest to disburse or refund when a protested parcel is settled.

Protested property taxes for a mining corporation totaled approximately \$2.2 million on 6 parcels for 2011, 2012, and 2013. The County Collector deposited the protested taxes in a separate bank account that earns interest monthly. As of February 28, 2014, the protested bank account had earned interest of approximately \$24,000. While all interest earned relates to the mining corporation's protested taxes, the mining corporation has protested multiple parcels during multiple tax years.

Interest earned on the protested account is only applied to the most recent year's total of protested taxes rather than to all tax years or parcels protested and held in escrow. As a result, the County Collector does not have accurate



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records to determine how much interest to distribute or refund when the value of individual parcels is settled.

Since the County Collector had not properly allocated the monthly interest earned, the County Collector did not disburse the correct amount of interest to the taxing authorities in September 2014. The County Collector should ensure the appropriate amount of interest is disbursed or refunded as the value of each parcel is resolved.

Section 139.031.7, RSMo, requires the County Collector to disburse the proportional amount of interest earned either to the taxpayer, taxing authority, or both. To ensure interest earned on the protested account is properly distributed, controls should be in place to ensure interest is properly allocated and proper records are maintained.

Recommendations

- 4.1 The County Collector ensure future annual settlements are accurately prepared. In addition, the County Clerk and County Commission should establish procedures to adequately review and approve the annual settlement.
- 4.2 The County Collector recalculate the amount of distributions to the taxing authorities and the refund due to the mining corporation. The County Collector should obtain refunds from the taxing authorities for amounts overpaid, issue a refund to the mining corporation, and ensure future distributions and refunds are calculated correctly and processed timely.
- 4.3 The County Collector recalculate accumulated interest earned on each protested property tax parcel held in the protested account and consider these amounts when correcting errors made in distributions and refunds for the parcel recently resolved. Additionally, the County Collector should adopt procedures to ensure future interest allocations are accurate.

Auditee's Response

The County Collector provided the following responses:

- 4.1 *After discussing with the auditors during the audit process I have revised both annual settlements and submitted them to the County Clerk in September 2014. There are no published instructions or guidance on how to prepare the annual settlement and I made my best attempt to present amounts that were true and accurate. While the protested amounts were shown in distributions in the original settlements, they were clearly identified as amounts transferred to escrow and not distributed to taxing authorities.*
- 4.2 *I discovered the error in distributions and immediately took action to correct the error. This was an unusual situation where I had*



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multiple assessed valuations including the county's original assessed valuation, proposed valuation from the taxpayer, and final valuation from the State Tax Commission. I am in the process of obtaining refunds from the various taxing authorities, and a refund has already been received from the school district. A refund will be issued to the taxpayer as soon as possible. As future parcels are resolved I will account for amounts previously distributed to each taxing authority.

- 4.3 *This situation was complex due to the number of parcels and tax years involved. I previously sought assistance from others including a bank but did not receive adequate assistance. I have already performed calculations to weight monthly interest by the tax year the escrowed funds relate to. I used these corrected interest amounts when determining the amounts taxing authorities should repay (related to section 4.2) and amount to refund to the taxpayer. I will continue to use this method of tracking and allocating interest going forward.*

The County Clerk provided the following response:

- 4.1 *I have established various checks and balances to ensure the accuracy of the annual settlement before I certify and file the settlement. When reviewing these two annual settlements, I found them to be complete and accurate because the protested amount held in escrow was reported in the distributions section and properly labeled as amounts escrowed. The charges, credits, and distributions balanced on the settlement. In the future I will compare the presentation of protested property taxes on the current settlement to the prior year to ensure the county is consistent in our presentation and, if protested taxes are still being held in escrow, I will verify that amounts are reported in the protested line of the credits. After I have reviewed the annual settlement each year I will continue to notify the County Commissioners of the results and provide them access to the documents for review.*

5. Property Tax System

The County Commission does not approve changes to the property tax system for additions, abatements, and outlawed personal property taxes. During the year ended February 28, 2014, county officials recorded additions totaling over \$69,000 and abatements and outlawed taxes totaling over \$21,000 in the property tax system.

The County Assessor prints a court order of each change to the property tax system and provides the court orders to the County Clerk and County Collector. On a monthly basis the Deputy County Clerk calculates the total changes based on the court orders received from the County Assessor and



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compares to the changes processed in the tax system. The County Clerk and County Commission do not document their approval of the changes to the tax system. Additionally, the minutes of the County Commission do not include any discussion of additions, abatements, or outlawed taxes.

Section 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to tax books with the approval of the County Commission. In addition, if changes to the amount of the taxes the County Collector is charged with collecting are not properly monitored, errors or irregularities could go undetected.

Recommendation

The County Commission and County Clerk ensure all changes made to the property tax system are supported by court orders approved by the County Commission.

Auditee's Response

The County Commission and County Clerk provided the following response:

The County Commission believes the County Clerk has always adequately reviewed all orders for additions and abatements. In response to this recommendation, the County Clerk will begin preparing a monthly summary of additions and abatements which the County Commission will review and approve. We will include this information in the meeting minutes.

6. Sheriff Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies related to civil service fees, mileage, concealed carry weapon fees, all-terrain vehicle permits, bonds, prisoner board, and other miscellaneous receipts totaling approximately \$50,500 for the year ended December 31, 2013. Deposits into the Sheriff's inmate account for inmate receipts totaled approximately \$11,400 for the year ended December 31, 2013.

6.1 Civil service papers

The Sheriff does not have proper controls to follow up and ensure the timely collection of amounts billed for civil paper service fees. The Sheriff's office collected approximately \$5,900 in civil paper service fees and mileage for the year ended December 31, 2013.

The Sheriff's office typically collects a fee prior to performing the civil paper service, and sends a bill for mileage and any remaining fees once the papers have been served. Records of civil papers requested and served, fees assessed, and amounts collected are maintained on receipt ledgers and in the Sheriff's computer system. After the papers have been served, the Sheriff sends the documents to the Circuit Clerk and notifies the Circuit Clerk of any remaining balance due.

The Sheriff and Circuit Clerk do not communicate regarding collections received. As a result, the Sheriff cannot ensure his office's accounts receivable balances are correct. We reviewed the collection status on 10



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civil paper services occurring in 2013 and for 4 services the Sheriff's records indicated a balance due while the Circuit Clerk's records indicated the balance had been paid in full.

To ensure amounts owed are collected timely, the Sheriff's office should maintain accurate and complete records of civil paper service fees and properly follow up on all unpaid amounts. Additionally, the Sheriff's office should work with the Circuit Clerk's office to ensure the accuracy of account receivables records.

6.2 Receipts and deposits

Controls and procedures over receipting and depositing monies are not sufficient.

- The Sheriff's secretary does not record civil paper service fees immediately and does not deposit these fees timely and intact.
- The Sheriff's secretary does not issue receipt slips for some monies received and does not reconcile receipt records, including composition of receipts, to deposits. We noted the Sheriff's secretary did not issue receipt slips for 3 transactions totaling \$403 deposited in August 2013 and 2 of these 3 receipts were not included in the manual ledger.
- The Sheriff's secretary did not always indicate the method of payment on receipt slips issued.

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

6.3 Sheriff account disbursements

The Sheriff maintains some monies in the Sheriff's fee account outside the county treasury.

The Sheriff's office has not disbursed approximately \$900 held in the fee account to the County Treasurer as of August 31, 2014. These monies consisted of commissions from calendar sales, donations for purchase of flowers, donations for chaplain services, and drug testing fees. Additionally, the Sheriff made several purchases totaling approximately \$700 from these monies in 2014 for advertising and supplies for educational activities at local schools. Expending monies outside the county's normal budgeting and disbursement process increases the risk of misuse or unnecessary purchases being made.

There is no statutory authority allowing the Sheriff to maintain fees or donations outside the county treasury. Section 50.370, RSMo, requires all county officials who receive fees or any other remuneration for official services to pay such monies to the County Treasurer.



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6.4 Commissary profits

The Sheriff's office has not turned over commissary profits to the county treasury since March 2014. As of August 31, 2014, the Sheriff's office held profits of approximately \$2,900 in the commissary account. While some monies may be needed to purchase inventory or process pending orders, the Sheriff has not determined the amount needed for these purposes.

Section 221.102, RSMo (effective August 28, 2013), requires each county jail to keep revenues from its canteen or commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (profits) into the county Inmate Prisoner Detainee Security Fund.

Recommendations

The Sheriff:

- 6.1 Develop procedures to track, monitor, and pursue collection of civil paper service fees and periodically reconcile the balance of civil service paper fees owed with the Circuit Clerk.
- 6.2 Ensure receipts are recorded immediately and deposited intact and timely, receipt slips are issued for all monies received, and receipt records and the composition of receipts are reconciled to the composition of deposits. Also, the Sheriff should ensure the method of payment is recorded on all receipt slips.
- 6.3 Establish procedures to ensure all monies are disbursed to the County Treasurer timely.
- 6.4 Ensure existing and future commissary profits not necessary to meet cash flow needs are turned over to the County Treasurer for deposit to the Inmate Prisoner Detainee Security Fund.

Auditee's Response

The Sheriff provided the following responses:

- 6.1 *The Circuit Clerk routinely receives payments for civil service papers, but I do not have access to the Circuit Clerk's records. In response to the recommendation we have implemented new procedures and are now performing a monthly reconciliation with the Circuit Clerk to ensure our accounts receivable balance reconciles with the Circuit Clerk's balance. Any differences between the two offices will be investigated and corrected. Additionally, I will continue to attempt collection of unpaid amounts.*
- 6.2 *I do not plan to change our procedures of holding monies received for civil paper service. The receipts identified by the auditors as either not receipted or where the receipt slip did not indicate the method of payment are isolated instances where normal procedures*



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were not followed. In some cases monies are received at night or on weekends when the secretary is unavailable and monies are properly secured until normal business hours. My office already has procedures in place to ensure all receipts are accounted for on the ledger and included in each deposit. The auditors did not locate any monies missing from my office.

6.3 *I plan to transmit the drug testing fees to the County Treasurer. I do not plan to transmit the other monies including calendar sales and donations because these monies may be needed for immediate use. I will work with the County Commission to determine if a separate county fund can be established to deposit these monies while still providing me access to expend monies if necessary. These monies are currently held and accounted for in a separate Sheriff's office checking account which is reconciled monthly.*

6.4 *After auditors brought this issue to our attention, we immediately began transmitting monies not needed to meet cash flow needs to the County Treasurer. Monies were transmitted in September, October, and November 2014 and we will continue to do this monthly.*

Auditor's Comment

6.2 The transactions without receipt slips or without method of payment pertained to 4 separate deposits of the 16 deposits we reviewed, indicating these weaknesses are not isolated instances. Due to the numerous problems identified during our review, it is clear improvement is needed. The failure to implement recommended procedures increases the risk that the theft, loss, or misuse of monies will go undetected.

7. Prosecuting Attorney Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. During the year ended December 31, 2013, the Prosecuting Attorney's office collected approximately \$15,400 in bad check fees, and bad check and court-ordered restitution.

7.1 Segregation of duties

The Prosecuting Attorney has not established adequate segregation of accounting duties or review and approval procedures. Two secretaries are responsible for receipting, recording, depositing, and transmitting monies received for bad checks and court-ordered restitution. Neither the Prosecuting Attorney nor other clerks perform documented supervisory or independent reviews of accounting records or comparisons of monies received to those transmitted.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are safeguarded. If proper segregation of



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duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential.

7.2 Administrative fees

The Prosecuting Attorney has not assessed statutorily required fees from defendants who owe court-ordered restitution and does not deposit bad check fees in the correct fund.

Based on the statutorily authorized fee amounts, the Prosecuting Attorney's office should have collected \$500 in fees on 8 restitution cases (approximately \$8,700 in restitution ordered) assigned to the office after the statutory changes occurred. Additionally, the bad check fees collected by the Prosecuting Attorney are not deposited into the Administrative Handling Cost Fund and are instead deposited into the Prosecuting Attorney Bad Check Fund. The Prosecuting Attorney indicated he was unaware of these new statutory provisions.

Section 559.100.3, RSMo (effective August 28, 2013), requires the Prosecuting Attorney to collect an administrative handling cost fee on cases of court-ordered restitution. Section 570.120.5, RSMo (effective August 28, 2013), requires the Prosecuting Attorney to collect an administrative handling cost fee on bad checks. The County Treasurer is required to deposit these fees in the Administrative Handling Cost Fund.

Recommendations

The Prosecuting Attorney:

- 7.1 Adequately segregate accounting duties or ensure an independent or supervisory review of accounting and bank records is performed and documented.
- 7.2 Assess and collect fees on all restitution cases as required by state law. Additionally, the Prosecuting Attorney should work with the County Commissioners to establish an Administrative Handling Cost Fund.

Auditee's Response

The Prosecuting Attorney provided the following responses:

- 7.1 *I have implemented additional procedures to ensure proper segregation of duties. A clerk who is not responsible for receipting and recording the transactions will independently review and approve each deposit to ensure all monies received are transmitted.*
- 7.2 *I will immediately begin assessing this fee on cases of court-ordered restitution as required by statute. In many cases, the defendant is incarcerated and there is less likelihood that I will be able to collect the fees owed; however, I will attempt to collect. Additionally, I will*



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work with the County Treasurer and County Commission to establish the Administrative Handling Cost Fund.

8. County Assessor Controls and Procedures

Controls and procedures of the County Assessor's office need improvement. The County Assessor's office collected approximately \$7,700 during the year ended December 31, 2013.

The County Assessor does not ensure independent or supervisory reviews of the accounting records are performed. Two employees are primarily responsible for collecting, receipting, and transmitting monies received to the County Treasurer. The County Assessor does not reconcile receipts per the manual receipt slips to the manual ledger to ensure all monies are transmitted to the County Treasurer. In addition, the County Assessor's office issues receipt slips from separate receipt slip books and receipt slips are recorded in the manual ledger by date issued instead of numerical order, making it difficult to account for the numerical sequence of receipt slips issued.

If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential. To adequately account for receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be recorded in the ledger when received and the numerical sequence of receipt slips issued should be accounted for and compared to amounts transmitted.

Recommendation

The County Assessor ensure an independent or supervisory review of accounting records is performed and documented. In addition, the County Assessor should record all receipt slips on the ledger when received, account for the numerical sequence of receipt slips, and reconcile the receipt slips to the ledger and amounts transmitted.

Auditee's Response

The County Assessor provided the following response:

My employees are now using only one receipt slip book to record transactions. On a monthly basis, I will start reviewing selected transmittals to ensure all receipt slips have been recorded on the ledger and are accounted for and reconcile the receipt slips to the amount transmitted to the County Treasurer.

Reynolds County

Organization and Statistical Information

Reynolds County is a county-organized, third-class county. The county seat is Centerville.

Reynolds 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 44 full-time employees and 10 part-time employees on December 31, 2013.

In addition, county operations include the Senate Bill 40 Board and the Senior Services Board.

Elected Officials

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

Officeholder	2014	2013
Joe Loyd, Presiding Commissioner	\$	28,400
Doug Warren, Associate Commissioner		27,390
Eddie Williams, Associate Commissioner		27,390
Myra Turner, Recorder of Deeds		40,000
Mike Harper, County Clerk		40,000
Robert A. Johnson, Prosecuting Attorney		47,000
Tom Volner, Sheriff		46,000
Wanda Corder, County Treasurer		40,000
Jeffrey N. McSpadden, County Coroner		14,000
Mallory N. Fox, Public Administrator		20,000
Cindy Jenkins, County Collector, year ended February 28,	40,000	
Rick Parker, County Assessor, year ended August 31,		41,500