

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

Greene County

Report No. 2020-050

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auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Greene County

Disbursements	The county disbursed \$15,125 during the year ended December 31, 2018, for employee appreciation and employee recognition that was questionable and/or an unnecessary use of county resources. The Highway department gave gift cards to employees in violation of the Missouri Constitution.
Prosecuting Attorney's Accounting Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform supervisory reviews of accounting and transmittal records for delinquent tax payments. The cashiers do not transmit monies received timely and intact in accordance with office policy. Checks and money orders made payable to Greene County are not restrictively endorsed upon receipt. The Prosecuting Attorney does not account for the numerical sequence of receipt slips issued for delinquent tax receipts.
County Clerk's Liquor Licenses	The County Clerk does not issue receipt slips for liquor licenses and does not account for the numerical sequence of liquor licenses issued.
County Treasurer's Controls and Procedures	The County Treasurer does not deposit receipts intact, does not maintain the change fund at a constant amount, and uses the change fund for petty cash purchases and to replenish petty cash funds for other county offices and departments. The County Treasurer does not require the Building Maintenance department to limit petty cash purchases to \$25 as stated in the county's purchasing guide.
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 Greene County

The State Auditor was requested under Section 50.057, RSMo, to audit Greene County. In addition, KPM CPA & Advisors, Certified Public Accountants, was engaged to audit the financial statements of Greene 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.

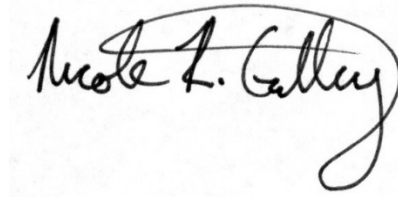
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls 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) 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 Greene County.

Additional work related to the operations of the Sheriff's office and the County Commission are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
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Greene County Management Advisory Report State Auditor's Findings

1. Disbursements

County controls and procedures over disbursements need improvement. The county disbursed approximately \$100.3 million, excluding payroll, according to the disbursement detail listing provided by the county for the year ended December 31, 2018.

1.1 Questionable purchases

The county disbursed \$15,125 during the year ended December 31, 2018, for employee appreciation and employee recognition that was questionable and/or an unnecessary use of county resources. Examples of these disbursements included payments for:

- An employee appreciation day held on October 10, 2018, that included a catered barbecue luncheon and t-shirts totaling \$9,262.
- Gift cards totaling \$2,000 (16 cards at \$35 each and 36 cards at \$40 each) to employees as part of the Top Branch program to recognize exceptional employees.
- A winter thank you lunch costing \$1,028 for the Highway department.

These expenditures were funded with \$11,489 from the Employee Recognition Fund, \$2,967 from the Road and Bridge Fund, and \$669 from the Prosecuting Attorney Administrative Cost Handling Fund.

Public funds should be spent only on items necessary and beneficial to the county. County residents have placed a fiduciary trust in their public officials to spend county revenues in a prudent and necessary manner.

1.2 Christmas gift cards

The Highway department gave gift cards to employees in violation of the Missouri Constitution. During the year ended December 31, 2018, the Highway department purchased 120 gift cards totaling \$3,000 (\$25 each) for employees as Christmas gifts.

These gifts represent additional compensation for services previously rendered. Article III, Section 39, Missouri Constitution prohibits counties from granting additional compensation for services previously rendered. Additionally, Article VI, Sections 23 and 25, Missouri Constitution prevent local governments from granting public money to any private individual, except as otherwise provided by law.

Recommendations

The County Commission:

- 1.1 Ensure all disbursements are necessary and prudent uses of public funds.
- 1.2 Work with the Highway department to discontinue the practice of giving gift cards to employees.



Auditee's Response

1.1 *Funding for the Employee Recognition Fund, which was used in part for the employee appreciation and recognition purchases, is from vending receipts from employees. Employee appreciation and recognition purchases from that fund has been suspended due to declining vending receipts. Gift cards previously provided as awards were included as taxable income to the recipients; however, gift cards are no longer in use.*

1.2 *Although gift cards were included in taxable income for the recipients, the county has discontinued the use of gift cards.*

2. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$2.4 million in bad check, court-ordered restitution, delinquent tax payments, and fees during the year ended December 31, 2018.

2.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform supervisory reviews of accounting and transmittal records for delinquent tax payments. The cashiers are responsible for receipting, recording, and transmitting monies. The cashiers transmit delinquent tax payments received to the Missouri Department of Revenue without a supervisory review. The office receipted approximately \$1.7 million in delinquent tax payments for the year ended December 31, 2018.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and transmittal records are essential and should include comparing daily receipt activity to transmittals.

2.2 Receipts and transmittals

The cashiers do not transmit monies received timely and intact in accordance with office policy.

For example, as shown in the table below, 38 bad check receipts totaling \$4,342 receipted from April 16, 2018, through May 16, 2019, were not transmitted timely by the cashiers because the full amount owed to each victim had not yet been received.



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<u>Date(s) Received</u>	<u>Date Transmitted</u>	<u>Number of Receipts</u>	<u>Amount</u>
August 6, 2018, and August 15, 2018	July 31, 2019	2	\$ 253
May 25, 2018, and February 6, 2019	August 1, 2019	2	178
June 25, 2018, to May 16, 2019	August 2, 2019	26	3,043
April 16, 2018, to March 15, 2019	August 16, 2019	4	562
September 4, 2018	September 19, 2019	1	26
April 30, 2018, to May 11, 2018	September 24, 2019	3	280
	Total	<u>38</u>	<u>\$ 4,342</u>

One receipt was held 512 days before it was transmitted to the victim. Prosecuting Attorney office policy states receipts are to be transmitted to the victim by the cashiers after being reviewed by the Office Manager and/or the Assistant Prosecuting Attorney. The County Treasurer was requested to issue replacement checks for 4 money orders totaling \$96 at the expense of the Prosecuting Attorney Administrative Cost Handling Fund because the money orders had expired.

In addition, \$8,345 in court-ordered restitution and fees, received from June 10, 2019, through July 15, 2019, was not transmitted until July 16, 2019, (\$8,040), and August 6, 2019 (\$305).

Additionally, checks and money orders made payable to Greene County are not restrictively endorsed upon receipt. The Office Manager indicated checks and money orders are endorsed before or after the review process, prior to transmittal.

Failure to implement adequate receipting and transmitting procedures increases the risk that loss, theft, or misuse of monies received will occur and go undetected. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

2.3 Numerical sequence of receipt slips

The Prosecuting Attorney does not account for the numerical sequence of receipt slips issued for delinquent tax receipts. Due to a previous vendor-wide system limitation, a report of receipt slips for delinquent tax monies received was not able to be printed from the case management computerized system.



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To ensure all monies received are properly recorded and transmitted, and to reduce the risk of loss, theft, or misuse of funds, the Prosecuting Attorney should ensure adequate controls are in place to properly account for the numerical sequence of receipt slip numbers assigned by the case management system for all receipts.

Recommendations

The Prosecuting Attorney:

- 2.1 Segregate accounting duties or ensure independent or supervisory reviews of detailed accounting and transmittal records are performed and documented.
- 2.2 Transmit all receipts timely and intact and restrictively endorse checks and money orders immediately upon receipt.
- 2.3 Account for the numerical sequence of receipt slip numbers.

Auditee's Response

- 2.1 *I concur with this recommendation. Because of the small size (two clerks) of the cashier window staff; however, complete segregation of duties is not possible. Though not noted in the report, the Prosecuting Attorney's office conducts documented supervisory reviews of detailed accounting and transmittal records with regard to bad check and restitution payments made out to victims. As recommended, the Prosecuting Attorney's office has also implemented such reviews with regard to delinquent tax payments made to the Department of Revenue.*
- 2.2 *I concur with this recommendation. As noted in the report, there was a relatively small portion of total receipts that were not transmitted timely by the cashier staff contrary to the policy and procedure of the Prosecuting Attorney's office. We found this matter attributable to turnover among cashier staff and addressed it immediately through both additional training and supervision. With regard to restrictive endorsements, for the portion of payments made out to Greene County, we have clarified our existing restrictive endorsement practice to ensure it uniformly occurs at the time of receipt rather than following the supervisory review.*
- 2.3 *I concur with this recommendation. Though not specifically noted in the report, all receipt slips are issued in a numerical sequence. During the audit it was found that the computerized case management system used by some of the Prosecuting Attorney's offices throughout the state of Missouri did not list the receipt slip numbers on the report of delinquent taxes collected. The Prosecuting Attorney's office worked with the case management system vendor to reprogram the delinquent tax report so that, like the restitution and*



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bad check reports, it would include the prenumbered receipt slip numbers to allow for an additional control measure.

3. County Clerk's Liquor Licenses

The County Clerk does not issue receipt slips for liquor licenses and does not account for the numerical sequence of liquor licenses issued. Liquor license receipts totaled \$220,415 for the year ended December 31, 2018.

Liquor license numbers are considered receipt slip numbers; however, these numbers are not used in numerical order. Each business is assigned a liquor license number at the time of application that is reused for that business each year. In addition, the method of payment is not recorded on the liquor licenses when payment is received.

During our review of the liquor license log maintained by the County Clerk we could not account for 4,513 of 5,569 license numbers for the year ended December 31, 2018. In addition, 167 license numbers were used twice. The Chief Deputy Clerk indicated the missing license numbers were attributed to closed businesses or unpaid applications and the license numbers used twice were due to the business paying for the 2017 license and 2018 license during 2018.

Failure to implement adequate receipting and liquor license procedures increases the risk that loss, theft, or misuse of monies received for liquor licenses will occur and go undetected.

Recommendation

The County Clerk issue prenumbered receipt slips for all monies received and account for the numerical sequence.

Auditee's Response

The County Clerk is working on a new web-based renewal process that will create a separate serialized receipt slip number for all renewal payments. The receipt slips will indicate method of payment and will be a separate document from the license itself. Two of the license numbers that were not accounted for were assigned to a company that is now closed, so those license numbers no longer exist and will not be reissued. Greene County Information Systems has confirmed that the majority of the missing numbers are due to the liquor license program's use of "primary keys" as unique identifiers for saved licenses. The County Clerk will work with Greene County Information Systems to eliminate the use of primary keys, and to create a new fully serialized license number.



4. County Treasurer's Controls and Procedures

Controls and procedures in the County Treasurer's office need improvement.

4.1 Deposits and change fund

The County Treasurer does not deposit receipts intact, does not maintain the change fund at a constant amount, and uses the change fund for petty cash purchases and to replenish petty cash funds for other county offices and departments. The County Treasurer replenishes the change fund with cash from the transmittals received from various county offices.

Our cash count on June 24, 2019, included \$9,053 in the change fund. In addition, the cash count included cash receipts totaling \$1,385 and checks and money orders totaling \$24,108. The checks and money orders were deposited later that day. The cash receipts were added to the change fund and the change fund balance increased to \$10,438.

Failure to implement adequate depositing procedures and maintain change funds at a constant amount increases the risk that loss, theft, or misuse of monies will occur and go undetected. To reduce that risk, all receipts should be deposited intact. In addition, if a change fund is needed, it should be set at a constant amount and a procedure should be established to reconcile to this amount every time a deposit is made. If needed, a separate petty cash fund should be established and maintained on an imprest basis. Petty cash funds should only be reimbursed through a county disbursement approved by the County Commission and not from daily receipts.

4.2 Petty cash purchases

The County Treasurer does not require the Building Maintenance department to limit petty cash purchases to \$25 as stated in the county's purchasing guide. The Building Maintenance department maintains a petty cash fund of \$300 that is replenished by the County Treasurer from his change fund. The County Treasurer is responsible for ensuring the department submits receipt slips for all petty cash purchases and for enforcing the \$25 limit on petty cash purchases.

The Building Maintenance department's petty cash reimbursements, totaling \$2,828 for January 2018, were reviewed and we noted 37 of the 67 items purchased, totaling \$2,417, exceeded the \$25 limit. The County Treasurer indicated the department is allowed to exceed the \$25 limit because the department would not otherwise be able to make emergency and minor repairs in a timely manner by going through the requisition process, which can take several weeks.

To better safeguard county funds and provide less risk for employees using petty cash for items costing more than \$25, the county should review its



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Management Advisory Report - State Auditor's Findings

current practice of using petty cash for these purchases and determine if a more secure method of payment could be used.

Recommendations

The County Treasurer:

- 4.1 Deposit monies received intact and determine if a change fund is needed. If needed, determine the amount of the change fund that is needed and maintain it at a constant amount. If needed, a petty cash fund should be established and maintained on an imprest basis and reimbursed through a county disbursement.
- 4.2 Ensure the Building Maintenance department's petty cash purchases do not exceed the \$25 limit in the county purchasing guidelines and consider implementing alternative methods of payment for these expenses.

Auditee's Response

- 4.1 *I agree that the creation of a separate petty cash drawer would be beneficial to operations. I have reduced the change drawer to \$4,000 and created a separate petty cash drawer of \$3,000 on an imprest accounting system as recommended. Checks are deposited daily by using a remote scanner and I have increased our frequency of cash deposits. The daily cash balancing and cross checking takes into account the prior day's balance and the inflows and outflows of cash for the day; for which the County Auditor reviews daily.*
- 4.2 *I concur with this recommendation. The Building Maintenance department has established accounts with common vendors and are utilizing blanket purchase orders for that purpose in lieu of petty cash. This has greatly reduced the use of petty cash transactions. In addition, the outdated purchasing limit of \$25 for each petty cash transaction has been removed from purchasing guidelines. As a general rule, the County Treasurer does not honor petty cash transactions for more than the amount of the petty cash drawer issued. This amount varies by office, based on the office's needs.*

Greene County

Organization and Statistical Information

Greene County is a county-organized, first-class county. The county seat is Springfield.

Greene 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 850 full-time employees and 19 part-time employees on December 31, 2018.

In addition, county operations include Senate Bill 40 Board, 911 Board, Senior Citizens' Services Board, Board of Equalization, Building Commission, Historic Sites Board, Industrial Development Authority, Planning and Zoning Board, Neighborhood Improvement Districts, Tax Increment Financing Commission, and Shelters for Victims of Domestic Violence Board.

Elected Officials

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

Officeholder	2019	2018
Bob Cirtin, Presiding Commissioner	\$	81,339
Harold Bengsch, Associate Commissioner		79,339
Lincoln Hough, Associate Commissioner		79,339
Cheryl Dawson-Spaulding, Recorder of Deeds		81,339
Shane Schoeller, County Clerk		81,339
Dan Patterson, Prosecuting Attorney		138,719
Jim Arnott, Sheriff		88,233
Justin Hill, County Treasurer		81,339
Cindy S. Stein, County Auditor		81,339
Lee Ann Walker, Public Administrator		81,339
Leah Betts, County Collector, year ended February 28,	81,339	
Rick Kessinger, County Assessor, year ended August 31,		81,091



Greene County
Organization and Statistical Information

**New Sales Tax and
Financing Arrangements**

In November 2017, voters approved a 1/2-cent sales tax for the purpose of general revenue. The county issued \$64,470,000 in Certificates of Participation (COPS) in September 2018 to provide funding for several capital projects including an expansion of the Greene County Justice Center, renovations to the Judicial Courts Facility, and a new Operations Center to house the Building Operations and General Services departments. The new sales tax revenues, which are accounted for in the General Revenue II Fund, are used to make the payments on the COPS. The COPS are scheduled to be paid off in 2038. The remaining principal and interest due at December 31, 2018, was \$64,470,000 and \$27,700,000, respectively.