



Susan Montee, JD, CPA  
Missouri State Auditor

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# Bates County

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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

October 2009

The following findings were included in our audit report of Bates County.

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The county's financial condition has deteriorated in several of its larger funds. The poor financial condition of the Law Enforcement Sales Tax Fund, which was noted in our prior report, has continued to deteriorate. In addition, the cash balances of the General Revenue Fund and Special Road and Bridge Fund have declined significantly since 2005. While the cash balances of these three funds did improve in 2008, projected ending balances for the Law Enforcement Sales Tax Fund and Special Road and Bridge Fund were still quite low. Additionally, the county faces a significant potential liability as a result of accumulated vacation and compensatory leave for personnel of the Sheriff's office. Some deputies have accumulated over 300 hours of leave. A significant cause of the decline in the Special Road and Bridge Fund was the use of road monies to subsidize emergency management functions in the county from 2004 to 2007. The county began handling emergency management funds in the Special Road and Bridge Fund in 2004, rather than through the General Revenue Fund. The county spent \$204,500 more than it received during that period on emergency management functions.

Several county fund's budgets were overspent during 2007 and 2006 and monitoring of budget to actual reports is not consistently performed for all county funds. County officials did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases. In addition, the county did not adequately plan for construction of the courthouse tower or the funding of the project, have a professional engineer determine the scope of the project before bidding, or maintain adequate records to track the on-going cost of the project. The accounting records reflect the county paid almost \$1.5 million for the project through June 30, 2008, with another \$110,000 due to the contractor. Controls over fuel purchases also need to be improved.

Accounting duties in the Sheriff's office are not adequately segregated, receipts are not deposited intact on a timely basis, and some receipts from court paper service fees are not recorded until they are deposited. The method of payment received is not always noted on receipt slips, which does not allow the composition of receipt slips issued to be compared to the composition of deposits. The Sheriff does not maintain either a balance in the manual check register, or a cash control ledger to account for the monies in his fee account. As a result, monthly bank reconciliations could not be performed. The Sheriff does not have procedures to ensure all monies received are properly disbursed. Commissary profits and telephone commissions were transferred from the inmate account to the fee account, rather than disbursing these monies to the county treasury, and several purchases made from the fee account do not appear to be prudent or necessary uses of public or inmate funds. Various problems were also noted regarding the handling of

YELLOW SHEET

inmate monies and commissary activity. The inmate account balance is not reconciled to the total of the individual inmate balances and any remaining commissary proceeds and commissary and phone card commission profits are maintained outside the county treasury. In addition, problems were noted with Sheriff's office and law enforcement related disbursements, including lack of contracts for housing prisoners for other entities.

Controls over property tax additions and abatements are not adequate and the County Clerk does not maintain an account book or other records summarizing property tax transactions and changes. No evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

The county needs to improve its policies and procedures related to County Commission meeting minutes. The official County Commission meeting minutes are not printed and approved by the County Commission timely. Open minutes did not always document the vote for closing the meeting and the minutes did not always cite the specific statute and subsection allowing the closure.

The Prosecuting Attorney continues to violate state law by maintaining custody of the Prosecuting Attorney Bad Check Fund and some disbursements from this fund appear questionable. During 2007 and 2006, the Prosecuting Attorney authorized payments from the fund totaling \$350 and \$300, respectively, to his employees as bonuses. The Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture Fund, which is used for law enforcement purposes. Missouri Attorney General's Opinion No. 45, 1992, to Henderson states the Prosecuting Attorney of a third-class county is not authorized to maintain a bank account for law enforcement purposes separate from the County Treasurer. We also had concerns over the handling of some void restitution checks, which were added back to the account and are retained as an "overage" amount, rather than being disposed of in accordance with state law.

The report also includes recommendations related to payroll and county property records, as well as recommendations to the Public Administrator and Senate Bill 40 Board.

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BATES COUNTY

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Bates County

We have audited certain operations of Bates County in fulfillment of our responsibilities under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Bates County for the 2 years ended December 31, 2007. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2007. 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 revenues and expenditures.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with

behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 History, 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.

The accompanying Management Advisory Report presents our findings arising from our audit of Bates County.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

BATES COUNTY  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Financial Condition and Disbursements**

The county's financial condition has deteriorated in several of its larger funds. Numerous county fund budgets were overspent during 2007 and 2006 and monitoring of budget to actual reports is not consistently performed for all county funds. The county did not always solicit bids for major purchases. Additionally, the county did not adequately plan for construction of the courthouse tower or the funding of the project, did not have a professional engineer determine the scope of the project before bidding, and did not maintain adequate records to track the on-going cost of the project. Also, control over fuel usage should be improved.

A. The poor financial condition of the Law Enforcement Fund, which was noted in our prior report, has continued to deteriorate. In addition, the cash balances of the General Revenue Fund and Special Road and Bridge Fund have declined significantly since 2005. The following table reflects the ending cash balances of these funds during the 5 years ended December 31, 2007:

	Ending Cash Balance, Year Ended December 31,				
	2007	2006	2005	2004	2003
General Revenue Fund	\$ 127,630	52,637	138,999	507,889	753,377
Law Enforcement Sales Tax Fund	(28,423)	106,266	87,194	78,966	(133,264)
Special Road and Bridge Fund	100,336	195,544	609,052	773,438	702,342

In addition, at December 31, 2007, \$120,000 is due from the General Revenue Fund to other county funds for repayment of loans. These loans were necessary, at least in part, due to the overruns on the courthouse tower restoration project (see part D).

While the cash balances of these three funds did improve during 2008, the projected ending balances for the Law Enforcement Sales Tax Fund and Special Road and Bridge Fund at the end of 2009 are still quite low.

Additionally, a potentially significant liability exists for the county as a result of accumulated vacation leave and compensatory time balances for personnel of the Sheriff's office. Some deputies have accumulated vacation leave and/or compensatory time balances in excess of 300 hours. These excessive balances

represent a large liability for the county, which could require significant cash resources upon payment (see MAR finding number 4).

The county's budgetary practices are also in need of improvement (see part B). Actual disbursements exceeded budgeted disbursements in the General Revenue Fund and the Law Enforcement Sales Tax Fund in 2007 and 2006.

A significant cause of the decline in the Special Road and Bridge Fund's cash balance was the change in how emergency management monies were handled in the county. In 2004, the county started handling emergency management monies through the Special Road and Bridge Fund, which is a restricted fund, rather than the General Revenue Fund. This condition was noted as a problem in the county's financial statements for the 2 years ended December 31, 2005, which was delivered to the county during 2007, and the county went back to handling these monies in the General Revenue Fund starting in 2008. From 2004 to 2007, the County Commission authorized \$204,500 more in emergency management disbursements than amounts received for that purpose, resulting in the Special Road and Bridge Fund subsidizing emergency management functions of the county.

Also, the Sheriff does not have procedures in place to ensure all accountable fees have been turned over to the county treasury and is maintaining commissary and phone card commission profits outside the county treasury (See MAR finding number 2).

The county is facing serious financial problems and, as a result, it is essential to address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending where possible; evaluate controls and management practices to ensure efficient use of resources available to the county; and attempt to maximize receipts from all sources. The Special Road and Bridge Fund is restricted for road and bridge related purposes and should not be used for other purposes. In addition, the County Commission and other county officials should take steps to address the various issues noted in the remainder of our report.

- B. The County Commission and other county officials approved disbursements in excess of budgeted amounts for various funds for the years ended December 31, 2007 and 2006. Several major funds, such as the General Revenue Fund and Law Enforcement Sales Tax Fund were overspent significantly in both 2007 and 2006, while several other smaller county funds were also overspent.

While the County Clerk prepares budget to actual disbursement comparison reports, the county's procedures for monitoring these reports has apparently not been effective. Several times during 2007, the County Commission met with the

Sheriff to discuss the need to reduce spending, as actual disbursements for the Sheriff and the jail made from the Law Enforcement Sales Tax Fund were rapidly reaching the budget limits; however, this seemed to have little effect since these two departments overspent their budgets by more than \$150,000. The County Clerk has not developed formal policies for monitoring spending, and budget to actual reports are only provided to other elected officials upon request. In addition, the overspending in the Assessment Fund and the Recorder's Technology Fund was the result of loans made to the General Revenue Fund.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed and used when making spending decisions throughout the year.

- C. County officials did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases as discussed below.

<u>Item or Service</u>		<u>Cost</u>
Voting equipment (one-time purchase)	\$	186,422
Aerial photography		43,555
Mower		31,296
Concrete		22,248
Tractor		21,288
Rock		9,781
Computer equipment & repairs		7,130
Garage door and installation		6,434
Laminating books		5,000

The County Commission indicated each officeholder is individually responsible for bidding office purchases and is not required to submit bid documentation to the County Clerk.

The county was awarded a Help America Vote Requirement Payments Grant to purchase the voting equipment, train polling judges, and other election purposes. The County Clerk indicated she was given a list of vendors by the Secretary of State's office and she selected the only vendor that sold the brand of voting equipment the county already had and she thought the price was comparable to other vendors; however, this information was not documented. In addition, the County Commission said the mower and tractor were purchased off state contract; however, supporting documentation of the contract price was not maintained for these purchases.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500, or more from any one person, firm or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. If the County Commission and County Clerk wish to delegate responsibility for compliance with this state law to the various officials, they need to establish adequate procedures to ensure compliance.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive 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, and the county's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- D. The county did not adequately plan for construction of the courthouse tower or the funding of the project, have a professional engineer determine the scope of the project before bidding, or maintain adequate records to track the on-going cost of the project.

This project was originally planned to begin in 2000, but was stalled for lack of funding until 2004, when a bid was awarded for the project. Prior to bidding the project, the county did not hire an engineer or architect to determine the scope of work for this restoration project or necessary funding to complete the work. It appears the scope of work was determined by the company awarded the bid. A proposal was received in writing from an engineering firm to determine the scope of work for the project, but was not accepted by the county. An original budget for the project was not prepared by the County Commission, who instead relied on the contractor to determine what needed to be done on the project. While the county had accumulated over \$750,000 in the General Revenue Fund by December 31, 2003, for this project, the labor only bid from the contractor in 2004 totaled over \$950,000. The minutes contain no documentation of discussion regarding this obvious shortfall in funding.

Inadequate planning and the deteriorating financial condition of the General Revenue Fund caused the county to stop the project in 2006. The county put a ½-cent sales tax on the April 2006, August 2006, and November 2006 ballots where it failed each time. The one year ½-cent sales tax finally passed in the April 2007 election. The original contract with the contractor was amended after the passage of the sales tax to allow for the completion of the project.

The county did not establish a record keeping procedure to account for the courthouse tower restoration project disbursements. The accounting records reflect the county paid almost \$1.5 million for the project through June 30, 2008, with another \$110,000 due to the contractor.

When undertaking such a significant capital improvement project, it is imperative that the County Commission carefully assess the county's needs as compared to the available funds and proposed funding sources. Additionally, the County Commission must carefully evaluate its funding decisions and closely monitor actual disbursements as compared to project budget estimates.

E. Controls over fuel purchases need improvement. There are no logs for the bulk fuel tank. In addition, procedures for comparing fuel purchases to bills are lacking.

1) The Road and Bridge Department has a bulk diesel fuel tank to fuel vehicles and equipment, but no logs of fuel pumped are maintained. Additionally, mileage logs are not maintained for vehicles and compared to fuel usage for reasonableness. During the years ended December 31, 2007 and 2006, the county spent approximately \$33,000 and \$31,000, respectively, for fuel and oil for the Road and Bridge Department. Records are maintained of fuel used in the off-road equipment only.

To ensure the reasonableness of fuel disbursements, the county should maintain complete records of fuel use and reconcile to fuel purchases and fuel on hand, and investigate any differences. Additionally, mileage logs should be maintained on all county vehicles and compared to fuel usage. Failure to account for fuel purchases could result in loss, theft, or misuse going undetected.

2) The Sheriff's office has not adopted procedures to evaluate the reasonableness of fuel disbursements and verify vendor bills. During the years ended December 31, 2007 and 2006, the county spent approximately \$65,000 and \$55,000, respectively, on fuel for sheriff and jail vehicles. Employees purchase fuel for county-owned vehicles using fuel cards assigned to them; however, they are not required to submit the fuel tickets, and as a result, tickets are not reconciled with the monthly fuel bills. Additionally, while mileage for each vehicle is required to be input when fueling and reports of usage and fuel purchases for each vehicle are prepared, these reports are not reviewed for reasonableness.

The failure to compare fuel use records and fuel tickets to vendor bills and compare vehicle mileage to fuel usage, increases the possibility the county may pay improper billing amounts and theft or misuse of fuel could go undetected.

**WE RECOMMEND** the County Commission:

A. Closely monitor the county's financial condition and take necessary steps to improve the financial condition of the General Revenue, Law Enforcement Sales

Tax, and Special Road and Bridge Funds. The County Commission should perform long-term planning and take advantage of opportunities to maximize receipts and offset costs as allowed by state law. In addition, the County Commission should reimburse the Special Road and Bridge Fund \$204,500 from the General Revenue Fund and ensure all future disbursements from the Special Road and Bridge Fund comply with state law.

- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements that exceed budgeted amounts. If valid reasons exist for overspending, the County Commission should formally amend the budgets of the applicable funds.
- C. Establish formal policies for bid requirements placed on other county officials and ensure other county officials perform a competitive procurement process for all major purposes and maintain documentation of decisions made.
- D. Ensure capital improvement projects are adequately planned in the future, including obtaining bid specifications prepared by a qualified independent engineer with cost projections. The County Commission also needs to establish a method to effectively monitor budget to actual project disbursements to help identify funding shortfalls.
- E.1. Maintain complete records of fuel use and reconcile to fuel purchases and fuel on hand, and investigate any differences.
  - 2. Ensure fuel use and purchase records are reviewed for completeness and reasonableness, and are used to verify vendor bills.

### **AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

- A. *We did more closely monitor all the county fund balances during 2008 and saw improvement in the specific funds mentioned by the auditor. We continue to monitor our financial position closely. While the decision to transfer these funds from Special Road and Bridge to the General Fund was made by a previous Commission, the fact is that most emergencies in Bates County deal predominantly with local transportation access and ability of farmers to reach their fields. We believe Emergency Management is compatible with Road and Bridge because recovery efforts due to flooding during this period were directly applied to repair roads and bridges. After review of expenditures, the Commission believes the audit reimbursement in question was appropriately expensed from the Road and Bridge Fund.*
- B. *We will continue to work with other county officials and try to ensure budgets are not overspent in the future.*

- C. *We make every effort to comply with statutory bidding requirements, purchase off state contracts when available, and get the best price for all county goods and services. In the future, we will ensure we maintain documentation.*
- D. *In the future, if such a project should occur, we will do a better job of tracking and monitoring the project disbursements. At least a portion of the cost overruns are attributable to inflated project material costs due to Hurricane Katrina.*
- E. *We will meet with the Road and Bridge Supervisor and Sheriff to develop procedures to adequately account for fuel usage.*

<b>2.</b>	<b>Sheriff's Accounting Controls and Procedures</b>
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Controls and procedures of the Sheriff's office need improvement.

- A. Accounting duties are not adequately segregated. The Sheriff's administrative assistant is responsible for receipting, recording, and depositing monies received and preparing and signing checks. The Sheriff does not review the accounting records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews would help ensure financial records are properly maintained and help detect errors on a timely basis.

- B. The Sheriff's office maintains a fee bank account which is used to process various receipts generated from serving court papers, conceal and carry permits, copies of reports, sex offender registration fees, and bonds. The following concerns regarding the fee account were noted:

- 1) Receipts are not deposited intact on a timely basis and some receipts from court paper service fees are not recorded until they are deposited. Monies are normally collected each business day for serving court papers. However, the monies are held by the Sheriff's office and a receipt slip is not issued or the monies deposited until the related papers are served. These monies are not kept in a secure location and access to the monies is not limited. A cash count performed on April 15, 2008, identified undeposited checks for court paper service fees totaling approximately \$2,200, some of which had been on hand since 2006 based on the dates on the checks. The cash count also revealed receipt slips had not been issued for two of the six bonds on hand and for 10 of the paper service fees.

Procedures call for a receipt slip to be issued in conjunction with the issuance of the unnumbered bond forms. In addition, bonds collected by the jailers are not maintained in a secure location. Bonds are put in a cash box, which is locked, but all the jailers have access to both the box and the key. Other monies deposited into this account also are not always deposited timely. Deposits are generally made once a week.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be maintained in a secure location until deposited and the number of individuals with access to the funds should be limited, receipt slips should be issued immediately upon collection of monies, and deposits should be made intact on a timely basis.

- 2) The method of payment received (cash, check, money order, etc.) is not always noted on receipt slips, which does not allow the composition of receipt slips issued to be compared to the composition of deposits. In addition, checks are not restrictively endorsed immediately upon receipt. The cash count revealed that only 2 out of 68 checks on hand were endorsed.

To ensure receipts are accounted for properly and deposited intact, the method of payment should be recorded on the receipt slips and the composition of receipt slips issued should be reconciled to the composition of deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

- 3) The Sheriff does not maintain either a balance in the manual check register, or a cash control ledger. As a result, monthly bank reconciliations could not be performed.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. The Sheriff's office should maintain an accurate cash control ledger or other record of receipts, disbursements, and periodic cash balances for the fee account. A cash control ledger is necessary to provide summary financial information, more readily account for the numerical sequence of receipt slips and checks issued, and facilitate reconciliation with bank account balances. Because the Sheriff did not maintain cash control ledgers during the audit period, the Sheriff could not determine the amount of fee monies received by the Sheriff's office and was not able to determine if the monies received were properly handled.

- 4) The Sheriff does not have procedures to ensure all monies received are properly disbursed. Monies received by the Sheriff, which includes cash bonds and accountable fees, are normally disbursed periodically during the

month and the Sheriff's fee bank account balance should be zero after the end of the month checks are issued. At December 31, 2007, the fee bank account balance was \$10,054, all of which was unidentified. It appears likely at least a portion of this unidentified difference is commissary profit and/or phone commissions transferred to the fee account (see part B.5).

Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. The Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

- 5) Commissary profits and telephone commissions were transferred from the inmate account to the fee account, rather than disbursing these monies to the county treasury, and several purchases made from the fee account do not appear to be prudent or necessary uses of public or inmate funds.

Checks totaling \$18,477 were written from the fee account during the 2 years ended December 31, 2007, to pay operating expenses of the Sheriff's office. Several of these disbursements do not appear to be prudent or necessary uses of public funds including food (\$961), flowers (\$221), and a donation to the Girl Scouts (\$11). In addition, supporting documentation was not retained for these disbursements.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Monies collected by the Sheriff's office should be distributed to the appropriate parties monthly and operating disbursements should be authorized by the Sheriff and made through the County Commission's normal disbursement process. Also, all disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds. Further, the county's residents place a fiduciary trust in their public officials to expend funds in a necessary and prudent manner.

- C. Adequate procedures are not in place to account for inmate monies and commissary activity. The Sheriff maintains a separate inmate checking account which is used to handle personal inmate monies and operate a commissary for inmates. The Sheriff's office uses a specialized computer program to maintain the

records for this account. Inmates order various personal items from the commissary and the payment is deducted from their respective account. Any remaining personal monies are paid to the inmate upon release. The amounts of monies received, commissary purchases made, and the available cash balance for each inmate are recorded on a computer system. Sheriff's office employees did not generate or utilize computer system reports to perform needed reconciliations.

- 1) Bank reconciliations are not performed monthly and a manual book balance is not maintained. In addition, no report of the cash balance is generated from the computer system that could be reconciled to the bank account balance. As of December 31, 2007, the bank account balance was approximately \$46,500.

Without maintaining a cumulative book balance and preparing monthly bank reconciliations, there is little assurance cash receipts and disbursements have been properly handled and recorded or bank or book errors will be detected and corrected in a timely manner.

- 2) The inmate account balance is not reconciled to the total of the individual inmate balances and any remaining commissary proceeds. Inmate balances are maintained on computer files, but the balances have not been reconciled to the total in the bank account. To reconcile accounting records to the bank account balance, the Sheriff's office needs to maintain records that account for the commissary activity (sales, purchases, and residual profit). A comparison of individual inmate account balances to the bank balance as of April 15, 2008, noted the bank balance was \$28,100 more than the individual inmate account balances.

Reconciliations between receipts, disbursements, and individual inmate balances are necessary to ensure all monies received are accounted for properly and errors in recording amounts in inmate and commissary accounts are detected.

- 3) The Sheriff maintains commissary and phone card commission profits outside the county treasury. A review of Sheriff's office files of vendor invoices revealed commissary commissions totaled \$5,391 and \$3,003, and monies received from the sale of phone cards were \$10,993 and \$14,070 for the years ended December 31, 2007 and 2006, respectively. Additionally, telephone commissions for January through May 2006 and October 2006 totaling approximately \$11,600 were not transmitted to the county treasury. These checks are normally transmitted directly to the county treasury. These commissions were deposited in the inmate account and used to purchase food and rent movies for the inmates or transmitted to the fee account.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states ". . . sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining profits and commissions should be transferred to the county treasury and future receipts should be transmitted to the county treasury.

D. Our review of Sheriff's office and jail disbursements from the Law Enforcement Sales Tax Fund, the Law Enforcement Training Fund, and the Sheriff's Fund revealed the following concerns.

- 1) Bids were not solicited by the Sheriff for various purchases made during the audit period. The Sheriff's office purchased seven used vehicles and two new trucks during the audit period. The used vehicles were purchased from the Kansas Highway Patrol and the new trucks were purchased from a local car dealer. The Sheriff indicated these purchases were the best deals available; however, this information was not documented. Uniform purchases, which exceed \$6,000, were made without bids. In addition, the Sheriff's office switched cellular telephone providers in late 2007 and incurred \$1,325 in early termination fees and the average monthly costs per phone increased from \$34 to \$143. The Sheriff stated once he realized how much more expensive the new provider was, he canceled the service.

Section 50.660, RSMo, requires obtaining bids for any purchases of \$4,500, or more from any one person, firm or corporation during any period of ninety days. Advertising for bids is required for purchases exceeding \$6,000. If the County Commission and County Clerk wish to delegate responsibility for compliance with this state law to the various officials, they need to establish adequate procedures to ensure compliance.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive 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, and the county's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

- 2) Adequate supporting documentation was not available for some credit card disbursements, and some of these disbursements did not appear to be prudent uses of public funds. While the County Commission reviewed a summary statement of monthly credit card disbursements, detailed

invoices of each purchase were not always submitted by the Sheriff's office and compared to the statement. For example in one month, invoices were not retained to support 17 separate purchases, totaling \$493, for lodging, meals, and miscellaneous expenses. Similar omissions were noted with other credit card monthly statements. In addition, we noted charges for over credit limit fees, late fees, and finance charges. Some of these charges resulted from the county's refusal to pay for some items without a vendor invoice or items the County Commission felt were inappropriate, such as \$779 for engraved pens for Sheriff's employees. In addition, we noted other disbursements made by the Sheriff's office do not appear to be necessary uses of public funds such \$215 for an ad in a school publication, a pie for the county's Thanksgiving meal for employees, Christmas candy for employees, and cards for Boss's day.

All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- E. The county houses prisoners for various political subdivisions but only has a written contract with the United States Department of Justice. During 2007 and 2006, the county received approximately \$52,800 and \$77,000, respectively, in prisoner board payments from other political subdivisions without having written contracts with those entities.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

Conditions similar to A, B.1, B.3, and C - E were noted in our prior report.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate accounting duties or, at a minimum, ensure periodic independent reviews of the accounting records are performed and documented.
- B.1. Issue receipt slips immediately upon collection of monies, maintain monies in a secure location until deposited, and deposit all monies intact on a timely basis.
  - 2. Reconcile the composition of receipts to the composition of deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.
  - 3. Record all receipts, disbursements, and cash balances on a cash control ledger and account for the numerical sequence of receipt slips and checks. The Sheriff

should ensure monthly bank balances are reconciled to the cash balance on the cash control ledger.

4. Ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts that cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.
  5. Remit all fees collected to the county treasury monthly and make all purchases through the county's normal disbursement process. Also, supporting documentation should be maintained for all disbursements, and the Sheriff should ensure disbursements are necessary and prudent uses of public funds.
- C.1. Prepare monthly bank reconciliation and maintain a book balance.
2. Maintain records for the commissary account and reconcile the individual prisoner and commissary balances to the total of the monies in the bank account on a monthly basis.
  3. Transfer the balance of the inmate account in excess of inmate monies and turn over all future phone card commissions and profits from the commissary to the county treasury.
- D.1. Work with the County Commission to perform a competitive procurement process for all major purposes and maintain documentation of decisions made. Such documentation should be filed with the County Clerk's office.
2. And County Clerk ensure adequate supporting documentation is retained for all credit card purchases. In addition, the Sheriff should ensure disbursements are proper uses of public funds.
- E. Ensure all agreements entered into by the county are in writing.

### **AUDITEE'S RESPONSE**

*The current Sheriff who took office in January 2009, provided the following response:*

A. *I am now at a minimum reviewing bank statements and deposit reports.*

*B.1*

*&2. As of January 1, 2009, when I took office as Sheriff, I implemented these recommendations.*

3. *Effective July 1, 2009, we will maintain a cash control ledger and reconcile it to the bank balance.*
4. *Disbursements have been made monthly since I took office in January. We will make a decision regarding the disbursement of any remaining unidentified monies.*
5. *This recommendation was implemented January 1, 2009.*

*C.1*

*&2,E. These recommendations have been implemented.*

*C.3. I will determine the amount necessary to operate the commissary, and any amounts over this in excess of inmate monies will be turned over to the County Treasurer for deposit in the Law Enforcement Sales Tax Fund.*

*D.1. We agree and will implement this recommendation for future purchases.*

2. *This recommendation was implemented January 1, and future purchases on credit cards will be for proper use of public funds.*

<b>3. Property Tax System and Collector Commissions</b>
---

Property tax system procedures and controls need improvement. The County Collector's office processes approximately \$10 million annually.

A. Controls over property tax additions and abatements are not adequate. The County Assessor makes changes to the property tax system for all tax additions and abatements. The County Commission reviews additions and abatements given to the County Clerk's office; however, it only signs the abatements. No independent and subsequent review of the actual changes made to the property tax system as compared to approved change requests is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. This condition was noted in our prior report.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur.

- B. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

**WE RECOMMEND** the County Clerk:

- A. Periodically reconcile all approved additions and abatements to actual changes made to the property tax system.
- B. Establish and maintain an account book with the County Collector. The County Commission should use this account book to verify the County Collector's annual settlements.

**AUDITEE'S RESPONSE**

*The County Clerk provided the following response:*

*These recommendations were implemented as soon as discussed with the auditors, during audit fieldwork.*

<b>4. Payroll and Personnel Records and Procedures</b>
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Procedures for monitoring payroll and ensuring compliance with county personnel policies need improvement.

- A. The Sheriff's office has not monitored hours worked by employees and has not adequately controlled compensatory time earned and taken by employees. While courthouse employees are required to either work 35 hours a week or use accumulated leave to receive their regular wages, the Sheriff had not set the number of hours employees in his office were expected to work until July 2008. While compensatory time was earned on weeks when Sheriff's office employees worked over 40 hours, these employees were not required to use accumulated

compensatory time for weeks when they were scheduled to work less than 40 hours in a week. In one instance, an employee worked 30 hours in a week and was not required to use any leave to make up for the shortage in hours. As a result, Sheriff's office employees have accumulated significant compensatory and holiday time balances. The Fair Labor Standards Act (FLSA) provides that employees regularly engaged in public safety activities are allowed to accumulate a maximum of 480 hours of compensatory time. Hours in excess of this maximum are to be paid or be taken off by the employee in the next pay period. At December 31, 2007, there were 13 employees with compensatory time balances totaling 4,810 hours and holiday time balances totaling 1,778. Four of these employees had reached the maximum and were being paid for the hours earned over the 480 compensatory maximum each month.

Because the accumulated compensatory and holiday time balances represent a significant liability to the county, the County Commission and Sheriff should better control the compensatory and holiday time earned by the Sheriff's office employees and work on a plan for reducing the prior accruals.

In July 2008, the Sheriff set the number of hours full-time employees are required to work at 36 hours a week. The FLSA allows law enforcement personnel to work 171 hours in a 28 day period before overtime rules take effect.

- B. Timesheets prepared by county employees do not always indicate actual hours worked. Timesheets must be submitted 2 to 3 days prior to the last County Commission meeting of the month for employees to be paid on that date. When submitting the timesheets, employees show actual hours worked through the date they are submitting their timesheet and estimate the hours they will work during the remainder of the month. With the exception of the Road and Bridge Department employees, no documentation was available to indicate the hours actually worked were ever compared to the hours previously estimated.

The practice of paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. The County Commission should consider implementing payroll procedures that ensure employees are paid only for actual hours worked.

Proper control over payroll requires documentation, such as timesheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

- C. Some county employees used annual leave in excess of their balances, resulting in negative annual leave balances. For example, a Sheriff's office employee had a negative annual leave balance for 2 months until his anniversary date. This

employee had accrued compensatory and holiday leave he was not required to take.

The county's personnel policy requires that leave be earned before taken. All available compensatory and holiday leave should be used, rather than allowing employees to maintain negative annual leave balances. Should employees require leave in excess of their balances, the County Commission should consider placing the employee on leave-without-pay status.

- D. Timesheets for Sheriff's office employees are not always submitted to the County Clerk's office in a timely manner. A February 2008 timesheet and 11 March 2008 timesheets were not turned in until April 14, 2008. At that time, the County Clerk's office was still waiting on one January timesheet, four February timesheets, and eight March timesheets.

Timesheets should be submitted to the County Commission by all employees in a timely manner to provide supporting documentation and additional assurance that payroll disbursements are valid and proper. Prompt timesheet submission also ensures errors are identified on a timely basis and any necessary adjustments are made as soon as possible.

**WE RECOMMEND** the County Commission:

- A. And Sheriff develop and implement a plan to reduce the county liability for compensatory and holiday time by allowing time off or paying for accumulated compensatory time and work to better control additional compensatory time earned.
- B. Develop payroll procedures to ensure county employees are paid based on actual hours worked.
- C. Discontinue the practice of allowing negative leave balances.
- D. Require timesheets be submitted to the County Clerk's office in a timely manner.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *The liability related to unused leave was paid out in 2008 and the Commission and Sheriff have adopted new procedures for how compensatory time is earned and how much can be accumulated.*

- B, C, & D. The recommendations have been implemented*

**5.****County Commission Meeting Minutes**

The county needs to improve its policies and procedures related to County Commission meeting minutes.

- A. The official County Commission meeting minutes are not up-to-date. A deputy clerk in the County Clerk's office types the minutes in the computer but the minutes may not be printed out for several months, at which time they are reviewed and signed by the Presiding Commissioner.

Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure the minutes include all important information regarding the meetings held. In addition, Section 51.120, RSMo, requires the County Clerk maintain an accurate record of orders, rulings, and proceedings of the County Commission.

- B. Open minutes did not always document the vote for closing the meeting. In addition, the minutes did not cite the specific statute and subsection allowing the closure.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open meeting. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

**WE RECOMMEND** the County Commission ensure the official record of meetings is prepared on a timely basis and minutes document the reason and vote to go into closed session.

**AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*The recommendation has been implemented.*

**6.****Prosecuting Attorney's Accounting Controls and Procedures**

The Prosecuting Attorney continues to retain custody of the Prosecuting Attorney Bad Check Fund and the Prosecuting Attorney Federal Forfeiture Fund. Some disbursements from the Prosecuting Attorney Bad Check Fund appear questionable and bonuses continue

to be paid from this fund. In addition, the Prosecuting Attorney's office does not properly dispose of unclaimed monies.

A. Our review the Prosecuting Attorney Bad Check Fund procedures revealed the following concerns:

- 1) Contrary to state law, the Prosecuting Attorney has custody of the Prosecuting Attorney Bad Check (PABC) Fund and some disbursements from this fund appear questionable. In previous reports, the Prosecuting Attorney indicated he maintains custody of this fund because he believes his office budget, funded by the Law Enforcement Sales Tax Fund, would be reduced if the County Commission was aware of the balance of this fund. The Prosecuting Attorney uses the PABC Fund to pay his employees additional salary, but this additional salary is not processed through the county's payroll system.

Section 570.120, RSMo, allows the Prosecuting Attorney to charge an administrative handling fee for the collection of bad check restitutions. This section also requires the fees to be deposited by the County Treasurer into a separate interest bearing fund to be expended based on warrants issued by the Prosecuting Attorney.

- 2) During 2007 and 2006, the Prosecuting Attorney authorized payments from the fund totaling \$350 and \$300, respectively, to his employees as bonuses. These payments were not included in the county's payroll records, subjected to payroll tax withholdings, or reported to the Internal Revenue Service (IRS) on employee W-2 forms.

Although Section 570.120, RSMo, states PABC monies may be used for additional employees or employee salaries on the staff of the Prosecuting Attorney's office, these bonuses appear to represent additional compensation for services previously rendered and may be in violation of Article III, Section 39 of the Missouri Constitution. In addition, Attorney General's Opinion No. 72, 1955 to Pray, states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- 3) Reimbursement claims paid to the Prosecuting Attorney from the PABC Fund included more than \$180 for office conferences which were meals for the Prosecuting Attorney and his employees within the City of Butler. There was no documentation that such disbursements were necessary for the operation of the office, and the purpose of these disbursements is not documented.

Without detailed supporting documentation, including the purpose of items purchased, the Prosecuting Attorney cannot provide evidence of whether the disbursements were reasonable and necessary uses of public funds. County residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The Prosecuting Attorney should adopt policies to require the purpose of all food and meal purchases to be sufficiently documented and ensure public funds are spent only on items that are necessary for the operation of his office.

- B. The Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture Fund, which is used for law enforcement purposes. The December 31, 2007, balance of \$3,351 was composed primarily of receipts from seizures by the U.S. Department of Justice.

Missouri Attorney General's Opinion No. 45, 1992, to Henderson states the Prosecuting Attorney of a third-class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasurer. This account balance should be transferred to the county treasury for deposit into a separately established fund, and future receipts should be transmitted to the county treasury.

This comment has been included repeatedly by our office during the last several audits of Bates County and no action related to this account has been taken.

- C. The Prosecuting Attorney is holding \$2,781 in an "overage" amount, which is maintained within the restitution bank account. The Prosecuting Attorney's policy is to void restitution checks that are not cashed or are returned as undeliverable to the Prosecuting Attorney's office and add the monies to the overage amount, rather than dispose of them in accordance with state law. Our office has made recommendations related to the handling of these funds since 1997, but no action has been taken.

When the intended payee cannot be located, these monies should be disbursed to the State Treasurer's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

**WE AGAIN RECOMMEND** the Prosecuting Attorney:

- A.1. Turn over custody of the Prosecuting Attorney Bad Check Fund to the county treasury.
2. Discontinue the practice of paying employee bonuses.
3. Maintain adequate documentation for disbursements.

- B. Turn over custody of the Federal Forfeiture account to the county treasury to be placed in a separate fund.
- C. Attempt to contact the payees of old outstanding checks. If payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney provided the following written response:*

- A.1. *The Prosecuting Attorney maintains the PABC account because past County Commissioners have compelled the Prosecuting Attorney to spend the monies when he preferred to save them.*
- 2. *The Auditor's office has told the Prosecutor in the past that bonuses were appropriate as long as taxes were withheld.*
- 3. *The Prosecutor will document the purposes for the staff lunches in the future.*
- B. *No response provided.*
- C. *The "overage" account has been reduced to \$150.00.*

**AUDITOR'S COMMENT**

- A.2. State law allows additional salary payments, but bonuses are prohibited by the Missouri Constitution.

<b>7. Public Administrator's Accounting Controls and Procedures</b>
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The Public Administrator does not file supporting documentation with settlements as required by state law. In addition, documentation is not maintained to support fees charged, and no written policy exists to document how fees will be assessed on cases handled. The Public Administrator administered approximately 55 wards' estates as of February 2008.

- A. The Public Administrator does not file supporting documentation for disbursements, bank statements, or canceled checks with the Associate Circuit Division Court when filing annual settlements. In addition, there is no evidence the Associate Circuit Judge performs any follow up with the Public Administrator to determine why these supporting documents are not submitted.

Section 473.543, RSMo, requires the Public Administrator to submit supporting documentation for all disbursements in excess of \$75 and indicates the court may require supporting documentation for disbursements of less than \$75. Without such documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting documentation be filed with the court.

- B. Documentation is not maintained to support fees charged and no written policy exists detailing how they are to be calculated. During our review of fees paid by various estates, we noted fees are charged depending on the availability of funds in the ward's estate. The Public Administrator receives a salary from the county and all fees assessed to the estates are turned over to the county. The Public Administrator indicated the attorney who prepares the annual settlements sets the attorney fees and the Public Administrator fees after he evaluates the monies in each estate, and does not assess fees on cases that are considered to have no monies. No documentation was maintained or provided to the court to support how the fees were determined. In addition, there is no written policy detailing how fees are to be calculated. The amount of Public Administrator fees turned over to the county's General Revenue Fund was \$4,546 in 2007 and \$7,339 in 2006.

Without a written policy, there is little assurance estates are handled equitably or fees are properly calculated.

**WE RECOMMEND:**

- A. The Associate Circuit Judge require adequate documentation be filed or made available to support all settlement transactions.
- B. The Public Administrator work with the Associate Circuit Judge to develop written guidelines that identify the process for charging fees on the estates. Written documentation of fee calculations should be prepared and maintained for all annual settlements and submitted to the Probate Court for approval.

**AUDITEE'S RESPONSE**

*The Associate Circuit Judge provided the following response:*

- A. *I am new to this office and will review the laws regarding the necessary filings by the Public Administrator and determine what documentation will be required to be filed with the court in the future.*

*The Public Administrator provided the following response:*

- A. *I will talk with the Judge about what documentation needs to be submitted with the annual settlements in the future.*
- B. *I will discuss fees to be charged on cases with the Judge.*

<b>8. Senate Bill 40 Board</b>
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The Senate Bill 40 (SB40) Board approved disbursements in excess of budgeted amounts by approximately \$6,950, and a contract with a not-for-profit organization (NFP) does not contain sufficient details regarding documentation requirements.

- A. The SB40 Board approved disbursements in excess of budgeted amounts by \$6,950 during the year ended December 31, 2006. There was no budget amendment filed to authorize the additional disbursements and the Board does not review budget to actual statements on a monthly basis.

Budget documents are an essential tool for the efficient management of county finances. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, or additional receipts), amendments should be made prior to the excess disbursements following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budget as a planning tool, budget to actual comparison reports should be reviewed and used when making spending decisions throughout the year.

- B. While the SB40 Board has entered into a contract with a NFP as recommended in the prior audit report, the contract terms are general and do not provide information regarding documentation required to be submitted for Board review prior to providing funding or reimbursement. The Board paid more than \$100,000 to this NFP during each of the 2 years ended December 31, 2007.

To prevent future misunderstandings, contracts should clearly establish the responsibilities and duties of each party and outline procedures and/or penalties for failure by either party to meet contractual terms. Also, to ensure the validity and propriety of disbursements, adequate supporting documentation should be obtained for all payments to vendors and contracts should be sufficiently detailed to allow the SB40 Board a basis for adequately monitoring the services received and determining whether the amount paid was reasonable.

Similar conditions were noted in our prior report.

**WE AGAIN RECOMMEND** the Senate Bill 40 Board:

- A. Require budget to actual reports be prepared and reviewed monthly and refrain from approving disbursements that exceed budgeted amounts.
- B. Improve contract terms regarding required documentation and reporting.

**AUDITEE'S RESPONSE**

*The Senate Bill 40 Board provided the following written response:*

*The Bates County Senate Bill 40 Board continues to make necessary changes as its knowledge and experience grows. Each year the Board strives to bring its actions more into compliance with the laws and regulations that govern it. The Board will review the audit recommendations and implement changes as it deems beneficial.*

<b>9. County Property Records and Procedures</b>
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Procedures and records to account for county property are not adequate. The County Clerk and other county officials have not implemented adequate procedures to ensure property records for all county departments are complete, accurate, and sufficient to meet statutory requirements, and to provide a basis for determining proper insurance coverage.

The County Clerk does not maintain overall county property records and does not ensure all county departments perform and submit annual inventory lists. Annually, the County Clerk sends each department a memo requesting inventory lists. Although most county departments submitted inventory lists, the Sheriff's office did not submit the required lists during 2006 and 2007, and the County Clerk did not perform follow up to obtain the lists.

The departments' inventory lists serve as the county's overall property control records; however, many lists do not include sufficient details to identify additions; acquisition dates or source; property values; deletions; and method, authorization, and amount received for dispositions.

The County Clerk does not have a procedure to track property purchases throughout the year and compare to inventory lists submitted by the various departments. The County Clerk's office issues property tags at the request of the county departments to be affixed to newly acquired property. However, the property addition is not recorded on the County Clerk's copy of the departments' inventory lists at the time the tag is issued.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and monitoring procedures are necessary to ensure effective internal controls, meet statutory

requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

A similar condition was noted in our prior report.

**WE RECOMMEND** the County Clerk develop and maintain complete and accurate county property records and develop procedures to ensure accurate and complete physical inventories are conducted and inventory lists are submitted by all county departments. Finally, the County Clerk should implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

### **AUDITEE'S RESPONSE**

*The County Clerk provided the following response:*

*The County Commission has established a policy requiring each elected official to account for capital assets. I will work with the other elected officials to ensure annual inventories are performed and lists of assets are submitted to my office in the future. I will also work with officials to ensure all assets are tagged as county property in a timely manner.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

BATES COUNTY  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Bates County is a township-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Butler.

Bates 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 judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain county roads.

The county's population was 16,653 in 2000. The assessed valuation for the year ended December 31, 2007, was:

Real estate	\$ 117,255,730
Personal property	48,430,444
Railroad and utilities	16,659,930
Total	<u>\$ 182,346,104</u>

Assessed valuations and tax rate levies for political subdivisions within the county are included in the annual review of property tax rates issued by the state auditor; see Report No. 2007-91.

Bates County has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
Law enforcement	\$ .0050	None	None	%
Capital improvement	.0050	2017	None	
Use tax	.0150	None	None	
Capital improvement	.0050	2008	None	

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

Officeholder	2008	2007
<b>County-Paid Officials:</b>		
Donna L. Gregory, Presiding Commissioner	\$	30,260
Randy W. Pike, Associate Commissioner		28,260
Bob Wingate, Associate Commissioner		28,260
Lucille Munday, Recorder of Deeds		42,200
Marlene Wainscott, County Clerk		42,200
Hugh Jenkins, Prosecuting Attorney		96,000
Doug Mullenix, Sheriff		46,200
Gary Schowengerdt, County Coroner		14,200
Sharon Cumpton, Public Administrator		26,200
James Platt, County Collector-Treasurer (1), year ended March 31,	48,261	
Roger Pruden, County Assessor (2), year ended August 31,		42,488

(1) Includes \$5,911 of commissions earned for collecting city property taxes.

(2) Includes \$688 annual compensation received from the state.

**State-Paid Officials:**

Diane Rich, Circuit Clerk	51,197
John O'Bannon, Associate Circuit Judge	101,090

The county entered into a lease purchase agreement with First Bank of Missouri on March 1, 2002. The terms of the agreement call for the county to lease the law enforcement and detention center to First Bank of Missouri, and for the bank to lease purchase the law enforcement and detention center back to the county with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$5,590,000 were issued by First Bank of Missouri on behalf of the county and the proceeds of those certificates were used to construct the law enforcement and detention center. The lease is scheduled to be paid off in 2017. The remaining principal and interest due on the lease at December 31, 2007, was \$4,735,000 and \$1,326,167, respectively. The Certificates of Participation are anticipated to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001.