



Thomas A. Schweich

Missouri State Auditor

Dunklin County

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<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Dunklin County

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| Emergency Cash Withdrawal | The Presiding Commissioner withdrew \$50,000 cash after a severe ice storm left the area without electrical service for several days. Although he obtained approval from the Associate Commissioners, this withdrawal resulted in taxpayer monies not being properly secured or disbursed, and authorization for the withdrawal was not documented. The Collector-Treasurer was not notified of the transaction, the Presiding Commissioner was not bonded, and there was inadequate support for the use of the monies. |
| One-Time Salary Payments | Instead of making cost of living adjustments, the county made one-time payments to employees based on year-end funds available, which may have violated the Missouri Constitution. In addition, these payments violated state statutes requiring all elected officials salary increases to be the same percentage and the prosecuting attorney's compensation to be equal to an associate circuit judge. |
| Sheriff Accounting Controls | The Sheriff's office does not adequately pursue collection of delinquent court-ordered board bills (prisoner housing costs). As of March 2011, the county is owed over \$375,000 and some bills date as far back as 2003. There are many old inmate commissary accounts and the Sheriff should attempt to return these monies to the former inmates and dispose of any remaining monies in accordance with state law. The Sheriff's office does not reconcile a list of liabilities to the remaining cash balance in the Sheriff's fee account at the end of each month. |
| Property Tax and County Collector-Treasurer Procedures | The County Collector-Treasurer does not complete annual settlements of property taxes promptly and accurately, as is required by state law. The County Collector-Treasurer does not reconcile a list of liabilities to the bank account balance each month, and the amount by which the bank account exceeds liabilities has grown by almost \$10,000 since 2007. The County Clerk does not maintain an adequate account book, and neither the County Clerk nor the County Commission verifies the accuracy of the County Collector-Treasurer's monthly settlements. We had similar findings in our prior audit report (2007-40). |
| Prosecuting Attorney Accounting Controls and Procedures | The Prosecuting Attorney does not reconcile a list of liabilities to the bank account balance each month, and the account contains nearly \$37,000 of unidentified monies. The Prosecuting Attorney does not routinely follow-up on outstanding checks, and \$7,764 had been outstanding in the bad check and restitution account for over one year, with some dating back to 2003. We had similar findings in our prior audit report. |
| Lease Revenue | Although state law requires contracts of political subdivisions be in writing, the county was unable to produce any current lease agreements with the county's tenants and could not provide any documentation to show the county is charging an appropriate amount for rent on these properties. |
| Capital Assets | As noted in our prior audit report, the county does not adequately protect its capital assets. The County Clerk lacks procedures to identify property purchased and disposed of during the year, and assets susceptible to theft are not always tagged for identification or included on the inventory list. |

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.* However, the audit revealed several shortcomings in the office of the Collector-Treasurer.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

During the two years ended December 31, 2010, the county was awarded:

A \$208,261 Recovery Act: Assistance to Rural Law Enforcement to Combat Crime and Drugs: Enhancing Rural Corrections, Detention and Jail Operations grant. In 2010, \$84,279 was received and expended to hire three additional full-time correction officers. The county is not required to maintain these positions after the grant period ends on July 31, 2011.

The Dunklin County Senate Bill 40 Board received a \$51,318 Medicaid Federal Medical Assistance Percentage grant which it used for general operations.

*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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Dunklin County

Table of Contents

| | |
|------------------------|---|
| State Auditor's Report | 2 |
|------------------------|---|

| | |
|---|---|
| Management Advisory Report - State Auditor's Findings | 1. Emergency Cash Withdrawal.....4 2. One-Time Salary Payments.....6 3. Sheriff Accounting Controls7 4. Property Tax and Collector-Treasurer Controls and Procedures.....9 5. Prosecuting Attorney Accounting Controls and Procedures 11 6. Lease Revenue..... 13 7. Capital Assets..... 14 |
|---|---|

| | |
|---|----|
| Organization and Statistical Information | 16 |
|---|----|



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Dunklin County

We have audited certain operations of Dunklin County in fulfillment of our duties under Section 29.230, RSMo. In addition, Devereux and Krauss, LLP, Certified Public Accountants, has been engaged to audit the financial statements of Dunklin County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

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

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

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

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

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



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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|---------------------|------------------------------|
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Dunklin County Management Advisory Report State Auditor's Findings

1. Emergency Cash Withdrawal

A \$50,000 emergency cash withdrawal authorized by the County Commission resulted in taxpayer monies not being properly secured or disbursed appropriately. In addition, the authorization for this withdrawal was not documented, resulting in a violation of the Sunshine Law.

On January 27 and 28, 2009, the county experienced a severe ice storm which left the entire area without electrical service for several days. The Presiding Commissioner called each of the Associate Commissioners and was authorized by them to make an emergency bank withdrawal of \$50,000 in cash on January 29, 2009. The Presiding Commissioner, who was an authorized signatory on the bank account but was not bonded, obtained the cash from the bank on Friday, January 30, 2009, and kept it at his personal residence. The County Commission did not document these telephone conversations in the commission meeting minutes or notify the County Collector-Treasurer of the transaction. The Presiding Commissioner indicated the monies were to be used to provide employees the opportunity to cash personal checks and for the county to make emergency purchases as needed. However, it is unclear why employees would need to cash personal checks or why the county would have to make emergency purchases in cash instead of through the normal disbursement process.

The Presiding Commissioner made several purchases, totaling \$1,265, for generators, fuel, and other miscellaneous items; however, he did not submit any invoices to the County Clerk to support the purchases. In addition, the Presiding Commissioner indicated he cashed several personal checks for employees; however, a list of those checks was not prepared or recorded on the related deposit slip. The County Clerk deposited the remaining balance of the cash and personal checks, totaling \$48,735, on Monday, February 2, 2009. We obtained the bank backup for this deposit and determined it included seven personal employee checks totaling \$2,335, and cash totaling \$46,400.

To reduce the risk of misuse or fraud from occurring, all disbursements should be made by check through the county's disbursement system, contain the required signatures (including the Collector-Treasurer's signature), and be supported by adequate documentation. While it is the County Commission's duty to authorize disbursements, commissioners do not have the statutory authority to make disbursements. Section 54.140, RSMo, provides that it shall be the duty of the county treasurer to pay out the revenues on warrants issued by the commission. Further, all county receipts/monies should be maintained in a secure location and all unusual disbursements should be documented in the county commission meeting minutes. Section 610.020, RSMo, provides that governing bodies of all political subdivisions are required to conduct business in regular open meetings. Any time a quorum of board members meets in person or by



Dunklin County
Management Advisory Report - State Auditor's Findings

phone and transacts public business, it is subject to the Sunshine Law, including the requirement to keep minutes of such meetings.

When the current Collector-Treasurer took office in April 2009, she removed the other authorized signatures from the bank accounts and she is now the only authorized signatory for disbursements.

Recommendation

The County Commission should ensure all disbursements are reasonable, made through the county's disbursement system, and supported by adequate documentation. In addition, the County Commission should ensure all county monies are properly secured and all unusual disbursements are properly documented in meeting minutes.

Auditee's Response

The County Commission provided the following written response:

An ice storm on January 27 and 28, 2009 resulted in our County being declared a Federal Disaster Area. Dunklin County was shut down with estimates on getting power restored at a week to three weeks. The County's monthly payroll was direct deposited into employees' accounts on January 29, 2009. There was not one bank open in the Kennett area on that day for the employees to make withdrawals. The stores that were open would only take cash due to the lack of electricity. The Commission decided to obtain enough cash to allow 100 employees to cash up to a \$500 check with the Commissioners. Special arrangements were made with their bank to make the withdrawal. The Commissioners were available at the Emergency Operations Center at City Hall to cash employees' checks. The money was kept with the Presiding Commissioner at all times and stored in a safe at his house overnight. The money was also used to purchase two generators and a gas can from Wal-Mart. The Wal-Mart Store was only taking cash at the time. The generators were loaned to two cities in the County during the ice storm. They are presently stored at the Dunklin County Justice Center and were inspected by the State Auditor's Office during their audit.

The Commissioners did fail to document the authorization in their minutes once business resumed. The Commissioners disagree with the Auditor's Office opinion that the monies were not secure and that they were disbursed inappropriately.

Auditor's Comment

We understand this was an emergency situation and extraordinary measures were required; however, adequate controls should not be compromised. The County Treasurer is the bonded custodian of county monies, monies should be kept in a secure location, and supporting documentation retained.



2. One-Time Salary Payments

The county made one-time payments in lieu of permanent cost of living adjustments (COLAs) to employees and elected officials which may be in conflict with the Missouri Constitution. These payments totaled \$52,813, \$96,021, and \$114,000 for 2011, 2010, and 2009, respectively.

The following table shows the one-time payment amounts the county paid to each full-time employee, part-time employee, and elected official:

| | 2011 | 2010 | 2009 |
|------------------------|------|-------|-------|
| Full-time employees \$ | 650 | 1,250 | 1,500 |
| Part-time employees | 250 | 500 | 750 |
| Elected officials | 650 | 1,250 | 0 |

The payments were prorated if the employee or official had not worked a full year for the county. The payments were not based on additional duties performed or performance appraisals. In addition, the payments were not considered raises or added to the base compensation of employees. The County Commission indicated COLAs were handled in this manner to be fiscally responsible by not permanently increasing employee salaries and waiting until each budget year had ended to determine how much the county could afford to pay each employee. These payments were made in January of each year based on the prior year's fiscal outcome.

However, awarding additional pay to employees and officials on a discretionary basis appears to conflict with Article III, Section 39, Missouri Constitution, which prohibits granting any extra compensation, fee, or allowance to employees for services already rendered. In addition, Section 50.333.12, RSMo, allows a COLA that is the same percentage for all county officials; however, since most county officials' salaries are not the same, the one-time payment amounts would constitute different percentages of the elected officials' salaries and could be a violation of state law. Further, the COLA received by the Prosecuting Attorney appears to conflict with Section 56.265.1, RSMo, which states a full-time prosecuting attorney's compensation should be equal to an associate circuit judge. When we brought this to the attention of the Prosecuting Attorney, he stated it was an oversight and he would pay back the one-time payments he received. To pay back the overpayment, from May through December 2011, \$237.50 will be deducted from the Prosecuting Attorney's paycheck each month.

Recommendation

The County Commission discontinue one-time payments in lieu of COLA salary increases to employees and ensure employee compensation is in compliance with state law.

Auditee's Response

The County Commission provided the following written response:

In efforts to keep the County's budget balanced, the Commissioners wait until the County's financial year is completed and base one-time COLA



Dunklin County
Management Advisory Report - State Auditor's Findings

raises on the outcome. The raise is given the following year. This prevents the County from deficit spending due to giving too large of a COLA increase. The Commission will ask the Prosecuting Attorney if there is a way to continue this procedure and be in compliance with the State Law.

The Prosecuting Attorney provided the following written response:

At the time the one time salary payment was received, I made inquiry of the Commission and the County Clerk about it and was advised that since the Prosecuting Attorney salary was set by statute, not the Salary Commission, it would have to be deducted for the remaining paychecks for the year. I did not follow up on this, believing that such deductions were being taken, but apparently they were not. I have communicated with the County Clerk's Office regarding this and have been assured that they will be recovered by amortized deductions for the rest of this year.

3. Sheriff Accounting Controls

The Sheriff's accounting controls and procedures for pursuing collection of inmate board bills, disbursing inmate monies, and preparing month-end liabilities are not adequate.

3.1 Inmate board bills

The Sheriff's office does not adequately pursue collection of board bills or notify the Associate Circuit Court of delinquent accounts. The Associate Circuit Judge orders some inmates to pay their accumulated board bills (i.e., housing costs) as a condition of their release. The Associate Circuit Court notifies the Sheriff's office, and the office either gives the bill to the inmate at the time of release or later mails it to the inmate. However, Sheriff's office personnel indicated due to a lack of time, they do not review inmate balances to determine nonpayment. As a result, as of March 31, 2011, outstanding court ordered inmate board bills totaled \$375,551. No payments have been made on 334 of these cases, totaling \$254,173, and some cases date back to 2003. New board bills assessed to inmates during the 2 years ended December 31, 2010, totaled \$80,782, of which only \$2,473 has been collected, resulting in an outstanding balance of \$78,309 as of March 31, 2011.

When we brought this to the attention of the Associate Circuit Judge, he indicated he would work with the Sheriff to assist in the collection of past due accounts if the Sheriff notified the court of delinquent accounts. To maximize revenues, the Sheriff should pursue collections of these court ordered costs.

3.2 Inmate commissary balances

The Sheriff's office does not make adequate efforts to review the status of old inmate commissary accounts. As of December 31, 2010, 634 inmates had inactive accounts totaling approximately \$5,449. These inmates were released from the county justice center, but the balance of their commissary account was not claimed. In addition, there were 712 inmate accounts



Dunklin County
Management Advisory Report - State Auditor's Findings

totaling \$7,156 that were listed as "active". Because the justice center averages approximately 90 inmates a month, it appears the current status of inmates is not updated timely.

Follow up on inactive accounts is necessary to ensure monies are appropriately disbursed to the former inmates or as otherwise provided by state law. An attempt should be made to locate former inmates with commissary account balances. In addition, prior to disbursing any monies, the Sheriff should review outstanding board bill costs due and apply those monies to the balance owed. If the inmate cannot be located, or the check to the former inmate is not cashed, the Sheriff should dispose of the monies according to state law. Routine procedures should be established to update inmate status in a timely manner to expedite disbursement of the inmate monies.

3.3 Liabilities

The Sheriff's office does not prepare a list of liabilities at the end of the month and reconcile the list to the remaining cash balance for the Sheriff's fee account. As a result, the Sheriff's office is unable to agree the reconciled cash balance to the related liabilities.

Our review of the Sheriff's fee account identified liabilities totaling \$13,078 at December 31, 2010, which consisted of civil fee receipts, concealed weapon permits, and Sheriff fees. The reconciled bank balance of \$17,161 exceeded identified liabilities by \$4,083.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to identify and resolve errors and ensure monies are properly disbursed.

Recommendations

The Sheriff:

- 3.1 Adequately pursue court-ordered charges billed to former inmates. If payments are not made timely, the Sheriff should notify the Associate Circuit Judge. In addition, the Sheriff should work with the court to determine the amounts which are uncollectible.
- 3.2 Attempt to resolve unclaimed balances of closed inmate accounts and establish routine procedures to review and update the status of active inmates no longer held at the justice center. In addition, the Sheriff should review inmate records for outstanding court ordered costs and apply any remaining commissary monies to reduce the balance owed.



Dunklin County
Management Advisory Report - State Auditor's Findings

- 3.3 Prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and investigate any differences. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.

Auditee's Response

The Sheriff provided the following written responses:

- 3.1 *We have begun going through our list of inmates alphabetically and have sent past due notices. In addition, a list of the inmates' names, case numbers, and the letters are sent to the Associate Circuit Judge if no response is received by the Sheriff's office by the date indicated on the letter.*
- 3.2 *The cost of refunding inmate balances is greater than the remaining balance in many cases, and therefore, the amount is retained and applies as a credit if the inmate returns. In addition, we have applied several balances to the outstanding board bills.*
- 3.3 *We have started investigating the difference, but have not yet been able to determine what it relates to. If we cannot determine it, we will discuss with the Prosecuting Attorney how to dispose of it.*

4. Property Tax and Collector-Treasurer Controls and Procedures

The County Collector-Treasurer's accounting and reporting procedures are not sufficient and do not provide adequate assurance that all property tax receipts and disbursements are accounted for properly. In addition, the County Clerk does not maintain an adequate account book or other records summarizing all property tax transactions each month. The County Collector-Treasurer's office processed collections totaling approximately \$33 million for the 2 years ended February 28, 2011.

4.1 Annual settlements

As of the completion of our fieldwork on May 5, 2011, the County Collector-Treasurer had not prepared annual settlements of property taxes since taking office in April 2009. The County Clerk had partially completed the annual settlements for the years February 28 (29), 2008, 2009, and 2010. However, our review of the February 28, 2010, annual settlement noted several problems, including activity not included, and unidentified differences between charges and credits. The County Clerk later indicated the annual settlements for 2008, 2009, 2010, and 2011 were completed on May 31, 2011. We obtained copies of the 2011 and 2010 settlements and noted significant differences. By not preparing timely and accurate annual settlements, the County Collector-Treasurer has not provided the County Commission or the taxpayers with a complete accounting of property tax transactions.



Dunklin County
Management Advisory Report - State Auditor's Findings

Section 139.160, RSMo, requires the County Collector-Treasurer to annually settle with the County Commission the accounts of all monies received from taxes and other sources. To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector-Treasurer file annual settlements on a timely basis.

4.2 Liabilities

The Collector-Treasurer's office does not prepare a list of liabilities at the end of the month and reconcile the list to the cash balance. As a result, the County Collector-Treasurer's office is unable to agree reconciled cash balances to related liabilities. Based on a review of the County Collector-Treasurer's records, we identified liabilities totaling \$906,507 at February 28, 2011, which consisted of February tax collections, undistributed surtax, protested taxes, and interest. The reconciled bank balance of \$952,895 exceeded identified liabilities by \$46,388. Our prior audit of the County Collector-Treasurer noted the reconciled bank balance exceeded identified liabilities by \$36,592 at February 28, 2007. The County Collector-Treasurer could not determine the reasons for the fluctuation between identified liabilities and the reconciled bank balances.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to identify and resolve errors.

4.3 Account book

The County Clerk does not maintain an adequate account book or other records summarizing all property tax transactions each month. The County Clerk maintains spreadsheets which include beginning tax book totals, monthly collections, and monthly totals for additions and abatements, but does not include protested taxes or delinquent balances. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy of the County Collector-Treasurer's monthly settlements.

Section 51.150.1(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 which summarize all tax charges and credits should be maintained by the County Clerk. Such records could be used by the County Clerk and the County Commission to verify the County Collector-Treasurer's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.



Dunklin County
Management Advisory Report - State Auditor's Findings

Recommendations

- 4.1 The County Collector-Treasurer prepare and file annual settlements as required by state law.
- 4.2 The County Collector-Treasurer prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and investigate any unreconciled differences. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.
- 4.3 The County Clerk maintain an account book of all property tax transactions with the County Collector-Treasurer. Additionally, the County Commission and County Clerk should perform a thorough review of the County Collector-Treasurer's monthly and annual settlements.

Auditee's Response

The County Collector provided the following written responses:

- 4.1 *I have completed the annual settlements and submitted them to the County Commission. I will prepare annual settlements timely in the future.*
- 4.2 *I have begun completing a listing of open liabilities each month. I am currently researching the unreconciled balance and will disburse it accordingly to the tax entities or the state.*

The County Clerk provided the following response:

- 4.3 *We will start working on getting the report as recommended and prepare reports of all property transactions monthly on the collector's property collections. And go back to March 2011 and work forward to the present.*

The County Commission provided the following response:

- 4.3 *The Commission will work with the County Clerk to obtain an account book from the County Collector-Treasurer.*

5. Prosecuting Attorney Accounting Controls and Procedures

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected bad check restitution and fees and court-ordered restitution totaling approximately \$315,000 and \$432,000 during the years ended December 31, 2010 and 2009, respectively.



Dunklin County
Management Advisory Report - State Auditor's Findings

5.1 Liabilities

The Prosecuting Attorney's office does not prepare a list of liabilities at the end of the month and compare it to the remaining cash balance. As a result, the Prosecuting Attorney's office is unable to agree the reconciled cash balances to the related liabilities. Office personnel indicated amounts collected are normally disbursed to victims in the week following receipt and county fees are disbursed at the end of each month. Our review of the Prosecuting Attorney's records identified liabilities totaling \$15,255 at March 31, 2011, which consisted of bad check receipts, restitution collections, and interest. The reconciled bank balance of \$52,233 exceeded identified liabilities by \$36,978. Our prior audit of the Prosecuting Attorney noted the reconciled bank balance exceeded identified liabilities by \$7,863 at April 24, 2007. The Prosecuting Attorney indicated his employees have identified approximately \$4,000 which was erroneously deposited into this account several years ago. However, approximately \$33,000 remains unidentified.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to identify and resolve errors and ensure monies are properly disbursed to individuals and/or entities for which the monies were collected.

5.2 Outstanding checks

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. As a result, at December 31, 2010, 119 checks totaling \$7,764 had been outstanding in the bad check and restitution account for over a year, with some dating back to 2003.

Follow up on outstanding checks is necessary to ensure monies are appropriately disbursed to the payees or as otherwise provided by state law.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 5.1 Prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and investigate any unreconciled differences. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.
- 5.2 Routinely follow up on outstanding checks. Old outstanding checks should be voided and reissued to payees who can be readily located.



Dunklin County
Management Advisory Report - State Auditor's Findings

If the payees cannot be located, the amount should be disbursed in accordance with state law.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

5.1 *The recommendations have already been implemented. We are working with a representative from Karpel (the computer program designer) to identify the source of the unidentified funds in the restitution account. There was a program error that has allowed these funds to accumulate without identification of the payee to whom they are due. As indicated at the time the funds were discovered, the program is designed to automatically create checks for payment of funds received each week, and it is still under review by Karpel employees to determine how these funds were not paid out and to whom they are owed.*

There are funds which have been carried for over five years which will be turned over to unclaimed property as soon as the unidentified funds that are under review have been cleared. The remaining recommendations have been implemented.

5.2 *The Prosecuting Attorney's office has implemented procedures to make sure that old outstanding items are followed and, if no contact can be made with the payee within six months, the funds will be turned over to the County Treasurer for payment to the State Treasurer as unclaimed property.*

6. Lease Revenue

The County Clerk could not locate current lease agreements for any lessees of county owned property nor has the county done anything to determine if lease rates are appropriate. The county receives lease revenue from one individual who leases farmland and six entities that lease office space in the county annex building and Justice Center. The county is responsible for paying all insurance and utility costs, except phone service. The county received lease revenue totaling \$42,252 and \$55,577 in 2010 and 2009, respectively.

The County Clerk indicated the county has not maintained active lease agreements with any of the current lessees, and she was only able to locate two lease agreements, both of which had expired (one in 2007 and one in 2009). The County Commission indicated the lease charges cover the costs to maintain the offices and these prices are what the market would bear. However, the county has no documentation to support these statements.

Formal written agreements are necessary to document each party's duties and responsibilities and to prevent misunderstandings. Also, Section 432.070, RSMo, requires contracts for political subdivisions to be in



Dunklin County
Management Advisory Report - State Auditor's Findings

writing. In addition, to ensure property leases are advantageous for the county or represent fair market value, the county should establish procedures to determine the monthly lease amounts and maintain the related documentation.

Recommendation

The County Commission obtain written agreements with all entities leasing office space or farmland to ensure the rights and responsibilities of all parties are specifically outlined. In addition, the County Commission should conduct a formal cost study to ensure the amount of the monthly lease charges is sufficient.

Auditee's Response

The County Commission provided the following written response:

The Commission has obtained written agreements with all entities leasing office space and farmland as of this date.

7. Capital Assets

The County Clerk does not have procedures in place to identify property purchases and dispositions throughout the year. Tags identifying property items as county property are not always assigned and affixed to the items at the time of purchase. The county has also not established a minimum amount or equipment classifications to be included on property records. At the beginning of January 2011, county-owned property was valued at approximately \$790,000 on the county insurance policy.

Based on prior audit recommendations, the county began inventorying capital assets during the last quarter of 2010. During our review of the county's capital asset records for 2010, annual inventory count sheets of several officials indicated items were not tagged and various property was not included on the sheets. In addition, although the county includes many small dollar items such as tires, storage cases, signs, and a portable welder on the property list, the determination of which items should be tracked is not consistent. For example, the Sheriff's office purchased two notebook computers at a cost of \$850 each; however, only one was tagged and recorded on the inventory list. The county's information technology employee stated the second notebook computer was located at his residence, which he uses to access the Sheriff's computer system after hours.

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. In addition, it is the county's informal capital asset policy to include some items under \$1,000 on the list. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur. Physical inventories, proper tagging of



Dunklin County
Management Advisory Report - State Auditor's Findings

county property items, and periodic comparisons of inventories to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft.

Similar condition
previously reported

A similar condition was noted in our prior audit report.

Recommendation

The County Commission and County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking and tagging capital asset purchases throughout the year. In addition, the County Commission should establish a minimum amount for items to be included on the list.

Auditee's Response

The County Commission provided the following written response:

The Commission has set an inventory minimum of \$1,000. The Commission will work with the County Officials to maintain accurate inventory records.

The County Clerk provided the following written response:

The County Asset book, listing of owned property, has been updated and completed and number tags in place. As new items are purchased, the Asset book will be updated when items are run through for payment.

Dunklin County

Organization and Statistical Information

Dunklin County is a township-organized, third-class county. The county seat is Kennett.

Dunklin 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, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 81 full-time employees and 20 part-time employees on December 31, 2010. The townships maintain approximately 790 miles of county roads.

In addition, county operations include the Senate Bill 40 Board and the 911 Board.

Elected Officials

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

| Officeholder | 2011 | 2010 |
|--|--------|---------|
| Don Collins, Presiding Commissioner | \$ | 31,630 |
| Jeanie Moore Herbst, Associate Commissioner | | 29,630 |
| Patrick McHaney, Associate Commissioner | | 29,630 |
| Susan Luce, Recorder of Deeds | | 44,250 |
| Carol Hinesly, County Clerk | | 44,250 |
| Stephen Sokoloff, Prosecuting Attorney | | 110,615 |
| Robert Holder, Sheriff | | 49,250 |
| Jack Adkins, County Coroner | | 16,250 |
| Shawnee Trowbridge, Public Administrator | | 44,250 |
| Kathy Rasberry, County Collector-Treasurer (1), year ended March 31, 2011 | 50,985 | |
| Karen Vandiver, County Assessor, year ended August 31, 2010 | | 43,417 |

(1) Includes \$7,335 of commissions earned for collecting drainage property taxes.

Financing Arrangements

The county entered into a lease agreement with UMB Bank (the trustee) on December 1, 2004. The terms of the agreement call for the trustee to provide funding for the costs of acquiring, constructing, furnishing, and equipping the justice center and for the county to lease the justice center from the trustee for lease payments equal to the amount due to retire the trustee's indebtedness. Certificate of Participation bonds totaling \$9,260,000 were issued by the trustee, on December 1, 2004, on behalf of the county.



Dunklin County
Organization and Statistical Information

Construction was completed in 2006 and the lease is scheduled to be paid off in 2024. The remaining principal and interest due at December 31, 2010, was \$10,002,545. The lease payments are anticipated to be paid with revenue generated from the county's law enforcement sales tax passed in August 2003.

The county entered into a lease agreement valued at \$1,250,000 with Kennett National Bank (the bank) on March 1, 2006. The terms of the agreement call for the bank to provide funding for the remainder of the costs of acquiring, constructing, furnishing, and equipping the justice center and for the county to lease the justice center from the bank for lease payments. Construction was essentially completed during 2006 and the lease is scheduled to be paid off in 2021. The remaining principal and interest due at December 31, 2010, was \$1,011,114. The lease is anticipated to be paid with revenue generated from the county's law enforcement sales tax passed in August 2003.

The county entered into an interest-free loan agreement with the Missouri Department of Natural Resources on August 17, 2006, valued at \$22,531. The proceeds were used to implement Energy Conservation Measures. The county used the funds to replace the windows in the courthouse annex. Repayment began in February 2008, and the loan is scheduled to be paid off in August 2018. The remaining principal due at December 31, 2010, was \$16,171.

**American Recovery and
Reinvestment Act of 2009
(Federal Stimulus)**

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A \$208,261 Recovery Act: Assistance to Rural Law Enforcement to Combat Crime and Drugs: Enhancing Rural Corrections, Detention and Jail Operations grant was awarded by the U.S. Department of Justice for the support of jail operations. This grant, which runs from August 1, 2009, through July 31, 2011, has been used to hire and retain three new additional full-time correctional officers. These positions are not required to be maintained after the end of the grant period. During the year ended December 31, 2010, \$84,279 was expended and received by the Sheriff's office related to this grant. No grant monies were expended or received during the year ended December 31, 2009.

The Dunklin County Senate Bill 40 Board received \$51,318 under Title V, Section 5001 under Division B of the Recovery Act which provided additional federal funding in the Medicaid Federal Medical Assistance Percentage (FMAP). The grant was awarded by the U.S. Department of Health and Human Services and passed through by the Missouri Department of Social Services. The payments were made for Medicaid expenditures reported between October 1, 2008, and December 31, 2010. For the years



Dunklin County
Organization and Statistical Information

ended December 31, 2010 and 2009, \$51,318 was received by the Senate Bill 40 Board. This money is being used for general operations; therefore, related expenditures have not been tracked separately.