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Missouri State Auditor

Laclede County

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CITIZENS SUMMARY

Findings in the audit of Laclede County

Sheriff Commissary Records and Procedures	The Sheriff's office bookkeeper does not prepare monthly lists of liabilities to reconcile to the available cash balances for the inmate trust bank account or prepare bank reconciliations for the account timely or accurately. Additionally, the Sheriff has not established adequate segregation of accounting duties or review and approval procedures. The bookkeeper also does not deposit inmate monies timely, resulting in the accumulation of substantial amounts of cash. In addition, the Sheriff's office has not established procedures to ensure inmate's personal monies are refunded, and monies refunded are properly documented. The bookkeeper did not always timely or accurately disburse to the County Treasurer monies collected from commissary purchases, kiosk fees, telephone cards, and medical services. In addition, the bookkeeper did not consistently charge medical service costs to inmate accounts. The bookkeeper also does not maintain records to account for telephone cards and electronic cigarettes purchased and sold to inmates, and inventory remaining on hand, and does not maintain records to account for debit card stock received, issued, and on hand. The Sheriff contracted with a vendor to provide inmate telephone services, circumventing the county's budgetary and disbursement procedures, and violating state law.
Sheriff Controls and Procedures	The Sheriff has not adequately segregated the duties of collecting, recording, transmitting, depositing, and disbursing bond monies. The Sheriff's office bookkeeper performs all of these duties. Controls and procedures over receipting, recording, transmitting, and depositing bond monies also need improvement. The Sheriff's office terminated two jailers in February 2013 after a total of $1,100 in cash bonds were taken. Despite these incidents, the Sheriff has not sufficiently corrected weaknesses related to the handling of bond monies. A civil processing clerk in the Sheriff's office does not receipt civil process fees received or endorse the related checks and money orders immediately upon receipt. In addition, the Sheriff's office does not track civil process papers served or reconcile papers served to monies received. In addition, the Sheriff's office manager does not prepare accurate bank reconciliations for the civil account, and does not identify liabilities. The Sheriff has not established adequate controls over seized property; 312 items on the computerized inventory listing did not contain location information, and 189 items had incomplete location information. The Sheriff's office also has not established procedures to dispose of seized property items held for years, and a physical inventory of seized property items has not been performed in at least 2 years.
Assessment Fund Withholdings	The County Collector did not adequately reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund, resulting in $43,888 more withheld from tax collections and disbursed to the Assessment Fund than was allowed by state law during the 5 years ended December 31, 2013.

Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution, and maintains a delinquent tax bank account outside the county treasurey. There is no statutory authority allowing the Prosecuting Attorney to maintain this account.
County Meeting Minutes and Procedures	The county needs to improve its procedures over open and closed meetings of the County Commission. For 3 of the 7 closed meetings held during the year ended December 31, 2013, open meeting minutes did not document the specific reasons or section of law allowing the County Commission to close the meeting. In addition, some issues discussed in closed sessions were not allowable by law. The County Commission did not properly review and approve authorizing resolutions of tax abatement arrangements established by the Enhanced Enterprise Zone (EEZ) Board. Our review of the EEZ Board and County Commission minutes identified several real estate tax abatements approved by the EEZ Board where no subsequent public hearings occurred and no resolutions were passed authorizing the tax abatement. In addition, the county did not report the amount of city commissions paid to the County Collector or subject the payments to payroll tax withholdings, in violation of a strict interpretation of the payroll tax regulations. The county maintains fuel and usage logs for all county-owned vehicles and equipment, but does not reconcile this information to fuel purchases. The county also has not updated the listing of county assets for several years, and has not completed a physical inventory since 2011. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year.
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 serious shortcomings with the Sheriff's office.

*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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Laclede County
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THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of Laclede County

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

1. Evaluate the county's internal controls over significant management and financial functions.

2. Evaluate the county's compliance with certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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

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

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

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

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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1. Sheriff Commissary Records and Procedures

The Sheriff operates a 100 bed jail, housing Laclede County inmates and inmates from cities and neighboring counties. The Sheriff maintains a separate checking account to handle personal inmate monies and provides a commissary through an outside vendor. The Sheriff also sells telephone cards and began selling electronic cigarettes to inmates in 2014.

The county purchased and installed a new computerized accounting and kiosk receipting system in July 2013. The jail has 2 kiosks (one in the lobby and one in the booking area) allowing individuals to apply cash or credit card deposits to inmate accounts. The Sheriff's bookkeeper removes the cash from the kiosks and deposits it into the inmate trust bank account. The monies received, commissary purchases made, and available cash for each inmate are recorded in a computerized accounting system maintained by the bookkeeper. Remaining personal inmate monies are paid to inmates upon their release through use of a debit card or a check issued by the bookkeeper.

The bookkeeper deposited approximately $205,000 of personal inmate monies into the Sheriff's inmate trust bank account during the year ended December 31, 2013.

1.1 Inmate bank account

The bookkeeper does not prepare monthly lists of liabilities to reconcile to the available cash balances for the inmate trust bank account. In addition, the bookkeeper does not prepare bank reconciliations for the inmate trust bank account timely or accurately.

The bookkeeper only prepared bank reconciliations about once every 2 months during 2013, and as of July 15, 2014, the May 2014 bank reconciliation had not been completed. Additionally, the bookkeeper recorded 2 deposits totaling $1,811 and 2 debit card transactions (used to distribute inmate monies upon their release) totaling $389 twice in the computerized accounting system during December 2013. Instead of correcting the accounting system, the bookkeeper made reconciling adjustments on the bank reconciliations. The bookkeeper also has not prepared lists of liabilities.

We identified inmate trust bank account liabilities as of December 31, 2013, totaling $20,659. A comparison to the reconciled bank account balance of $13,269 shows an apparent shortage of $7,390. The liabilities included amounts that need to be turned over to the County Treasurer for commissary commissions and costs, telephone card sales, kiosk fees, reimbursements for medical charges initially paid by the county, and inmate balances on hand at December 31, 2013. Considering the problems with the December 2013 bank reconciliation, errors in posting transactions into the accounting system, and no periodic identification of liabilities, the accuracy of the book balance is uncertain.

Liabilities should be identified monthly and reconciled to cash balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. The preparation of timely and accurate monthly bank reconciliations and an adequate review of the reconciliations is necessary to ensure accounting records are in balance and to identify errors timely.

1.2 Segregation of duties

The Sheriff has not established adequate segregation of accounting duties or review and approval procedures. The bookkeeper performs the duties of receiving, recording, depositing, and disbursing all inmate and commissary monies. The bookkeeper also maintains telephone cards and electronic cigarettes sold to inmates and debit cards in her office. She records sales in the computerized accounting system and distributes items sold to the jailers. Neither the Sheriff nor other office personnel perform a documented review of accounting or inventory records or complete a comparison of monies received to those deposited.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential.

1.3 Depositing and refunding inmate monies

The Sheriff's office has not established adequate procedures for the deposit and refunding of inmate monies.

The bookkeeper does not deposit inmate monies timely. The bookkeeper removes monies from 2 kiosks for deposit approximately once a month. This results in substantial cash amounts accumulating in the kiosks prior to deposit. For example, the bookkeeper deposited cash from the lobby kiosk totaling $5,045 for transactions occurring between November 20, 2013, and December 30, 2013, on January 2, 2014.

In addition, the Sheriff's office has not established procedures to ensure inmate's personal monies are refunded and those refunds are properly documented. Refunds made in person to inmates are by debit card, and the inmates are not required to sign for the receipt of the debit card. The bookkeeper relies on jailers to convey inmate requests for refunds when the bookkeeper is not available. If inmates do not request a refund upon release, no effort is made to refund their monies. At December 31, 2013, the computerized accounting system indicated the county held $1,821 for released inmates.

Ensuring all monies are deposited timely will help safeguard receipts and reduce the risk of loss and theft. In addition, establishing procedures to

ensure refunds of inmates personal monies are made and are documented will help ensure inmate monies are not misappropriated.

1.4 Monthly disbursements

The bookkeeper did not always disburse monies collected for commissary purchases, kiosk fees, telephone cards, and medical services to the County Treasurer timely, some disbursements did not agree to the related accounting records, and some disbursements did not include all monies collected. The bookkeeper also did not consistently charge medical service costs to inmate accounts.

- The bookkeeper did not disburse to the County Treasurer monies collected from commissary purchases during January through April 2014, totaling $31,266, until May 22, 2014. In addition, the amount of monies turned over to the County Treasurer for commissary purchases did not always agree with supporting documentation. Accounting records indicated the Sheriff's office received only $26,756 from inmates for commissary purchases during January through April 2014, for turnover to the County Treasurer; however, the bookkeeper turned over an additional $4,510.

- The bookkeeper did not disburse to the County Treasurer kiosk fees collected from July 2013 through March 2014, totaling $4,245, until July 2014. The commissary vendor charges a $3 transaction fee on each kiosk transaction.

- The bookkeeper did not disburse to the County Treasurer monies collected for telephone cards sold during May through October 2013, totaling $12,450, until November 27, 2013.

- The bookkeeper did not disburse to the County Treasurer $3,698 of $6,740 for the cost of medical services collected from inmates from January 2014 to May 2014.

  Additionally, the bookkeeper did not consistently charge inmate accounts for medical services provided. The bookkeeper failed to charge inmate accounts for medical services for July, August, September, and December 2013, and February through May 2014. The Sheriff provides medical services to inmates held in the jail, and if inmate funds are available, the inmate is to be charged for these services. Untimely assessment of medical charges to inmate balances may result in unreimbursed costs to the county.

Timely disbursement of inmate monies collected for commissary items, kiosk fees, telephone cards, and medical services is necessary to provide adequate controls over account balances and reduces the risk of loss, theft, or misuse of funds going undetected. A comparison of medical costs

incurred to inmate accounts should be performed to ensure all amounts owed are collected.

1.5 Inventory records and procedures

The bookkeeper does not maintain records to account for telephone cards and electronic cigarettes purchased and sold to inmates, and inventory remaining on hand. Batches of telephone cards and cases of electronic cigarettes are periodically purchased for $5.50 per card and $2.97 per cigarette and held by the bookkeeper until sold to inmates for $10 per card and cigarette. The telephone card vendor provided the Sheriff's office with 500 complimentary cards valued at $5,000 (500 cards to be sold for $10 each), and the Sheriff's office purchased additional cards valued at $26,000 (2,600 cards to be sold for $10 each) during 2013. The Sheriff's office began selling electronic cigarettes in March 2014, and purchased cigarettes valued at $3,000 (300 cigarettes to be sold for $10 each) in February 2014. Significant revenues are generated from the sale of these items, therefore, proper accounting controls and procedures are needed.

Additionally, the bookkeeper does not maintain records to account for debit card stock received, issued, and on hand. The Sheriff's office received 1,250 debit cards during the year ended December 31, 2013, for use in refunding personal inmate monies upon release.

Loss, theft, or misuse of the inventory and related monies may go undetected without adequate inventory records and procedures.

Detailed inventory records are necessary to account for telephone cards, electronic cigarettes, and debit card stock. Comparisons of purchases and sales of telephone cards and cigarettes and the receipt and issuance of debit card stock to inventory records are necessary to ensure these items and associated monies are properly recorded and handled.

1.6 Accountable fees

The Sheriff violated state law by contracting with a vendor to pay operating expenses of his office. In March 2013, the Sheriff contracted with a vendor to provide inmate telephone service. One of the provisions of the contract provided for the vendor to set aside $20,000 in a technology fund to be used at the direction of the Sheriff. In July 2014, the Sheriff requested the vendor purchase and pay for installation of a video monitoring system costing $9,394 using these funds. As of September 2014, the vendor held the $10,606 remaining balance of these funds. As a result of these arrangements, the county's budgetary and disbursement procedures have been circumvented, and transactions have occurred that are not reflected in the county's records.

There is no statutory authority for the Sheriff to retain monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or renumeration for official services to file a monthly

report with the county and pay such monies to the County Treasurer. Operating expenses of the Sheriff's office should be paid from county funds and handled through the county's normal budgeting and disbursement practices.

Similar conditions previously reported

Similar conditions to sections 1.1 and 1.2 were noted in our 3 prior audit reports and similar conditions to section 1.4 was noted in our 2 prior audit reports.

Recommendations

The Sheriff:

1.1 Review receipt and disbursement records to determine the reason for the shortage, prepare accurate bank reconciliations and a list of liabilities monthly, and reconcile the cash balances to the list of liabilities. Any differences should be investigated and promptly resolved.

1.2 Segregate accounting and inventory duties to the extent possible or ensure documented independent or supervisory reviews of accounting and bank records are performed.

1.3 Deposit inmate monies timely, establish procedures to ensure inmate monies are refunded upon release, and require a signature from the inmate and applicable Sheriff's office employee for all refunds.

1.4 Ensure all commissary monies collected are turned over to the County Treasurer on a monthly basis, and a comparison of medical costs incurred to inmate accounts should be performed to ensure all amounts owed are collected.

1.5 Maintain inventory records of telephone cards, electronic cigarettes, and debit card stock and reconcile these records to telephone cards and cigarettes purchased and sold, debit card stock received and issued, and perform periodic physical inventory counts.

1.6 Turn over all accountable fees to the County Treasurer as required by state law. Payment of expenses should only be made through the normal county disbursement process as provided for in the county budgets.

Auditee's Response

The Sheriff provided the following written responses:

1.1 We will review receipt and disbursement records to determine the reason for the shortage, and ensure accurate bank reconciliations

and lists of liabilities are prepared and reconciled to available cash balances, and investigate any discrepancies noted.

1.2 We have hired additional help and will ensure accounting and inventory duties are more segregated. In addition, supervisory reviews of accounting and bank records will be performed each month.

1.3 Monies are being deposited in a more timely fashion now and we have established procedures to ensure inmate monies are refunded upon release. Signatures showing payment of these monies are obtained from both the inmate and the Sheriff's employee refunding the monies, and this documentation will be retained.

1.4 We have implemented procedures to ensure monies payable to the County Treasurer are disbursed each month. The collection of medical costs will now be the responsibility of the court.

1.5 We have established inventory records for needed items and complete a monthly reconciliation of items sold/used to items on hand. The reconciliation is then reviewed by the Office Administrator.

1.6 The commissary vendor does inmate phone contracts all over Missouri and other states. I thought this was the way the vendor did business and it was approved and signed by all three County Commissioners. I will check with the vendor and the County Treasurer to see if the remaining money can be placed in the Inmate Security Fund. I will work with the vendor to revise the contract.

2. Sheriff Controls and Procedures

Significant weaknesses exist in accounting controls and record-keeping procedures in the Sheriff's office. According to the county's 2014 budget, the Sheriff's office collected approximately $39,000 in civil fees and approximately $49,000 in concealed carry weapon permit fees during the year ended December 31, 2013. The Sheriff's office also collected approximately $128,000 in bonds during the year ended December 31, 2013.

2.1 Segregation of duties

The Sheriff has not adequately segregated the duties of collecting, recording, transmitting, depositing, and disbursing bond monies. The Sheriff's office bookkeeper performs all of these duties. Bond monies are initially received by jailers, and the bookkeeper collects all bond monies from the booking area of the jail. Laclede County bond receipts are transmitted by the bookkeeper to the Circuit Court. Bond monies collected for other political subdivisions are recorded by the bookkeeper on a log and deposited into the Sheriff's bond bank account for disbursement. The office

manager prepares the bank reconciliation, but neither the Sheriff nor the office manager performs a comparison of monies received to those transmitted or deposited.

Proper segregation of duties is necessary to ensure bond transactions are accounted for properly and assets are adequately safeguarded. If a proper segregation of duties cannot be achieved, a documented comparison of monies received to those transmitted, or deposited and disbursed should be performed.

2.2 Bond monies

Controls and procedures over receipting, recording, transmitting, and depositing bond monies need improvement. The Sheriff's office terminated a jailer in February 2013, after a Missouri State Highway Patrol investigation concluded a $1,000 cash bond was taken in May 2012, and terminated another jailer in February 2013, related to a $100 cash bond taken in January 2013. Despite these incidents, our review of procedures shows the Sheriff has not sufficiently corrected weaknesses related to the handling of bond monies.

- Jailers did not always retain voided bond receipt slips, and did not always accurately document the method of payment on bond receipt slips.

- The bookkeeper did not record bonds received in the bond log timely and inaccurately recorded some information. We reviewed the bond log on March 25, 2014, and found the log had not been updated since sometime in December 2013. Additionally, the bond log listed inaccurate information, including wrong bond receipt slip dates and wrong dates of court issued receipts. In one instance, the log listed the wrong court for a disbursed bond.

- The bookkeeper did not timely transmit bonds to the Laclede County Circuit Court. We reviewed 209 bonds received by the Sheriff's office for the court and determined 55 bonds (26 percent) totaling $15,379 were not transmitted within 5 days, with some being held up to 18 days before transmittal.

- The bookkeeper did not timely deposit and disburse bonds to other courts. We reviewed 142 bonds received by the Sheriff's office for other courts and determined 71 bonds (50 percent) totaling $22,560 were not deposited and disbursed within 5 days, with some being held up to 20 days before deposit and 19 days before disbursement.

Properly receipting, recording, depositing, disbursing, and transmitting bonds is necessary to ensure receipts are adequately safeguarded and to reduce the risk of loss, theft, or misuse of funds going undetected.

2.3 Civil process fees

A civil processing clerk in the Sheriff's office does not receipt civil process fees received or endorse the related checks and money orders immediately upon receipt. The Sheriff's office also does not track civil process papers served or reconcile papers served to monies received to ensure all paper service fees due have been collected and accounted for properly. The Sheriff's office typically collects civil process fees prior to performing the civil process; however, if monies are not received or an insufficient amount is received, the clerk indicated she contacts the party by phone requesting an additional payment. However, unpaid civil process fees are not tracked, and no other effort is made to collect unpaid amounts. The Sheriff's office collected approximately $39,000 in civil process fees for the year ended December 31, 2013.

To adequately account for civil process fees and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued, checks or money orders received should be endorsed immediately upon receipt, and civil process papers served should be tracked and reconciled to the related monies received and deposited. A list of unpaid civil process fees would allow the Sheriff's office to more easily review current amounts due and to take appropriate steps to ensure collection of unpaid amounts.

A similar condition was noted in our prior audit report.

2.4 Civil account bank reconciliations and liabilities

The Sheriff's office manager does not prepare accurate bank reconciliations for the civil account. The office manager has been carrying a $4,500 deposit in transit reconciling item on the civil account bank reconciliations since May 2012. We reviewed supporting documentation and determined this reconciling item was incorrectly shown as a deposit in transit and actually represents an adjustment needed because of a duplicated $4,500 deposit entry in the accounting system made on May 14, 2012. By continuing to carry such an item on the bank reconciliation the office manager is inflating the reconciled balance of the civil account.

The office manager does not identify liabilities. At our request, a list of liabilities was prepared for the civil account as of December 31, 2013. The list of liabilities prepared totaled $5,698, while the reconciled bank balance (adjusted for the $4,500 error noted above) was $8,184, resulting in an overage of $2,486 in the account.

The preparation of accurate monthly bank reconciliations and an adequate review of the reconciliations is necessary to ensure accounting records are in balance and to identify errors timely. Additionally, a list of liabilities should be prepared monthly and reconciled to cash balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

2.5 Seized property

Adequate controls over seized property have not been established. The computerized inventory listing indicated the Sheriff's office held 2,497 items as of February 2014; however, the listing recorded no location information (building, room, shelf or bin, and box where items are stored) for 312 of these items and had incomplete location information for another 189 items. In addition, the Sheriff's office has not established procedures to dispose of seized property items held for long time periods, and a physical inventory of seized property items has not been performed in at least 2 years. According to the inventory listing, several items had been held for years with some dating back to 2005.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the stored items. Complete and accurate inventory records should be maintained, and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property.

Recommendations

The Sheriff:

2.1 Segregate accounting duties to the extent possible or perform a comparison of bond monies received to those transmitted, or deposited and disbursed.

2.2 Retain voided receipt slips, ensure the method of payment is accurately recorded, record all bond transactions accurately and timely, and timely transmit or deposit and disburse bonds.

2.3 Ensure civil process fees are receipted, endorse checks and money orders immediately upon receipt, track civil process papers served, and perform a comparison of papers served to the related fees collected and deposited.

2.4 Prepare accurate bank reconciliations and a list of liabilities monthly, and reconcile the cash balances to the list of liabilities. Any differences should be investigated and promptly resolved.

2.5 Ensure a complete and accurate seized property inventory record is maintained, and a periodic inventory is conducted and reconciled to the records, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Auditee's Response

The Sheriff provided the following written responses:

2.1 *We have established additional supervisory review of bond records, including a comparison of bond monies received to those transmitted or deposited and disbursed.*

2.2 *We are retaining all copies of voided bond receipt slips, ensuring method of payment is adequately recorded, requiring all bond transactions to be recorded timely and accurately on the bond log, and transmitting or depositing and disbursing bonds more timely. A supervisory review of these processes is completed monthly.*

2.3 *We now receipt and endorse all monies received immediately upon receipt and have developed a method to track civil process papers served. A monthly comparison of papers served to the related fees collected and deposited is completed and reviewed by a supervisor.*

2.4 *We will ensure accurate reconciliations including a list of liabilities is prepared and will reconcile the total liabilities to the available cash balance each month. We have started to review the differences in the account.*

2.5 *A physical inventory of evidence is now in progress, and we will ensure an accurate and complete list of seized property is maintained. Evidence maintained for 2008 and older cases has been properly disposed. Evidence from 2009 cases has been reviewed and paperwork has been filed with the Prosecuting Attorney for appropriate disposition. Once the 2009 evidence dispositions are approved by both the Prosecuting Attorney and the Associate Circuit Judge, we will send 2010 and 2011 cases to these officials for disposition approval.*

3. Assessment Fund Withholdings

The County Collector did not adequately reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund, and as a result, $43,888 more was withheld from tax collections and disbursed to the Assessment Fund than allowed by state law during the 5 years ended December 31, 2013.

The County Collector monitored total collections monthly to determine when the limit had been reached, but did not adjust the Assessment Fund withholding percentage at that time. In March 2014, the County Collector submitted documentation to the County Treasurer requesting the disbursement of these excess withholdings to various taxing authorities within the county, and the County Treasurer indicated she plans to distribute these monies in January 2015.

Sections 137.720.1 and 137.720.3, RSMo, each provide a percentage to be deducted from property tax collections and deposited into the Assessment Fund (1 percent and 0.5 percent, respectively, for a total of 1.5 percent). However, Section 137.720.3, RSMo, limits the 0.5 percent deduction to $75,000. After this limit is reached, the percentage reduces to 1 percent. Adequate monitoring and proper calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.

Recommendation

The County Collector should ensure amounts withheld from property taxes for the Assessment Fund is properly reduced in future years once the $75,000 limit is reached. The County Treasurer should also disburse amounts owed to the taxing authorities from the Assessment Fund.

Auditee's Response

The County Collector provided the following written response:

The County Collector's office strives to do everything in a timely manner and also do it correctly. This office has been in contact with the State Auditor's office, State Tax Commission, and local legislators to find proper procedures in the collection and distribution of the assessment funds in regards with statutes concerning the $75,000 cap. All agencies and commissions agree that there are not clear guidelines on how to properly calculate the overage. Also, there are possible assessment funds from municipalities that are not collected by the County Collector's office and are therefore not included in the calculation. We will continue to monitor amounts withheld from property taxes for the Assessment Fund each year and either reduce the percentage of withholding once the $75,000 limit is reached or timely refund any amount over withheld.

The County Treasurer provided the following written response:

These monies will be distributed in January 2015. Any future amounts will be timely disbursed.

4. Prosecuting Attorney Controls and Procedures

Controls and procedures over the Prosecuting Attorney's operations need improvement. Bad check restitution and fees, criminal restitution, and delinquent taxes collected by the Prosecuting Attorney's office totaled approximately $238,000 during the year ended December 31, 2013.

4.1 Accounts receivable

The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution. A complete and accurate list of unpaid bad checks and restitution would allow the Prosecuting Attorney's office to more easily review current amounts due and to take appropriate steps to ensure collection of current amounts owed.

4.2 Delinquent tax bank account

The Prosecuting Attorney maintains a delinquent tax bank account outside the county treasury. At December 31, 2013, the bank account held a reconciled cash balance of $19,952. There is no statutory authority allowing the Prosecuting Attorney to maintain this account outside the county treasury. Section 56.312.1, RSMo, requires deposit of these monies by the county treasurer into a separate interest-bearing fund to be expended at the direction of the Prosecuting Attorney.

Recommendations

The Prosecuting Attorney:

4.1 Generate a monthly list of unpaid bad checks and restitution and review the list for accuracy.

4.2 Transfer the balances of the delinquent tax account to the County Treasurer and close the account.

Auditee's Response

The Prosecuting Attorney provided the following written responses:

4.1 The Prosecuting Attorney's office is in the process of changing software for bad check cases and collecting restitution. That software will be incorporated into our case management system. The software provider is still trying to solve some issues with the software, but the Prosecuting Attorney's office is hopeful that the conversion will be made in 2015. At that time, the Prosecuting Attorney's office will strive to keep any lists or reports that are generated complete and accurate.

4.2 Years ago, I pointed out during the budget process, that Missouri statutes specifically state that money paid to the Prosecuting Attorney for collecting delinquent taxes is not to be budgeted by the governing body of the county. I was told at that time, the Prosecuting Attorney's office would have to be responsible for those funds and the funds would not go through the county accounts. Therefore, the Prosecuting Attorney's office has maintained that account separately from other county accounts. However, upon your recommendation, the funds in the delinquent tax account have been transferred to the County Treasurer and the account has been closed.

5. County Meeting Minutes and Procedures

Improvement is needed in the county's controls and procedures over minutes, Enhanced Enterprise Zone (EEZ) tax abatements, the County Collector's city commissions and contract, fuel, and capital assets.

5.1 Meeting minutes

Procedures over open and closed meetings of the County Commission need improvement. The County Commission held 7 closed meetings during the year ended December 31, 2013.

For 3 of the 7 closed meetings, open meeting minutes did not document the specific reasons or section of law allowing the meetings to be closed. In addition, some issues discussed in closed sessions were not allowable by law, such as salary increases for County Assessor's office employees.

The Sunshine Law, Chapter 610, RSMo, indicates the specific reasons for the closed meetings shall be voted on at an open meeting and limits discussion topics and actions in closed meetings to only those specifically allowed by law.

5.2 EEZ tax abatements

The County Commission did not properly review and approve authorizing resolutions for tax abatements approved by the EEZ Board. The County Commission established the EEZ Board in 2005. The purpose of the EEZ Board is to advise the County Commission regarding real estate tax abatements and other economic development incentives for businesses within a designated area who meet specific criteria for economic growth. After the EEZ Board approves an abatement agreement, the County Commission is required by Section 135.963, RSMo, to hold a public hearing prior to authorizing the tax abatement through a formal resolution. Our review of the EEZ Board and County Commission minutes identified several real estate tax abatements approved by the EEZ Board where no subsequent public hearings occurred and no resolutions were passed authorizing the tax abatements. The County Commission indicated the EEZ Board did not provide notification of these abatement agreements and therefore no authorization actions took place.

5.3 County Collector's city commissions and contracts

The county did not report the amount of city commissions paid to the County Collector or subject the payments to payroll tax withholdings as required. During the year ended December 31, 2013, the county paid the County Collector $16,398 in city property tax commissions without reporting this amount on his W-2 form or withholding payroll taxes.

The county's current practice of handling city commissions in this manner is in violation of a strict interpretation of payroll tax regulations. The county is at risk of incurring additional payroll liabilities plus interest and penalties by utilizing the current practice. IRS regulations require all compensation paid to employees be subject to payroll tax and reported on W-2 forms. In addition, the County Commission and County Collector should consider these additional costs to the county and reevaluate the existing city tax collection contracts.

In addition, Section 52.290, RSMo, allows for the collection of the 7 percent penalty on delinquent taxes and provides for the penalty to be distributed as follows: two-sevenths to the County General Revenue Fund, two-sevenths to the Tax Maintenance Fund, and three-sevenths to the County Employee Retirement Fund (CERF). However, for the City of Lebanon and City of Phillipsburg, the County Collector personally retains five-sevenths of the 7 percent penalty collected instead of distributing the 2 percent penalty to the Tax Maintenance Fund and the 3 percent penalty to the CERF. While the 7 percent penalty collected on delinquent city taxes is assessed, it is not distributed as provided by state law. Of the $4,931 in penalties collected on city taxes, $3,522 was retained by the County Collector rather than distributing the monies to the Tax Maintenance Fund ($1,409), and CERF ($2,113) as specified by law. Any penalty charged to taxpayers should be based on state law.

5.4 Fuel use

The county does not have procedures in place to reconcile fuel logs with fuel purchases. Fuel and usage logs are maintained for all county-owned vehicles and equipment. However, this usage information is not reconciled to fuel purchases. Accounting records indicate fuel purchases totaled approximately $370,000 during the year ended December 31, 2013.

Procedures for reviewing fuel use and reconciling use to fuel purchased are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.

5.5 Capital assets

Procedures and records to account for county property are not adequate. The listing of assets maintained has not been updated in many years, and the last physical inventory completed was in 2011. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year. As a result, the county's capital asset records are not complete and up to date. Records valued the county's buildings and contents at approximately $25 million at January 2014.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by that department and for submitting an inventory report to the County Clerk.

Similar conditions previously reported

Similar conditions to sections 5.1 and 5.4 were noted in our prior audit report.

Recommendations

5.1 The County Commission ensure specific reasons for closing a meeting are documented, and discuss only allowable topics in closed meetings.

5.2 The County Commission should hold public hearings to review tax abatement proposals made by the EEZ Board. If the County Commission approves the abatements, the County Commission should authorize them through formal resolutions.

5.3 The County Commission ensure commissions paid to the County Collector are subject to payroll taxes and properly reported on W-2 forms. The County Commission and County Collector should consider these additional costs and reevaluate the existing city tax collection contracts, and ensure fees and penalties charged on delinquent city taxes are based upon applicable state laws or city ordinances.

5.4 The County Commission ensure fuel use is reconciled to fuel purchases, and promptly investigate any significant discrepancies.

5.5 The County Commission and the 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 capital asset purchases and dispositions throughout the year.

Auditee's Response

The County Commission provided the following written responses:

5.1 We feel we have used the closed session policy as per the Sunshine Law for our intended purposes. We are sure the procedures need to be improved upon and we will continue to strive to do so.

5.2 The County Commission will work with the EEZ Board to ensure public hearings to review tax abatement proposals are held, and if the County Commission approves the abatements, we will authorize them through formal resolutions.

5.3 As per the agreements with the city and village, the city and village covenant and agree to compensate the Laclede County Collector; the County Collector is contracted for the city's and village's purposes and is not collecting taxes for the county under these agreements. We will work with the County Collector and the city and village to update the agreements, ensure compliance with

payroll tax regulations, and ensure penalties charged on delinquent city and village taxes are distributed in compliance with state law.

5.4 *We have implemented fuel logs on all county-owned pieces of equipment. We promptly check out any discrepancies significant or not.*

5.5 *We need to update our inventory records. We need to and are working with our inventory person, as well as officeholders, to create a better and more accurate, complete inventory system. The person assigned to inventory now is new at inventory responsibility.*

The County Clerk provided the following written responses:

5.1 *I do not know what we are going to talk about in detail most of the time. I have asked the County Commission to cite statutes, and they are going to work on making sure the specific statutes are identified in their motions. I will encourage them to and help provide information related to this process.*

5.5 *Inventory tracking responsibilities were given to an employee in the County Treasurer's office by the County Commission.*

The County Collector provided the following written response:

5.3 *The County Collector would consider renegotiating with the County Commission the percentage of total collections in place of the delinquent penalty phrase of the cooperative agreement.*

Laclede County
Organization and Statistical Information

Laclede County is a county-organized, third-class county. The county seat is Lebanon.

Laclede County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 145 full-time employees and 15 part-time employees on December 31, 2013.

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

Elected Officials

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

Officeholder	2014	2013
Danny Rhoades, Presiding Commissioner	$	32,334
Joe Pickering, Associate Commissioner		29,700
Jack Glendenning, Associate Commissioner		29,700
Lynn Stowe, Recorder of Deeds		45,900
Glenda Mott, County Clerk		45,900
Jon Morris, Prosecuting Attorney		56,100
Wayne Merritt, Sheriff		50,000
Jean Cook, County Treasurer		45,900
Steve Murrell, County Coroner		16,000
Sherry Shamel, Public Administrator		45,000
Steve Pickering, County Collector (1), year ended February 28,	63,104	
Johnny North, County Assessor, year ended August 31,		45,000
Robert Shotts, County Surveyor (2)		8,000

(1) Includes $17,204 of commissions earned for collecting city property taxes.
(2) Compensation on a fee basis.

Financing Arrangements

In 1997, the county issued $78,000 in Limited General Obligation Bonds. The bonds bear interest at the rate of 6.5 percent. Principal and interest payments are due on March 1 of each year. The remaining principal outstanding at December 31, 2013, was $24,000. Interest remaining to be paid over the life of the agreement totals $4,095.

In 2011, the county entered into a loan agreement with the Missouri Department of Natural Resources through the Energy Efficiency Leveraged Loan Program in the amount of $133,010, with zero interest. Semi-annual principal payments are due in February and August each year. The remaining principal outstanding at December 31, 2013, was $96,725. Final payment is due in August 2016.

In 2011, the county entered into a promissory note agreement in the amount of $33,180 for the purpose of constructing certain road improvements within the Neighborhood Improvement District of Harrill Lane. The note bears an interest rate of 6.75 percent. Principal and interest payments are due annually on March 20. The remaining principal outstanding at December 31, 2013, was $19,908. Interest remaining to be paid over the life of the agreement totals $2,688.

In 2009, the county entered into a cancelable lease-purchase agreement to finance the purchase of a grader at a total cost of $202,866. The agreement requires annual payments of $10,113 through 2013 with a balloon payment of $157,833 due in 2014. The lease bears interest at the rate of 3.15 percent. The remaining principal outstanding at December 31, 2013, was $152,570. Interest remaining to be paid over the life of the agreement totals $5,263.

In 2009, the county entered into a cancelable lease-purchase agreement to finance the purchase of a grader at a total cost of $202,866. The agreement requires annual payments of $13,859 through 2013 with a balloon payment of $161,579 due in 2014. The lease bears interest at the rate of 3.15 percent. The remaining principal outstanding at December 31, 2013, was $156,200. Interest remaining to be paid over the life of the agreement totals $5,379.

In 2010, the county entered into a cancelable lease-purchase agreement to finance the purchase of two graders at a total cost of $412,000. The agreement requires annual payments of $29,190 through 2014 with a balloon payment of $318,000 due in 2015. The lease bears interest at the rate of 3 percent. The remaining principal outstanding at December 31, 2013, was $328,085. Interest remaining to be paid over the life of the agreement totals $19,105.

In 2011, the county entered into a cancelable lease-purchase agreement to finance the purchase of a grader at a total cost of $226,850. The agreement requires annual payments of $13,970 through 2015 with a balloon payment of $157,000 due in 2016. The lease bears interest at the rate of 3.38 percent. The remaining principal outstanding at December 31, 2013, was $168,683. Interest remaining to be paid over the life of the agreement totals $16,257.

In 2012, the county entered into a cancelable lease-purchase agreement to finance the purchase of a backhoe at a total cost of $196,227. The agreement

requires annual payments of $28,742, with a balloon payment of $110,000 in 2015. The lease bears interest at the rate of 2.65 percent. The remaining principal outstanding at December 31, 2013, was $132,394. Interest remaining to be paid over the life of the agreement totals $6,348.

In 2012, the county entered into a cancelable lease-purchase agreement to finance energy upgrades in the amount of $3,100,000. The agreement requires semi-annual payments of $133,881 through 2026. The lease bears interest at the rate of 3.01 percent. The remaining principal outstanding at December 31, 2013, was $2,859,699. Interest remaining to be paid over the life of the agreement totals $621,207.

In 2013, the county entered into a cancelable lease-purchase agreement to finance the purchase of a motor grader in the amount of $181,821. The agreement requires annual payments of $17,745 through 2016 with a balloon payment of $119,645 due in 2016. The lease bears interest at the rate of 1.56 percent. The remaining principal outstanding at December 31, 2013, was $164,076. Interest remaining to be paid over the life of the agreement totals $8,804.

In 2013, the county entered into a cancelable lease-purchase agreement to finance the purchase of a motor grader in the amount of $155,321. The agreement requires annual payments of $12,279 through 2016 with a balloon payment of $114,179 due in 2017. The lease bears interest at the rate of 1.5 percent. The remaining principal outstanding at December 31, 2013, was $143,042. Interest remaining to be paid over the life of the agreement totals $7,974.