John Watson

Missouri State Auditor

Barry County

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CITIZENS SUMMARY

Findings in the audit of Barry County

Developmentally Disabled Board	During 2014, the Developmentally Disabled Board's (Board) accumulated cash reserve increased to $1,043,045, which represents more than 3 years of funding for nonprofit organizations and other disbursements. The Board does not have any specific plans for the money, but is concerned about potential cuts to services at the state and federal level. Despite the significant accumulated cash balance, the Board continues to assess a property tax rate slightly less than the maximum allowed. In addition, budget documents overstate expected disbursements and do not include all monies held by the Board, understating the anticipated ending cash balance. The Board overestimated disbursements in its 2014 budget by approximately $400,000, and did not include certificates of deposit and money market accounts totaling approximately $520,000, underestimating the ending cash balance by over $1,000,000. In addition, bank reconciliations are not formally performed or documented.
Property Tax System Controls and Procedures	The County Collector does not reconcile the composition of receipts on the daily abstract to the composition of deposits. All of the County Collector's employees use the same password to access office computers, and the password is not required to be changed periodically. Further, the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes in order for the County Clerk or the County Commission to review the financial activities of the County Collector.
Sheriff Inmate Monies	The Sheriff's office does not always follow established procedures for documenting inmate cash balances upon incarceration. The Sheriff also does not have procedures to ensure all inmate monies are refunded upon release. As of December 31, 2014, the Sheriff's office was holding approximately $848 for 342 inactive inmates. While inmate monies kept in the cash box are refunded to the inmate upon release, monies from the inmate commissary account are only refunded upon request by inmates after their release.
Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed an adequate supervisory review of the accounting records. One clerk has the ability to receipt payments, post transactions and adjustments to the accounting system, and prepare the transmittal to the County Treasurer. In addition, the Prosecuting Attorney does not review and approve transmittals or adjustments to the system.
County Assessor Controls and Procedures	Two employees are primarily responsible for collecting, receipting, and transmitting monies received to the County Treasurer, but the County Assessor does not perform independent or supervisory reviews of the accounting records. In addition, receipt slips are not issued in the order of receipts received, receipt slips are not transmitted to the County Treasurer

in sequence, and no procedures are in place to ensure the numerical sequence is accounted for. In addition, the method of payment is not always recorded on the receipt slips. Thus, the composition of receipts is not reconciled to the composition of transmittals to the County Treasurer.

Additional Comments

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

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

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

Excellent: The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

Good: The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

Fair: The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

Poor: The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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JOHN WATSON
Missouri State Auditor

To the County Commission
and
Officeholders of Barry County

We have audited certain operations of Barry County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, Certified Public Accountants, was engaged to audit the financial statements of Barry County for the 2 years ended December 31, 2013. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. 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 Barry County.

John Watson
State Auditor

The following auditors participated in the preparation of this report:

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1. Developmentally Disabled Board

As similarly noted in prior audits, the Developmentally Disabled Board (Board) has accumulated a significant cash reserve and does not have documentation of how these funds will be spent to benefit the developmentally disabled. In addition, adequate procedures have not been developed to prepare budgets and bank reconciliations are not performed.

1.1 Cash reserves

The Board has accumulated a significant cash reserve without any specific plans for its use. During the year ended December 31, 2014, the Board's accumulated cash reserves increased to $1,043,045, which based on previous spending patterns, represents more than 3 years of funding for nonprofit organizations and other disbursements. According to the Board President, the Board has no specific plans for the accumulated cash balance, but is concerned about potential cuts to services at the state and federal level. Despite the significant accumulated cash balance, the Board continues to assess a property tax rate slightly less than the maximum rate allowed.

Accumulating an excessive cash balance with no specific long-term plans for use of these monies puts an unnecessary burden on taxpayers. The Board should determine its future needs, and consider reducing future tax levies if a specific use for the cash reserves is not determined. Pursuant to Section 205.971, RSMo, the County Commission is given the taxing authority to levy a property tax rate to provide services for the developmentally disabled. Thus, the County Commission has final approval of the proposed tax rate to be levied and does not necessarily have to set the rate recommended by the Board.

1.2 Budgets

Budget documents overstate expected disbursements, and do not include all monies held by the Board, understating the anticipated ending cash balance. The Board's 2014 budget indicated budgeted disbursements of approximately $680,000 and an anticipated ending cash balance of approximately $66,000. However, actual disbursements for 2014 totaled $279,937, and the actual ending cash balance was $1,043,045.

Budgeted disbursements were overstated due to the Board including a line item for "committed funds" for $269,794. While this line item has been budgeted for multiple years, no disbursements have been made. Based on discussions with Board members, "committed funds" represents funds available to be distributed to nonprofit organizations, however, due to a lack of requests from eligible entities the funds have not been disbursed. In addition, the Board did not include certificates of deposit and money market accounts totaling approximately $520,000 as part of its cash balance in budget documents.

For budgets to be of maximum assistance to the Board and to adequately inform county residents of the Board's operation and anticipated financial

condition, budgets should reflect reasonable estimates of receipts and disbursements and the anticipated ending cash balance.

1.3 Bank reconciliations

Bank reconciliations are not formally performed or documented. The Board Treasurer only documents the check numbers for checks that have not cleared the bank on the front of the monthly bank statement, but does not indicate the amount of the checks, determine a total of the checks, or reconcile to the book balance. In addition, our review determined the list of checks outstanding is not always complete. For example, our review of the August 2014 bank statement determined the list of outstanding checks did not include 3 checks totaling $8,418.

Preparation of monthly bank reconciliations is necessary to ensure bank accounts are in agreement with the accounting records and to detect and correct errors.

Recommendations

The Developmentally Disabled Board:

1.1 Work with the County Commission to evaluate funding needs and consider reducing the property tax levy. If plans have been made for expending the accumulated cash balance, such plans should be set forth publicly in the budget document.

1.2 Ensure reasonable estimates are used for disbursements and include all assets when preparing the budget.

1.3 Ensure bank reconciliations are performed and documented monthly.

Auditee's Response

The Developmentally Disabled Board provided the following responses:

1.1 The Board considers the possibility of reducing the property tax levy each public hearing held in August of each year. These public meetings provide an opportunity for the general public to have input as well as each Board member. The Board is quite concerned with the state of Missouri's limited funding for the developmentally disabled, and recognize that a greater portion of responsibility for the funding of services is now diverted to local resources, including the Barry County Developmentally Disabled Board. The state and federal government are not funding any capital projects that benefit the developmentally disabled population. The Board believes that it is providing good stewardship for these public funds, which has enabled the Board to assist with any project that will truly benefit the Barry County developmentally disabled persons and their caregivers.

1.2 The Board approves a budget each year to provide the payment of services for the developmentally disabled of Barry County. Based on discussion with the Auditor's office an amended budget was provided to the County Clerk that included all financial resources available to the Board. As in any budget for a political subdivision, the Board budgets for anticipated expenses that may arise during the year based upon prior experience of requests for funding made to the Board, and the funds available to the Board for said funding.

1.3 Reconciliations will be performed and documented. The entire Board will continue to review the summary of accounts prepared by the Treasurer and examine the original bank statements and account summaries at each Board meeting.

Auditor's Comment

1.2 The amended budget prepared by the Board now includes all resources available, however, budgeted disbursements are still overstated, and do not reflect a realistic expectation of the Board's financial activity.

2. Property Tax System Controls and Procedures

Controls over property tax system receipts, computers, and annual settlements need improvement.

2.1 Depositing

The County Collector does not reconcile the cash/check composition of receipts on the daily abstract to the composition of deposits. As a result, no corrections are made when the compositions do not agree. For example, for the week of November 18 through November 22, 2014, the composition of receipts on the daily abstract did not agree with the composition of deposits for 4 of 16 deposits.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, the composition of receipts should be reconciled to the composition of deposits and any differences promptly investigated and documented.

2.2 Passwords controls

The County Collector has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Collector has 5 computers in her office and each computer has its own generic user ID; however, the same password is used by all employees to access the 5 computers. In addition, the password is not required to be changed periodically.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential.

However, since the password is shared among employees and not periodically changed, there is less assurance the password is effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

2.3 Review of annual settlements

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector, who processed property tax collections of approximately $22.3 million during the year ended February 28, 2015. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures are performed to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Similar conditions previously reported

Similar conditions to sections 2.2 and 2.3 were noted in our prior audit report.

Recommendations

2.1 The County Collector reconcile the composition of receipts on the daily abstract to the composition of deposits.

2.2 The County Collector require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the computers and data.

2.3 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlement.

Auditee's Response

The County Collector provided the following responses:

2.1 In waiting on several, sometimes hundreds, of customers in a day we sometimes in error enter payment as being one form of payment and it should be another form of payment. Also, when a customer tells the employee that payment will be by debit card, etc, and that method has been selected in the system, and then the customer decides to pay in another way it creates this situation. I will speak with my employees, and do so myself, to make every effort to correct this matter.

2.2 I will visit with my computer programmer about this issue and see what this will entail.

The County Clerk provided the following response:

2.3 I will take this recommendation under advisement and work with the County Commission to determine the best options for reviewing the County Collector's annual settlement.

3. Sheriff Inmate Monies

Weaknesses exist in the accounting controls and procedures for maintaining and refunding inmate monies in the Sheriff's office.

3.1 Receipts

Procedures for documenting inmate cash balances upon incarceration are not always followed. Upon incarceration, cash in the custody of an inmate is receipted and either deposited into the inmate commissary account and entered into the commissary computer system, or the cash is attached to a pre-numbered manual receipt slip and held in a locked box in the jailer's office. The inmate's cash balance is maintained on the manual receipt slip. Cash left in the box is used for purchase of items not offered in the commissary like phone cards or e-cigarettes. Our review of both systems identified weaknesses in procedures.

During a cash count performed on September 2, 2014, an inmate had a receipt for $112 cash which was supposed to be in the cash box, however, only $12 was counted and available in the cash count. The $100 in cash was later found with the inmates personal belongings. In addition, our review of another inmate record determined the inmate's cash balance was incorrectly entered into the commissary computer system. Jailers had entered the inmate's cash balance into a "note" field rather than entering a cash balance in the system. As a result, the system incorrectly showed no balance for the inmate.

Ensuring accounting procedures to adequately track and maintain documentation of inmate balances are followed by all jailers would reduce the risk of loss, theft, and misuse of funds.

3.2 Refunds

The Sheriff's office does not have procedures to ensure all inmate monies are refunded upon release. As of December 31, 2014, the Sheriff's office was holding approximately $848 for 342 inactive inmates. While inmate monies kept in the cash box are refunded to the inmate upon release, the Sheriff's office only refunds monies from the inmate commissary account if requested by inmates after their release.

Establishing procedures to refund all inmate monies upon release will allow the Sheriff to more adequately safeguard any monies being held and reduce the risk of loss, theft, or misuse of funds.

Recommendations

The Sheriff:

3.1 Ensure procedures to track inmate monies are followed by all jailers.

3.2 Refund all inmate monies to inmates upon release.

Auditee's Response

The Sheriff provided the following responses:

3.1 New procedures have been put into place. The jail has switched to a new commissary company and all monies will be automatically deposited to the inmate's commissary account. All jailers are currently being trained, to ensure compliance with the new procedures.

3.2 The inmate commissary account was through Swanson Services Corporation. When an inmate was released some still had monies on their commissary account. Accounts were marked inactive, but the monies stayed on their commissary accounts. There were 342 accounts identified as inactive with balances. On January 16, 2015, a check for $52.15 was written to the County Treasurer for 295 accounts that were under $1. Most of these accounts had 4 and 5 cent balances. The funds were turned over to the County Treasurer as unclaimed property since no procedure or policy was established for handling the release of funds at that time. Individual checks totaling $795.81 for 47 inmates were issued and mailed to the last known addresses of the inmate. The jail has switched commissary companies to Keefe Commissary. There will be no balances left on the inmate accounts once an inmate leaves. Any monies will be issued on a release card at the time of release.

4. Prosecuting Attorney Controls and Procedures

The Prosecuting Attorney has not adequately segregated accounting duties or performed an adequate supervisory review of the accounting records. One clerk has the ability to receipt payments, post transactions and adjustments to the accounting system, and prepare the transmittal to the County Treasurer. The Prosecuting Attorney does not review and approve transmittals or adjustments to the system. Criminal restitution, delinquent taxes, and bad check restitution and fees collected at the Prosecuting Attorney's office totaled approximately $335,000 during the year ended December 31, 2014.

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, the Prosecuting Attorney should implement and document an independent or supervisory review of accounting records.

Recommendation

The Prosecuting Attorney adequately segregate accounting duties or ensure an independent or supervisory review of accounting records is performed and documented.

Auditee's Response

The Prosecuting Attorney provided the following response:

We now have additional staff in the office. One staff member takes payments, another issues the receipts and generates reports on a regular basis. I then review those reports. This office does not have a bank account, nor do we accept cash or personal checks. I have no plans in the future to change that policy.

5. County Assessor Controls and Procedures

Controls and procedures of the County Assessor's office need improvement. The County Assessor's office collected approximately $29,000 during the year ended December 31, 2014.

The County Assessor does not ensure independent or supervisory reviews of the accounting records are performed. Two employees are primarily responsible for collecting, receipting, and transmitting monies received to the County Treasurer. In addition, receipt slips are not issued or transmitted to the County Treasurer in numerical sequence. The County Assessor's office prepares receipt slips when documents are requested, but doesn't issue the receipt slips until payment is received. As a result, receipt slips are not issued in the order of receipts received and not transmitted to the County Treasurer in sequence, and no procedures are in place to ensure the numerical sequence is accounted for. As a result, the County Assessor has no assurance all receipts have been paid and transmitted to the County Treasurer. Additionally, the method of payment is not always recorded on the receipt slips. Thus, the composition of receipts is not reconciled to the composition of transmittals to the County Treasurer.

If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential. Ensuring receipt slips are issued when all monies are received, documenting the method of payment, accounting for the numerical sequence of receipt slips when transmitting to the County Treasurer, and reconciling the composition of receipts to the composition of the transmittal to the County Treasurer will reduce the risk of loss, theft, and misuse of funds.

Recommendation

The County Assessor ensure an independent or supervisory review of accounting records is performed and documented. In addition, receipt slips should be issued when money is received, the method of payment should be documented, the numerical sequence of receipt slips issued should be accounted for when transmitting to the County Treasurer, and the composition of receipts should be reconciled to the composition of the transmittals.

Auditee's Response

The County Assessor provided the following response:

I will personally supervise and oversee the 2 employees who are responsible for the collecting, receipting, and transmitting of monies received and deposited within the County Assessor's office. I have already addressed the recommendation for numerical sequence of our receipt books. I have purchased, and the office is currently utilizing a duplicate copy, personally designed numerical sequence receipt book for all monetary transactions. A receipt slip is issued when money is received, and the method of payment is documented directly on the receipt. The top copy is separated and handed to the paying customer, while the duplicate copy remains in the receipt book in numerical sequence. The monies collected are kept in a locked metal box in a locked desk until they are transmitted to the County Treasurer. At the time of transmittal of monies to the County Treasurer, the numerical sequence of receipt slips is accounted for, and the composition of receipts is reconciled to the composition of the transmittals.

Barry County
Organization and Statistical Information

Barry County is a county-organized, third-class county. The county seat is Cassville.

Barry 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 69 full-time employees and 8 part-time employees on December 31, 2014.

In addition, county operations include the Developmentally Disabled Board and the Senior Services Board.

Elected Officials

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

Officeholder	2015	2014
Cherry Warren, Presiding Commissioner	$	31,700
Gary Schad, Associate Commissioner		29,700
Wayne Hendrix, Associate Commissioner		29,700
Craig Williams, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Gary Youngblood, County Clerk		45,000
Johnnie E. Cox, Prosecuting Attorney		133,716
Mick Epperly, Sheriff		50,000
Lois Lowe, County Treasurer		45,000
Jim Fohn, County Coroner		16,000
Pam Modlin, Public Administrator (2)		96,102
Janice Varner, County Collector (3), year ended February 28,	54,648	
Sherry Sears, County Assessor, year ended August 31,		45,000

(1) Compensation is paid by the state.
(2) Includes fees from probate cases.
(3) Includes $9,648 of commissions earned for collecting city property taxes.