Office of Missouri State Auditor

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Linn County

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CITIZENS SUMMARY

Findings in the audit of Linn County

Property Tax System	The County Collector-Treasurer and her deputy have access rights in the property tax system allowing changes to be made to individual tax records. Because personnel in the County Collector-Treasurer's office are responsible for collecting tax monies, good internal controls require they not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information. Additionally, employees in the County Collector-Treasurer's office share computer user IDs and passwords, and a separate password is not required for the property tax system.
Sheriff's Seized Property	The Sheriff's office did not retain seized property inventory records and a periodic inventory of all seized property is not performed.
County Procedures	The County Clerk and the County Collector-Treasurer use the same computer system for receipts and share the same sequence of receipt numbers; therefore, receipt numbers for each office are not in sequence. Additionally, the system may skip receipt numbers if receipts are started but closed before finalized. Also, employee timesheets do not always indicate supervisory approval. Timesheets submitted by the Sheriff's office to the County Clerk's office are not reviewed or signed by the Sheriff but are footed by the Sheriff's Administrative Assistant and stamped with the Sheriff's signature. Two other employees' timesheets reviewed were not signed by their supervisor.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of the accounting and bank records to ensure all monies received are properly recorded and deposited or disbursed to the appropriate party.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

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

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

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

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

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

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NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Linn County

We have audited certain operations of Linn County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Linn County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. 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 a legal provision, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Linn County.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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1. Property Tax System

Controls and procedures over the property tax system need improvement. The property tax system is one component of the county's computer system. The County Collector-Treasurer's office processed collections totaling approximately $10.4 million for the year ended February 29, 2016.

1.1 Computer access

The county has not adequately restricted property tax system access. The County Collector-Treasurer and her deputy have access rights in the property tax system allowing changes to be made to individual tax records. Because personnel in the County Collector-Treasurer's office are responsible for collecting tax monies, good internal controls require they not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

1.2 User identifications and passwords

Separate user identifications (ID) and passwords are not required to access the property tax system. The County Collector-Treasurer has established a unique user ID and password for each computer; however, employees share the user IDs and passwords and a separate password is not required for the property tax system.

User IDs and passwords are necessary to authenticate access to the property tax system. The security of a password is dependent upon keeping the password confidential. However, since employees of the County Collector-Treasurer's office know the user identification and password for each computer, there is less assurance the user ID and password is effectively limiting access to the property tax system to only those individuals who need access to perform their job responsibilities. User IDs should be unique to each employee and passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of the property tax system.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The County Collector-Treasurer:

1.1 Work with the County Commission to ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.

1.2 Require unique user identifications for each employee and passwords that are confidential and periodically changed to prevent unauthorized access to the property tax system.

Auditee's Response

1.1 *I have talked with Tyler Technologies about my office not being able to change values and taxes on property tax records. It seems the real estate records were already limited access in not being able to change anything but names for property transfers and addresses to mail out statements when we had incorrect addresses on our records. Tyler Technologies will also work on getting the access limited on personal property taxes. I spoke to them about this on May 26, 2016.*

1.2 *There are 4 computers in the County Collector-Treasurer's office. Each computer has its own password. The passwords are assigned to the computer, not the person using it. The passwords can only be used on that computer. Everyone in the office knows the passwords to be able to open the tax system. No one outside of the office knows the passwords. It is necessary to be able to do our job efficiently. The passwords are changed periodically. We will contact our system vendor to determine if user IDs and passwords can be implemented for the tax system.*

2. Sheriff's Seized Property

The Sheriff's office did not retain seized property inventory records and a periodic inventory of all seized property is not performed. The Sheriff indicated deputies maintained an evidence log and destruction orders for seized property; however, in January 2016 these documents could not be located. The Sheriff's office is currently inventorying the evidence and recreating the evidence log as of April 2016.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, indicates all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law. Also, periodic inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.

Recommendation

The Sheriff ensure seized property inventory records are properly retained. In addition, the Sheriff should perform a periodic physical inventory of seized property, reconcile it to the evidence log, and investigate any differences.

Auditee's Response

We agree and have implemented this recommendation.

3. County Procedures

Procedures for accounting for the numerical sequence of receipt numbers and approving timesheets need improvement.

3.1 Receipt numbers

The County Clerk and the County Collector-Treasurer do not account for the numerical sequence of receipt numbers assigned by the computer system. The County Clerk and the County Collector-Treasurer use the same

computer system for receipts and share the same sequence of receipt numbers; therefore, receipt numbers for each office are not in sequence. In addition, the computer system may skip a receipt number if a receipt is started but closed before it is finalized. During our review of receipts, we identified receipt numbers unused by both the County Clerk and the County Collector-Treasurer. Neither the County Clerk nor the County Collector-Treasurer could provide documentation to show whether the receipt numbers had been skipped or voided in the computer system.

To ensure all monies received are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Clerk and County Collector-Treasurer should work with the computer software vendor to ensure adequate controls are in place to track the numerical sequence of all receipt numbers.

3.2 Timesheets

As similarly noted in our prior audit report, timesheets do not always indicate supervisory approval. The county incurred payroll costs of approximately $1.2 million during the year ended December 31, 2015.

Timesheets submitted by the Sheriff's office to the County Clerk's office are not reviewed or signed by the Sheriff. Instead, the timesheets are footed by the Sheriff's Administrative Assistant and stamped with the Sheriff's signature. In addition, during our review of 10 timesheets, we identified 2 other employees' timesheets that were not signed by their supervisor.

Detailed timesheets signed by the employee and approved by a supervisor are necessary to document hours actually worked and provide information needed to monitor overtime, leave, and compensatory time; and are beneficial in demonstrating compliance with county policies.

Recommendations

3.1 The County Clerk and County Collector-Treasurer implement procedures to account for the numerical sequence of receipt numbers and work with the computer software vendor to ensure adequate controls are in place to track all receipt numbers.

3.2 The County Commission require timesheets be approved by the employee's supervisor.

Auditee's Response

3.1 The County Clerk provided the following response:

The County's software company was able to provide instruction on how to access a detailed Cash Collection History Report, which includes sequential receipt numbers, date and time, operator, batch numbers, transaction amounts and how applied, reference and voids. This report will be run and archived monthly by the County Collector-Treasurer.

The County Collector-Treasurer provided the following response:

This has already been checked on. A receipt number report can be run for a certain time period. In the reports I ran there were no numbers missing if the report was run for all terminals under cash collections. Voided transactions are also on this report and we will be able to run this report each month. I talked to Tyler Technologies on May 26, 2016, about the voids that show up on this report not having the full line of information. It is something the program does if it sits idle for a few minutes when a payment is started, but it is not an actual void.

3.2 The County Commission provided the following response:

Timesheets will be signed by officials.

4. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting and bank records. The Prosecuting Attorney's office collected approximately $63,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

One Administrative Assistant receives, records, and deposits monies received; prepares checks for disbursement; and reconciles the bank account. The Prosecuting Attorney does not perform a documented supervisory review of the accounting and bank records to ensure all monies received are properly recorded and deposited or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement documented independent or supervisory reviews of accounting and bank records.

Recommendation

The Prosecuting Attorney segregate accounting duties or ensure supervisory or independent reviews of detailed accounting and bank records are performed and documented.

Auditee's Response

I am not able to segregate accounting duties, as Linn County provides one Administrative Assistant for the office. Money orders are accepted as the exclusive form of payment for restitution since taking office on January 1, 2003. Money orders for court-ordered restitution are made payable to the Linn County Prosecuting Attorney. I review and sign bank deposits on occasion when I am at the office when deposit slips are prepared. The bank account does not have a debit device associated with it. I will review each bank statement upon receipt, document said review, and address any discrepancies.

Linn County
Organization and Statistical Information

Linn County is a township-organized, third-class county. The county seat is Linneus.

Linn County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to 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 39 full-time employees (including elected officials) and 11 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include a Senior Citizens' Services Board and a 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	2016	2015
Dick King, Presiding Commissioner	$	28,400
Bill Dorsey, Associate Commissioner		26,400
Jim Libby, Associate Commissioner		26,400
Loretta Brookshier, Recorder of Deeds		40,000
Suzan Stephenson, County Clerk		40,000
Tracy L. Carlson, Prosecuting Attorney		47,000
Tom Parks, Sheriff		44,000
Kenny F. Creason, County Coroner		12,000
Kay Cunningham, Public Administrator		25,000
Pamela S. Reed, County Collector-Treasurer, year ended March 31,	40,000	
Marlene Graves, County Assessor, year ended August 31,		40,000