



Office of Missouri State Auditor
Nicole Galloway, CPA

Cedar County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Cedar County

Sheriff's Controls and Procedures	The Sheriff improperly deposited funds into the Sheriff's Revolving Fund and authorized unallowable disbursements and transfers totaling \$17,475 from that fund during the year ended December 31, 2015. The Sheriff does not issue receipt slips or maintain a receipts log for the Missouri State Highway Patrol portion of concealed carry weapon fees. The secretary did not prepare monthly lists of liabilities for the inmate booking bank account; therefore, liabilities are not reconciled to the available cash balance.
Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk also does not prepare or verify the accuracy of the delinquent tax books.
County Collector's Controls and Procedures	The County Collector's annual settlement was not accurate. The County Collector also failed to withhold mailing commissions of approximately \$29,700 in November and December 2015 and approximately \$33,400 in November and December 2014.
County Procedures	The County Clerk failed to submit a certified copy of the 2016 and 2014 county budgets to the State Auditor's Office in accordance with state law. In addition, the 2015 county budget was submitted 75 days after the budget was approved by the County Commission. The county also does not reconcile fuel logs to fuel billings.
Electronic Data Security	County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in the offices of the County Assessor, County Clerk, Prosecuting Attorney, and Public Administrator are not required to change passwords periodically.
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**.*

*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.

All reports are available on our Web site: auditor.mo.gov

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Cedar County

We have audited certain operations of Cedar County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Cedar 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:

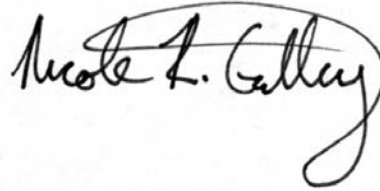
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 Cedar County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Cedar County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil fees, concealed carry weapon (CCW) permits, jail phone and commissary commissions, bonds, and other miscellaneous receipts. Bonds and monies remitted to the County Treasurer totaled approximately \$316,000 for the year ended December 31, 2015.

1.1 Sheriff's Revolving Fund

The Sheriff improperly deposited funds into the Sheriff's Revolving Fund and also authorized unallowable disbursements and transfers totaling \$17,475 from the Sheriff's Revolving Fund during the year ended December 31, 2015. Disbursements and transfers from the Sheriff's Revolving Fund totaled \$20,760 for the year ended December 31, 2015.

The Sheriff improperly turned over sex offender registry, report, impound, trailer inspection, and other miscellaneous fees totaling \$2,616 for the year ended December 31, 2015, for deposit into the Sheriff's Revolving Fund. These fees should have been deposited into the Law Enforcement Sales Tax Fund. The Sheriff also authorized \$4,475 of unallowable disbursements from the Sheriff's Revolving Fund during 2015. None of these purchases were related to the issuance of CCW permits as required by state law. The unallowable disbursements were for evidence and drug testing supplies totaling \$1,715, patrol equipment and bullet proof vests totaling \$2,091, and outdoor video surveillance equipment totaling \$669. Additionally, the Sheriff authorized unallowable transfers of \$8,000 from the Sheriff's Revolving Fund to the Jail Building Fund and \$5,000 to the Law Enforcement Training Fund during 2015 for disbursements unrelated to the issuance of CCW permits.

Sections 50.535 and 571.101, RSMo, require fees collected for CCW permits to be deposited into the Sheriff's Revolving Fund and use of this money to make necessary expenditures to process applications for concealed carry endorsements or renewals, including but not limited to the purchase of equipment, training, fingerprinting, background checks, and employment of additional personnel. There are no statutory provisions allowing any other monies to be deposited into the Sheriff's Revolving Fund. Miscellaneous fees received by the Sheriff's office should be deposited to the Law Enforcement Sales Tax Fund because this fund supports the operations of the Sheriff's office.

1.2 CCW MSHP fees

The Sheriff does not issue receipt slips or maintain a receipts log for the Missouri State Highway Patrol (MSHP) portion of CCW fees. During the year ended December 31, 2015, the Sheriff collected MSHP fees totaling approximately \$3,900 related to criminal background checks for new CCW permit applications. The Sheriff requires applicants to submit these fees by money order made payable to the MSHP, but does not issue receipt slips or maintain a receipts log to ensure all fees collected are transmitted to the



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MSHP. As a result, there is less assurance all fees collected have been properly transmitted.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts slips should be issued for monies received and a receipts log of monies received should be maintained. Additionally, the receipts log should be reconciled with criminal background reports received to ensure all monies were properly transmitted to the MSHP.

1.3 Liabilities

The Office Secretary did not prepare monthly lists of liabilities for the inmate booking bank account; therefore, liabilities are not reconciled to the available cash balance. We identified \$58,592 in liabilities at December 31, 2015. The available cash balance of \$62,094 exceeded the list of liabilities by \$3,502.

Without regular identification and comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.

A similar condition was noted in our prior audit report.

Recommendations

The Sheriff:

- 1.1 Ensure applicable fees are deposited into the Law Enforcement Sales Tax Fund and use restricted monies in accordance with state law. Additionally, the Sheriff should work with the County Commission to transfer \$2,616 from the Sheriff's Revolving Fund to the Law Enforcement Sales Tax Fund, and to obtain reimbursement for the Sheriff's Revolving Fund from the applicable county funds for the improper transfers of \$13,000 and the unallowable disbursements of \$4,475.
- 1.2 Issue receipt slips for monies received and maintain a receipts log of CCW fees collected and transmitted to the Missouri State Highway Patrol and reconcile the log with criminal background reports received.
- 1.3 Prepare a monthly list of liabilities, reconcile it to the available cash balance, and promptly investigate and resolve any differences.

Auditee's Response

- 1.1 *Deposits to the Sheriff's Revolving Fund now only pertain to the CCW fees and fingerprints/background checks. That money will be used for the purchase of equipment, training, fingerprinting and background checks when necessary. The other money that was deposited into the Sheriff's Revolving Fund such as sex offender*



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registries, reports, inspections, and miscellaneous fees are now being deposited into the Law Enforcement Sales Tax Fund at the end of each month. For future transfers and reimbursements, I will consult with the County Commissioners.

- 1.2 *The fingerprint fees to the MSHP are now being receipted along with the amount due to the Sheriff's office for a total amount of \$65. At the end of each week a check out of the Sheriff's Office Account is mailed to the MSHP along with the fingerprint cards.*
- 1.3 *The Office Secretary has a list of liabilities pertaining to the inmates to match at the end of each month. The money in the Inmate Booking Account will match to the inmate's totals for the month of what they have purchased and now is deposited into the new Inmate Commissary Account. This account is now used to purchase the phone cards, electronic cigarettes, stamps, etc. to accommodate the inmate rather than asking the County Treasurer to write checks out of the Inmate Security Fund. The money left in the account matches what the inmate still has on his/her books to purchase commissary items if and when he/she chooses.*

2. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. Property taxes and other monies collected by the County Collector totaled approximately \$8.1 million for the year ended February 29, 2016.

- 2.1 Review of property taxes Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. See MAR finding number 3.1. 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 into 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 the 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.



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2.2 Tax books

The County Clerk does not prepare or verify the accuracy of the delinquent tax books. The delinquent tax book is prepared by the County Collector. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A documented review of delinquent tax books should include recalculating tax book totals and charges. Failure to perform adequate and documented reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Section 140.050, RSMo, requires the County Clerk to extend the delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

Recommendations

The County Clerk:

- 2.1 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 settlements.
- 2.2 Prepare the delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.

Auditee's Response

- 2.1 *The County Assessor turns his books over to the County Clerk. The County Clerk balances the County Assessor's assessment book, once the books are balanced the tax levies are applied by an out-source company and the County Collector is charged with collecting the taxes, commissions, penalties, and interest. The County Clerk then verifies a sampling of tax statements printed by the County Collector. Weekly the County Assessor reports any add-ons or abatements to the tax books to the County Commission, and the County Commission signs off on all changes. Monthly the County Collector runs a report showing the add-ons and abatements and the County Clerk checks them off individually to what the County Assessor has reported to ensure the County Collector is collecting changes made by the County Assessor. Monthly the County Collector turns over a report of collections along with the revenue collected. These amounts are put on an excel spreadsheet; once the County Treasurer has dispersed the funds the County Clerk balances the County Treasurer's books to verify the amount*



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dispersed matches the amount collected. The County Clerk uses Form 1315A, which is provided by the state to report collections of revenues. This form shows the current taxes and licenses and the back taxes collected monthly by the County Collector. The problem noted was detected in 2014 prior to the 2016 audit and was discussed at the time on how best to rectify the situation. Currently the County Collector and the County Assessor use different software, the County Clerk's Office has no software; in the future the County Collector and County Assessor plan to be on the same system, which will make tracking the County Collector's Office more efficient; and the County Clerk will continue to use Excel spreadsheets and add a column that shows remaining taxes due.

2.2 *Monthly the County Clerk completes a Form 1315A, which is provided by the state to report delinquent taxes collected. Annually the County Commission signs off on the back tax books. The County Clerk will add a spreadsheet that shows a running total of delinquent taxes paid and back taxes due.*

3. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement.

3.1 Annual settlement

The County Collector's annual settlement was not accurate. The County Collector understated collections and disbursements by approximately \$53,400 for the year ended February 29, 2016. The total collections and disbursements amounts reported on the annual settlement were less than the total of collections and disbursements amounts reported on the 12 monthly settlements. Due to inadequate procedures to review the annual settlement as indicated in MAR finding number 2.1, these understatements went undetected.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector file complete and accurate annual settlements.

3.2 Mailing commissions

The County Collector failed to withhold mailing commissions of approximately \$29,700 in November and December 2015 and also failed to withhold mailing commissions of approximately \$33,400 in November and December 2014.



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Section 52.250, RSMo, provides for a one-half of one percent mailing commission on all current taxes collected, except railroad and utility tax collections, to be paid into the county's General Revenue Fund.

Recommendations

The County Collector:

- 3.1 File complete and accurate annual settlements.
- 3.2 Ensure commissions calculations comply with statutory provisions. Additionally, the County Collector should review mailing commissions on property taxes collected in November and December for past years, and calculate the amount owed by each taxing district.

Auditee's Response

The County Collector's office feels that the computer programming errors will be fixed. New programming is in place to handle our annual settlement reports with system audit reports available. New software will handle the annual settlement issues, along with other reporting capabilities. This will be in place by October 2016. The adjusted annual settlements have been filed with the County Clerk.

Mailing commissions will reflect the correct percentages. The mailing commission adjustments will be made this December when funds become available. I have consulted with our new computer programmer that will be handling the adjustments. I have been assured the mailing commission programming will be fixed and updated as needed when fees and penalty calculations change statutorily. We will check every year to make sure they are still calculating correctly.

Reports have been given to the County Clerk and County Treasurer to ensure corrections will be made for December 2014 and 2015 mailing commissions.

4. County Procedures

Procedures related to county budgets and fuel use need improvement.

4.1 County budget

The County Clerk failed to submit a certified copy of the 2016 and 2014 county budgets to the State Auditor's Office in accordance with state law. In addition, the 2015 county budget was not submitted timely (75 days after approved by the County Commission).

Section 50.740.2, RSMo, requires the county clerk to file a certified copy of the budget with the state auditor within 5 days of approval.



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4.2 Fuel use

The county does not reconcile fuel logs to fuel billings. During the year ended December 31, 2015, the road and bridge department and Sheriff's office purchased fuel totaling \$31,776 and \$38,087, respectively.

The fuel purchased by the county is stored in two bulk fuel tanks at the road and bridge facility. Although mileage and fuel usage logs are maintained for the road and bridge department and the Sheriff's office vehicles, and county officials review the individual vehicle logs for reasonableness of fuel usage, the logs are not reconciled to fuel purchases.

Procedures for reconciling fuel use to fuel purchases are necessary to prevent paying vendors for improper amounts and decrease the risk of loss, theft, or misuse of fuel going undetected.

A similar condition was noted in our prior audit report.

Recommendations

- 4.1 The County Clerk submit a certified copy of the county budget to the State Auditor within 5 days of approval as required by state law.
- 4.2 The County Commission require reconciliation of fuel and usage logs to fuel purchases. Any significant differences should be investigated.

Auditee's Response

- 4.1 *The budget is submitted on time in the same format it is received by the state which is electronically. The County Clerks' Association would like to work with the State Auditor's Office and State Legislators to revise antiquated statutes such as Section 50.740.2, RSMo, to meet modern, generally accepted practices. The aforementioned statute was implemented in 1939, and last revised in 1965. At this time tax dollars are being spent unnecessarily to meet this demand. We acknowledge the fact it is the State Auditor's responsibility to note any statute that isn't being followed to its entirety but also would like to note that it is not efficient use of time or tax dollars to continue this process. Counties are required to print a massive document, send it certified mail, then in return the State Auditor's Office is required to send by registered mail the receipt of delivery. When the document is sent in paper format the state will call and request we send it to them in electronic form. In the future the budget will be sent both electronically and in paper format.*
- 4.2 *The County requires fuel be delivered in state certified, metered trucks. Receipts from delivery trucks are reconciled to monthly statements from gas company. A security camera was installed at gas pumps in 2007. Fuel Usage Logs were developed in 2007 that show date, employee name, vehicle inventory number, odometer readings, fuel pump meter readings, and number of gallons*



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pumped. These forms are available in the County Clerk's Office. The County Commission will encourage each department to use these logs in the future and will recommend the fuel in tanks be measured on a regular basis.

5. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. County employees in the offices of the County Assessor, County Clerk, Prosecuting Attorney, and Public Administrator are not required to change passwords periodically, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendation

The County Commission work with county officials to require employees to periodically change passwords to prevent unauthorized access to computers and data.

Auditee's Response

The County server is backed up externally daily with data stored off site. Offices who have more than one computer are typically networked together for that office's use only with each employee having their own username and password. Certain areas are blocked as read only. Some passwords in areas where there is sensitive information, are changed on a regular basis (60-90 days), others are annually. The County Commission will send out a memo recommending all passwords be changed more often.

Cedar County

Organization and Statistical Information

Cedar County is a county-organized, third-class county. The county seat is Stockton.

Cedar 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 62 full-time employees (including elected officials) and 13 part-time employees on December 31, 2015.

In addition, county operations include a Senior Citizens' Services 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
Marlon Collins, Presiding Commissioner	\$	29,060
Don Boultinghouse, Associate Commissioner		27,060
John A. Fox, Associate Commissioner		27,060
Carole Wilkerson, Recorder of Deeds		41,000
Peggy Kenney, County Clerk		41,000
Ty Gaither, Prosecuting Attorney		134,385
Leon Dwerlkotte, Sheriff		45,000
Ronnie Miller, County Treasurer		41,000
C. W. Bill Neale, County Coroner		13,000
Charlotte Haden, Public Administrator		41,000
Joan Haines, County Collector, year ended February 29,	41,000	
Chad E. Pyle, County Assessor, year ended August 31,		41,000
Charles (Mark) Francis, County Surveyor (1)		

(1) Compensation on a fee basis.

New sales tax

In April 2016, voters passed a 0.50 percent sales tax for the purpose of paying for county road and bridge improvements, public safety improvements, and other operating expenses of county government. A portion of this sales tax (0.25 percent) will expire on September 30, 2026, unless reauthorized by the voters.