



Office of Missouri State Auditor
Nicole Galloway, CPA

Polk County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Polk County

Property Tax System	The county has not adequately restricted property tax system access. Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Collector improperly included \$5,233 in County Collector fees and \$626 in Proposition C commissions collected during the year ended February 29, 2016, when calculating the penalty distribution. As a result, the County Collector distributed \$1,674 and \$2,511 to the Tax Maintenance Fund and County Employees' Retirement Fund respectively, that should have been distributed to the General Revenue Fund.
Sheriff's Controls and Procedures	The Sheriff has not established adequate controls over seized property. The log of seized property maintained is not complete or accurate. A physical inventory of seized property has not been performed since at least 2004. Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services. The Sheriff has not established adequate password controls to reduce the risk of unauthorized access to Sheriff's office computers and data.
Tax Maintenance Fund	Some disbursements from the county's Tax Maintenance Fund were not in compliance with uses allowed by state law and/or seemed unreasonable. Some purchases were personal expenses and not essential to the administration or operation of the County Collector's office.
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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Polk County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Polk County

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

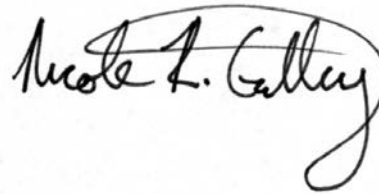
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, 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 applicable contract, grant agreement, 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 Polk County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Polk County

Management Advisory Report

State Auditor's Findings

1. Property Tax System

Controls and procedures over the property tax system need improvement. The County Collector's office processed property taxes and other monies totaling approximately \$15.8 million for the year ended February 29, 2016.

1.1 Computer access

The county has not adequately restricted property tax system access. The County Clerk enters the property tax levies into the property tax system using the County Collector's access rights to the property tax system. Because the County Collector is responsible for collecting tax payments, good internal controls require the County Collector not have access rights allowing alteration or deletion of tax rates.

Without adequate segregation of incompatible duties, there is an increased risk of loss, theft, misuse, or errors occurring and going undetected. In addition, due to the lack of oversight of the County Collector's office activities (as explained in the following sections), any erroneous or improper changes made in the system by the County Collector could go undetected.

1.2 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 include yearly totals in the account book summarizing the monthly property tax transactions. 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. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

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.

A similar condition was noted in our prior audit report.

1.3 Penalty distributions

The County Collector improperly included \$5,233 in County Collector fees and \$626 in Proposition C commissions collected during the year ended February 29, 2016, when calculating the penalty distribution. Section 52.290, RSMo, allows for the collection of a 7 percent penalty on delinquent taxes and provides for the penalty to be distributed as follows: two-sevenths to the General Revenue Fund, two-sevenths to the Tax Maintenance Fund,



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and three-sevenths to the County Employees' Retirement Fund. Because these fees and commissions were combined with the 7 percent penalty when determining the penalty distribution, and not distributed directly to the General Revenue Fund, the County Collector distributed \$1,674 and \$2,511 to the Tax Maintenance Fund and County Employees' Retirement Fund respectively, that should have been distributed to the General Revenue Fund.

The penalty authorized under Section 52.290, RSMo, does not include the County Collector fees and Proposition C commissions. Thus, the County Collector fees and Proposition C commissions should not be included with the penalty amount when calculating and making the penalty distribution.

Recommendations

- 1.1 The County Collector 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 The County Clerk determine yearly totals in the account book and 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.
- 1.3 The County Collector ensure amounts disbursed are calculated accurately and correct the inaccurate distributions.

Auditee's Response

The County Clerk and County Commission provided the following responses:

- 1.1 *The County Clerk is not linked to the property tax system software in her office. The County Clerk uses the County Collector's terminal to enter the certified levy amounts into the property tax system. The County Clerk spoke with the software company regarding limiting access in the tax system to only what is needed for users to perform their job duties and responsibilities. Effective August 10, 2016, the County Clerk was given her own password to enter levies into the tax system. The County Collector no longer has access to enter or maintain tax levy amounts.*
- 1.2 *The County Clerk has been keeping a spreadsheet of the financial activities of the County Collector; however, it did not contain all of the information necessary to assist with verifying the accuracy of the County Collector's annual settlement. The County Clerk obtained and implemented a spreadsheet utilized in a different county to summarize monthly transactions. This spreadsheet will be used to verify the accuracy and completeness of the County Collector's annual settlements going forward.*



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The County Collector provided the following responses:

- 1.1 *The County Clerk has exclusive access to enter tax levies into the property tax system beginning in August 2016. 2016 tax levies were entered solely by the County Clerk via password access. The County Clerk has always entered the levies, even prior to restricted access; certified them, and provided the documented levies to the County Collector. While the County Collector has never accessed that program, now the assurance is provided to prevent that possibility and remove all suspicion of a risk of loss, theft, misuse, or error.*
- 1.3 *This reflects an error in software programming, not a deliberate or even calculated error on the part of the County Collector. Written instructions to correct the calculation were sent to the software developer and the County Collector has received confirmation that the error in the software program has been corrected. Corrections have been calculated to reimburse the General Revenue Fund and the Tax Maintenance Fund portion was disbursed to the General Revenue Fund on November 15, 2016. The amounts from County Employees' Retirement Fund will be corrected with the next monthly disbursement. The County Collector has also taken the initiative to retrace previous years' disbursements to determine if there are similar errors. Those amounts will also be taken into account in the next disbursement.*

2. 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 totaling approximately \$248,000 for the year ended December 31, 2015.

2.1 Seized property

The Sheriff has not established adequate controls over seized property. The log of seized property maintained is not complete or accurate. The log is not updated timely, does not include all items collected as seized property, and includes previously disposed of items. Also, a physical inventory of seized property has not been performed since at least 2004. Our review of the seized property log identified the following concerns:

- Seized property associated with 2 cases continued to be included on the log after the property was disposed of or turned over to another law enforcement agency.
- The log included property that had not been seized. The Sheriff's case narrative report indicated the property should have been seized but that did not occur.



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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 property. 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.

2.2 Bidding

Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services costing approximately \$64,500 and \$39,700, respectively, during the year ended December 31, 2015.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest prices and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

2.3 User passwords

The Sheriff has not established adequate password controls to reduce the risk of unauthorized access to Sheriff's office computers and data. Employees are not required to change passwords periodically or have a minimum number of characters in the passwords.

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 or contain a minimum number of characters, there is less assurance they 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.

Similar conditions previously reported Recommendations

A similar condition to section 2.1 was noted in our prior audit report, and a similar condition to section 2.2 was noted in our 2 prior audit reports.

The Sheriff:

- 2.1 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.
- 2.2 And the County Commission ensure bids are solicited for all major purchases in accordance with state law.



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- 2.3 Require employees to periodically change passwords that contain a minimum number of characters to prevent unauthorized access to computers and data.

Auditee's Response

The Sheriff provided the following responses:

- 2.1 *I have talked with the Sheriff-Elect and recommended to him to have a second officer be assigned to evidence. This should create somewhat of a checks and balance system. I have also recommended to him to do a periodic inventory to ensure complete and accurate records are maintained.*

- 2.2 *We are currently in the process of creating a specific formula to cover our needs to buy food for the jail. We have not found a supplier that will provide a contract locking in certain prices. At a minimum we will begin documenting our price comparison when purchasing groceries. The County Clerk has contacted other counties to inquire about their process to bid on food for the jail, however, we have not received any information that has been helpful. This information will be forwarded to the Sheriff-Elect.*

Additionally, I have recommended to the Sheriff-Elect to look into other companies that provide medical services for the jail. We have not found any companies in the past that provide the same level of service for the price we currently pay.

- 2.3 *All computer terminals are in secured areas and no unauthorized person is allowed in those areas without an authorized person accompanying them. As I will only be the Sheriff until the end of December 2016, I have passed this recommendation on to the Sheriff-Elect to implement a system for changing passwords.*

The County Commission provided the following response:

- 2.2 *We will make every effort to work with the Sheriff-Elect to solicit bids for prisoner meals and medical services as outlined in Section 50.660, RSMo.*

3. Tax Maintenance Fund

We identified significant concerns with the disbursements made from Tax Maintenance Fund (TMF).

The County Collector collects a penalty of 7 percent of the total charged on delinquent taxes, and two-sevenths of this penalty is required to be paid into the TMF of the county to be used for additional administration and operation costs related to the office of the County Collector. During the year ended December 31, 2015, disbursements from the TMF totaled \$36,563.



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Some disbursements from the county's TMF were not in compliance with uses allowed by state law and/or seemed unreasonable. Some purchases were personal expenses and not essential to the administration or operation of the County Collector's office. Concerns noted during our review included:

- The County Collector transferred \$7,000 in November 2015 from the TMF to the General Revenue Fund. The supporting documentation for this transfer indicated this was a "GIFT." Some operating or administration costs during the year ended December 31, 2015, were paid directly from the TMF by the County Treasurer. There was no indication the transfer represented a reimbursement for additional costs paid from the General Revenue Fund relating to the operation or administration of the County Collector's office. Additionally, the County Collector indicated this was a voluntary gift and was not associated with any dedicated purpose.
- Annual credit card fees for 2 of the County Collector's personal credit cards totaling \$184 and interest and late fees totaling \$34 on one of her personal credit cards were paid from the TMF. The County Collector uses these credit cards for both county business and personal business. The county issues checks directly to these credit card companies when used for county business and the County Collector made payments to these credit card companies when used for personal business. While the County Collector has a county issued credit card, she has chosen to use her personal credit cards for TMF purchases. These are personal expenses and are not essential to the administration or operation of the County Collector's office.
- The County Collector was reimbursed \$180 from the TMF for her attendance on a railroad tour while at a conference in Colorado. This was not a requirement for attending the conference, and was a personal expense and not essential to the administration or operation of the County Collector's office.
- The County Collector stayed at a hotel costing an average of \$233 per night for 5 nights instead of staying at the hotel in which the conference had negotiated a discounted rate of \$92 per night while attending a conference in Colorado in October 2015. This resulted in additional costs of approximately \$141 per night for lodging costs.

Section 52.315, RSMo, requires TMF monies be expended for additional administration and operation costs of the County Collector's office. Section 52.315, RSMo, further indicates "Any costs shall include, but shall not be limited to, those costs that require any additional out-of-pocket expense by the office of collector and it may include reimbursement to the county



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general revenue for the salaries of employees of the office of collector for hours worked and any other expenses necessary to conduct and execute the duties and responsibilities of such office." Any unexpended balance is required to remain in the TMF to accumulate from year to year and should not be transferred to the county's general revenue for non-collector related purposes prior to reaching the limits set forth in Section 52.317.1, RSMo. It is unclear how the above items benefited the operation or administration of the office of the County Collector and therefore, the disbursements were not an appropriate use of the TMF monies. In addition, some items were personal expenses.

Recommendation Recommendation

The County Collector ensure disbursements from the Tax Maintenance Fund are in compliance with statutory provisions and are a prudent use of taxpayer funds.

Auditee's Response

The County Collector takes exception with the unfounded concerns mentioned. Of the amount spent for the entire year of 2015, 19.2 percent was returned to the General Revenue Fund voluntarily without attachment to any dedicated purpose. It was a gift, a gesture of good will to advance the service provided by the county to its citizens. These transfers began in 2003 shortly after the TMF was established. The intent at that time was to ensure more technology in the building. Each year this continued with the exception of 2008-2010 when \$18,000 was expended each year for a new software program. While the County Collector does not demand that it be used for technology, it is certain that the county incurs costs in that category and the transfer of funds benefits the county while also enhancing the technology in the County Collector's office. Another 30 percent was used to purchase supplies and computers used for the collection of taxes for the citizens of Polk County. These were funds that the General Revenue Fund did not have to spend for the County Collector's office. Another 9.2 percent was also paid to the General Revenue Fund to supplement a salary of an employee who was assigned significant additional duties. It is also important to understand that this fund is totally sustained by only delinquent tax penalties. The fund is not and never was a part of anticipated revenues for General Revenue Fund budgeting due to its nature of being a penalty and not a tax. Also, Section 52.315, RSMo, states that the County Collector has sole responsibility of the fund and must approve all expenditures, which the County Collector completed with the proper documentation. Section 52.317.1, RSMo, does not apply to this recommendation in any respect. As the County Collector was involved at the time of the drafting of this legislation and knew the intent of the author, that statute was designed to prevent the County Collector from holding an excess of funds and not allowing it to be used to advance the needs of the County Collector's office or the county. It should also be noted that prior years transfer amounts totaled \$64,500 and were examined by the State Auditor's Office with reports being made for September 2004 (#2004-82), September 2009



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(#2009-92), and October 2012 (#2012-126) involving 3 previous State Auditor's Administrations, of both major political parties, and it has not been cited as a statutory problem while all included yearly transfers and were not once questioned by the State Auditor's Office.

The County Collector, whenever possible, uses credit cards that she is personally financially responsible for when using the Tax Maintenance Fund monies. She does not use the card for personal expenses. There is a significant difference when using the word "personal" and the State Auditor's Office fails to mention the distinction. The county credit card that the State Auditor's Office mentions is also one that the County Collector is personally financially responsible. The card used by the County Collector provides a record of the expense, avoids the need to carry cash, and allows the benefit of no cost luggage fees when air travel is involved. Even with the annual fee, the savings to the county was \$116 for 2015. Previous years savings amounted to \$520. The County Collector has already negotiated away the fee for the 2016 year and is hopeful she will be successful with that in the future. Therefore, the use of the reward card contributed to a significant savings for the county. The \$34 in late fees and interest was attributed to a credit card bill not ever being received. It was obviously a unique situation as the County Collector has, as a habit, paid credit card balances due in January in late December as the county is prohibited from paying bills until the budget is approved, which is often the last days of January. Without this effort and foresight, the county would have late charges and interest every January. Therefore, without a pattern of this occurrence, it should be identified as only an isolated incident.

The County Collector attended a Rural Action Caucus Meeting as a Presidential appointed member of the National Association of Counties. The symposium involved indoor and field meetings but also included pre-conference sessions for various environmental site visits. The day involved visiting the Gold King Mine site in Silverton with Environmental Protection Agency (EPA) personnel who updated us on the environmental impact and the progress of cleanup following the waste water spill disaster of 2015, the impact to the Animas River, tourism, and the escalating relationship with EPA. The afternoon was spent with county personnel during the railway tour to observe the mucky orange contaminated waterways and the effects on the trees and wildlife. I would estimate that approximately 85 percent of the symposium attendees also attended the pre-conference event due to its value of education and training in learning how to deal with a disaster that impacts an area severely. This was an educational training as allowed by Section 52.315.2, RSMo, which also states, "including anything necessarily pertaining thereto." The County Collector also serves as the Information Director in case of emergencies and would not hold that position without being the County Collector. In the County Collector's opinion, all



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knowledge benefits the one who receives it and deems this training as valuable as any other.

The hotel of mention was reserved 4 months prior to the conference on the advisement of the event chairman. She advised the County Collector that this is the place the County Collector would want to stay and it would fill up quickly. When the conference registration opened it did not mention the hotel but provided a link (icon without a name) if you wanted to make accommodation requests. The County Collector did not need such accommodations since she had a room reserved for 3 months prior. Upon arriving for the conference, the County Collector discovered that there was a different facility and investigated changing her arrangements from the current hotel. With the cancellation policy, the savings would have been \$2.80 and she would have been sleeping in a motel facility with outside entrances which as a woman travelling alone is considered unsafe. She acted in good faith when selecting the hotel in June and it was unfortunate that the hotel cancellation policy was so strict that even changing to a motel would have been an insignificant cost savings.

With the full explanation provided above, the County Collector believes the situation has been made more clear, and the findings could not be described as personal expenses in any way and should be categorized as being in full compliance with uses allowed by state law.

Auditor's Comment

According to the 2016 county budget, the county paid \$1,139 in DSL internet services expenses during 2015. However, the County Collector transferred \$7,000 to the General Revenue Fund and per the County Collector response made the transfer "voluntarily without attachment to any dedicated purpose. It was a gift, a gesture of good will to advance the service provided by the county to its citizens." Annual credit card fees of personal credit cards are personal expenses. Section 52.317.1, RSMo, specifically mentions the Tax Maintenance Fund so this statute is applicable to that fund.

Polk County

Organization and Statistical Information

Polk County is a county-organized, third-class county. The county seat is Bolivar.

Polk 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 87 full-time employees (including elected officials) and 18 part-time employees on December 31, 2015.

In addition, county operations include a Senate Bill 40 Board, Senior Citizens' Services Board, and Law Enforcement Restitution 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
Shannon Hancock, Presiding Commissioner	\$	30,380
Kyle Legan, Associate Commissioner		28,380
Rex Austin, Associate Commissioner		28,380
Carol Poindexter, Recorder of Deeds		43,000
Melinda Robertson, County Clerk (1)		43,104
Kenneth R. Ashlock, Prosecuting Attorney		134,188
Kay Williams, Sheriff		48,000
Vonna Jones, County Treasurer		43,000
Roy Harms, County Coroner		15,000
Barbara Davolt, Public Administrator		43,000
Debbi R. McGinnis, County Collector, year ended February 29, (2)	44,734	
Carolyn Page, County Assessor, year ended August 31,		43,000
Michael Shuler, County Surveyor (3)		

- (1) Includes \$104 of commissions earned for preparing the city tax books.
- (2) Includes \$1,734 of commissions earned for collecting city taxes.
- (3) Compensation on a fee basis.