



Office of Missouri State Auditor
Nicole Galloway, CPA

Shelby County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Shelby County

County Collector's Railroad Tax Commissions	In December 2015 and 2016, the County Collector withheld and retained \$1,455 and \$1,599 (total \$3,054), respectively, more commissions from the school districts' portion of railroad tax collections than statutorily allowed.
Seized Property and Evidence	The Sheriff's department does not perform a physical inventory of seized property and does not adequately record the disposition of evidence and other seized property. We noted discrepancies between records and items on hand, and an instance where records had not been updated for an item returned to the owner.
Electronic Data Security	The Sheriff, County Collector, County Assessor, Prosecuting Attorney, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices 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 **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.

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 Shelby County

We have audited certain operations of Shelby 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 Shelby County for the 2 years ended December 31, 2016. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

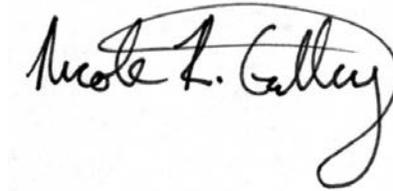
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 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 Shelby 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:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Christopher A. McClain
Audit Staff:	Morgan Alexander Dacia Rush, M.Acct.

Shelby County Management Advisory Report State Auditor's Findings

1. County Collector's Railroad Tax Commissions

In December 2015 and 2016, the County Collector withheld and retained \$1,455 and \$1,599 (total \$3,054), respectively, more commissions from the school districts' portion of railroad tax collections than statutorily allowed. The commission withheld those months was 1.5 percent of railroad tax collections instead of 1 percent of collections. As a result, the county's General Revenue Fund received excess commissions.

Section 151.280, RSMo, provides for the County Collector to withhold a 1 percent commission for collecting these taxes and to pay these commissions to the county's General Revenue Fund.

Recommendation

The County Collector should ensure commission calculations comply with statutory provisions and correct any formula errors that have been entered into the computer system. Additionally, the County Collector should review railroad tax commissions for past years, and any excess commissions withheld, in addition to the \$3,054, should be distributed to the proper districts.

Auditee's Response

The computer technician reviewed the percentage for the commission and had no explanation how the amount was changed in the programming. The percentage has been adjusted back to 1 percent from 1.5 percent.

The commission will be recalculated in December and the excess amounts collected in 2015 and 2016 will be distributed to the schools.

We will review all prior years to ensure the commissions were correctly calculated.

2. Seized Property and Evidence

The Sheriff's department does not perform a physical inventory of seized property and does not adequately record the disposition of evidence and other seized property. Our review of seized property records and the evidence room identified some problems. For example, an item indicated as on hand in the property records could not be located at the time of our review. The Sheriff subsequently provided documentation showing the item should not have been on hand or included in the seized property records because the case had been resolved and the item returned to the owner approximately 2 years ago. In addition, an item on hand and tagged in the evidence room was not included in the seized property records. The Sheriff's evidence room was generally disorganized and it was difficult to locate items in the room.

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. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.



Shelby County
Management Advisory Report - State Auditor's Findings

A similar condition was noted in our prior audit report.

Recommendation

The Sheriff should ensure a periodic physical inventory is conducted and reconciled to seized property records, and investigate any differences. Also, the Sheriff should maintain accurate seized property records.

Auditee's Response

The above recommendations will be implemented to the standards needed.

3. Electronic Data Security

The Sheriff, County Collector, County Assessor, Prosecuting Attorney, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in these offices, 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 other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.

Auditee's Response

The commissioners will encourage our elected officials to have their employees change their passwords quarterly.

Shelby County Organization and Statistical Information

Shelby County is a county-organized, third-class county. The county seat is Shelbyville.

Shelby 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. In addition to elected officials, the county employed 37 full-time employees and 16 part-time employees on December 31, 2016.

Elected Officials

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

Officeholder	2017	2016
Glenn Eagan, Presiding Commissioner	\$	32,633
Maurice Shuck, Associate Commissioner		29,712
Kerry McCarty, Associate Commissioner		29,712
Audrey Grawe Buzzard, Recorder of Deeds		45,725
Tracy Smith, County Clerk		45,725
Jordan Force, Prosecuting Attorney		54,315
Dennis Perrigo, Sheriff		50,050
Jesse C. Burton, County Treasurer		45,725
Ralph Eagan, County Coroner		12,960
Susan C. Wilt, Public Administrator		24,128
John Chinn, County Collector (1), year ended February 28,	49,354	
Liz Miles, County Assessor, year ended August 31,		44,973
Martin T. Wasson, County Surveyor (2)		

- (1) Includes \$3,630 of commissions earned for collecting city and drainage district property taxes.
 (2) Compensation on fee basis.