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Missouri State Auditor

Dallas County

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Dallas County

Sheriff's Inmate Monies and E-Cigarette Controls and Procedures	The Sheriff's office does not have adequate procedures for recording, depositing, and disbursing inmate monies. The Sheriff's office does not maintain adequate records to account for e-cigarettes purchased and sold to inmates and inventory remaining on hand. The Sheriff's office does not charge or collect sales taxes on e-cigarettes sales, and no sales taxes are remitted to the Missouri Department of Revenue.
Public Administrator's Controls and Procedures	The Public Administrator sold health and beauty goods totaling approximately \$1,600 to a ward between July 2016 and February 2018 creating the appearance of a conflict of interest. The Public Administrator does not maintain adequate supporting documentation for fees assessed to wards and estates.
Recorder of Deeds' Bank Reconciliations	The Recorder of Deeds does not maintain an accurate check register balance and prepare adequate bank reconciliations.
Prisoner Boarding	The Sheriff does not have proper controls and procedures in place to ensure board bills for housing prisoners are collected.
County Procedures	The county has not established effective monitoring procedures over fuel and vehicle usage. The county does not report the value of personal (commuting) mileage for the personal use of county vehicles by a County Commissioner and 9 road and bridge department employees on their W-2 forms as required by the Internal Revenue Service. The County Commission has not issued an order or ordinance giving the Recorder of Deeds authority to provide passport services.
Electronic Data Security	The County Assessor, County Clerk, County Collector, and Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Security controls are not in place to lock computers in the offices of the County Collector, Recorder of Deeds, Public Administrator, Prosecuting Attorney, and County Assessor after a certain period of inactivity.
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 anyone 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**

County Commission
and
Officeholders of Dallas County

We have audited certain operations of Dallas County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Dallas County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

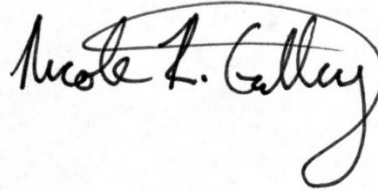
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Dallas 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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Dallas County Management Advisory Report State Auditor's Findings

1. Sheriff's Inmate Monies and E- cigarette Controls and Procedures

Controls and procedures over inmate monies and e-cigarettes need improvement. The Sheriff's office received \$26,051 from inmates between January 1, 2017, and July 8, 2018.

1.1 Inmate monies

The Sheriff's office does not have adequate procedures for recording, depositing, and disbursing inmate monies. Inmate monies are not deposited, but are held in a safe in individual envelopes for each inmate until e-cigarettes are purchased by the inmate. A ledger indicating the total amount held and the amount held for each inmate is not maintained. In addition, cash returned to inmates upon release is not always documented.

We reviewed inmate receipt slips, e-cigarette sale records, and property release forms, which documented property, including cash, returned to the inmates upon release for 13 inmates between January 1, 2017, and July 8, 2018. We identified the following problems during our review.

- For 5 inmates, receipt slips issued exceeded e-cigarette sales by \$965 and there is no money on hand for these inmates. The Sheriff's office could not locate property release forms for these inmates. For another inmate, receipt slips issued exceeded e-cigarette sales and the property release form by \$60.
- E-cigarette sales exceeded receipt slips issued for 4 inmates by \$271. The Deputy Sheriff responsible for selling e-cigarettes to inmates indicated his procedure is to determine the amount in each inmate's individual envelope before selling e-cigarettes and later take out cash from the envelopes for the e-cigarettes sold. However, 4 inmates purchased more e-cigarettes than they had cash available. He could not explain how this occurred.

Failure to implement adequate recording, depositing, and disbursing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

A similar condition was noted in our prior audit report regarding not properly receipting, recording, and depositing inmate monies.

1.2 E-cigarettes

The Sheriff's office does not maintain adequate records to account for e-cigarettes purchased and sold to inmates and inventory remaining on hand. In addition, periodic physical counts of the inventory are not performed. The Sheriff's office began selling e-cigarettes for \$10 each to inmates in March 2017. According to expenditure records, the office purchased 2,725 e-cigarettes between March 2017 and August 15, 2018. Records indicate deposits for e-cigarette sales totaled \$25,560 for the period March 2017



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through August 15, 2018, indicating at least 2,556 e-cigarettes were sold. Our count of e-cigarettes on hand on August 15, 2018, was 106, resulting in a shortage of 63 e-cigarettes. As a result, records and procedures are not sufficient to account for e-cigarettes or monies collected, and loss, theft, or misuse may go undetected.

Adequate inventory records are necessary to account for e-cigarettes. Comparisons of e-cigarette purchases and sales to inventory records are necessary to ensure e-cigarettes and the associated monies are properly recorded and handled.

1.3 Sales tax

The Sheriff's office does not charge or collect sales taxes on e-cigarettes sales, and no sales taxes are remitted to the Missouri Department of Revenue (DOR). Pursuant to 12 CSR 10-110.955(3)(B), sales by the state of Missouri and its political subdivisions are subject to tax.

The Sheriff should contact the DOR for guidance on establishing procedures for charging and collecting sales taxes on e-cigarette sales and ensure all future sales tax collections are remitted to the DOR.

Recommendations

The Sheriff:

- 1.1 Establish procedures to deposit all inmate monies and maintain documentation to ensure all inmate's purchases are recorded and any remaining monies are disbursed to the inmate upon release.
- 1.2 Maintain inventory records of e-cigarettes, reconcile these records to e-cigarettes purchased and sold, and perform periodic physical inventory counts.
- 1.3 Contact the DOR for guidance on establishing procedures for charging and collecting sales taxes on e-cigarette sales and ensure all future sales tax collections are remitted to the DOR.

Auditee's Response

- 1.1 *We have ceased collecting inmate monies for e-cigarettes. The only inmate monies on hand now are received at intake, recorded on inmate property sheets, and refunded to inmates upon release. Depositing these monies is unnecessary as the amounts on hand are no longer significant and are stored securely in a locked safe.*
- 1.2 *We have outsourced the sale of e-cigarettes, and no longer maintain any inventory of e-cigarettes.*
- 1.3 *We have outsourced the sale of e-cigarettes, and the vendor is responsible for collecting sales tax on e-cigarettes.*



2. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division and was responsible for 51 wards and estates during the year ended December 31, 2017.

2.1 Conflict of interest

The Public Administrator sold beauty and nutrition goods totaling approximately \$1,600 to a ward between July 2016 and February 2018 creating the appearance of a conflict of interest. The Public Administrator is an independent consultant for a company that sells beauty and nutrition products directly to consumers. While the goods were sold to the ward at the Public Administrator's cost, selling goods to a ward while also managing the ward's assets creates the appearance of a conflict of interest.

Section 475.130, RSMo, states a conservator has a duty to act in the interest of the protectee and to avoid conflicts of interest which impair the conservator's ability to perform that duty. The appearance of a conflict of interest creates a situation that could prevent the Public Administrator from objectively performing her duties. To avoid conflict of interests or the appearance of a conflict of interest, the Public Administrator should consult the Circuit Judge, Probate Division, before selling goods to wards.

2.2 Fees

The Public Administrator does not maintain adequate supporting documentation for fees assessed to wards and estates. The annual fee assessed to some wards and estates is the total estimated time expended on all tasks multiplied by \$25 an hour. The total annual fees collected from wards during the year ended December 31, 2017, was \$4,512.

The Public Administrator does not maintain time records or other documentation to support the services provided and the amount of time charged to some wards for similar transactions was not consistent. For example, 4 wards were charged 5 minutes for each check issued while another ward was charged 15 minutes. In addition, the Public Administrator does not have documentation to support the hourly rate charged.

To ensure fees are properly assessed, the Public Administrator should maintain adequate supporting documentation of the time expended on services provided and for determining the hourly rate. Without adequate supporting documentation, there is less assurance fees charged to each ward or estate are fair, reasonable, and properly assessed.

Recommendations

The Public Administrator:

- 2.1 Avoid the appearance of a conflict of interest that could prevent her from objectively performing her duties.



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Management Advisory Report - State Auditor's Findings

2.2 Ensure fees assessed against wards and estates are supported by adequate documentation and are consistent between wards and estates.

Auditee's Response

2.1 *I will no longer sell goods to wards.*

2.2 *Fees are adequately supported and consistent. I use checkbook registers to log time spent on conservator's accounts. As a one person office with 51 cases it is difficult to keep a timesheet on each specific ward contacts. I typically log 5 minutes for writing checks out; 15 – 20 minutes when I physically take a deposit to the bank since it is no longer located downtown; and 30 minutes to reconcile bank statements each month. My hourly charge on conservator accounts has been \$25 since I took office in 2009. My prior settlements have been approved by the Probate Judge at the \$25 rate. However, I will take the recommendation under advisement.*

3. Recorder of Deeds' Bank Reconciliations

The Recorder of Deeds does not maintain an accurate check register balance and prepare adequate bank reconciliations. The Recorder of Deeds collected various fees totaling approximately \$134,000 related to recording documents, such as marriage licenses and deeds, during the year ended December 31, 2017.

The Recorder of Deeds does not maintain an accurate check register balance. At the end of each month the Recorder of Deeds records the bank statement balance into the check register because the balance does not agree with the check register balance. For example, the December 31, 2017, check register balance was \$11,226 before the Recorder of Deeds recorded the bank statement balance of \$10,923 into the check register. Thus, a \$303 adjustment was made to the check register balance. As a result, adequate bank reconciliations cannot be performed because deposits in transit and outstanding checks are not identified and any differences between the check register balance and the reconciled bank balance are not investigated and resolved.

Maintaining an accurate check register balance and performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely.

Recommendation

The Recorder of Deeds maintain an accurate check register balance, ensure monthly bank reconciliations are adequately performed, and promptly investigate and resolve differences between the check register balance and the bank reconciliations.



Auditee's Response

I am in the process of implementing this recommendation and am now making a print out of all outstanding items with each monthly statement. In addition, I will keep an accurate check register in the future.

4. Prisoner Boarding

The Sheriff does not have proper controls and procedures in place to ensure board bills for housing prisoners are collected. Records indicate the county received approximately \$37,000 for prisoner boarding during the year ended December 31, 2017.

The Sheriff's Office Administrator prepares and sends board bills to other counties and cities upon release or transfer of an inmate. A copy of all board bills is kept but a listing of all amounts billed is not maintained. Board bill payments are made directly to the County Treasurer and the County Treasurer does not report amounts received to the Office Administrator. As a result, the Office Administrator cannot monitor billed amounts to ensure payments are received. In addition, the Sheriff has not performed an analysis to support the current daily billing rate of \$45 and has not entered into written agreements with the surrounding counties and cities for the boarding of prisoners detailing the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.

Procedures such as independent reconciliations of billing records to payments received should be established to ensure boarding of prisoners is properly billed, collected, and recorded. Proper records and follow-up procedures are also necessary to safeguard against possible loss, theft, or misuse of funds going undetected. In addition, to ensure the county is billing at a rate that adequately recovers all costs, amounts charged for boarding prisoners should be analyzed periodically and compared to billing rates.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Recommendation

The Sheriff develop procedures to ensure collection of costs for boarding prisoners and proper recording of payments received. In addition, the Sheriff and the County Commission should periodically review the costs of boarding prisoners and establish billing rates sufficient to recover costs and obtain written agreements with the political subdivisions for which the county boards prisoners.

Auditee's Response

We are looking into options to implement this recommendation.

5. County Procedures

Improvements are needed in the county's procedures over tracking fuel and vehicle usage, reporting commuting miles, and providing passport services.



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5.1 Fuel and vehicle usage

The county has not established effective monitoring procedures over fuel and vehicle usage. Approximately \$144,000 was paid for fuel for vehicles and equipment at the road and bridge department during the year ended December 31, 2017.

The county does not maintain vehicle usage logs or record odometer readings on the fuel logs maintained to record the number of gallons pumped from the road and bridge department's fuel tanks, making it impossible to compare mileage to fuel usage and evaluate the reasonableness of fuel costs.

Maintaining and reviewing vehicle fuel and usage logs and comparing these usage logs to fuel purchases is necessary to ensure vehicles and equipment are properly utilized and decrease the risk of theft or misuse of fuel occurring without detection.

A similar condition was noted in our prior 2 audit reports.

5.2 Commuting miles

The county does not report the value of personal (commuting) mileage for the personal use of county vehicles by a County Commissioner and 9 road and bridge department employees on their W-2 forms as required by the Internal Revenue Service (IRS). As noted in section 5.1, vehicle usage logs indicating business and personal use of the vehicles were not maintained.

IRS reporting guidelines indicate personal and commuting mileage is a reportable fringe benefit and require the value for all use of the provided vehicle to be reported if the employer does not require submission of detailed logs that distinguish between business and personal use. In addition, the district may be subject to penalties and/or fines for failure to report all taxable benefits.

5.3 Passports

The County Commission has not issued an order or ordinance giving the Recorder of Deeds authority to provide passport services. In addition, the Recorder of Deeds' office does not retain the entire fee collected for providing passport services as required by state law. One half of the fee assessed for processing passport applications and renewals is disbursed to the office's Passport Fund. The other half of the fee is incorrectly disbursed to the county's General Revenue Fund. The Recorder of Deeds received approximately \$18,000 for providing passport services during the year ended December 31, 2017.

Section 49.130, RSMo, states the County Commission may designate by order or ordinance any county officer to provide passport services if the Circuit Clerk does not offer passport services, and fees charged for the service shall be retained by the county office providing the service.



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Recommendations

The County Commission:

- 5.1 Establish adequate records and procedures to effectively monitor vehicle and fuel use.
- 5.2 Comply with IRS guidelines for reporting fringe benefits related to personal miles and require logs that distinguish between business and personal use.
- 5.3 Issue an order or ordinance granting the Recorder of Deeds the authority to provide passport services. In addition, work with the Recorder of Deeds to ensure passport fees are retained in accordance with state law.

Auditee's Response

- 5.1 *We will add odometer readings to the fuel log and review them periodically.*
- 5.2 *The County Commissioner's vehicle has never been used for personal use other than commuting while on call. Take home vehicles are now only allowed for two road and bridge employees and one of the County Commissioners. We will keep logs of all trips in the future to comply with IRS guidelines. All commuting mileage will be reported on the employees' W-2 forms.*
- 5.3 *We are working with the county's attorney to implement a court order, and will work with the Recorder of Deeds to ensure passport fees are handled in accordance with state law.*

6. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

6.1 Passwords

The County Assessor, County Clerk, County Collector, and Public Administrator 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 to help ensure passwords remain known only to the assigned user.

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, there is less assurance access to computers and data files is effectively limited to only those employees who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.



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6.2 Security controls

Security controls are not in place to lock computers in the offices of the County Collector, Recorder of Deeds, Public Administrator, Prosecuting Attorney, and County Assessor after a certain period of inactivity.

Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The County Commission work with the other county officials to:

- 6.1 Require confidential passwords that are periodically changed to prevent unauthorized access to county computers and data.
- 6.2 Require each county computer to have security controls in place to lock it after a certain period of inactivity.

Auditee's Response

We will work with the officials to implement these recommendations.

Dallas County

Organization and Statistical Information

Dallas County is a county-organized, third-class county. The county seat is Buffalo.

Dallas 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 66 full-time employees and 5 part-time employees on December 31, 2017.

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	2018	2017
Kevin D. Sharpe, Presiding Commissioner	\$	28,400
Roger Bradley, Associate Commissioner		26,400
Jerry Brown, Associate Commissioner		26,400
Stacy Satterfield, Recorder of Deeds		40,000
Stephanie Hendricks, County Clerk		40,000
Barbara J. Viets, Prosecuting Attorney		137,745
Scott Rice, Sheriff		44,000
Becky Schofield, County Treasurer		40,000
Charles (Chuck) Nimmo, County Coroner		12,000
Carol Johnson, Public Administrator		40,000
Sheryl Ferrell, County Collector, year ended February 28,	40,000	
Emily Sue Doty, County Assessor, year ended August 31,		40,000
Greg Maynard, County Surveyor (1)		

(1) Compensation on a fee basis.