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Missouri State Auditor

Howell County

Report No. 2019-043

June 2019

auditor.mo.gov



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CITIZENS SUMMARY

Findings in the audit of Howell County

Sheriff's Controls and Procedures	The Sheriff's office has not established adequate procedures for depositing and refunding inmate monies. Sheriff's office personnel do not prepare a monthly list of liabilities to reconcile to the available cash balance for the commissary account. Records of commissary net proceeds are not maintained and distribution of net proceeds to the County Treasurer for deposit into the county Inmate Prisoner Detainee Security Fund are not made monthly as required by state law. Inventory procedures have not been developed by the Sheriff's office for electronic cigarettes and telephone cards sold to inmates. Procedures over prisoner board billings need improvement.
Property Tax System Controls and Procedures	The county has not adequately restricted property tax system access. Personnel in the County Collector's office has access rights in the property tax system to make changes such as addition, abatements, and deletions, but can also make corrections or changes to information entered into the property tax system.
County Collector's Controls and Procedures	The County Collector improperly withholds and personally retains commissions on surtax and railroad and utility taxes collected for cities.
Electronic Data Security	The County Clerk, County Collector, County Treasurer, County Assessor, Recorder of Deeds, Public Administrator, and Sheriff 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 Clerk, County Collector, County Treasurer, County Assessor, Recorder of Deeds, or Sheriff after a specified number of incorrect logon attempts or after a certain period of inactivity.
Personnel Policies	The County Commission has not adopted formal policies regarding the maximum amount of compensatory time allowed to be accrued for all employees to ensure policies are in accordance with the Fair Labor Standards Act.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

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

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Howell County

We have audited certain operations of Howell County in fulfillment of our duties under Section 29.230, RSMo. In addition, Deidiker Accounting & Consulting, LLC, Certified Public Accountants, was engaged to audit the financial statements of Howell County for the year 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:

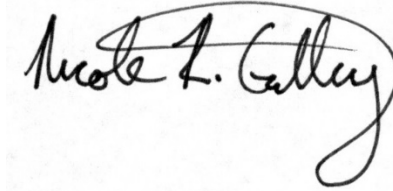
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Howell 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:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Troy Royer
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Howell 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 processed inmate monies, paper service fees, concealed carry weapon permit fees, bonds, and other miscellaneous receipts totaling approximately \$339,000 during the year ended December 31, 2017.

1.1 Depositing and refunding inmate monies

The Sheriff's office has not established adequate procedures for depositing and refunding inmate monies. Office personnel typically only make one deposit each month for this money. The deposit made on March 27, 2017, totaling \$4,793, represented receipts occurring between February 24, 2017, and March 26, 2017. In addition, the Sheriff's office does not always refund inmates their money upon release. At August 15, 2018, the county held \$4,758 for released inmates.

Failure to implement adequate depositing and refunding procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper depositing and refunding procedures are necessary to ensure all monies are handled and accounted for properly.

1.2 Commissary liabilities

Sheriff's office personnel do not prepare a monthly list of liabilities to reconcile to the available cash balance for the commissary account.

We requested office personnel prepare a list of liabilities for the account as of December 31, 2017. The list totaled \$6,821, which included \$5,896 of inmate monies and \$925 due to the commissary vendor. The reconciled bank balance was \$44,729, resulting in an overage of \$37,908, which possibly represents commissary net proceeds. However, there is no documentation supporting the amount of net proceeds in the account.

Monthly lists of liabilities should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient cash is available for the payment of all liabilities. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. In addition, without a record of commissary net proceeds, the Sheriff cannot reconcile liabilities to cash balances to detect possible errors.

1.3 Commissary net proceeds

Records of commissary net proceeds are not maintained and distribution of net proceeds to the County Treasurer for deposit into the county Inmate Prisoner Detainee Security Fund are not made monthly as required by state law. All commissary net proceeds from commissary sales are retained with the inmate monies in the commissary bank account. Net proceeds totaling \$51,263, were disbursed to the County Treasurer on June 22, 2018. Office personnel indicated this amount represented net proceeds from January 2017 through May 2018, however, they did not have any records to support how it was determined.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from



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that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) of the commissary account into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 50.370, RSMo, requires county officials to turn over all fees to the County Treasurer monthly.

1.4 Commissary procedures

Inventory procedures have not been developed by the Sheriff's office for electronic cigarettes and telephone cards sold to inmates. A record is maintained to track who made purchases, but no records of inventory purchased and items remaining on hand are maintained.

Loss, theft, or misuse of the commissary inventory may go undetected without adequate inventory records and procedures. Detailed inventory records are necessary to adequately account for commissary inventory.

1.5 Prisoner boarding

Procedures over prisoner board billings need improvement.

- The Sheriff has not entered into written agreements with surrounding counties or cities for boarding prisoners. Such agreements should include the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations. The Sheriff has established verbal agreements with some jurisdictions (cities and counties) to allow Howell County to house prisoners at their jails at no cost if Howell County does the same for those jurisdictions.

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. In addition, to ensure the county is billing at a rate that adequately recovers all costs, amounts charged for incarceration should be analyzed periodically and compared to billing rates.

- The Sheriff does not have procedures to follow up on unpaid prisoner incarceration billings to cities and counties. A spreadsheet is maintained to document amounts due from other cities and counties. This spreadsheet also includes amounts due from the state, courts, or the prisoner. Payers are requested to submit payment to the County Treasurer and when payments are received, the County Treasurer indicated she receipts the payment and provides a copy of the payment received, along with a copy of the receipt to the Sheriff's office. While payments received are posted to the spreadsheet, no follow up procedures are in place when payment is not received. Due to how the spreadsheet is maintained, office personnel cannot easily determine outstanding incarceration costs.



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Procedures such as independent reconciliations of billing records to jail records and payments received should be established to ensure prisoner housing is properly billed and payments received are proper. Unpaid board bills should be monitored and appropriate follow-up action should be taken to ensure payment is properly received. Failure to monitor unpaid amounts due may result in a loss of revenue to the county.

Similar conditions
previously reported
Recommendations

Similar conditions to sections 1.1 and 1.2 were noted in our 2 prior audit reports.

The Sheriff:

- 1.1 Deposit inmate monies timely and establish procedures to ensure the money is refunded upon release.
- 1.2 Prepare a monthly list of liabilities for the commissary account and reconcile it to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 1.3 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer monthly for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.4 Maintain accurate commissary transaction records and reconcile these records to inventory purchased and sold.
- 1.5 Work with the County Commission to obtain written agreements with counties and cities for boarding prisoners. In addition, the Sheriff and the County Commission should periodically review the costs of boarding prisoners and establish billing rates sufficient to recover costs. In addition, develop procedures to track, monitor, and pursue collection of costs for boarding prisoners.

Auditee's Response

- 1.1 *We agree and will look into depositing more timely. We will also look into turning over old inmate monies held to the State Treasurer's Office and we have implemented a debit card system for returning inmate monies upon release.*
- 1.2 *We will start a spreadsheet of liabilities to document the amounts in our bank account and reconcile that list to the bank statement monthly.*



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- 1.3 *We will determine a minimum amount to run the commissary and turn over the remaining net proceeds to the County Treasurer at least quarterly.*
- 1.4 *We agree and will implement.*
- 1.5 *We will work with the County Commission and determine a recommendation on a uniform process to handle contracts for boarding prisoners. We will also periodically review costs for boarding prisoners and determine rates, and we will expand our procedures for tracking and collecting billings for boarding prisoners.*

2. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. The County Collector processed property tax collections totaling approximately \$22.2 million during the year ended February 28, 2018.

The county has not adequately restricted property tax system access. Personnel in the County Collector's office has access rights in the property tax system to make changes such as additions, abatements, and deletions, but can also make corrections or changes to information entered into the property tax system. Because the County Collector is responsible for collecting tax monies, the ability of personnel within this office to make changes to the property tax system represents a significant weakness in internal controls. Good internal controls require the County Collector and other office personnel not have access rights allowing alteration or deletion of information. Although all changes are printed by the County Assessor and sent to the County Clerk's office for review, neither the County Clerk nor the County Commission reviews the changes made in the property tax system.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved changes to actual changes made to the property tax system would help ensure changes are proper.

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

Recommendation

The County Commission and the County Clerk develop procedures to ensure all property tax changes are properly approved and monitored. In addition, the County Commission should work with the County Collector to ensure property tax system access rights are limited to only what is needed for the users to perform their job duties and responsibilities.

Auditee's Response

New procedures have been implemented by the County Clerk to ensure all abatements are properly accounted for and approved by the County



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Commission. We plan over the next 2 years to assess how effective these procedures are and reevaluate the County Collector's access to the property tax system.

3. County Collector's Controls and Procedures

The County Collector improperly withholds and personally retains commissions on surtax and railroad and utility taxes collected for cities. These commissions totaled \$3,738 for the year ended February 28, 2018.

The collection of surtax and railroad and utility taxes is a part of the County Collector's statutorily required duties, and he should not receive additional compensation for collecting these taxes. However, the County Collector withholds and personally retains a 3 percent commission from surtax and railroad and utility taxes for the cities of West Plains and Willow Springs.

The County Collector has written agreements with cities for property tax collection services, which provide for him to personally retain a 3 percent collector commission on all city tax collections. Because the collection of surtax and railroad and utility taxes is a statutorily required duty, these contract terms conflict with state law and the County Collector should not receive this additional compensation. The County Collector would collect surtax and railroad and utility monies for these cities even if he did not collect taxes for them.

Section 151.180, RSMo, requires the County Collector to collect all railroad taxes and Section 151.280, RSMo, requires the County Collector to withhold and pay a 1 percent commission on these taxes to the county's General Revenue Fund. Section 153.030, RSMo, requires utility taxes to be levied and collected in the same manner as railroad taxes. The collection of surtax, including those amounts distributed to the cities, is a statutory responsibility of county collectors under Section 139.600, RSMo, and commissions retained on surtax collections should be distributed to the county's General Revenue Fund.

Recommendation

The County Collector discontinue personally retaining commissions withheld on surtax and railroad and utility taxes and distribute these collections in accordance with state law.

Auditee's Response

I will discuss this recommendation with legal counsel and take it under advisement.

4. Electronic Data Security

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

4.1 Passwords

The County Clerk, County Collector, County Treasurer, County Assessor, Recorder of Deeds, Public Administrator, and Sheriff have not established



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adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to use passwords with a minimum number of characters and/or change passwords periodically. In addition, the County Collector and his employees share the same password.

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 contain a minimum number of characters or do not have to be periodically changed in certain offices and are shared by employees in the County Collector's office, 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 confidential, changed periodically, and contain a minimum number of characters to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

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

4.2 Security controls

Security controls are not in place to lock computers in the offices of the County Clerk, County Collector, County Treasurer, County Assessor, Recorder of Deeds, or Sheriff after a specified number of incorrect logon attempts or after a certain period of inactivity.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. 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:

- 4.1 Require each employee to have a confidential password with a minimum number of characters that is periodically changed.
- 4.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts or after a certain period of inactivity.

Auditee's Response

We will work with all county officials to implement these recommendations.



5. Personnel Policies

The County Commission has not adopted formal policies regarding the maximum amount of compensatory time allowed to be accrued for all employees to ensure policies are in accordance with the Fair Labor Standards Act (FLSA). Three Road and Bridge employees exceeded 240 hours of compensatory time as of December 31, 2017. As of August 20, 2018, two of these employees still had balances in excess of 240 hours with one having a balance of 341 hours and the other a balance of 351 hours. The third employee had no remaining hours. The FLSA allows emergency personnel to accrue 480 hours of compensatory time while 240 hours of compensatory time can be accrued for non-emergency personnel.

Complete and up-to-date personnel policies are necessary to ensure compliance and equitable treatment of employees and should address pertinent issues such as compensatory time and employment of related employees. Policies should also comply with applicable state or federal requirements.

Recommendation

The County Commission revise the personnel policies to adequately address compensatory time.

Auditee's Response

We will continue to monitor compensatory time balances and look into procedures to address any balances that exceed 240 hours. These 2 employees have been paid their excess compensatory time. This situation was due to flooding that occurred in 2017. We will discuss the need to make a formal change to our policy.

Howell County Organization and Statistical Information

Howell County is a county-organized, third-class county. The county seat is West Plains.

Howell 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 105 full-time employees and 20 part-time employees on December 31, 2017.

In addition, county operations include the Senate Bill 40 Board.

Elected Officials

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

Officeholder	2018	2017
Mark B. Collins, Presiding Commissioner	\$	36,198
Bill Lovelace, Associate Commissioner		33,915
Billy Sexton, Associate Commissioner		33,915
Jeffrey (Jeff) Brasier, Recorder of Deeds		47,104
Sharon Trowbridge, Recorder of Deeds (1)		4,282
Dennis K. Von Allmen, County Clerk		51,386
Michael P. Hutchings, Prosecuting Attorney		62,805
James M. (Mike) Shannon, Sheriff		57,095
Nancy Franz, County Treasurer		51,386
James T. Tim Cherry, County Coroner		18,271
John Pruet, Public Administrator		51,386
Larry Spence, County Collector (2), year ended February 28,	84,046	
Daniel Franks, County Assessor, year ended August 31,		51,386
Ralph Riggs, County Surveyor (3)		

- (1) Sharon Trowbridge served as Recorder of Deeds until January 31, 2017.
- (2) Includes \$32,673 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.

Financing Arrangements

The county entered into a lease-purchase agreement with the Public Building Corporation of Howell County (corporation) on August 24, 2017. The terms of the agreement called for the corporation to obtain a loan of \$155,000 for



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the purpose of acquiring a building for road and bridge maintenance and for the corporation to lease the facility back to the county for payments totaling the principal, interest and administrative costs due on the outstanding loan. The loan is scheduled to be paid off in December 2032. The remaining principal and interest due at December 31, 2017, was \$155,000 and \$36,686, respectively.