

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Monroe County

Report No. 2020-052

August 2020

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Monroe County

Personal Property Tax Statements of Non-Assessment	The County Assessor has not established proper controls or procedures for the issuance of statements of non-assessment, commonly referred to as personal property tax waivers, and some waivers were issued in violation of state law.
Public Administrator's Annual Settlements	The Public Administrator does not always file annual settlements timely in compliance with state law.
Senate Bill 40 Board's Budgets	The Senate Bill 40 Board does not prepare adequate budgets as required by state law.
County Controls and Procedures	The county does not collect retail sales tax on sales of rock and culverts for private purposes. The County Commission does not adequately review court orders for property tax abatements.
County Assessor's Accounting Controls	The County Assessor's office has not established proper controls or procedures for receipting, recording, and transmitting payments received.
County Collector's Bank Reconciliations	The County Collector does not properly maintain a running checkbook balance or prepare adequate bank reconciliations for 2 of the 5 bank accounts.
Electronic Data Security	The County Assessor, Recorder of Deeds, and County Clerk have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Assessor and Recorder of Deeds do not have security controls in place to lock computers after a specified number of incorrect logon attempts and/or 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 any one elected official or county office.

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

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

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

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Monroe County

We have audited certain operations of Monroe County in fulfillment of our duties under Section 29.230, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2019. The objectives of our audit were to:

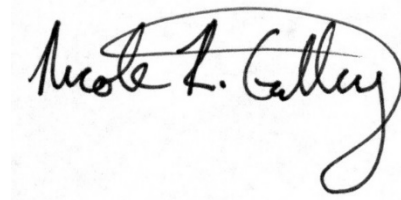
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. 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 Monroe 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:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
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Monroe County Management Advisory Report State Auditor's Findings

1. Personal Property Tax Statements of Non-Assessment

The County Assessor has not established proper controls or procedures for the issuance of statements of non-assessment, commonly referred to as personal property tax waivers, and some waivers were issued in violation of state law. The County Assessor's office issued 626 waivers during the year ended December 31, 2019.

When a taxpayer requests a waiver, a County Assessor's office employee determines whether the request is valid based on their internal policies and, if so, generates the waiver statement from the property tax system. The practice of the County Assessor's office is to issue waivers without verification of records from the Missouri Department of Motor Vehicles (DMV). In some cases, DMV records demonstrated the taxpayer still had ownership of the vehicle and, as a result, waivers were issued in violation of state law. Also, despite having access to prior year records of assessment and waivers, office personnel do not adequately review the personal property tax assessment lists submitted annually by taxpayers to determine if the waived personal property items were added to the current year's personal property assessment list when applicable.

We reviewed 40 personal property tax waivers issued during the year ended December 31, 2019. Twelve of the 40 (30 percent) waivers were issued for personal property owned or held on January 1 of the year(s) waived. Examples of concerns include the following:

- A taxpayer received a waiver for tax year 2018 for a truck purchased and titled in 2008. The County Assessor indicated she believes her office properly issued the waiver because the taxpayer indicated the vehicle was inoperable for an extended period of time.
- A taxpayer received a waiver for tax years 2017 and 2018 for a recreational vehicle (motor home) purchased and titled in 2015. The County Assessor indicated she believes her office properly issued the waiver because the vehicle had not been licensed until 2019. However, this information conflicts with DMV records indicating the vehicle was licensed in Missouri and the vehicle's license plates expired in 2019.
- A taxpayer received a waiver for tax years 2017 and 2018 for a farm/utility trailer purchased and titled in 1996. The County Assessor indicated she believes her office properly issued the waiver because the trailer did not have much value due to its age.
- A taxpayer received a waiver for tax year 2018 for a car purchased and titled in 2017. The County Assessor indicated she believes her office properly issued the waiver because the taxpayer had not owned any vehicles licensed and registered in Monroe County until 2020.



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State law does not allow issuance of waivers for personal property that is not properly licensed, is inoperable, or otherwise not used to travel on public roads. The improper issuance of waivers has resulted in the county and various political subdivisions including schools receiving less money than they were legally owed.

Section 301.025, RSMo, provides that a state registration license for a vehicle or trailer cannot be issued unless the applicant provides a tax receipt for the tax year immediately preceding the year of registration that shows all taxes but provides an exception when the applicant provides a statement certified by the county collector that no taxes were assessed or due.

No provision of law exempts taxes from being due on property that should have been assessed but was not assessed. Section 137.075, RSMo, states "Every person owning or holding real property or tangible personal property on the first day of January, including all such property purchased on that day, shall be liable for taxes thereon during the same calendar year." Section 137.130, RSMo, states the County Assessor "shall assess property based upon a physical inspection or on the best information the assessor can obtain." This section also provides that the County Assessor must assess and cause taxes to be imposed on taxable personal property that should have been assessed, but was omitted, for the current year and up to the three previous years. Also, Section 139.300, RSMo, states that a County Assessor who unlawfully exempts property from taxation may be held liable for double the amount of the loss, may be subject to a fine, and may be removed from office at the discretion of the court.

To ensure personal property tax waivers are issued appropriately and comply with all applicable state statutes, all personal property tax waivers should be supported by proper DMV purchase reports and/or other detailed documentation with a clearly documented reason for issuing the waiver.

Recommendation

The County Assessor and her staff review personal property tax waiver requests and ensure the requests are allowed by state law before granting the waivers.

Auditee's Response

In response to waivers given by my office, my office makes every effort to ensure that citizens of the county are given waivers for their appropriate non-licensed vehicles and to ensure that those vehicles are taxed for the appropriate year if the person resides in Monroe County.

One of the main discussions with auditors was the issue of unlicensed vehicles. It has always been a practice in the office that if an individual does not license a vehicle, we do not make the individuals report those vehicles to us until they update or renew the registration and license on that vehicle. I spoke with the State Tax Commission staff who stated that as long as I am



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consistent with my policy then I am within their recommendation. This has been a practice for my office for the last 34 years.

Another topic discussed with auditors was some waivers given on trailers. I believe our main problem with the trailers was for many years the local license bureau allowed citizens to renew license plates without proving they had paid any property taxes on the trailers. When the license bureau changed hands, the new staff sent them to us for waivers or a paid tax receipt. We established the policy to give waivers on the trailers and to make sure they paid taxes on trailers from that point forward. This has been a struggle to keep up with licensed and unlicensed trailers. There are still some that we are working on to bring them up to date, and I feel we are trying our best to get them on their yearly assessment list.

When I spoke to the auditors they were concerned that of the 40 waivers that were randomly pulled, 30 percent or 12 waivers, were given in error. When you deduct vehicles that were not licensed or inoperable and were granted a waiver, that number drops to 7, or 17.5 percent. When you factor in the trailers that we are trying to get placed on the taxpayers' assessment list, that number drops to 3, or 7.5 percent.

I agree that the remaining 3 vehicles should have been assessed and they slipped past our attention.

Auditor's Comment

Based on statutory provisions, the County Assessor has no legal authority to issue a property tax waiver unless the taxpayer did not own the vehicle or trailer on January 1st of the year(s) waived, or did not reside in Monroe County.

2. Public Administrator's Annual Settlements

The Public Administrator does not always file annual settlements timely in compliance with state law. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division. The Public Administrator's office was responsible for the financial activity of 8 wards and estates during the year ended December 31, 2019.

During our review of 6 active cases, we noted 5 cases (83 percent) did not have annual settlements filed timely. Settlements filed (or still due) for these cases ranged from 35 to 167 days after the due date, as of May 31, 2020. In addition, the Public Administrator filed one annual settlement for a period of 18 months instead of 12 months as required by state law.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate annually on the anniversary date of the date of letters. Timely filing of settlements is necessary for the court to properly oversee the administration of cases and



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reduce the possibility that errors, loss, theft, or misuse of funds will go undetected.

Recommendation

The Public Administrator file annual settlements timely and ensure they are completed for a one year period as required by state law.

Auditee's Response

I will strive to ensure all annual settlements are submitted timely and for the correct time period. As I previously discussed with auditors, I have an attorney prepare the annual settlement for the ward with the largest amount of assets. The attorney had some unforeseen circumstances arise that delayed her completion of the annual settlement. Also, for another ward the Probate Judge and I informally discussed delaying the settlement because we had information that another individual would be filing for guardianship and conservatorship; however, this individual still has not filed those documents at this time. I understand that it is my responsibility to file the settlements on time.

**3. Senate Bill 40
Board's Budgets**

The Senate Bill 40 Board does not prepare adequate budgets as required by state law. The Board for Monroe County is known as the Monroe County Developmental Disabilities Resource Board (MCDDR). The MCDDR collected approximately \$129,000 in property tax revenues and interest during the year ended December 31, 2019.

The 2019 and 2020 MCDDR budgets submitted to the State Auditor's Office did not include estimated revenues and appropriations, and only included the prior year's actual revenues and expenditures.

Budget documents are an essential tool for the efficient management of finances and should be prepared annually at the beginning of each year. Section 50.590, RSMo, requires county budgets to present a complete and detailed financial plan and include proposed expenditures and estimated revenues.

A similar condition was noted in our 3 prior audit reports.

Recommendation

The Monroe County Developmental Disabilities Resource Board prepare accurate and complete budgets.

Auditee's Response

We will implement a budget committee to ensure both revenues and expenditures are included in the budget, and the budget is in the format required by state law. The 2020 budget was just corrected and re-submitted to the State Auditor's Office in August 2020 after the Board's approval.



4. County Controls and Procedures

Improvements are needed in the county's procedures over rock and culvert sales and abatements of property taxes.

4.1 Rock and culvert sales

The county does not collect retail sales tax on sales of rock and culverts for private purposes. Total receipts from rock and culvert sales (excluding sales to tax-exempt entities such as cities and road districts) were approximately \$22,000 for the year ended December 31, 2019.

Rock and culverts are sold to residents, cities, and road districts. The county is not charging residents sales tax for rock and culverts sold to them. As a result, residents avoided paying sales tax on these purchases. The county may have circumvented sales tax laws by selling rock and culverts for private purposes and not collecting and remitting retail sales tax to the state.

Section 144.080.1, RSMo, requires every person receiving any payment or consideration upon the sale of property or rendering of service to collect and remit sales tax. While sales to government entities are exempt from this tax, sales by Missouri political subdivisions are subject to tax.

A similar condition was noted in our prior audit report. At that time, the County Commission indicated the County Clerk would check into collecting retail sales tax with the Missouri Department of Revenue but the County Clerk indicated she did not contact the department.

4.2 Abatements

The County Commission does not adequately review court orders for property tax abatements. During the year ended February 29, 2020, abatements totaled approximately \$60,000.

The County Assessor and County Collector process abatements and print court orders for review and approval by the County Commission. The County Clerk and County Commission review the court orders and sign them to document approval. None of the 14 abatement court orders we reviewed indicated a reason for the abatement. As a result, current procedures are not adequate to verify the reasonableness of these court orders.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. To ensure changes made to the property tax system are proper, adequate review and approval of property tax abatements is necessary.

Recommendations

The County Commission:

- 4.1 Contact the Department of Revenue regarding the collection and remittance of retail sales tax on sales intended for private purposes.



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Auditee's Response

- 4.2 And the County Clerk ensure the reason for the abatement is clearly documented prior to approving court orders to abate property taxes.
- 4.1 *We will implement collecting sales tax on all sales of rock and culverts as of January 1, 2021.*
- 4.2 *We along with the County Clerk have implemented a new practice of ensuring the reason for the court order for abatement is properly documented and is reasonable.*

5. County Assessor's Accounting Controls

The County Assessor's office has not established proper controls or procedures for receipting, recording, and transmitting payments received. The County Assessor's office receives payments for maps, copies, district reports, and data files. The County Assessor's office collected and transmitted approximately \$2,500 during the year ended December 31, 2019.

Office personnel do not issue receipt slips for payments received and the County Assessor has not established adequate procedures to ensure all money collected has been transmitted to the County Treasurer. Office personnel issue invoices at the time of sale. While some customers make immediate payment, many customers are allowed to make purchases on account and are subsequently billed for these purchases by mail or email. Paid invoices include the item(s) provided, amount, and date received and are filed in the order paid.

We reviewed the office's financial activity during December 2019. Invoice records indicated receipts totaled \$266 but \$275 was transmitted to the County Treasurer. When reviewing the County Treasurer's records, we determined the County Assessor had transmitted 2 receipts, totaling \$9, not supported by an invoice.

Failure to implement adequate receipting, recording, and transmitting procedures increases the risk of loss, theft, or misuse of monies received going undetected.

Recommendation

The County Assessor issue prenumbered receipt slips for all money received and indicate the method of payment on all receipt slips, and maintain a receipts log. In addition, the numerical sequence of receipt slips should be accounted for and the composition of receipts should be reconciled to the composition of amounts transmitted.

Auditee's Response

Before the year 2017, we did not charge for copies, emails, or faxes. After I took office, we implemented a schedule for businesses to pay for our information. We make an invoice for those charges and normally email, fax, or mail those invoices to the customers. There were some cash payments that



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did not get invoiced. I believe that's where we are short on invoices compared to what was transmitted.

Since the auditors brought this to my attention, I have changed our policy to where we will no longer accept cash payments.

I believe this will allow us to better track the money received. We now take our copy of the invoice along with the check to the County Treasurer on a daily basis. Before this, I would keep the checks until I had several to take to the County Treasurer. This has been addressed by transmitting those checks as soon as they are received along with maintaining a receipt slip booklet for payments.

6. County Collector's Bank Reconciliations

The County Collector does not properly maintain a running checkbook balance or prepare adequate bank reconciliations for 2 of the 5 bank accounts. The County Collector's office collected approximately \$9 million in property taxes and other receipts during the year ended February 29, 2020.

For the Credit (used for depositing all credit/debit card payments) bank account and the Bankruptcy (used for depositing monies received from bankruptcy courts) bank account, the County Collector does not ensure all receipt and disbursement transactions are recorded in the checkbook balance in order to maintain an accurate book balance. The County Collector said checkbook entries are sometimes documented in the checkbook register on the date the transactions cleared the bank and not the date the transactions occurred.

The February 2020 bank reconciliation for the Credit bank account indicated the bank balance agreed to the checkbook balance of \$25,605; however, the County Collector had not updated the balance. Our review indicated the correct checkbook balance was \$29,343, resulting in a difference of \$3,738. The difference related to 4 credit card receipts (deposits in transit) not included in the bank reconciliation. The February 2020 bank reconciliation for the Bankruptcy bank account indicated the bank balance agreed to the checkbook balance of \$1,014; however, the checkbook balance had not been updated and the last recorded book balance was \$625, resulting in a difference of \$389. The difference was due to the County Collector not posting the last 3 months of interest earned on the account totaling \$5 and a deposit of \$384 to the checkbook balance. These items had already cleared the bank account prior to the end of February 2020.

Without preparing adequate monthly bank reconciliations and maintaining accurate cumulative checkbook balances there is less assurance receipts and disbursements have been properly handled and recorded. In addition, accounting and bank errors may not be detected and corrected timely.



Recommendation

The County Collector ensure monthly bank reconciliations are prepared and reconciled to the book balance, and maintain cumulative book balances for all bank accounts. Any differences between accounting records and reconciliations should be promptly investigated and resolved.

Auditee's Response

All collections and distributions for each month and the year ending February 29, 2020, matched perfectly. Credit card payments received the last day of the month are posted to the bank account the following day. On-line payments are not visible until the next business day, and procedures will be updated to reflect "deposit in transit" to show payments on the last day of the month and not the date monies are received/deposited. Checkbook balances are monitored daily and checked multiple ways including by written, electronic and paper statement, that along with computer generated monthly reports assure all tax monies are properly accounted for and distributed each month.

7. 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.

7.1 User identification and passwords

The County Assessor, Recorder of Deeds, and County Clerk have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the County Assessor's office share user identifications and passwords for the property tax system. As a result, there is no assurance that the user listed in the system for posting or deleting a transaction was the person who did it. In addition, employees in the County Assessor's office and the Recorder of Deeds' office are not required to change passwords periodically. Also, employees of the County Assessor's office and the County Clerk's office are not required to use passwords with a minimum number of characters.

Unique user identifications and passwords are necessary to identify activity performed by each individual. While user identifications and passwords are required to authenticate access to computers, the security of these logon credentials is dependent upon keeping them confidential. Allowing certain users to share logon credentials increases the risk of unauthorized access and/or changes to the system and records and does not provide assurance access is limited to only those individuals who need access to perform their job responsibilities. Also, since passwords in certain offices 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 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.



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Management Advisory Report - State Auditor's Findings

7.2 Security controls

The County Assessor and Recorder of Deeds do not have security controls in place to lock computers after a specified number of incorrect logon attempts and/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.

Recommendations

The County Commission work with other county officials to:

- 7.1 Require each employee to have a unique user identification and confidential password with a minimum number of characters that is periodically changed.
- 7.2 Require each county computer to have security controls in place to lock it after a specific number of incorrect logon attempts or after a certain period of inactivity.

Auditee's Response

The County Commission provided the following response:

We will implement these changes.

The County Assessor provided the following response:

Before the audit, one of my deputies had her own login and password but the other deputy shared my login and password. That has been corrected for the office and each computer/employee has its own login and password. It was also brought to my attention that we need to have a screen timeout if we are away from our desks. That will be implemented soon.

The County Clerk provided the following response:

I will implement a requirement to establish passwords with a minimum number of characters.

Monroe County

Organization and Statistical Information

Monroe County is a county-organized, third-class county. The county seat is Paris.

Monroe 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 34 full-time employees and 7 part-time employees on December 31, 2019.

In addition, county operations include a Senate Bill 40 Board (Monroe County Developmental Disabilities Resource Board), Mark Twain Reservoir Board, and Law Enforcement Restitution Fund Board.

Elected Officials

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

Officeholder	2020	2019
Michael Minor, Presiding Commissioner	\$	28,400
Ron Staggs, Associate Commissioner		26,400
Mike Whelan, Associate Commissioner		26,400
Lori Decker, Recorder of Deeds		40,000
Christina Buie, County Clerk		40,000
Talley Smith, Prosecuting Attorney		47,000
J. David Hoffman, Sheriff		44,000
Sheila Jurgesmeyer, County Treasurer		40,000
James K. Reinhard, County Coroner		12,000
Marguerite Jones, Public Administrator		20,000
Chrissy Graupman, County Collector, year ended February 29,	40,000	
Angelia Baker, County Assessor, year ended August 31,		40,000