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Missouri State Auditor

Dunklin County

Report No. 2020-101

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CITIZENS SUMMARY

Findings in the audit of Dunklin County

Sheriff's Controls and Procedures	The Sheriff's office has not established adequate controls and procedures over commissary items and phone cards sold to inmates. The office allows inmates to purchase commissary items when the inmate does not have a positive account balance and does not have adequate procedures to ensure an inmate's remaining account balance is refunded upon release. The office does not prepare a monthly list of liabilities for the inmate commissary account (as a result liabilities are not agreed to the reconciled bank balance) and the fee account has an unidentified balance. The office does not charge or collect sales taxes on phone cards and e-cigarettes sold to inmates not handled by the commissary vendor, and no sales taxes are remitted to the Department of Revenue. The office is collecting a \$7.10 commissary account set-up fee that is not allowed by state law.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not prepare a monthly list of liabilities, and consequently liabilities are not compared to the reconciled bank balance.
Medicare Payments	The County Commission has not established a group health plan and made Medicare supplement insurance payments to employees that were deemed unallowable by legal counsel.
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.
Public Hearings	The January 31, 2019, County Commission meeting minutes did not document the public hearing and votes related to the 2019 county budget. The County Commission did not hold a public hearing and approve the county's 2019 tax rates.
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.

Dunklin County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Dunklin County

We have audited certain operations of Dunklin 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:

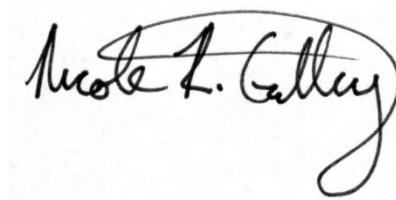
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 (1) identified 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 Dunklin County.

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

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Dunklin 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 collected payments for civil fees, concealed carry weapon permits, bonds, and other miscellaneous receipts totaling approximately \$225,000 during the year ended December 31, 2019. In addition, the Sheriff's office had commissary sales of approximately \$311,000 during the year ended December 31, 2019.

1.1 Commissary inventory and phone cards

The Sheriff's office has not established adequate controls and procedures over commissary items and phone cards sold to inmates. Commissary sales are not reconciled to the commissary inventory records. When the monthly inventory counts are performed for commissary items, the amount counted is recorded on the inventory records. However, by not reconciling the inventory count to the sales records, there is no assurance the number of items counted is the number of items that should be on hand. In addition, access is not adequately restricted for phone cards. All jailers have access to the phone cards. The cards are stored in an unlocked drawer next to the visitation window.

Loss, theft, or misuse of the commissary items and phone cards may go undetected without adequate inventory records and procedures. Detailed inventory records that include tracking sales are necessary to adequately account for commissary items and phone cards. A comparison of a periodic physical inventory to sales and items on hand is necessary to ensure commissary items and phone cards and related payments collected are properly recorded and handled.

1.2 Inmate bill balances

The Sheriff's office allows inmates to purchase commissary items when the inmate does not have a positive account balance. Instead, the inmate is billed for the purchase. Account balances are not checked to ensure the inmate has a balance before receiving the commissary items. If the inmate does not have a balance, the Sheriff's office still charges the purchase to the account, creating a negative account balance. As of December 31, 2019, current and former inmate accounts owed the county \$81,563. Of this amount, current inmates owed \$4,950. Part of the amount due could be for other services and costs charged to the inmates, including medical services, destruction of property, and repairing jail bracelets. In addition, some inmates accounts have a cash balance and a balance due, and the cash balance has not been used to pay down the balance due.

Allowing an inmate to receive commissary items without ensuring he/she has a sufficient account balance for the purchase increases the risk of loss if the money is uncollectible. These procedures also cause a reduction in commissary operating funds available to the Sheriff and reduces the net proceeds available for the Inmate Prisoner Detainee Security Fund.

1.3 Inactive inmate account balances

The Sheriff's office does not have adequate procedures to ensure an inmate's remaining account balance is refunded upon release. As of December 31, 2019, the Sheriff's office was holding \$15,029 for 4,161 former inmates in



Dunklin County Management Advisory Report - State Auditor's Findings

the commissary bank account. These inmates were released from the county jail, but did not claim their commissary account balance.

Follow up on inactive accounts is necessary to ensure remaining commissary account balances are appropriately disbursed to the former inmates or as otherwise provided by state law. In addition, establishing procedures to refund all inmates their remaining commissary account balance upon release will allow the Sheriff to more adequately safeguard any money being held and reduce the risk of its loss, theft, or misuse.

1.4 Liabilities

The Sheriff's office does not prepare a monthly list of liabilities for the inmate commissary account; and consequently, liabilities are not agreed to the reconciled bank balance. In addition, the fee account has an unidentified balance.

Liabilities for the inmate commissary account were \$16,076 at December 31, 2019. The December 31, 2019, reconciled bank balance was \$80,926, leaving an unidentified balance of \$64,850. The Jail Administrator indicated some of the unidentified balance is money kept in the account to meet cash flow needs and to operate the commissary.

Liabilities for the fee account were \$10,150 at December 31, 2019. The December 31, 2019, reconciled bank balance was \$10,984, leaving an unidentified balance of \$834. The Office Manager indicated the balance was extra monies in the account to prevent overdrafts.

Regular identification and comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and money is available to satisfy all liabilities. Differences must be adequately investigated and explained. 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 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) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

1.5 Sales tax

The Sheriff's office does not charge or collect sales taxes on phone cards and e-cigarettes sold to inmates not handled by the commissary vendor, and no sales taxes are remitted to the Department of Revenue (DOR).

Pursuant to 12 Code of State Regulations 10-110.955(3)(B), sales by the state of Missouri and its political subdivisions are subject to tax. Therefore, the Sheriff should be charging and collecting sales tax and remitting tax collections to the DOR.



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1.6 Commissary account set-up fee

The Sheriff's office is collecting a \$7.10 commissary account set-up fee that is not allowed by state law. Office personnel indicated the fee is collected from inmates at the time of booking to set up a commissary account even though the commissary contractor does not charge commissary account set-up fees. There is no statutory authority allowing the Sheriff to charge and collect such a fee.

Similar conditions
previously reported

Similar conditions to sections 1.3 and 1.4 were noted in our prior 2 audit reports, and a similar condition to section 1.6 was noted in our prior audit report.

Recommendations

The Sheriff:

- 1.1 Reconcile commissary and phone card records to inventories purchased and sold. In addition, the Sheriff should restrict access to phone cards.
- 1.2 Ensure all inmates have an available cash balance before allowing commissary item purchases. In addition, the Sheriff should follow up on commissary accounts that have outstanding balances due.
- 1.3 Refund inmates their remaining balance upon release. In addition, the Sheriff should attempt to return unclaimed balances to the former inmates. If the payee cannot be located, the amount should be disbursed in accordance with state law.
- 1.4 Prepare a monthly list of liabilities for inmate commissary account and reconcile the list to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved for both the inmate commissary and fee accounts. In addition, the Sheriff should ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.5 Contact the DOR for guidance on establishing procedures for charging and collecting sales tax on phone card and e-cigarettes and ensure future sales tax collections are remitted to the DOR.
- 1.6 Discontinue charging and collecting the commissary set-up fee.

Auditee's Response

- 1.1 *We will reconcile the inventory records to the sales records. Phone cards are no longer used at the jail.*
- 1.2 *Inmates are charged for medical items, toiletry items, and property damage even if they do not have a cash balance. When those inmates*



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receive funds, those funds are used to reimburse the county. The jail now has a \$10 limit on the commissary. If an inmate owes the county \$10 they can no longer order commissary items until their bill is paid. We will follow up on commissary accounts that have an outstanding balance due.

1.3 *There are 2 ways to refund monies. One way is the issuance of a debit card which is immediately taken off the account and the second way is a check is issued when a debit card cannot be issued. The \$15,029 for 4,161 inmates has been delivered to unclaimed property with the state. Every month unclaimed properties are now sent to the state.*

1.4 *A significant amount of the \$64,850 has been transferred to the Inmate Prisoner Detainee Security Fund which is administered by the county and a monthly balance is now retained at a lower amount. The \$834 in the fee account is retained as a security amount to prevent any overdraft charges stemming from any possible unforeseeable charges.*

1.5 *The jail no longer sells phone cards, and at the time of the audit we had already stopped selling e-cigarettes.*

1.6 *Inmates receive property with these funds all of which is toiletry items. This assures hygiene is maintained when entering this facility. When an individual comes into this facility they receive toiletry items for which we charge. Providing for these items guarantee this facility maintains good hygiene. If we let these items be brought into the facility and not purchased from this facility that would bring a serious security issue.*

Auditor's Comment

1.6 While the commissary account set-up fee is used for the benefit of the inmates, there is no statutory authority to support charging and collecting the fee.

2. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney's office does not prepare a monthly list of liabilities, and consequently liabilities are not compared to the reconciled bank balance. The office collected bad check restitution and fees, and court-ordered restitution and fees totaling approximately \$162,200 during the year ended December 31, 2019.

We determined the liabilities for the account were \$4,390 at December 31, 2019. The December 31, 2019, reconciled bank balance totaled \$2,660 leaving an account shortage of \$1,730. In addition, the office has not established procedures to routinely follow-up on outstanding checks. As of December 31, 2019, the office has \$37,100 in checks that have been outstanding for more than a year, with some checks dating back to 2003. The



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December 31, 2019, bank reconciliation indicates \$8,725 of the outstanding checks were from 2003 to 2011, but office personnel did not have any documentation supporting this amount.

Regular identification and comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and money is available to satisfy all liabilities. Differences must be adequately investigated and explained. In addition, procedures to routinely follow up on outstanding checks are necessary to prevent money from accumulating in the account and ensure it is appropriately disbursed to the payee or as otherwise provided by state law.

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

Recommendation

The Prosecuting Attorney should prepare a monthly list of liabilities and reconcile it to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved. In addition, establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be located. If payees cannot be located, the money should be disposed of in accordance with state law.

Auditee's Response

The current Prosecuting Attorney took office in January of 2019. Since that time, the office has begun processing outstanding checks in accordance with state law. Since taking office we have investigated and submitted seven years of outstanding checks to the Missouri State Treasurer as unclaimed property totaling more than \$25,000.

The Prosecuting Attorney's Office requested the State Auditor to examine the account to determine what was preventing the account from maintaining a zero balance, and the audit staff were not able to determine the cause. To remedy this in the future, the office has set up a new restitution account to maintain a zero balance.

3. Medicare Payments

The County Commission has not established a group health plan and made Medicare supplement insurance payments on behalf of employees that were deemed unallowable by the County Commission's legal counsel. In December 2019, they advised the County Commission to stop making the payments because a proper health plan had not been established in accordance with Section 105 of the Internal Revenue Code. As of September 2020, the County Commission continues to make Medicare supplement insurance payments on Part B and D deductibles for one employee. Prior to January 2020, 2 employees were on this plan until one retired in December 2019. During the year ended December 31, 2019, the County Commission paid \$9,896 in Medicare supplement insurance payments to a vendor.



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Internal Revenue Service Guidance 2015-17 stipulates that an arrangement under which an employer reimburses (or pays directly) some or all of Medicare Part B or Part D premiums for employees constitutes an employer payment plan, as described in Notice 2013-54, and if such an arrangement covers 2 or more active employees, is a group health plan subject to the market reforms.

Recommendation

The County Commission review its use of the Medicare reimbursement plan and only provide a process or plan to employees that is in compliance with federal law.

Auditee's Response

We will take the recommendation 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 Assessor, County Clerk, County Collector-Treasurer, Prosecuting Attorney, Public Administrator, 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 necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not periodically changed in certain offices, 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 changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

4.2 Security controls

County officials do not have security controls in place to lock computers after a specified number of incorrect logon attempts.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

4.3 Data backups

The County Assessor, County Clerk, and Public Administrator do not store backup data at an off-site location. In addition, the County Assessor, County Clerk, Prosecuting Attorney, Recorder of Deeds, and Sheriff do not perform periodic testing of backup data.



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Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be stored off-site and tested on a periodic basis.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require passwords for each employee to be periodically changed to prevent unauthorized access to the county's computers and data.
- 4.2 Require county computers have security controls in place to lock each computer after a specified number of incorrect logon attempts.
- 4.3 Ensure computer backup data is stored in a secure off-site location and tested on a regular basis.

Auditee's Response

- 4.1 & 4.2 *We will work to improve password and security controls.*
- 4.3 *We will work to store backup data off-site and ensure backup data is tested regularly.*

5. Public Hearings

The January 31, 2019, County Commission meeting minutes did not document the public hearing and votes related to the 2019 county budget. The County Clerk indicated the meeting included a public hearing and vote by the County Commission on approval of the budget. The County Commission did not hold a public hearing and approve the county's 2019 tax rates. The County Clerk indicated a hearing was not held because the tax rates did not change from the previous year.

Section 610.020.7, RSMo, states minutes of open and closed meetings shall be taken and retained by the public governmental body, including, but not limited to, a record of any votes taken at such meetings. The minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. In addition, Section 137.055.2, RSMo, states the county governing body shall hold a public hearing prior to approving the tax rates of the county.

Recommendation

The County Commission ensure all votes are included in the meeting minutes, including but not limited to the approval of the county budget. In addition, a public hearing should be held each year prior to approving the property tax rates.

Auditee's Response

We will ensure all votes are included in the meeting minutes. A public hearing will be held each year prior to approving the property tax rate even though it is zero.

Dunklin County

Organization and Statistical Information

Dunklin County is a township-organized, third-class county. The county seat is Kennett.

Dunklin 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 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 92 full-time employees and 3 part-time employees on December 31, 2019. The townships maintain county roads.

In addition, county operations include the Senate Bill 40 Board and the 911 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
Don Collins, Presiding Commissioner	\$	33,285
Patrick McHaney, Associate Commissioner		31,185
Ron Huber, Associate Commissioner		31,185
Connie Green, Recorder of Deeds		47,250
Kent Hampton, County Clerk		47,250
Nicholas D. Jain, Prosecuting Attorney		140,667
Bob Holder, Sheriff		52,500
James B. Powell, County Coroner		16,800
Matthew W. Jackson, Public Administrator		47,250
Kathy Rasberry, County Collector-Treasurer (1), year ended March 31,	50,389	
Karen Vandiver, County Assessor, year ended August 31,		47,250

(1) Includes \$3,139 of commissions earned for collecting drainage district property taxes.