



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Crawford County**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Crawford County

Financial Condition, Budgets, and Sales Tax Rollback	The General Revenue Fund is in poor financial condition as it has a negative cash balance. The County Commission approved a deficit budget for the General Revenue Fund for 2017, 2016, and 2015 and the Jail Fund for 2016. The county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received by \$228,814.
Property Tax System	As noted in our 2 prior audit reports, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. The County Clerk does not verify the current tax books or prepare or verify the accuracy of the delinquent tax books. As noted in the prior report, the county has not adequately restricted property tax system access.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Prosecuting Attorney has not established proper controls or procedures for receipting and recording monies. The Prosecuting Attorney's bank accounts had the same \$3,626 unidentified balance for every month in the year ended December 31, 2016.
Passwords	As similarly noted in our prior report, the County Assessor, County Clerk, County Collector, Public Administrator, and the Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data.
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**

To the County Commission  
and  
Officeholders of Crawford County

We have audited certain operations of Crawford County in fulfillment of our duties under Section 29.230, RSMo. In addition, Stopp & VanHoy, Certified Public Accountants and Business Advisors, LLC, has been engaged to audit the financial statements of Crawford County for the 2 years ended December 31, 2016. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

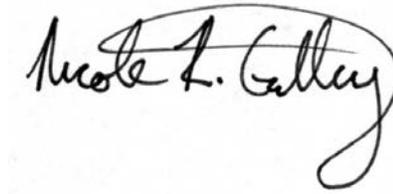
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with 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 Crawford 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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# Crawford County Management Advisory Report State Auditor's Findings

## 1. Financial Condition, Budgets, and Sales Tax Rollback

The General Revenue Fund is in poor financial condition, the County Commission approved deficit budgets, and property tax reductions were not sufficient to offset 50 percent of sales tax monies received.

### 1.1 Financial condition

The financial condition of the General Revenue Fund is weak. The County Clerk indicated significant financial losses between 2012 and 2014 due to claims against the county's self-insured employee health insurance plan weakened the county's financial condition. While the county ended the practice of self-insuring as of February 1, 2016, the cash balance of the General Revenue Fund continues to deteriorate. The General Revenue Fund cash balance is budgeted to remain steady for 2017; however, the county continues to operate the General Revenue Fund with a negative cash balance. As a result, the county is using other county funds included in its bank account, including restricted funds, to meet general cash flow needs.

Due to an accounting error, the General Revenue Fund owed the County Employee Retirement Fund (CERF) \$327,707 at December 31, 2016. The county paid CERF contributions to the state from the CERF, but did not transfer money from the General Revenue Fund to the CERF to cover the payments. The accounting issue causing this error was corrected in 2015, but adjustments to correct the General Revenue Fund and CERF cash balances have not occurred. As a result, the General Revenue Fund cash balance is overstated.

The following table shows the ending cash balances for the General Revenue Fund over the last 4 years and the projected ending cash balance for 2017, as reported in the county's budget documents, the adjustments to correct the ending cash balances, and the adjusted ending cash balances.

	General Revenue Fund				
	Ending Cash Balance, Year Ended December 31,				
	2017	2016	2015	2014	2013
	Budgeted	Actual	Actual	Actual	Actual
Ending Cash Balance	\$ (481,161)	(486,362)	(278,996)	(410,898)	103,852
CERF Accounting Error	(327,707)	(327,707)	(327,707)	(322,573)	(175,777)
Adjusted Ending Cash Balance	\$ (808,868)	(814,069)	(606,703)	(733,471)	(71,925)

The negative cash balances do not take into account the \$228,814 liability caused by an insufficient reduction of the property tax levy (see section 1.3).

The County Commission and County Clerk indicated they are aware of the General Revenue Fund financial concerns. In 2016, voters rejected a one-quarter of 1 percent sales tax issue for the General Revenue Fund.



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It is essential the County Commission continue to address the situation both in the immediate and long-term future. To ensure the financial condition of the General Revenue Fund is improved, the County Commission should reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue. Additionally, the County Commission should make the necessary adjustments to correct the General Revenue Fund and CERF cash balances.

## 1.2 Budgetary procedures

Budgetary procedures are not adequate and contribute to the county's poor financial condition. The County Commission approved a deficit budget for the General Revenue Fund for 2017, 2016, and 2015 and the Jail Fund for 2016. The County Commission indicated the county has reduced disbursements as much as possible, but the County Commission continues to approve budgeted disbursements in excess of budgeted receipts for funds with deficit balances.

Missouri Constitution, Article VI, Section 26(a), and Section 50.610, RSMo, prohibit deficit budgeting.

## 1.3 Reduction of property tax levy

The county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received by \$228,814. Of this amount, \$44,537 was not sufficiently reduced during the 4 years ended December 31, 2016. County officials did not accurately calculate property tax reduction amounts. Instead of calculating the property tax reduction amounts as required by state law, the County Clerk reduced the 2016 levy by 60 percent.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Crawford County voters enacted a one-half of 1 percent general sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement and in the following year calculate any excess property taxes collected based upon actual sales taxes collected.

A similar condition was noted in our 4 prior audit reports.

## Recommendations

The County Commission:

- 1.1 Closely monitor the financial condition of the General Revenue Fund and take the necessary steps to improve the financial condition of the county. The County Commission should also perform long-term planning and ensure receipts are maximized and disbursements are closely monitored and make necessary adjustments to correct



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the General Revenue Fund and County Employee Retirement Fund balances.

1.2 Refrain from budgeting deficit balances.

1.3 And the County Clerk properly calculate property tax rate reductions, adequately reduce property tax levies for 50 percent of sales tax revenue, and develop a plan to correct for the accumulation of prior years' over collection of property taxes.

## Auditee's Response

1.1 *The County Commission is aware of the financial condition of the General Revenue Fund, and has attempted to maximize receipts by placing two sales tax initiatives before the electorate. Both measures were defeated soundly, so until such a revenue stream is realized, the county will be forced to continue reducing disbursements, thereby reducing services, as well.*

1.2 *The County Commission will continue to monitor the balancing of the annual budget, but cannot assure complete balancing until such time as a solution to the above recommendation is realized.*

1.3 *The SAO's assertion of an improperly reduced property tax levy is only applicable to FY 2013, 2014, and 2015. The current County Clerk has not only already properly reduced the property tax levy by the required fifty percent, but has increased the rollback (per 2013 audit stipulations) to account for excess property taxes collected in previous years. While the entire excess amount cannot be rolled back in a single year, an additional ten-to-fifteen percent may be rolled back annually until the excess is remedied. The County Commission will commit to an additional yearly rollback until that time.*

## Auditor's Comment

1.3 State law does not require the property tax levy to be reduced by 50 percent, as the response indicates, but for property taxes to be reduced by 50 percent of sales tax collected. The County Clerk was unable to provide calculations to support the response given. As indicated in the report, county officials did not accurately calculate the property tax reduction amount for the year ended December 31, 2016, as well as the years mentioned in the response.

## 2. Property Tax System

The property tax system controls and procedures need improvement. The County Collector's office processed tax collections and other revenues of approximately \$15.7 million during the year ended February 28, 2017.

### 2.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not



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maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector. Such procedures are intended to establish checks and balances related to the collection of property taxes.

## 2.2 Tax books

The County Clerk does not verify the current tax books or prepare or verify the accuracy of the delinquent tax books. The county's property tax system vendor prepares the current tax books based on assessed valuations and tax levies provided by the County Clerk. The County Collector prepares the delinquent tax book by combining the uncollected taxes from the current tax year and uncollected taxes from all prior years. The County Clerk does not adequately review the tax books, which should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to prepare and/or review the tax books and test individual tax statement computations may result in errors or irregularities going undetected. For example, 2 errors occurred in the 2016 tax year. One error happened because the County Clerk did not reduce the General Revenue property tax rate levy to offset 50 percent of the sales tax monies received when preparing the current tax books. The error was discovered before the mailing of tax statements to the taxpayers; however, the county incurred additional costs for reprinting the statements. The other error occurred when the County Clerk included real and personal property taxes for the City of Bourbon in the current tax books, which should not have happened because the County Collector does not collect taxes for that city. As a result, the tax statements mailed to City of Bourbon taxpayers included city real and personal property taxes totaling \$149,270. The County Collector collected some of the taxes before identification of this error. The County Collector printed corrected tax statements and issued refunds of \$226 for payments received.



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Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

### 2.3 Tax system access

The county has not adequately restricted property tax system access. The County Collector has access rights in the property tax system allowing changes to be made to individual tax records. Because the County Collector is responsible for collecting tax payments, good internal controls require the County Collector not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

Without adequate segregation of incompatible duties, there is an increased risk of loss, theft, misuse, or errors occurring and going undetected. In addition, due to the lack of oversight of the County Collector's office activities (as explained in section 2.1), any erroneous or improper changes made in the system by the County Collector could go undetected.

### Similar conditions previously reported

A similar condition to section 2.1 was noted in our 2 prior audit reports and a similar condition to section 2.3 was noted in our prior audit report.

### Recommendations

- 2.1 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 2.2 The County Clerk verify the accuracy of the current tax books and prepare the delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.
- 2.3 The County Collector work with the County Commission to ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.

### Auditee's Response

*The County Commission and County Clerk provided the following responses:*

2.1&

2.2 *As Crawford County has heretofore never had such a maintenance schedule for the County Collector's annual settlements, the County Clerk and County Collector have agreed to begin the process with*



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*the 2017 tax year, and move forward each year accordingly. Best practices on this issue will be gleaned from other counties that successfully perform this each year.*

- 2.3 *The County Collector has access to the property tax module in order to make the corrections necessary to property taxes that ordinarily would be done by the County Assessor, who refuses to use the tax software under contract. The software has a date/time stamp for all changes made, as well as the ability to log particular users making said changes, meaning the issue is monitored and reported on by the software corporation. The County Commission believes electronic monitoring and documentation to be sufficient to detect errors or misuse that might result in loss or theft, as well as to pinpoint those directly in offense.*

*The County Collector provided the following response:*

*As the current Crawford County Collector, I strongly agree with the findings and will continue to work closely with the County Commissioners and the County Clerk to implement all the recommendations as requested.*

## Auditor's Comment

- 2.3 There is no documentation of the report of changes being produced and monitored by the County Commission.

### **3. Prosecuting Attorney's Controls and Procedures**

#### 3.1 Segregation of duties

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$23,600 in bad check restitution and fees and \$95,800 in court-ordered restitution and fees during the year ended December 31, 2016.

The Prosecuting Attorney has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Bad Check Clerk receives, records, and deposits monies received; prepares checks; and reconciles the bank account for bad check restitution collections while the Victim Advocate receives, records, and deposits monies received; prepares checks; and reconciles the bank account for court-ordered restitution collections. The Prosecuting Attorney reviews the bank reconciliations, but does not compare them to system reports to ensure accuracy. As a result, there is little assurance all monies received are properly recorded, deposited, and disbursed to the appropriate parties.

Both the Bad Check Clerk and Victim Advocate have the ability to record adjustments to the computerized accounting system without obtaining independent approval. A report of adjustments made to the system is not generated and compared to supporting documentation. Reasons for adjustments in 2016 included removing balances of closed cases and deceased defendants and payments made by defendants directly to victims.



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A large number of criminal restitution adjustments also occurred because adjustments were not made in prior years. At our request, office personnel generated reports of adjustments made in 2016. Bad check restitution adjustments totaled \$585 and criminal restitution adjustments totaled \$266,441.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and a review of adjustments made to the accounting system.

**3.2 Receipting and recording** The Prosecuting Attorney has not established proper controls or procedures for receipting and recording monies. We noted the following concerns:

- Monies are not receipted or recorded at the time of receipt. Receipt slips are not generated at the time of receipt, but are issued once a month when receipts are entered in the computerized accounting system. Current office procedures are to record receipts, prepare a deposit, issue disbursements, print the monthly reports, and prepare the bank reconciliation once a month after receiving the bank statement.
- Checks and money orders are not restrictively endorsed when received. The restrictive endorsement is applied when the monthly deposit is made.

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

**3.3 Unidentified monies** The Prosecuting Attorney's bank accounts had the same \$3,626 unidentified balance for every month in the year ended December 31, 2016. The Prosecuting Attorney reconciles the bank balance to the identified liabilities on a monthly basis, and has documented unidentified balances accumulated by the prior Prosecuting Attorney. Since the Prosecuting Attorney's records are not sufficient to identify to whom these monies are owed, they should be disposed of in accordance with state law.

Maintaining unidentified balances in the bank accounts increases the risk of loss, theft, or misuse of such funds. Various statutory provisions address the disposal of unidentified monies.



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

## Recommendations

The Prosecuting Attorney:

- 3.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments made to the accounting system.
- 3.2 Timely receipt and record all monies received in the computerized accounting system and restrictively endorse checks and money orders upon receipt.
- 3.3 Disburse unidentified monies in accordance with state law.

## Auditee's Response

3.1 *I will comply subject to the limitations of personnel and time.*

3.2&

3.3 *I agree and will take steps to comply.*

## 4. Passwords

As similarly noted in our prior report, the County Assessor, County Clerk, County Collector, Public Administrator, and the 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 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 on keeping them confidential. However, since passwords do not have to be periodically changed by employees in these 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.

## Recommendation

The County Commission work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.

## Auditee's Response

*Alteration of passwords is not a statutorily mandated issue, and is therefore not under the purview of the SAO to dictate. However, the County Commission will take this under advisement, and will communicate with the county's information technology provider on the matter.*



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**Auditor's Comment**

Section 29, RSMo, requires the evaluation of the auditee's internal control system, which is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable legal requirements. Changing passwords is an important internal control designed to protect the county's systems as well as any county employee or county taxpayer information that may be stored in these systems.

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# Crawford County

## Organization and Statistical Information

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Crawford County is a county-organized, third-class county. The county seat is Steelville.

Crawford 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 82 full-time employees and 11 part-time employees on December 31, 2016.

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

### Elected Officials

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

Officeholder	2017	2016
Leo Sanders, Presiding Commissioner	\$	30,380
Paul Watson, Associate Commissioner		28,380
Kenny Killeen, Associate Commissioner		28,380
Kimberly A. Cook, Recorder of Deeds		43,000
John G. Martin, County Clerk		43,000
J. Kent Howald, Prosecuting Attorney		136,402
Randy Martin, Sheriff		48,000
Catie Ringeisen, County Treasurer		43,000
Paul Hutson, County Coroner		15,000
Franky Todd, Public Administrator		43,000
Pat Schwent, County Collector, year ended February 28,	43,000	
Kerry Summers, Sr., County Assessor, year ended August 31,		43,000