



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

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**Stoddard County**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Stoddard County

Stoddard County Sheltered Facilities Board	The Stoddard County Sheltered Facilities Board did not bid the construction of an office building and workshop space, and did not ensure the contractor complied with prevailing wage laws.
Sheriff's Commissary Vendor	The Sheriff did not solicit proposals or document reasons for selecting the vendor to provide third party jail commissary services.
Property Tax System	The County Clerk and/or the County Commission did not review and approve outlawed taxes from the 2011 property tax year totaling approximately \$45,000 during the year ended February 28, 2017. The county has not adequately restricted the County Collector's access to assessed valuations in the property tax system.
Electronic Data Security	The Recorder of Deeds has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Passwords for employees in the offices of the Recorder of Deeds and County Assessor are not required to have a minimum number of characters. The County Assessor, County Collector, and Recorder of Deeds do not have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity. The County Clerk's office does not store data backups at an off-site location.
Tax Maintenance Fund Transfers	A \$30,000 transfer made from the Tax Maintenance Fund in 2017 was not in compliance with uses allowed by state law and the county does not have documentation to support the amount. In addition, transfers of \$65,000 and \$15,000 made in 2015, and 2016, respectively also do not have documentation to support the amounts transferred.
County Procedures	Neither the County Commission nor the County Clerk submitted proof of publication of the county's financial statement for the years ended December 31, 2014, 2015, and 2016, to the State Auditor's Office as required by state law. The County Commission did not hold a public hearing and approve the Stoddard County Sheltered Facilities Board property tax rate.
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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# Stoddard County

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Stoddard County

We have audited certain operations of Stoddard County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Stoddard 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:

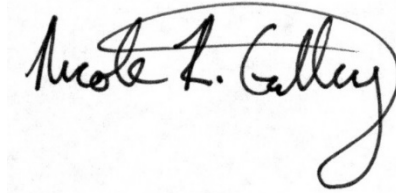
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Stoddard County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

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
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	David Olson
Audit Staff:	Morgan Alexander
	Joel Stucky
	Mariela A. Hernandez
	Stephen Powers

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# Stoddard County Management Advisory Report State Auditor's Findings

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## **1. Stoddard County Sheltered Facilities Board**

The Stoddard County Sheltered Facilities Board (SCSFB) did not bid the construction of an office building and workshop space, and did not ensure the contractor complied with prevailing wage laws.

### **1.1 Bidding**

The SCSFB did not bid the construction of an office building and workshop space costing more than \$730,000, and also did not advertise this project for bids. A SCSFB employee indicated she or a board member left messages with several contractors, but none of them returned their calls. She said a local business that had recently built a building was then contacted to obtain the name of the builder. She said that vendor was contacted and the SCSFB received a quote of \$724,000 for the project. The SCSFB used that vendor for the project. The SCSFB had no documentation regarding the contractors called, the local business, or the vendor.

As of November 2017, project costs have totaled approximately \$735,000. A SCSFB employee said the overage resulted from the project requiring moving more dirt than anticipated. The SCSFB did not obtain a change order from the contractor documenting the need for additional costs or project changes. The SCSFB also expects to make an additional payment of approximately \$20,000 to the contractor when the project is completed resulting in total costs of approximately \$755,000.

Section 50.660, RSMo, provides bidding requirements, including advertising for bids involving expenditures greater than \$6,000. Routine use of a competitive procurement process for major purchases ensures the SCSFB has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in the SCSFB business. Documentation of the various bids received, the SCSFB's selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made. In addition, change order documentation should be maintained.

### **1.2 Prevailing wage**

The SCSFB did not require the project's contractor to provide supporting documentation of wages paid and did not review any payroll records to ensure compliance with prevailing wage laws. Section 290.230, RSMo, requires prevailing wages to be paid to all workmen employed by or on behalf of any public body engaged in construction projects exclusive of maintenance work. Additionally, Sections 290.210 to 290.340, RSMo, and 8 Code of State Regulations 30-3.010, provide other requirements regarding prevailing wages.

## **Recommendations**

The Stoddard County Sheltered Facilities Board:

- 1.1 Ensure projects are bid, including advertising for bids when applicable in accordance with state law, and maintain adequate



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documentation of decisions made. Additionally, the Board should maintain documentation of change orders.

- 1.2 Ensure that prevailing wages laws are followed for public works construction projects.

**Auditee's Response**

1.1 *The Stoddard County Sheltered Facilities Board will ensure future projects are bid, including advertising for bids when applicable in accordance with state law, and maintain adequate documentation of decisions made. The Board will maintain documentation of change orders.*

1.2 *The Stoddard County Sheltered Facilities Board will ensure on future projects that prevailing wage laws are followed for projects.*

**2. Sheriff's  
Commissary  
Vendor**

The Sheriff did not solicit proposals or document reasons for selecting the vendor to provide third party jail commissary services. The Sheriff indicated he called other county sheriffs for commissary service recommendations and commissary service providers for commission rates and selected the one he considered the best option. However, he did not maintain documentation supporting the work performed and the selection decision. Commissary revenues totaled approximately \$130,000 for the year ended December 31, 2016.

Routine use of a competitive selection process for major service providers ensures the county has made every effort to receive the best agreement and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to support decisions made.

**Recommendation**

The Sheriff should work with the County Commission to ensure proposals are solicited for contracted services and document reasons for selecting a specific vendor.

**Auditee's Response**

*From this point forward discussions with vendors will be documented for future reference.*

**3. Property Tax  
System**

Controls and procedures over the property tax system need improvement. The County Collector's office processed property taxes and other revenues of approximately \$22.2 million for the year ended February 28, 2017.

**3.1 Outlawed taxes**

The County Clerk and/or the County Commission did not review and approve outlawed taxes from the 2011 property tax year totaling approximately \$45,000 during the year ended February 28, 2017. As a result, outlawed taxes, which constitute changes to the amount of taxes the County Collector is



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charged with collecting, are not properly monitored and errors or irregularities could go undetected.

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. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved outlawed taxes to actual changes made to the property tax system would help to ensure changes are proper.

### 3.2 Computer access

The county has not adequately restricted the County Collector's access to assessed valuations in the property tax system. The County Collector has access rights that allow changes to be made to individual property tax assessed valuations throughout the tax year. Because the County Collector is responsible for collecting tax payments, good internal controls require the County Collector not have access rights allowing alteration of property tax information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the alteration of data files and programs.

### Recommendations

The County Commission:

- 3.1 Work with the County Clerk to adequately review and approve all outlawed taxes.
- 3.2 Ensure property tax system access is limited to only what is needed for the users to perform their job duties and responsibilities.

### Auditee's Response

- 3.1 *The County Clerk and County Commission do review tax reports each month. The County Commission will approve outlawed taxes for the 2011 property tax year totaling approximately \$45,000. Each year the County Clerk and County Commission will approve outlawed taxes.*
- 3.2 *Access by the County Collector will be restricted to viewing the assessed valuations.*

## 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 Recorder of Deeds has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees are not required to change passwords periodically to help ensure passwords





## Stoddard County Management Advisory Report - State Auditor's Findings

remain known only to the assigned user. In addition, passwords for employees in the offices of the Recorder of Deeds and County Assessor are not required to have a minimum number of characters.

Passwords are necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed or contain a minimum number of characters 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 confidential, contain a minimum number of characters, and 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

The County Assessor, County Collector, and Recorder of Deeds do not have security controls in place to lock computers 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 invalid 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.

### 4.3 Data backups

The County Clerk's office does not store data backup files at an off-site location. The files are stored at the same location as the original data leaving the backup data susceptible to the same damage as the original data.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backup computer data should be stored at an off-site location.

## Recommendations

The County Commission work with other county officials to:

- 4.1 Require employees maintain confidential passwords with a minimum number of characters that must be periodically changed.
- 4.2 Ensure county computers have security controls in place to lock each computer after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 4.3 Ensure backup computer data is stored in a secure off-site location.



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## Auditee's Response

- 4.1 *Password changes and password security will be reviewed with the Recorder of Deeds and County Assessor. Each officeholder will be directed to establish adequate computer controls.*
- 4.2 *Security controls will be reviewed with the County Assessor, County Collector, and Recorder of Deeds. Each officeholder will be directed to establish effective security controls.*
- 4.3 *Data backups will be stored at an off-site location.*

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## 5. Tax Maintenance Fund Transfers

A \$30,000 transfer made from the Tax Maintenance Fund (TMF) in 2017 was not in compliance with uses allowed by state law and the county does not have documentation to support the amount. In addition, transfers of \$65,000 and \$15,000 made in 2015 and 2016, respectively, also do not have documentation to support the amounts transferred. The County Collector collects a penalty of 7 percent of the total charged on delinquent taxes, and two-sevenths of this penalty is required to be paid into the TMF to be used for additional administrative or operational costs related to the office of the County Collector.

The County Collector transferred \$30,000 from the TMF to the General Revenue Fund on September 5, 2017. The minutes for the August 28, 2017, County Commission meeting indicated the County Collector was told the money was needed to help fund improvements and repairs to an annex building for the Sheriff's office. Thus the transfer was not related to the administration or operation of the County Collector's office. The County Collector indicated a \$50,000 transfer in 2015 was for the County Collector's portion of new tax assessment software purchased by the County Assessor and \$15,000 transferred in both 2015 and 2016 was for part-time help during tax season. However, the County Collector did not have any documentation to support these transfers.

Section 52.315, RSMo, requires TMF monies be expended for additional administration and operation costs of the County Collector's office and "shall not be used to substitute for or subsidize any allocation of the county general revenue for the operation of the office of collector." Any unexpended balance is required to remain in the TMF to accumulate from year to year and should not be transferred to the county's general revenue for non-collector related purposes prior to reaching the limits set forth in Section 52.317.1, RSMo. There was either no documentation supporting the transferred amount or the documentation was unclear as to how the transferred amount related to the administration or operation of the office of the County Collector. Therefore, these transfers were not appropriate uses of the TMF monies.

## Recommendation

The County Collector ensure disbursements from the Tax Maintenance Fund are in compliance with statutory provisions, and the County Commission



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reimburse the Tax Maintenance Fund for the improper transfers. In addition, the County Collector should maintain documentation to support all transfers made from the Tax Maintenance Fund.

## Auditee's Response

*The County Collector provided the following response:*

*The County Collector will implement the recommendation.*

*The County Commission provided the following response:*

*The County Commission will ensure future disbursements from the Tax Maintenance Fund are in compliance with statutory provisions. The County Commission will discuss the reimbursement recommendation with the County Collector.*

## 6. County Procedures

Improvements are needed in the county's procedures over financial reporting and approving the SCSFB tax rate.

### 6.1 Published financial statements

Neither the County Commission nor the County Clerk submitted proof of publication of the county's financial statement for the years ended December 31, 2014, 2015, and 2016, to the State Auditor's Office as required by state law. Proof of publication is required to be submitted to our office by March 31 of the year following the end of the year. After we discussed this issue with the County Clerk, he submitted the required information to our office for those periods. We received it on November 22, 2017.

Section 50.810, RSMo, requires filing of proof of publication of the county's financial statements with the State Auditor. In addition, complete and accurate published financial statements are needed to adequately inform the citizens of the county financial activities and show compliance with statutory requirements.

### 6.2 SCSFB tax rate

The County Commission did not hold a public hearing and approve the SCSFB property tax rate. The property tax rate was approved by the SCSFB; however, the SCSFB does not have the legal authority to set the property tax rate.

Section 137.055, RSMo, states the county governing body shall hold a public hearing prior to approving the tax rates of the county. In addition, the Missouri Supreme Court issued an opinion in the case of *State ex rel. Indus. Services Contractors, Inc. v. County Comm'n of Johnson County*, 918 S.W.2d 252 (Mo. Banc 1996), that there is no statutory authority allowing Senate Bill 40 Boards to set the property tax levy.



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Recommendations

The County Commission:

- 6.1 And the County Clerk ensure the proof of publication of the county financial statements is filed with the State Auditor's Office as required by state law.
- 6.2 Approve the SCSFB property tax rate in accordance with state law.

Auditee's Response

- 6.1 *The County Clerk's office will file proof of the county financial statements to the State Auditor's Office.*
- 6.2 *A public hearing will be held by the County Commission to approve the SCSFB property tax rate.*

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# Stoddard County

## Organization and Statistical Information

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Stoddard County is a township-organized, third-class county. The county seat is Bloomfield.

Stoddard 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 66 full-time employees and 17 part-time employees on December 31, 2016. 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	2017	2016
Greg Mathis, Presiding Commissioner	\$	35,243
Danny K. Talkington, Associate Commissioner		33,882
Carol Jarrell, Associate Commissioner		33,882
Kay Asbell, Recorder of Deeds		49,426
Joe Watson, County Clerk		49,426
Russell Oliver, Prosecuting Attorney		139,105
Carl Hefner, Sheriff		54,757
Kenny Pope, County Coroner		18,501
Pamela Lape, Public Administrator		49,426
Carla Moore, County Collector-Treasurer, year ended March 31,	62,509	
Jody Lemmon, County Assessor, year ended August 31,		48,945
Joseph Pulliam, County Surveyor (1)		

(1) Compensation on a fee basis.