



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Montgomery County

Report No. 2018-015

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Montgomery County

Follow-Up Report on Audit Findings

Table of Contents

State Auditor's Letter	2
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Status of Findings*

1.	Sales Tax Procedures	3
2.	Sheriff's Controls and Procedures	4
3.	County Assessor's Controls and Procedures	6
6.	Electronic Data Security	7

*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Montgomery County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-125, *Montgomery County* (rated as Poor), issued in November 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with county officials to verify the status of implementation for the recommendations. Documentation provided by the county included bank statements, reconciliations, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during February 2018.

Nicole R. Galloway, CPA
State Auditor

Montgomery County

Follow-Up Report on Audit Findings

Status of Findings

1. Sales Tax Procedures We identified various concerns related to county sales taxes.
- 1.1 Capital improvements sales tax Some capital improvement sales tax revenue was spent for purposes not allowable under state law. The county used capital improvement sales tax revenue to purchase equipment and other items that were not capital improvement-related costs and were not allowable purchases based on the ballot language. In addition, \$250,000 in loans made during 2013 from the Capital Improvements (CI) Fund to the General Revenue (GR) Fund had not been repaid. For the years ended December 31, 2015, and 2014, the county budgeted loan repayments of \$5,000; however, no loan repayments occurred. The county did not budget a loan repayment for the year ended December 31, 2016.

Recommendation

The County Commission discontinue using capital improvement sales tax revenue for non-capital improvement related costs and repay the Capital Improvements Fund for loans made to the General Revenue Fund.

Status

In Progress

We reviewed 7 of the 66 expenditures for equipment, projects, and repair and maintenance paid from the CI Fund during 2017. Based on the expenditures reviewed, the County Commission is using capital improvement sales tax revenue for capital improvement-related costs. In 2016 and 2017, the County Commission made payments of \$10,000 each year from the GR Fund to the CI Fund to partially repay the loan. Another loan payment of \$10,000 is budgeted for 2018. Partial loan payments are being made because the county does not have sufficient monies available in the GR Fund to fully reimburse the CI Fund.

- 1.2 Reduction of property tax levies The county had not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received by approximately \$106,000 at December 31, 2015, and county officials did not accurately calculate property tax reduction amounts. As a result, increased property tax levy rollbacks will be required in future years to offset this liability.

Recommendation

The County Commission 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 prior year's over collection of property taxes.

Status

Implemented

We reviewed the County Clerk's property tax rate reduction calculations for 2017. The calculations adequately reduced the property tax levy for 50 percent of sales tax revenue. In addition, the property tax levy for 2017 was reduced to recover the insufficient reduction amounts from previous years.



Montgomery County
Follow-up Report on Audit Findings
Status of Findings

1.3 Excess sales tax

The county had imposed 2 sales taxes, totaling 3/4-cent, which exceeded the statutory maximum allowed for general sales taxes per Section 67.547, RSMo, by 1/4-cent. The county received approximately \$265,000 from the excess sales tax during the year ended December 31, 2015. County records provided the following information:

- In November 1993, voters approved a 1/4-cent general sales tax under Section 67.547, RSMo. The GR Fund received approximately \$265,000 in 2015 from this tax. The sales tax was primarily used for operating the county-wide dispatch center and the tax does not have an expiration date.
- In February 2007, voters approved an additional 1/2-cent general sales tax under Section 67.547, RSMo. The GR Fund received approximately \$530,000 in 2015 from this tax. The sales tax was used for general operations of the county and was renewed by voters in April 2013. The sales tax has an expiration date of December 31, 2019.

Recommendation

The County Commission review the current sales taxes imposed, research the statutory requirements for current sales taxes, and determine an allowable sales tax statute to ensure sales tax levies do not exceed statutory limits prior to submitting any future sales tax proposals to voters for approval.

Status

Partially Implemented

The 1/2-cent general sales tax approved by voters in April 2013 under Section 67.547, RSMo, was, and continues to be, in excess of the statutory maximum. The passage of Senate Bill 49, First Regular Session, 99th General Assembly (2017), added a provision to Section 67.547.3, RSMo, that states beginning August 28, 2017, no county shall submit to the voters any proposal that results in a combined rate of sales taxes adopted under this section in excess of one percent. This provision increased the statutory maximum allowed for general sales taxes per Section 67.547, RSMo, by 1/2-cent, for proposals submitted after August 28, 2017. The County Commissioners indicated they followed the progress of this legislation during 2017 and determined no further action is necessary until submitting future sales tax proposals to voters for approval.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office needed improvement.

2.1 Segregation of duties

The Sheriff had not adequately segregated accounting duties and did not ensure adequate supervisory reviews of detailed accounting and bank records were performed.

Recommendation

The Sheriff segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.



Montgomery County
Follow-up Report on Audit Findings
Status of Findings

Status

Implemented

Independent reviews of accounting and bank records have been established. The Office Manager reviews the Office Assistant's deposits, monthly reports, and bank reconciliations of the inmate commissary account while the Office Assistant reviews the Office Manager's deposits, monthly reports, and bank reconciliations of the fee account.

2.2 Liabilities

Neither the Office Manager nor the Office Assistant prepared monthly lists of liabilities for the fee and inmate commissary accounts, and consequently, liabilities were not agreed to the reconciled bank balances.

Recommendation

The Sheriff prepare monthly lists of liabilities for all accounts and agree the totals to the reconciled bank balances. Any differences should be promptly investigated and resolved.

Status

Implemented

A monthly list of liabilities is now prepared for the fee account and compared to the reconciled bank balance. However an unreconciled difference existed for November and December 2017. This difference is being investigated and resolved. The Office Manager indicated liabilities are reviewed and compared to the reconciled bank balance for the inmate commissary account. However, a list of liabilities was not printed from the inmate commissary system and attached to the monthly bank reconciliation. On February 22, 2018, a list of liabilities for the inmate commissary account was printed and agreed to the book balance. In the future, the list of liabilities will be printed and attached to the bank reconciliation.

2.3 Commissary net proceeds and purchases

The Sheriff had not turned over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. In addition, the Sheriff used commissary net proceeds to purchase items for jail operations outside the normal county procurement or budget process and bid documentation was not retained for all applicable purchases.

Recommendation

The Sheriff 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. In addition, the Sheriff should ensure bids are documented for all applicable purchases in accordance with state law.

Status

Implemented

The Sheriff now disburses commissary net proceeds not necessary to meet cash flow needs or current operating expenses to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund on a monthly basis.



Montgomery County
Follow-up Report on Audit Findings
Status of Findings

We reviewed the Sheriff's financial records for October 2017 and November 2017 and noted commissary net proceeds were disbursed to the County Treasurer for each month. Commissary net proceeds totaling \$18,533 were disbursed to the County Treasurer for the year ending December 31, 2017. In addition, we scanned expenditures made from the Inmate Prisoner Detainee Security Fund during 2017 and noted the Sheriff is obtaining bids or purchasing from state approved vendors, when applicable, in accordance with state law.

2.4 Civil paper service fees The Sheriff's office charged \$5 more for serving civil garnishments than allowed by state law.

Recommendation The Sheriff discontinue collecting the additional fee on civil garnishments.

Status **Implemented**

The Sheriff indicated he has discontinued collecting the additional fee on civil garnishments. Our review of civil garnishments collected in October, November, and December 2017 noted a fee of \$30 was collected in accordance with state law.

2.5 Phone cards The Sheriff's office did not maintain records to account for phone cards purchased and sold to inmates, and inventory remaining on hand, or conduct periodic physical inventory counts.

Recommendation The Sheriff maintain inventory records of phone cards, reconcile these records to phone cards purchased and sold, and perform periodic physical inventory counts.

Status **In Progress**

Records are now maintained to account for phone cards purchased and sold to inmates, and as of February 22, 2018, the Sheriff's office has implemented procedures to reconcile these records and identify inventory remaining on hand. Physical inventory counts to compare to inventory records will be performed on a monthly basis.

3. County Assessor's Controls and Procedures Controls and procedures in the County Assessor's office needed improvement.

3.1 Segregation of duties The County Assessor had not adequately segregated accounting duties and did not perform adequate supervisory reviews of detailed accounting records.

Recommendation The County Assessor segregate accounting duties or ensure independent or supervisory reviews of accounting records are performed and documented.



Montgomery County
Follow-up Report on Audit Findings
Status of Findings

Status

Implemented

The County Assessor indicated accounting duties have now been segregated. Three clerks are responsible for collecting and receipting monies. A fourth clerk is now responsible for preparing the monthly transmittal report and reconciling receipt slips to the monies transmitted to the County Treasurer. The County Assessor also indicated he performs a periodic review of the monthly transmittal report and the receipt slips; however, this review is not documented.

3.2 Receipting and transmitting

The County Assessor had not established proper controls or procedures for receipting and transmitting monies. Receipt slips were not issued for all monies received, monies received were not always transmitted timely to the County Treasurer, and checks were not restrictively endorsed immediately upon receipt.

Recommendation

The County Assessor issue prenumbered receipt slips for all monies received, transmit receipts timely, and restrictively endorse checks immediately upon receipt.

Status

In Progress

The County Assessor indicated procedures have been implemented to issue prenumbered receipt slips for all monies received and to transmit receipts to the County Treasurer timely. However, during our review of the monthly transmittal reports for September, October, and November 2017, we noted receipt slips were not issued for 5 receipts recorded. We also noted the receipts for September and October 2017 were transmitted timely to the County Treasurer; however, the receipts for November 2017 were not transmitted until January 2018. While progress in implementing the recommendation was noted, continued improvement is needed to ensure receipt slips are issued for all monies received and all monies are transmitted timely. In addition, during our review on February 22, 2018, we noted all checks on hand had been restrictively endorsed.

6. Electronic Data Security

The County Assessor and Recorder of Deeds had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices were not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

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 county's computers and data.



Montgomery County
Follow-up Report on Audit Findings
Status of Findings

Status

Partially Implemented

The County Commissioners indicated they remind other county officials during the budget process of the importance of proper security measures regarding the county's computers and data. The Recorder of Deeds indicated that following a system programming change in 2017, passwords are now required to be changed monthly. The County Assessor indicated he does not require employees in his office to change passwords periodically, but he will consider this in the future.