



Office of Missouri State Auditor
Nicole Galloway, CPA

Macon County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Macon County

Excess Capital Improvement Sales Tax Rate	The county imposed 2 sales taxes, totaling 3/4-cent, which exceeded the statutory maximum rate allowed for capital improvement sales taxes authorized by Section 67.700, RSMo, by 1/4-cent.
Sheriff's Inmate Account	The Sheriff's office does not prepare a monthly list of liabilities for the inmate account, and consequently, liabilities are not agreed to the reconciled bank balance. In addition, the Sheriff's office has not disbursed all commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law.
Electronic Data Security	The County Collector, County Assessor, County Clerk, Recorder of Deeds, and Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Security controls are not in place to lock computers in the County Collector's office after a specified number of incorrect logon attempts. In addition, the County Assessor and Recorder of Deeds do not have security controls in place to lock computers after a certain period of inactivity.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

All reports are available on our Web site: auditor.mo.gov

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Macon County

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

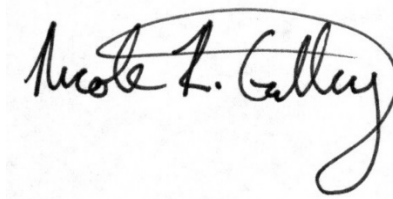
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Macon 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
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Josh Allen, CPA, CFE
Audit Staff:	Emily Warren
	Morgan Alexander
	Wanda S. Rice, MBA

Macon County Management Advisory Report State Auditor's Findings

1. Excess Capital Improvement Sales Tax Rate

The county imposed 2 sales taxes, totaling 3/4-cent, which exceeded the statutory maximum rate allowed for capital improvement sales taxes authorized by Section 67.700, RSMo, by 1/4-cent. The capital improvement sales tax that caused the county to exceed the maximum sales tax rate expired in September 2016. County records provided the following information:

- In April 1986, voters approved a 1/2-cent capital improvement sales tax under Section 67.700, RSMo. This sales tax has been renewed every 5 years and was most recently renewed in April 2016. The county received approximately \$730,000 in 2016 from this tax. It is used for the purpose of constructing county bridges, road improvements, and purchasing of equipment.
- In April 2013, voters approved an additional 1/4-cent capital improvement sales tax under Section 67.700, RSMo, for a period of 3 years. This sales tax was not renewed and ended in September 2016. The county received approximately \$335,800 in 2016 from this tax. It was used for the purpose of equipping, maintaining, replacing, rebuilding, enhancing, and building of new facilities at the Macon County Fairgrounds Park.

Section 67.700.4, RSMo, allows counties to impose a rate of 1/8, 1/5, 1/4, 3/8, or 1/2-cent. Although there is no provision against having 2 sales taxes under this section, the total sales tax cannot exceed 1/2-cent. Attorney General's Opinion No. 97-1999 (June 4, 1999) states the maximum sales tax rate for capital improvements cannot exceed the 1/2-cent tax rate. Therefore, the county had already reached its statutorily-imposed maximum capital improvement sales tax rate with the original sales tax passed in April 1986. The additional capital improvement sales tax passed in April 2013 caused the county to exceed the statutorily-imposed maximum rate of 1/2-cent.

Recommendation

The County Commission research the statutory requirements for sales taxes to ensure any future sales tax levies do not exceed statutory limits prior to submitting any future sales tax proposals to voters for approval.

Auditee's Response

For any future sales taxes, we will research statutory requirements closer and ensure this does not happen again.

2. Sheriff's Inmate Account

The Sheriff's office does not prepare a monthly list of liabilities for the inmate account, and consequently, liabilities are not agreed to the reconciled bank balance. In addition, the Sheriff's office has not disbursed all commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. Inmate commissary sales totaled approximately \$7,700 during the year ended December 31, 2016.



Macon County
Management Advisory Report - State Auditor's Findings

At our request, a list of liabilities was prepared and identified liabilities, totaled \$257 at March 31, 2017. The reconciled bank balance at March 31, 2017, was \$2,516, leaving an unidentified balance of \$2,259. The unidentified balance could be due to amounts owed to the commissary vendor and net proceeds earned from commissary sales. The monthly invoice received from the vendor identifies the amounts owed to the vendor and the amount of net proceeds earned. However, this information is not used when disbursing amounts to the County Treasurer and the Sheriff's office does not track these liabilities. Instead, the Sheriff's office will periodically disburse monies from the inmate account to the County Treasurer when an excess balance has accumulated. For example, \$6,500 was disbursed on March 13, 2017. This disbursement would include amounts owed to the commissary vendor, which are paid by the County Treasurer, as well as accumulated net proceeds.

Liabilities should be identified monthly and agreed to the reconciled bank balance to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. Various statutory provisions provide for the disposition of unidentified monies. In addition, 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.

Recommendation

The Sheriff prepare a monthly list of liabilities and agree the total to the reconciled bank balance. Any differences should be promptly investigated and resolved. 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.

Auditee's Response

The Sheriff's office has continually maintained a commissary program for the past several years. An inmate trust fund bank account was opened where inmate monies were deposited and commissions were kept. Deposits from this fund were made to the County Treasurer and those funds paid the invoices that were received from the commissary company. Any remaining balances owed the inmate in the inmate trust fund bank account would be given back to the inmate upon release from the jail. Some of those funds are never claimed and some checks are never cashed.



Macon County
Management Advisory Report - State Auditor's Findings

We plan to make the following changes and improvements to our commissary process:

- A) Invoices will no longer be sent to the county's accounts payable for payment but will rather be paid directly from the inmate trust fund bank account by the Sheriff's office. The commissary system prints checks to inmates being released from jail with their remaining commissary balance.*
- B) A debit card system will be implemented to reduce the amount of unclaimed funds/checks that the inmates would never cash or claim.*
- C) Monthly deposits and payments made by the Sheriff's office will reduce the amount of money transferred to the County Treasurer. Commissary net proceeds will be transferred to the County Treasurer monthly. We will maintain a balance necessary to operate the account and, in case of software or computer problems, be able to release monies owed to the inmates by inmate trust fund checks.*

With these changes, we will also ensure a monthly list of liabilities, consisting of amounts due the commissary company and inmate balances, are agreed to the reconciled bank balance.

3. 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.

3.1 Passwords

The County Collector, County Assessor, County Clerk, Recorder of Deeds, and Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the County Collector, County Assessor, County Clerk, and Recorder of Deed's offices are not required to change passwords periodically. In addition, passwords are not required to access computers in the Public Administrator's office and passwords are shared among employees in the Recorder of Deed's office.

Passwords are required 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 by employees in certain offices, are not required in one office, and are shared in another office, 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 unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.



Macon County
Management Advisory Report - State Auditor's Findings

3.2 Security controls

Security controls are not in place to lock computers in the County Collector's office after a specified number of incorrect logon attempts. In addition, the County Assessor and Recorder of Deeds do not have security controls in place to lock computers after a certain period of inactivity.

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

Recommendations

The County Commission work with other county officials to:

- 3.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 3.2 Require each county computer have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.

Auditee's Response

We will work with other county officials to develop policies recommending each officeholder maintain confidential passwords for all county computers, passwords are changed periodically, and security controls are in place to lock after a specified number of incorrect logon attempts and after a certain period of inactivity.

Macon County

Organization and Statistical Information

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

Macon 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 52 full-time employees and 24 part-time employees on December 31, 2016.

In addition, county operations include a Senate Bill 40 Board and a County Park 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
Alan R. Wyatt, Presiding Commissioner	\$	30,466
Drew Belt, Associate Commissioner		28,393
Jon Dwiggin, Associate Commissioner		28,393
Sherry Muncy, Recorder of Deeds		43,020
Shirley Sims, County Clerk		43,020
Josh Meisner, Prosecuting Attorney		52,868
Kevin Shoemaker, Sheriff		47,685
Krista Bruno, County Treasurer		43,020
Brian Hayes, County Coroner		14,513
Lois Noland, Public Administrator		43,020
Jeanette Powell, County Collector (1), year ended February 28,	44,934	
Alan Spencer, County Assessor, year ended August 31,		42,723
John H. Schaefer, County Surveyor (2)		

(1) Includes \$1,592 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

Financing Arrangements

The county entered into a lease-purchase agreement with UMB Bank, N.A. (the trustee) on June 18, 2015. The terms of the agreement called for the trustee to sell lease certificates of participation totaling \$9,000,000 to provide funding for the construction of a new county jail and renovations,



Macon County
Organization and Statistical Information

additions, and improvements to the county courthouse. The certificates are to be paid off in full with interest in 2034. The payments are made with the revenue generated from the county's 1/2-cent general sales tax, approved by voters on April 8, 2014, and in effect until 2034. The remaining principal and interest due on the certificates at December 31, 2016, was \$8,600,000 and \$3,128,375, respectively.