



Office of Missouri State Auditor
Nicole Galloway, CPA

Reynolds County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Reynolds County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. Procedures for receipting, recording, depositing, and reconciling need improvement. The Sheriff maintains some monies in a bank account outside the county treasury, in violation of state law. The Sheriff has not established adequate controls and procedures over seized property.
Property Tax System	The County Clerk and/or County Commission did not review and approve outlawed 2012 personal property taxes totaling approximately \$5,600 during the year ended February 28, 2018. The County Commission's 3 signature stamps are not adequately controlled.
Public Administrator's Annual Settlements	The Public Administrator does not always file annual settlements timely.
County Disbursements	The County Commission did not obtain proposals for legal and property appraisal services, and neither the County Commission nor the Sheriff solicited bids for prisoner meals. The county did not enter into a written agreement for the property appraisal services and did not enter into written agreements with various political subdivisions regarding the prorating of these costs among the political subdivisions.
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.

Reynolds County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Reynolds County

We have audited certain operations of Reynolds County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, has been engaged to audit the financial statements of Reynolds County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

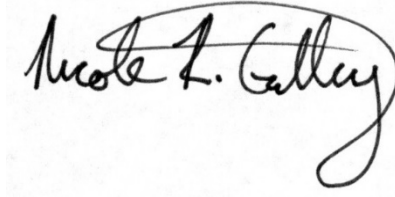
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Reynolds County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

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:	Travis Owens, MBA, CPA CFE, CGAP
In-Charge Auditor:	Anh Nguyen
Audit Staff:	Emily Warren, CPA
	Wanda S. Rice, MBA

Reynolds 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 Sheriff's office processed receipts for civil paper service fees, bonds, inmate monies, prisoner board, and other miscellaneous receipts totaling approximately \$125,600 for the year ended December 31, 2017.

1.1 Segregation of duties and supervisory review

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. The Sheriff's secretary is responsible for receipting, recording, and depositing monies; making disbursements; and reconciling the bank accounts. The Sheriff does not document his reviews of the monthly bank reconciliations, canceled checks, and other disbursement documentation. In addition, the Sheriff does not review accounting records to ensure monies received have been properly recorded, deposited, and disbursed.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling 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.

1.2 Receipts and deposits

Procedures for receipting, recording, depositing, and reconciling need improvement.

- During non-business hours, jail personnel issue generic unnumbered bond forms, do not maintain a log of bonds received, and do not issue prenumbered manual receipt slips for bonds received. Bond monies and a copy of the bond form are put in an envelope, and then the envelope is put in a lockbox. The Sheriff's secretary is the only person who has access to the lockbox, but is not provided with any records to know the amount of monies that should be in it. As a result, neither the Sheriff's secretary nor the Sheriff can account for all bonds received and ensure bonds are handled properly. The Sheriff's office collected approximately \$81,700 in cash bonds during the year ended December 31, 2017.
- The Sheriff's secretary does not always issue receipt slips timely or record receipts timely for civil paper service fees received, and does not always deposit these fees timely and intact. The Sheriff's office remitted approximately \$8,900 to the County Treasurer for civil paper service fees during the year ended December 31, 2017. During a cash count performed on February 8, 2018, we noted 2 of the 8 checks were for civil paper service fees and were dated December 18, 2017, and December 21, 2017, but a receipt slip was not issued for either check until February 7, 2018. The Sheriff's secretary indicated she often holds receipts until civil papers have been served or a deputy has made a service attempt because this



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process allows her to better track outstanding cases and because open cases may require refunds or additional billing for mileage.

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

1.3 Account held outside treasury

The Sheriff maintains some monies in a bank account outside the county treasury, in violation of state law. During the year ended December 31, 2017, the Sheriff received approximately \$3,000 for calendar sale commissions (advertising) and \$1,400 in donations from a raffle held to assist the department with purchasing a police dog. This bank account held approximately \$4,000 as of December 31, 2017. The Sheriff made several purchases from this account totaling approximately \$1,900 for advertising, supplies for educational activities at local schools, motor vehicle title fees for Sheriff's office vehicles, and a police dog. While these expenditures appear reasonable, expending monies outside of the county's normal budgeting and disbursement process increases the risk of misuse or unnecessary purchases.

There is no statutory authority allowing the Sheriff to maintain an account outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45-1992 to the Hickory County Prosecuting Attorney, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

1.4 Seized property

The Sheriff has not established adequate controls and procedures over seized property. The seized property evidence log maintained is not complete and only includes items seized starting in July 2017. We could not trace 2 of the 5 items selected from the seized property room to the log. In addition, the Sheriff does not periodically reconcile the physical inventory to the log.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Complete and accurate inventory records including information such as description, current location, case number, date of seizure, and disposition of such property, should be maintained and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.

Similar conditions previously reported

Similar conditions to sections 1.2 and 1.3 were noted in our prior audit report.



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Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 1.2 Issue prenumbered receipt slips for bond monies received, account for the numerical sequence of receipt slips, and maintain a bond log. In addition, manual receipt slips should be issued and recorded promptly for all civil paper service fees received, and receipts should be deposited timely and intact.
- 1.3 Transfer the balance of the bank account to the County Treasurer and close the account.
- 1.4 Maintain a complete and accurate seized property evidence log, and ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences.

Auditee's Response

- 1.1 *I will ensure my monthly supervisory review of the bank reconciliation and bank statements is documented. Future reviews will include a detailed review of receipts and receipt slips, deposits, and disbursements on a test basis to ensure the numerical sequence of receipt slips can be accounted for and disbursements are proper.*
- 1.2 *I will begin implementing the auditor's recommendation by ordering prenumbered bond forms, prenumbered receipt slips, and a bond log or ledger for the jail. I will attempt to better segregate duties by assigning lockbox keys to other personnel without cash handling duties, and ensure an independent person is present with the secretary to open and count the lockbox and compare monies to the bond ledger. I immediately implemented the auditor's recommendation to make timely and intact deposits once auditors alerted me and I am no longer holding any checks.*
- 1.3 *I will promptly close this bank account and turn the monies over to the County Treasurer. I will work with the County Clerk and County Treasurer to process a budget amendment for these monies.*
- 1.4 *I am in the process of disposing of a large amount of old seized property that is no longer needed. Once this process is completed, the evidence officer will update his master log to include all items in our possession.*

My officers and I recently conducted a full inventory of the property room using the current evidence officer's log for more recent items, and paper case records for the older items. I was able to properly



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account for all items held in the property room. I will continue to conduct a full inventory of the property room annually.

2. Property Tax System

2.1 Outlawed property taxes

Property tax system controls and procedures need improvement. The County Collector's office processed property taxes and other revenues of approximately \$8.2 million for the year ended February 28, 2018.

The County Clerk and/or County Commission did not review and approve outlawed 2012 personal property taxes totaling approximately \$5,600 during the year ended February 28, 2018. As a result, outlawed taxes, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not monitored and errors or irregularities could go undetected. According to the County Collector, she is the only official with access rights in the property tax system to outlaw taxes, and she does not generate a report of taxes outlawed for the County Clerk or County Commission to approve.

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.

A similar condition was noted in our prior audit report.

2.2 Signature stamps

The County Commission's 3 signature stamps are not adequately controlled. The County Assessor's office has custody of a signature stamp for each of the County Commissioners. County Assessor's office personnel stamp each court order (addition or abatement of property taxes) with the County Commissioner's individual signature stamps and provides copies of the court orders to the County Clerk and County Collector.

To safeguard against possible loss, theft, or misuse of funds, the County Commission should establish controls over the use of and access to the signature stamps.

Recommendations

- 2.1 The County Clerk and County Commission ensure outlawed taxes are properly reviewed and approved.
- 2.2 The County Commission should establish controls over the use of and restrict access to the signature stamps.

Auditee's Response

- 2.1 *On an annual basis, we will require the County Collector provide us an itemized listing of all personal property tax accounts she is*



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proposing should be outlawed. We will review and approve this listing before granting her authorization to outlaw the property taxes.

- 2.2 *Per discussion with the auditors, we will immediately collect the signature stamps from the County Assessor and store them in a secure location. After the auditors brought this to our attention while they were on-site, we began reviewing and approving individual court orders for additions and abatements on a weekly basis and will continue this process.*

3. Public Administrator's Annual Settlements

The Public Administrator does not always file annual settlements timely. During our review of the 9 active cases, we found 4 cases did not have annual settlements filed timely. These 4 annual settlements were filed approximately 4 to 7 months after the due date. The Public Administrator does not keep a record of when annual settlements are due to the court. Instead, she relies on the Circuit Court, Probate Division Clerk to send reminder notifications to the Public Administrator. The Public Administrator indicated she did not receive a reminder notification for some of the 4 cases. After we discussed this issue with the Public Administrator, she prepared a formal schedule of due dates for each annual settlement that she plans to periodically review to ensure annual settlements are filed before the due date.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely filing of settlements is necessary for the court to properly oversee the administration of cases and reduce the possibility that errors, loss, theft, or misuse of funds will go undetected. In addition, Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement; however, failure to receive the notice does not excuse the conservator or guardian from filing the settlements as required by law.

Recommendation Auditee's Response

The Public Administrator ensure annual settlements are filed timely.

I immediately began implementing this recommendation while the auditors were here on-site and alerted me that it is my responsibility to ensure the settlements get filed timely. I am now tracking the due dates for all of my wards in a desk calendar, and will ensure all future settlements are completed and filed prior to the due date.



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Management Advisory Report - State Auditor's Findings

4. County Disbursements

Procedures related to bidding and written agreements need improvement.

4.1 Bidding

The County Commission did not obtain proposals for legal and property appraisal services, and neither the County Commission nor the Sheriff solicited bids for prisoner meals.

The services primarily related to representing the county and political subdivisions in the resolution of protested property taxes. The county paid the law firm approximately \$63,000 and the property appraisal consultant approximately \$24,000 during the year ended December 31, 2017. The County Clerk indicated county officials considered these firms sole source vendors because of their expertise and qualifications with the mining industry; however, the county did not document this reasoning for not soliciting competitive proposals. In addition, approximately \$27,000 was spent for prisoner meals during the year ended December 31, 2017. The Sheriff indicated his office primarily purchases food and prepackaged meals from a vendor who delivers the food to the jail.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to obtain the best and lowest price 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 demonstrate compliance with applicable laws or regulations and support decisions made.

4.2 Written agreements

The county did not enter into a written agreement for the property appraisal services discussed in section 4.1 and did not enter into written agreements with various political subdivisions regarding the prorating of these costs among the political subdivisions.

According to the County Clerk, the county and various political subdivisions verbally agreed to share all expenses incurred related to the protested property taxes. The portion of fees owed is determined on a pro-rata basis after the assessed valuation has been resolved by the Missouri State Tax Commission. The county periodically bills the various political subdivisions for their share of the expenses.

Section 432.070, RSMo, requires government contracts to be in writing. Written agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Similar conditions
previously reported

A similar condition to section 4.1 was noted in our prior 2 audit reports and a similar condition to section 4.2 was noted in our prior audit report.



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Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission:

- 4.1 Ensure bids are solicited for all applicable purchases of goods and services in accordance with state law, and maintain adequate documentation of decisions made.
- 4.2 Enter into written agreements with vendors and political subdivisions as required by state law.

Auditee's Response

- 4.1 *We believe each of the goods or services listed in this audit finding are sole source procurements. The attorney and appraiser each have specialized expertise, and it would not be feasible or cost effective for us to make a change in the middle of a long court battle that is nearing resolution. Also, the vendor who supplies food to the jail is the only vendor with the items needed who will deliver to our rural location.*
- 4.2 *We have has not had any difficulties collecting amounts billed to the various taxing authorities and there are no amounts currently due. The cost sharing arrangement relates to a single taxpayer who began protesting taxes many years ago. At that time the various taxing authorities were notified of the cost sharing requirements and verbally agreed to the terms and the terms have not significantly changed since that time. We anticipate this ongoing issue with the mining corporation protesting the County Assessor's method of calculating their assessed valuation will be resolved within approximately one year and these services will no longer be required in the future.*

Reynolds County

Organization and Statistical Information

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

Reynolds 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 44 full-time employees and 3 part-time employees on December 31, 2017.

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	2018	2017
Joe Loyd, Presiding Commissioner	\$	29,560
Doug Warren, Associate Commissioner		27,560
Eddie Williams, Associate Commissioner		27,560
Myra Turner, Recorder of Deeds		41,500
Mike Harper, County Clerk		41,500
Michael Randazzo, Prosecuting Attorney		49,000
Tom Stout, Sheriff		45,000
Wanda Corder, County Treasurer		41,500
Jeffrey N. McSpadden, County Coroner		13,500
Robyn Gray, Public Administrator		20,500
Kathy Hoffmann, County Collector, year ended February 28,	41,500	
Rick Parker, County Assessor, year ended August 31,		41,500