



Thomas A. Schweich

Missouri State Auditor

Gentry County



November 2013
Report No. 2013-131

<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Gentry County

Property Tax System	The County Collector-Treasurer and her deputy have unlimited access to all information in the property tax system, which allows them the ability to make changes to the individual tax records and creates a significant control weakness. The County Clerk does not reconcile the initial addition and abatement information prepared by the County Assessor with the actual changes made by the County Collector-Treasurer, so there is no assurance that all additions and abatements posted are approved.
County Commission Minutes	As noted in our prior audit report, the County Commission does not always comply with the Sunshine Law. The County Commission did not cite the correct reasons for closing meetings and did not prepare minutes for one closed meeting.
County Procedures	The County Clerk does not maintain overall county property records, and none of the county officials or departments perform and submit an annual inventory list. The county does not track the purchase and disposition of assets throughout the year, and some assets are not tagged. In addition, the county has not developed formal policies and procedures for selling culverts, the County Clerk's list of culvert sales was not kept current and accurate, and the county does not collect retail sales tax on culverts sold for private purposes.
Sheriff's Seized Property Records	The Sheriff's office has not conducted a physical inventory of seized property and does not maintain a summary control log.
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.

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

Gentry County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Property Tax System4 2. County Commission Minutes5 3. County Procedures5 4. Sheriff's Seized Property Records8
---	--

Organization and Statistical Information	9
---	---



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Gentry County

We have audited certain operations of Gentry County in fulfillment of our duties under Section 29.230, RSMo. In addition, Davis, Lynn & Moots, Certified Public Accountants, was engaged to audit the financial statements of Gentry County for the year ended December 31, 2012. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. 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 operations, 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 contract 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 Gentry County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditors:	Kenneth Erfurth Corey McComas, M. Acct., CPA
Audit Staff:	Richard Mosha, MBA Colby Dollens

Gentry County

Management Advisory Report

State Auditor's Findings

1. Property Tax System

Controls and procedures over the property tax system need improvement. The County Collector-Treasurer's office processed collections totaling approximately \$6.9 million for the year ended February 28, 2013.

1.1 Computer access

Access to the property tax system is not adequately restricted. The County Collector-Treasurer and her deputy have administrative access rights in the property tax system, which provides them with unlimited access to all information in the system and allows them the ability to make changes to the individual tax records. While the County Clerk and the County Collector-Treasurer use the same computerized tax system, the two offices computers are not networked together. As a result, changes or updates to the tax records, such as additions and abatements (see section 1.2) which are required to be made by the County Clerk's office, have to be made by the County Collector-Treasurer. The County Collector-Treasurer's ability to alter or delete tax rates, assessed values, and property tax billings represents a significant control weakness because the County Collector-Treasurer is responsible for collecting tax monies.

Properly limiting access to the property tax system will help prevent unauthorized changes to property tax records. Access should be limited based on user needs. Unrestricted access can also result in the deletion or alteration of data files and programs.

1.2 Additions and abatements

The County Clerk does not reconcile the initial addition and abatement information prepared by the County Assessor and the actual changes made in the property tax system by the County Collector-Treasurer and her deputy. The County Clerk's office only compares a manually prepared listing of additions and abatements prepared by the County Collector-Treasurer monthly to the court ordered changes approved by the County Commission. There is no assurance that all additions and abatements posted to the system are included on the listing.

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, periodic reviews, along with a comparison of approved additions and abatements to actual changes made to the property tax system, would help ensure changes are proper.

Recommendations

The County Commission:

- 1.1 Ensure property tax system access rights are limited to only what is needed for the users to perform their job duties and responsibilities.



Gentry County
Management Advisory Report - State Auditor's Findings

- 1.2 Work with the County Clerk to ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *We will talk with the applicable officials and software provider about how to best resolve this concern.*
- 1.2 *We have discussed this recommendation with both the County Collector-Treasurer and County Clerk and will ensure verification of any additions, abatements, or changes to the tax system is performed in the future. Both officials indicated they are willing to implement this recommendation.*

2. County Commission Minutes

As noted in our prior report, the County Commission does not ensure procedures related to closed meetings are in compliance with the Sunshine Law. Topics discussed in closed meetings, including the independent auditor's draft financial statement audit and litigation, were not cited in an open meeting as a reason for closing the meeting. The County Commission incorrectly cited personnel issues as the reason for all 12 closed meetings held during 2012. In addition, the County Commission did not prepare minutes for one of the closed meetings.

The Sunshine Law, Chapter 610, RSMo, requires minutes be prepared for all closed meetings and the reason for the closed meeting be voted on in an open meeting. In addition, this law provides the Board shall not discuss any other business in a closed meeting which does not directly relate to the specific reason announced and documented to justify the closed meeting.

Recommendation

The County Commission properly cite reasons for closed meetings and limit discussion during closed meetings to the reasons cited in the open meeting. In addition, minutes for each closed meeting should be prepared and maintained.

Auditee's Response

The County Commission provided the following response:

We will make every effort to ensure compliance with the Sunshine Law in the future.

3. County Procedures

Procedures to account for capital assets need improvement. In addition, policies for the sale of culverts to townships, cities, and residents have not been adopted and improvement is needed for current procedures in place.

3.1 Capital assets

The County Clerk does not maintain overall county property records, and none of the county officials or departments perform and submit an annual inventory list. Neither the County Clerk nor other county officials track



Gentry County Management Advisory Report - State Auditor's Findings

property purchases and dispositions of assets throughout the year. The County Clerk did not send out requests for inventory lists to the various county departments during 2012. In addition, property tags are not being issued to the departments and some assets are not tagged, identifying them as county property.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track property purchases and dispositions throughout the year, along with periodic physical inventories and comparisons of the results to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft. Proper tagging of county property items is necessary to facilitate the record-keeping process. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to the officer or applicable designee of each county department, and describes details to be provided in the inventory records.

A similar condition was noted in our prior report.

3.2 Culvert sales

The county does not maintain adequate records of culvert sales to townships, cities, and residents of the county, has not developed formal procedures to adequately account for the sale of culverts, and does not collect retail sales tax on sales for private purposes. The County Clerk indicated culverts have been sold to townships, cities, and residents for many years to potentially reduce the workload of the road and bridge department. The County Clerk prepares bills and receives payments from culvert sales. Total receipts from culvert sales were approximately \$24,000 for the year ended December 31, 2012. Our review noted the following concerns:

- The county has not developed formal policies and procedures related to culvert sales. Townships, cities, and residents contact the road and bridge department or County Clerk when purchasing a culvert. Culverts are sold at cost, but an additional \$50 fee is charged if the culvert is delivered. The county should evaluate the practice of selling culverts and develop a formal policy regarding performing these services. In addition, selling culverts may compete with private businesses, which perform this service. Formal written policies should be developed to document the county-related purpose, ensure all county residents are treated equally, and prevent misunderstandings.
- The County Clerk's log of culvert sales was not kept current, invoice numbers were out of order, and there were some discrepancies between invoices and what was recorded on the log. To ensure all culverts sold are properly charged, billed, and collected, a log of culverts sold should be maintained and kept current. The County Clerk should prepare bills



Gentry County Management Advisory Report - State Auditor's Findings

based upon the information on the log and should reconcile payments received to bills issued.

- The county does not collect retail sales tax on culverts sold for private purposes. As a result, county residents avoided paying sales tax on these purchases. The county may have circumvented sales tax law by selling culverts for private purposes and not collecting and remitting retail sales tax.

Recommendations

The County Commission:

- 3.1 And County Clerk work with other county officials to ensure complete and accurate inventory records are maintained, purchases and dispositions of assets are tracked, annual physical inventories are conducted, and assets are tagged as county property.
- 3.2 Reevaluate the practice of selling culverts to residents. If the county continues to provide this service, the County Commission should develop formal policies and procedures regarding culvert sales and ensure an adequate log of culverts sold is maintained and reconcile all billings to receipts on a periodic basis to ensure outstanding receivables are collected. The county should contact the Department of Revenue regarding the collection and remittance of retail sales tax on sales intended for private purposes.

Auditee's Response

The County Commission and County Clerk provided the following response:

- 3.1 *We will work together with the other elected officials and department heads to establish asset procedures to ensure inventories are performed annually, assets are tagged, and purchases and dispositions are tracked throughout the year. We plan to have this recommendation fully implemented by the end of 2014.*

The County Commission provided the following response:

- 3.2 *We immediately stopped selling culverts to individuals when this issue was mentioned by the auditors. We will develop a policy by March 1, 2014 regarding sales to cities and townships in the county. We will ensure the County Clerk and road and bridge supervisor work together to account for culvert sales in accordance with the established policy. Documentation will be maintained for the disposition of each culvert purchased in the future.*



Gentry County
Management Advisory Report - State Auditor's Findings

4. Sheriff's Seized Property Records

The Sheriff's office does not maintain a summary control log documenting all seized property on hand. In addition, the Sheriff's office has not conducted a physical inventory of all seized property.

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 items. Summary inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, along with the performance of periodic physical inventories, are necessary to ensure items are accounted for properly.

Recommendation

The Sheriff ensure a seized property inventory control log is maintained and a periodic physical inventory is conducted and reconciled to the log.

Auditee's Response

The Sheriff provided the following response:

I have implemented this recommendation.

Gentry County

Organization and Statistical Information

Gentry County is a township-organized, third-class county. The county seat is Albany.

Gentry 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. The county employed 26 full-time employees and 5 part-time employees on December 31, 2012. The townships maintain county roads.

Elected Officials

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

Officeholder	2013	2012
Rod Dollars, Presiding Commissioner	\$	28,193
Larry B. Wilson, Associate Commissioner		26,193
Gary Carlson, Associate Commissioner		26,193
Carol Reidlinger, County Clerk		39,686
Jerome Y. Biggs Jr., Prosecuting Attorney		47,150
Tim Davis, Sheriff		45,523
Noah Mays, County Coroner		11,089
Joy L. Novak, Public Administrator		28,068
Linda Combs, County Collector-Treasurer, year ended March 31,	39,885	
Sheryl Coburn, County Assessor, year ended August 31,		39,301