



Nicole R. Galloway, CPA
Missouri State Auditor

DeKalb County



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CITIZENS SUMMARY

Findings in the audit of DeKalb County

Property Tax System	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not verify the accuracy and completeness of the County Collector-Treasurer's annual settlements. The County Clerk does not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector-Treasurer.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties, does not review accounting records, and does not document his review of bank reconciliations. The Sheriff has not established adequate controls over seized property and a master listing of all seized property is not maintained. A physical inventory of seized property has not been performed since at least 2012 and documentation of this inventory was not retained. Additionally, several property items have been held for years with some items dating back to 2004 and one item dating back to 2002.
Recorder of Deeds' Receipts and Deposits	Office personnel only issues generic manual receipt slips for copy and subscription monies received when requested by the payor. In addition, receipts of copy and subscription monies are posted to a copy ledger, but the method of payment is not recorded on this ledger. The daily fee report used to prepare the deposit for recorded documents also does not include method of payment information. As a result, the composition of receipts cannot be reconciled to the composition of deposits.
Prosecuting Attorney's Receipts and Deposits	Deposits of checks and money orders were not made timely. In addition, these checks and money orders were not restrictively endorsed at the time of the cash count.
Additional Compensation	The Presiding Commissioner was paid \$8,000 in additional compensation during 2014 to serve as the county's Emergency Management Director. Payments to the Presiding Commissioner for serving in this position is not in accordance with state law and should be discontinued.
Computer Controls	The County Clerk, County Collector-Treasurer, Prosecuting Attorney, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Security controls are not in place to lock any county computers after a specified number of incorrect logon attempts or 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 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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DeKalb County

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of DeKalb County

We have audited certain operations of DeKalb County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of DeKalb County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

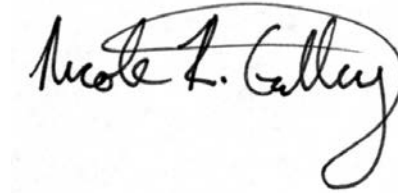
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 DeKalb 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 distinguishable. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Randall Gordon, M. Acct., CPA, CGAP
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie A. Moulden, MBA, CPA
Audit Staff:	Amanda Messick
	Ruben Lara

DeKalb County Management Advisory Report State Auditor's Findings

1. Property Tax System

Property tax system controls and procedures need improvement. The County Collector-Treasurer collected approximately \$8.9 million in property taxes and other monies during the year ended February 28, 2015.

1.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector-Treasurer's annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatement, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector-Treasurer are accounted for properly and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's annual settlements. These procedures are intended to establish checks and balances related to the collection of property taxes.

1.2 Tax books

The County Clerk does not prepare or verify the accuracy of the delinquent tax books prepared by the County Collector-Treasurer. A review of tax books should include verification of individual entries and recalculating tax book totals and charges. Failure to perform adequate reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector-Treasurer with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector-Treasurer should be documented.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The County Clerk:

- 1.1 Maintain a complete and accurate account book with the County Collector-Treasurer. In addition, the County Clerk and the County Commission should use the account book to review the accuracy



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and completeness of the County Collector-Treasurer's annual settlements.

- 1.2 Prepare the delinquent tax books, or at a minimum, verify the accuracy of the delinquent tax books prior to charging the County Collector-Treasurer with the property tax amounts to be collected. Procedures performed should be documented.

Auditee's Response

- 1.1 *I have established an account book with the County Collector-Treasurer. This account book will be used to verify the accuracy and completeness of the County Collector-Treasurer's annual settlements.*
- 1.2 *I will verify the accuracy of the delinquent tax books in the future; documentation of this review will be retained.*

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. Sheriff's office records indicate the office processed receipts of approximately \$1 million, including approximately \$800,000 from proceeds of a Sheriff's sale, during the year ended December 31, 2014.

2.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties, does not review accounting records, and does not document his review of bank reconciliations. The Office Manager is responsible for receipting, recording, depositing, and disbursing monies, and reconciling the Sheriff's bank account.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review of accounting and bank records.

2.2 Seized property

The Sheriff has not established adequate controls over seized property. A master listing of all seized property is not maintained. Also, a physical inventory of seized property has not been performed since at least 2012 and documentation of this inventory was not retained. In addition, property evidence sheets completed at the time of a seizure indicated several items have been held for years with some items dating back to 2004 and one item dating back to 2002.

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 should be maintained, and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is



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accounted for properly. Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property.

Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties or ensure independent or supervisory reviews of accounting records are performed and documented.
- 2.2 Ensure a complete and accurate seized property inventory record is maintained, and a periodic inventory is conducted and reconciled to the records, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Auditee's Response

- 2.1 *I currently review some accounting records, but in the future, at a minimum, I will review monthly bank reconciliations and periodically agree receipts to deposits. I will initial these records to document my review.*
- 2.2 *I am researching a records management system through the Missouri Sheriff's Association and plan to implement the new system by the end of 2016; the new system will ensure a complete and accurate seized property inventory record is maintained. I will ensure an annual inventory is performed in the future. I have identified numerous old seized property items, some of which have been in the evidence room since the tenure of past sheriffs. I have previously submitted requests to dispose of these items to the Prosecuting Attorney, and I am currently awaiting his decision so the items can be presented to the Judge for final approval and court order for their destruction.*

3. Recorder of Deeds' Receipts and Deposits

The Recorder of Deeds' receipting and depositing procedures are not adequate. The Recorder of Deeds' office collects various fees for recording documents such as deeds and marriage licenses, copies, and subscriptions. Receipts for recording documents totaled approximately \$40,000 and were deposited into the fee account for the year ended December 31, 2014. Receipts for copies and subscriptions totaled approximately \$14,000 and were deposited into the copy account for the year ended December 31, 2014.

Office personnel only issues generic manual receipt slips for copy and subscription monies received when requested by the payor. In addition, receipts of copy and subscription monies are posted to a copy ledger, but the method of payment is not recorded on this ledger. The daily fee report used to prepare the deposit for recorded documents also does not include method



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of payment information. As a result, the composition of receipts cannot be reconciled to the composition of deposits.

Without complete receipt records, and a detail reconciliation of these records to deposits, there is no assurance all monies have been deposited. To reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are properly receipted and deposited.

Recommendation

The Recorder of Deeds ensure (1) official prenumbered receipt slips are issued for all copy and subscription monies received and the method of payment is indicated on these receipt slips and the copy ledger, (2) the daily fee reports include the method of payment for recorded documents, and (3) the composition of receipts is reconciled to the composition of deposits.

Auditee's Response

Official prenumbered receipt slips have been issued for copy and subscription monies since February 2015 and the method of payment is indicated on these receipt slips and the copy ledger. In addition, a software update was installed in April 2015 and the daily fee report now includes the method of payment for recorded documents. Finally, the composition of receipts is now reconciled to the composition of deposits.

4. Prosecuting Attorney's Receipts and Deposits

The Prosecuting Attorney's receipting and depositing procedures are not adequate. The Prosecuting Attorney's office collected approximately \$93,000 in bad check restitution and fees and court-ordered restitution and fees during the year ended December 31, 2014.

Deposits of checks and money orders were not made timely. Checks and money orders are generally only deposited once a month. During our cash count performed on January 27, 2015, we noted 6 checks and money orders totaling \$1,086 receipted between January 2 and January 26 were not deposited until February 2, 2015. In addition, these checks and money orders were not restrictively endorsed at the time of our cash count.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies received should be deposited timely and checks and money orders should be restrictively endorsed immediately upon receipt.

Recommendation

The Prosecuting Attorney ensure receipts are deposited timely and checks and money orders are restrictively endorsed immediately upon receipt.

Auditee's Response

An endorsement stamp was obtained in July 2015 and all checks and money orders have been restrictively endorsed at the time of receipt since the stamp was obtained. We will attempt to deposit receipts timely in the future.



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5. Additional Compensation

The Presiding Commissioner was paid \$8,000 in additional compensation during 2014 to serve as the county's Emergency Management Director. Payments to the Presiding Commissioner for serving in this position is not in accordance with state law and should be discontinued.

Section 105.458.1, RSMo, prohibits a member of a governing body from performing any service for that political subdivision for any consideration other than the compensation provided for the performance of his official duties.

Recommendation

The County Commission comply with state law relating to the compensation of the Presiding Commissioner.

Auditee's Response

The Presiding Commissioner was the only individual who agreed to fill the position and was qualified to do so. We plan to search for an individual to perform these duties in the near future.

6. Computer Controls

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

6.1 Passwords

The County Clerk, County Collector-Treasurer, Prosecuting Attorney, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Passwords are required to authenticate access to computer systems; however, employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user and to reduce the risk of a compromised password. In addition, each computer in the Prosecuting Attorney and Recorder of Deeds' offices has its own user ID and password that are known and used by the officials and all employees when accessing each computer in the respective offices.

The security of a computer password is dependent upon keeping passwords confidential. However, since passwords in these offices do not have to be periodically changed and are shared by employees in some cases, there is less assurance passwords 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 and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

6.2 Security controls

Security controls are not in place to lock any county 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



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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:

- 6.1 Work with county officials to require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to computers and data.
- 6.2 Work with county officials to require each county computer to have security controls in place to lock a computer after a specified number of incorrect logon attempts and after a certain period of inactivity.

Auditee's Response

We will work with the county's computer technology professional to establish adequate password and security controls.

DeKalb County

Organization and Statistical Information

DeKalb County is a township-organized, third-class county. The county seat is Maysville.

DeKalb 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 36 full-time employees and 2 part-time employees on December 31, 2014. The townships maintain county roads.

In addition, county operations include the Daviess-DeKalb Regional Jail District Commission, Senate Bill 40 Board, and Senior Citizens' Services Board. The jail commission includes the presiding county commissioners of DeKalb and Daviess Counties as well as the sheriff of each county. The county is a member of the ACCD 911 system which includes the counties of Andrew, Caldwell, Clinton, and DeKalb and the City of Cameron. The DeKalb County Collector-Treasurer, County Clerk, and Deputy County Clerk maintain the financial records for the ACCD 911 system.

Elected Officials

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

Officeholder	2015	2014
Harold O. Allison, Presiding Commissioner (1)	\$	37,246
Joe Kagay, Associate Commissioner		27,086
Garry McFee, Associate Commissioner		27,086
JoAnn Marshall, Recorder of Deeds		41,040
Melissa (Missy) Meek, County Clerk (2)		44,065
Erik C. Tate, Prosecuting Attorney		64,890
Wes Raines, Sheriff		45,360
Heath Turner, County Coroner		11,888
Connie Bray, Public Administrator		20,000
Joan (Jody) Pearl, County Collector-Treasurer (2)(3), year ended March 31,	49,475	
Ruth A. Ross, County Assessor, year ended August 31,		41,040

(1) Includes \$8,000 salary for serving as Emergency Management Director.

(2) Includes \$3,025 salary paid by the ACCD 911 System.

(3) Includes \$5,410 of commissions earned for collecting city property taxes.