



**Nicole R. Galloway, CPA**  
Missouri State Auditor

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# Butler County



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**December 2015**  
**Report No. 2015-123**

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**<http://auditor.mo.gov>**



**Nicole R. Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Butler County

Property Tax System	As noted in two prior audit reports, access to the property tax system is not adequately restricted. The county collector and office personnel are able to process additions and abatements, but because the county collector and office personnel are responsible for collecting tax monies, good internal controls require they not have system access rights allowing them to alter or delete assessed values, property tax billings, or property tax receipts. As noted in two prior audit reports, neither the county clerk nor the county commission adequately reviewed the financial activities of the county collector. The account book maintained by the county clerk was not complete, did not track all taxes charged to the county collector, and did not agree to the annual settlements submitted by the county collector. In addition, the county clerk and county commission did not adequately review and approve the county collector's most recent annual settlement.
Sheriff's Receipts and Transmittals	Receipt slips are not prenumbered and are issued for concealed carry weapon fees from two different receipt slip books. The original permit number is written on the receipt slip as the receipt slip number for a new permit and for a renewal permit. As a result, receipt slip numbers for renewal permits are not in sequential order. Further, receipt slip information is not compared to transmittal details to both account for receipt slips and ensure monies were appropriately transmitted to the county treasurer.
Fuel	As noted in a prior audit report, the road and bridge department does not have adequate procedures in place to reconcile fuel usage to fuel purchased, and usage information is not periodically reconciled to fuel purchases throughout the year.
Electronic Data Security	County employees are not required to change passwords periodically and some passwords used in the offices of the county clerk, recorder of deeds, prosecuting attorney, and county assessor are known by other employees and not kept confidential, which increases the risk of a compromised password.
Public Administrator's Annual Settlement	As noted in a prior report, the public administrator does not file annual settlements in a timely manner. Auditors reviewed settlements filed for 15 of the 333 wards or estates and noted annual and final settlements for 12 of the 15 wards or estates were filed after the probate clerk's due date, including one final settlement that was filed approximately 10 months after the due date.
Board for the Care of the Handicapped	As noted in two prior audit reports, the Board for the Care of the Handicapped does not adequately monitor payments to not-for-profit agencies.

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.
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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.

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## **NICOLE R. GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Butler County

We have audited certain operations of Butler County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Butler 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:

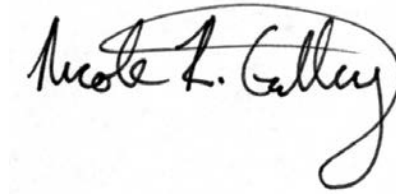
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Butler 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 legible. 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:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Josh Allen, CPA, CFE
Audit Staff:	Steven J. Barton
	Cody Gardner

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# Butler County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Property Tax System**

Property tax system controls and procedures need improvement. Property taxes and other monies collected by the County Collector totaled approximately \$27 million for the year ended February 28, 2015.

##### **1.1 Tax system access**

Access to the property tax system is not adequately restricted. The County Collector and office personnel are able to process additions and abatements. Because the County Collector and office personnel are responsible for collecting tax monies, good internal controls require they not have system access rights allowing them to alter or delete assessed values, property tax billings, or property tax receipts. With unrestricted access, there is an increased risk of unsupported or unauthorized changes occurring in the property tax system after property taxes are approved for the year.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

##### **1.2 Review of activity**

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The account book maintained by the County Clerk was not complete, did not track all taxes charged to the County Collector, and did not agree to the annual settlements submitted by the County Collector. In addition, the County Clerk and County Commission did not adequately review and approve the County Collector's annual settlement for the year ended February 28, 2015.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An accurate account book or other records that summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, 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 are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

##### **Similar conditions previously report**

Similar conditions to sections 1.1 and 1.2 were noted in our prior audit report (Report No. 2015-25, *Butler County Collector and Property Tax System*, issued in April 2015).

##### **Recommendations**

- 1.1 The County Commission ensure property tax system access is restricted to only allow officials and personnel to access functions necessary for their duties.
- 1.2 The County Clerk maintain an accurate and complete account book with the County Collector. In addition, the County Clerk and the



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Management Advisory Report - State Auditor's Findings

County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

## Auditee's Response

*The County Commission provided the following responses.*

- 1.1 *We agree and plan to contact the software vendor to ensure access to the property tax system is properly restricted.*
- 1.2 *We agree. The County Commission and County Clerk will use the County Clerk's account book to ensure the County Collector's annual settlement is accurate and complete.*

*The County Clerk provided the following response:*

- 1.2 *I agree and plan to work with the County Collector to ensure all necessary information is received so that my account book is accurate and complete. I also plan to use the account book to ensure the County Collector's annual settlement is accurate and complete.*

## 2. Sheriff's Receipts and Transmittals

The Sheriff's office does not issue prenumbered receipt slips for concealed carry weapon (CCW) fees, account for the numerical sequence of receipt slips issued for CCW fees, and compare receipt amounts to transmittals to the County Treasurer. In addition, receipts are not always transmitted intact. As a result, there is less assurance monies are properly handled and transmitted. CCW receipts collected by the Sheriff's office totaled \$35,642 during the year ended December 31, 2014.

Receipt slips are not prenumbered and are issued for CCW fees from 2 different receipt slip books. The original CCW permit number is written on the receipt slip as the receipt slip number for a new permit and for a renewal permit. As a result, receipt slip numbers for renewal permits are not in sequential order. In addition, receipt slip information is not compared to transmittal details to both account for receipt slips and ensure monies were appropriately transmitted to the County Treasurer. Of the 5 transmittals we reviewed, one was not transmitted intact because cash received that should have been included in that transmittal was included in the next transmittal.

To reduce the risk of loss, theft, or misuse of monies received from going undetected, procedures should be established to ensure prenumbered receipt slips are issued, the numeric sequence of receipt slips are accounted for properly, receipt slips issued are compared to transmittals, and all receipts are transmitted intact.





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## Recommendation

The Sheriff issue prenumbered receipt slips, account for the numeric sequence of receipt slips, ensure receipt records are compared to transmittals, and ensure all receipts are transmitted intact.

## Auditee's Response

*We agree and have already ordered prenumbered receipt slip books, which will allow us to account for the numerical sequence of CCW receipt slips issued. We will also ensure receipts are transmitted intact and the Office Manager's review of CCW transmittals now includes comparing receipt slips issued to the transmittals.*

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## 3. Fuel

The road and bridge department does not have adequate procedures in place to reconcile fuel usage to fuel purchased. Fuel purchases by the road and bridge department totaled approximately \$464,000 during the year ended December 31, 2014. The road and bridge department has 2 bulk fuel tanks with one used for diesel fuel and one used for gasoline. Department employees maintain logs showing the mileage/hours for the vehicle/equipment receiving fuel and the number of gallons dispensed, by type. However, the usage information is not periodically reconciled to fuel purchases throughout the year. A reconciliation was performed by the road and bridge Supervisor for the year ended December 31, 2014; however the reconciliation was incomplete and inaccurate. The reconciliation performed did not take into account beginning or ending tank balances, so the Supervisor could not compare fuel pumped from the bulk tanks to fuel used per the vehicle and equipment logs. In addition, the reconciliation's fuel usage information inaccurately included fuel dispensed of approximately 46,000 gallons to the county's fuel truck when that fuel was dispensed from the fuel truck to various vehicles/equipment.

Procedures for reviewing fuel use and reconciling fuel purchased to related records are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Failure to document and monitor fuel use could result in loss, theft, or misuse going undetected.

A similar condition was noted in our prior audit report (Report No. 2012-60, *Butler County*, issued in June 2012).

## Recommendation

The County Commission ensure fuel reconciliations are complete and accurate and performed periodically.

## Auditee's Response

*We agree and will ensure road and bridge fuel reconciliations are complete and accurate. We plan to perform a comparison of fuel used to fuel purchased on a quarterly basis.*



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## 4. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. County employees are not required to change passwords periodically and some passwords used in the offices of the County Clerk, Recorder of Deeds, Prosecuting Attorney, and County Assessor are known by other employees and not kept confidential, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not periodically changed by employees and some passwords are known by other employees, 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, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

### Recommendation

The County Commission work with county officials to require employees to periodically change passwords and ensure all passwords are kept confidential to prevent unauthorized access to computers and data.

### Auditee's Response

*We agree and will work with the other county officials to ensure passwords are periodically changed and are kept confidential.*

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## 5. Public Administrator's Annual Settlements

The Public Administrator does not timely file annual settlements. We reviewed settlements filed for 15 of the 333 wards or estates and noted the Public Administrator filed annual and final settlements for 12 of the 15 wards or estates after the Probate Clerk's due date, including one final settlement filed approximately 10 months after the due date. The Probate Clerk sends a reminder letter to the Public Administrator 60 days before a settlement is due. The Probate Clerk also provides a monthly listing of past due annual settlements to the Public Administrator. Despite these procedures, settlements have been filed late.

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 settlements are 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.

A similar condition was noted in our prior audit report (Report No. 2012-60, *Butler County*, issued in June 2012).

### Recommendation

The Public Administrator ensure annual settlements are filed timely.



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**Auditee's Response**

*I agree with the recommendation and am currently in the process of catching up on filing annual settlements.*

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**6. Board for the Care of the Handicapped**

The Board for the Care of the Handicapped (Board) does not adequately monitor payments to not-for-profit (NFP) agencies. The Board received property taxes and other miscellaneous receipts totaling approximately \$554,000 for the year ended December 31, 2014, to provide sheltered workshop and transportation services to developmentally disabled Butler County citizens. The County Treasurer serves as custodian for the Care of the Handicapped Fund.

While contracts with the NFP agencies require them to submit information regarding projects, goals undertaken, and monthly financial reports or other documentation that would enable the Board to monitor the use of monies, no reports or other documentation have been submitted according to the Board Treasurer. The Board Treasurer stated that information is discussed at meetings based on prior audit recommendations; however, the discussion is not documented. The Board meets twice a year to approve funding for the various agencies, and relies on the County Commission to approve periodic payments to the NFP agencies based upon schedules established by the annual budget. Additionally, the NFP agencies do not provide the Board documentation of their beginning or projected ending cash balance amounts on annual funding requests. These requests only include anticipated revenues and disbursements.

The Board provides a subsidy to each agency rather than paying for specific services, and the annual funding agreements do not establish minimum levels of service necessary to earn the monies budgeted. Without requiring NFP agencies to submit information regarding projects, goals undertaken, and monthly financial reports as required by contract, the Board cannot adequately monitor how funds are spent and ensure the funds are used appropriately.

A similar condition was noted in our 2 prior audit reports (Report No. 2007-89, *Butler County*, issued in December 2007 and Report No. 2012-60, *Butler County*, issued in June 2012).

**Recommendation**

The Board for the Care of the Handicapped ensure contracts with NFP agencies clearly detail the services to be performed and minimum level of service required, ensure funding requests include beginning and projected ending cash balances, and require NFP agencies to provide financial reports documenting how funds provided are spent.

**Auditee's Response**

*At an upcoming Board meeting, we intend to review our contracts and discuss with the agencies how they are fulfilling their contractual obligations. The projects and goals of the organizations (ADAPT and MAG) are being discussed at each meeting. We review the number of individuals*



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*being served, the physical buildings, and equipment owned and used, income and expenses situation, and whether or not cash positions are available to adequately serve their people. We will begin to add a section to our minutes of meetings to note these discussions. At present, both of the entities engage a CPA firm for audits of their financial statements and we see such reports. The Board requested on November 16, 2015, that both agencies provide beginning and/or projected ending cash balance amounts in the upcoming annual budget meetings.*

# Butler County

## Organization and Statistical Information

Butler County is a county-organized, third-class county. The county seat is Poplar Bluff.

Butler 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. The county employed 125 full-time employees and 8 part-time employees on December 31, 2014.

In addition, county operations include the Board for the Care of the Handicapped and the Senior Citizens' Board.

### Elected Officials

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

Officeholder	2015	2014
Ed Strenfel, Presiding Commissioner	\$	43,032
Don Anderson, Associate Commissioner		40,781
Jeffrey Darnell, Associate Commissioner		40,781
Debby Lundstrom, Recorder of Deeds		61,943
Tonyi Deffendall, County Clerk		61,943
Kevin Barbour, Prosecuting Attorney		124,898
Mark L. Dobbs, Sheriff		66,770
Joe Humphrey, County Treasurer		61,943
Jim Akers, County Coroner		40,781
Sharron Payne, Public Administrator		61,943
Brenda Fox, County Collector (1)(2), year ended February 28,	27,650	
M. Chris Michel, County Collector (1)(3), year ended February 28,	51,193	
Marion Tibbs, County Assessor, year ended August 31,		61,388

- (1) Brenda Fox served as County Collector until August 3, 2014. M. Chris Michel was appointed the Butler County Collector and sworn in on September 18, 2014.
- (2) Includes \$1,443 of commissions earned for collecting drainage district and city property taxes.
- (3) Includes \$23,088 of commissions earned for collecting drainage district and city property taxes.