



Office of Missouri State Auditor
Nicole Galloway, CPA

Webster County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Webster County

County Collector's Controls and Procedures	The County Collector does not monitor and/or subsequently reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund, resulting in \$14,111 more withheld from tax collections and disbursed to the Assessment Fund than allowed. The County Collector withheld \$1,722 from state property tax collections for the Assessment Fund in violation of state law. The County Collector's annual settlement was not accurate. The County Collector does not prepare monthly lists of liabilities for the County Collector's bank accounts. As a result, liabilities are not agreed to the reconciled bank balances monthly. The County Collector has not updated contracts with cities for billing and collecting their property taxes. In addition, the contracts do not clearly indicate how interest collected on delinquent taxes should be distributed.
Property Tax System Outlawed Taxes	The County Clerk and/or the County Commission did not review and approve outlawed taxes totaling approximately \$183,000 during the year ended February 29, 2016.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. The Prosecuting Attorney does not restrictively endorse money orders and cashier's checks until they are transmitted to the County Treasurer. The Prosecuting Attorney has not prepared bank reconciliations and lists of liabilities or maintained a checkbook balance since August 2016. The Prosecuting Attorney does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables.
Electronic Data Security	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.
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.

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Webster County

We have audited certain operations of Webster County in fulfillment of our duties under Section 29.230, RSMo. In addition, Stopp & VanHoy, Certified Public Accountants, and Business Advisors, LLC, has been engaged to audit the financial statements of Webster County for the year ended December 31, 2016. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

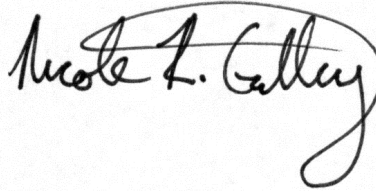
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Webster County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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Webster County Management Advisory Report State Auditor's Findings

1. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. The County Collector collected approximately \$18.7 million in property taxes and other monies during the year ended February 28, 2017.

1.1 Assessment withholdings

The County Collector does not monitor and/or subsequently reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund, and as a result, \$14,111 and \$12,152 more were withheld from tax collections and disbursed to the Assessment Fund than allowed by state law during the year ended February 28, 2017, and February 29, 2016, respectively.

Sections 137.720.1, 137.720.3, and 137.082.6, RSMo, each provide a percentage be deducted from property tax collections and deposited into the Assessment Fund (1 percent, 0.5 percent, and 0.2 percent, respectively). However, Section 137.720.3, RSMo, limits the 0.5 percent deduction to \$75,000. After this limit is reached, the total percentage used should be reduced.

1.2 Assessment withholdings on state collections

The County Collector is withholding monies from state property tax collections for the Assessment Fund in violation of state law. As a result, during the year ended February 28, 2017, \$1,722 was withheld from these collections and disbursed to the Assessment Fund. In April 2017, the County Collector adjusted distributions by reducing the Assessment Fund distribution by \$1,722 and remitting this amount to the Department of Revenue. During the year ended February 29, 2016, \$1,747 was improperly withheld from state property tax collections and disbursed to the Assessment Fund.

Section 137.720.1, RSMo, expressly limits withholdings to all ad valorem property tax collections allocable to each taxing authority within the county and the county. Levying of assessment withholdings on state property tax collections is not allowed.

1.3 Annual settlements

The County Collector's annual settlement was not accurate. Protested taxes totaling \$56,777 received in November 2015 were not reported as protested taxes on the annual settlement for the year ended February 29, 2016. Instead, these taxes were reported as delinquent taxes.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector file accurate annual settlements.



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Management Advisory Report - State Auditor's Findings

1.4 Liabilities

The County Collector does not prepare monthly lists of liabilities for the County Collector's bank accounts. As a result, liabilities are not agreed to the reconciled bank balances monthly. The County Collector maintains 4 bank accounts including the main account, the online payment account, the pro-rated bankruptcy account, and another account used to account for tax sale and bad check activity. At our request, the County Collector's personnel prepared a list of liabilities for all accounts as of February 28, 2017.

- The reconciled bank balance for the special account was \$5,268 and the prepared list of liabilities was \$188 resulting in an unidentified difference in the account of \$5,080.
- The reconciled bank balance for the main account was \$549,025 and the prepared list of liabilities was \$543,251 resulting in an unidentified difference in the account of \$5,774.

Without regular comparison of liabilities to the available cash balance, the County Collector has no assurance cash is sufficient to meet liabilities, there is less likelihood errors will be identified, and the ability to resolve errors is diminished. Differences must be adequately investigated and explained. In addition, maintaining unidentified monies in the bank accounts increases the risk of loss, theft, or misuse of such funds. Various statutory provisions address the disposal of unidentified monies.

1.5 Written contracts

The County Collector's contracts with 5 of 6 cities to provide property tax billing and collection services have not been updated since 2006 and the contract with the other city has not been updated since 2010. In addition, the contracts do not clearly indicate how interest collected on delinquent taxes should be distributed. The County Collector retained \$12,051 in interest during the year ended February 28, 2017, and \$7,685 in interest during the year ended February 29, 2016.

Section 50.332, RSMo, allows county officials, subject to the approval of the county commission, to perform tax collection services for cities they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such contracts be in writing. Clear, detailed, and timely written contracts are necessary to ensure all parties are aware of the services to be performed and the compensation to be paid for the services.

Recommendations

The County Collector:

- 1.1 Recalculate assessment withholdings for current and prior years and ensure amounts owed to the taxing authorities are disbursed from the Assessment Fund. The County Collector should also ensure the percentage to be deducted from property taxes for the Assessment



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Fund is properly reduced in future years once the \$75,000 limit is reached.

- 1.2 Stop withholding on state collections, determine amounts improperly withheld in prior years and ensure amounts owed to the state are disbursed from the Assessment Fund.
- 1.3 File accurate annual settlements.
- 1.4 Prepare monthly lists of liabilities and reconcile the listings to the reconciled bank balances, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.
- 1.5 Work with the County Commission to obtain current written contracts with the cities for property tax collections and to clarify contract provisions regarding distribution of interest.

Auditee's Response

- 1.1 *The monies will be available in November and December of 2017 to make this correction. At that time the correction will be made. We have changed our software programing to alert us when we reach the \$75,000 cap.*
- 1.2 *As stated in the Auditor's findings, \$1,722 was returned to the Department of Revenue for the 2016 tax year. \$1,747 will be returned to the Department of Revenue following the 2017 tax season. During the months of November and December 2017, there will be sufficient funds collected to issue this refund.*
- 1.3 *In fact, protested taxes show up as delinquent in our tax system. When protested tax money is received, it is held in the protested tax account until the issue can be resolved by the Missouri State Tax Commission. Hence, these taxes were delinquent until they could be paid out after a State Tax Commission ruling. Entering the protested tax amount of \$56,777 in a different column on the annual settlement worksheet had no effect on the annual settlement's overall total. Correct column entries will be made on future annual settlements.*
- 1.4 *As stated in audit finding 1.4, we prepared a detailed open items list (liabilities) for all 4 bank accounts. We now prepare a monthly open items list when we reconcile the bank statement and all liabilities are identified and reconciled to the bank balance on all 4 accounts. If unidentified monies are found they will be investigated promptly and disposed of in accordance with state law.*



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1.5 *In my opinion, the contracts are current, clear, and timely. Furthermore, the distribution of interest on delinquent taxes is clearly indicated. I will consider renewing the contracts in the future.*

2. Property Tax System Outlawed Taxes

The County Clerk and/or the County Commission did not review and approve outlawed taxes totaling approximately \$183,000 during the year ended February 29, 2016. These outlawed taxes were related to the 2007 through 2012 property tax years. As a result, outlawed taxes, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. In addition, the County Clerk indicated he does not have access to the property tax system to make corrections.

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.

Recommendation

The County Clerk and/or the County Commission adequately review and approve all outlawed taxes.

Auditee's Response

Implemented. 2016 was the first year in which the County Collector wrote off (or "outlawed") delinquent property taxes from past years which he deemed "uncollectible." The County Commission and County Clerk were made aware of the change in policy. However, reports were not provided, and no documentation was made in the minutes of such reports. This is a fairly simple procedural change, which was implemented in 2017.

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$36,000 in delinquent tax collections and approximately \$130,000 in bad check and court-ordered restitution and fees for the year ended December 31, 2016.

3.1 Segregation of Duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. One Administrative Assistant is primarily responsible for receipting and recording all information including payments related to bad check complaints and court-ordered restitution in the computerized accounting system, receipting and transmitting delinquent tax collections, disbursing and transmitting monies, and reconciling the bank account. As a result, there is little assurance that all monies received are properly recorded, deposited, and disbursed to the appropriate parties.



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This assistant also has the ability to write-off accounts and record adjustments to the computerized accounting system after obtaining independent approval. However, documentation supporting this approval is not retained. A report of adjustments made to the system is not generated and compared to supporting documentation. In addition, support for adjustments entered in the system was not available, and a report of write-offs could not be obtained. Common reasons for write-offs and adjustments recorded in the computerized accounting system include transferring cases from one account type to another, adjusting the amount paid, or correcting errors. At our request, a report of adjustments was generated. In 2016, adjustments totaled approximately \$1,600.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments and write-offs are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and disbursing and transmitting monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should also include a review of adjustments and write-offs made to the accounting system.

3.2 Restrictive endorsement

The Prosecuting Attorney does not restrictively endorse money orders and cashier's checks until they are transmitted to the County Treasurer. A cash count on January 11, 2017, identified all 7 money orders and one cashier's check received totaling \$3,058 had not been restrictively endorsed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, money orders and cashier's checks should be restrictively endorsed immediately upon receipt.

3.3 Bank reconciliations and liabilities

The Prosecuting Attorney has not prepared bank reconciliations and lists of liabilities or maintained a checkbook balance since August 2016. At August 31, 2016, the bank reconciliation indicated a balance of \$450, while the list of liabilities totaled \$410 resulting in an unidentified difference in the account of \$40.

Without preparing monthly bank reconciliations, lists of liabilities, and maintaining cumulative book balances there is less assurance receipts and disbursements have been properly handled and recorded. In addition, accounting and bank errors may not be detected and corrected timely. Without regular identification and comparison of liabilities to the reconciled bank balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.



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3.4 Accounts receivable

The Prosecuting Attorney does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables. Improvement is needed to better monitor and pursue collection of unpaid receivables.

For 2 of 4 cases we reviewed, the Prosecuting Attorney's former Administrative Assistant had failed to process the case properly and charges had not been filed. The Prosecuting Attorney began collection efforts following our review.

A complete and accurate list of unpaid bad checks and restitution would allow office personnel to more easily review the amounts due, take appropriate steps to ensure amounts due are collected, and determine if any amounts are uncollectible.

Similar conditions previously reported

Similar conditions to sections 3.1 and 3.4 were noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Webster County*, Report No. 2015-041 (sections 6.1 and 6.3), issued in June 2015, reported the status, at that time, as in progress for sections 6.1 and 6.3. The current Prosecuting Attorney who took office in 2015 (subsequent to the prior audit) needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 3.1 Segregate accounting duties or perform documented supervisory reviews of detailed accounting and bank records. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments and write-offs made to the accounting system.
- 3.2 Restrictively endorse money orders and cashier's checks immediately upon receipt.
- 3.3 Ensure monthly bank reconciliations and lists of liabilities are prepared and reconciled, and maintain cumulative book balances for the bank account. Any differences between accounting records and reconciliations should be promptly investigated and resolved. In addition, if any monies remain unidentified, the monies should be disbursed in accordance with state law.
- 3.4 Establish procedures to monitor and collect accounts receivable.

Auditee's Response

- 3.1 *The recommendation of segregation has been implemented as staff and resources allow at this time, and we will be working toward implementing new strategies for additional segregation. This office has had 4 support staff members, only in 2017 were they approved*



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for full-time. The limited resources influenced the opportunity and ability to assign or reassign duties in the office. Largely, I have undertaken, individually to supervise any and all receipts coming through the office. Upon taking office in January 2015, the staff member that had been in that position left for a new position. Upon orientation of the replacement staff member, I implemented the policy of direct review by myself of each transaction for receipt of money in this office. The prior officeholder had delegated review to an assistant prosecutor. Additionally, I assigned myself as the prosecutor to cover the review and filing of bad checks. A strategy to segregate duties going forward will include: to cross train an additional staff member on receipting for payments: segregating bad checks and assigning to another staff member, within any restrictions allowed by the applicable software, and monthly reconciliation of the clearing house bank account utilized for electronic payments. Additionally, as to bad checks, effective immediately, I will require the assigned staff member to provide a summary, each month, of all bad checks that have been submitted for collection/prosecution. Cross training an additional staff member on receipting of payments will occur within the 2017 calendar year, along with the reassignment of bad check collection. Monthly bank reconciliations will begin in June of 2017, as the staff member assigned for receipting has recently been hired to fill the position, and I will assign a different staff member to conduct the monthly reconciliation, with the assistance of the receipting staff member. Going forward, I will continue to look for opportunities for segregation, but will continue my personal supervision over all receipts taken by the office. With limited staff, I, as the officeholder, stand as the lone supervisor on these issues, and will review all receipt transactions, which I have done since I took office in 2015. On each receipt, which is documented and copied, I review for matching and confirming information, and after such review, I initial and date the copy or receipt for its accuracy.

- 3.2 *Upon taking office, the policy and procedures in this office did not include a restrictive endorsement for money orders and cashier's checks. Upon receipt of this audit's findings and recommendations, a restrictive endorsement stamp was ordered, and will be used as soon as it is received. The policy will be to immediately stamp the payment device with the restrictive endorsement, when it is received.*
- 3.3 *This was not a policy in place at the time I entered office. The finding of the difference in the audit was attempted to be traced back by the assigned staff member, with some assistance from the County Treasurer. The origin of the difference was not located, but had*



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predated my time in office. As stated in my response to the first finding, beginning in June 2017, a monthly bank reconciliation will be made by an assigned staff member, who will not be the same staff member as the receipting staff member, however, may be assisted by the receipting staff member. A report of the reconciliation will be provided to me, and a copy retained for review and analysis. Any anomalies or differences will be immediately investigated. The remaining unidentified amount will be distributed as required by law.

- 3.4 *Upon taking office, the prior officeholder did not have or create any strategy for collecting and maintaining procedures for collection. Prior to entering office in 2015, I was not provided any opportunity to review the office, its procedures, or to have any information about internal procedures and operations. Upon taking office, the referenced audit was provided to me, however, all staff and the prior officeholder were unavailable for information about those findings and recommendations. At the time I took office, the software system disclosed hundreds of open collection files. At that time, the assigned staff member, at my direction, was to begin identifying open collection accounts that needed to be closed. That process was limited, due to limited staff resources, and the unforeseeable changeover in that staff position. There have been policies and procedures implemented that do monitor collections of bad checks, restitution, and child support payments. In each criminally prosecuted case, there are specific orders in the judgment, usually included with probation, the set forth payment dates, payment minimums, and deadline for payment schedules. With restitution and bad check cases, very often there are separate and special orders detailing payment requirements and deadlines. All of these are included in the term of probation, which results in the entity responsible for supervision of the probation, usually the court or Probation and Parole, will monitor, and provide reports if a defendant is failing to comply with the payment terms of probation. An additional strategy, developed from information from this audit and observation of effectiveness of procedures, will be to implement the monthly summary of bad checks submitted for collection/prosecution. An additional strategy for monitoring restitution, will be to have the receipting staff member, to provide monthly summary statements of restitution received. With the summary each month of collection as to bad checks and restitution, I will be able to more effectively monitor the cases that are in collection, and improve strategies for more efficient collection. Finally, an assigned staff member will continue, as possible to review open collection cases that may still be viable for collection, or may be uncollectible.*



4. Electronic Data Security

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.

Passwords were not required to be changed on a periodic basis in the County Collector, Recorder of Deeds, Public Administrator, and County Assessor's offices. As a result, there was less assurance passwords were effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be changed periodically to reduce the risk of compromised passwords and unauthorized access to and use of computers and data.

Without requiring passwords to be periodically changed, the likelihood that accounts could be compromised and used by unauthorized individuals to gain access to sensitive information is increased.

Recommendation

The County Commission work with county officials to ensure passwords are periodically changed to prevent unauthorized access to computers and data.

Auditee's Response

The County Commission's portion of this recommendation has been implemented. The county has policies and procedures in place and officeholders have been made aware of their responsibilities regarding access to computer systems. However, each individual elected official is responsible for the operation of his/her office, and for ensuring passwords are updated regularly.

Webster County

Organization and Statistical Information

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

Webster 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 69 full-time employees and 18 part-time employees on December 31, 2016.

In addition, county operations include the Senate Bill 40 Board and Senior Citizens' Services Board.

Elected Officials

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

Officeholder	2017	2016
Paul Ipock, Presiding Commissioner	\$	33,081
Ward Jones, Associate Commissioner		31,081
Denzil Young, Associate Commissioner		31,081
Gary Don Letterman, Recorder of Deeds		47,093
Stanley D. Whitehurst, County Clerk		47,093
Benjamin Berkstresser, Prosecuting Attorney		136,402
Roye Cole, Sheriff		53,325
Mary P. Clair, County Treasurer		47,093
Michael Taylor, County Coroner		16,744
Danielle Boggs, Public Administrator		47,093
Kevin Farr, County Collector (1), year ended February 28,	76,051	
Kathy Galbraith, County Assessor, year ended August 31,		47,093
Dennis D. Amsinger, County Surveyor (2)		

- (1) Includes \$28,958 of commissions and interest earned for collecting city property taxes.
 (2) Compensation on a fee basis.

Other Information

County officials are in the process of bidding a project for the construction of a jail and law enforcement facility with an estimated cost exceeding \$10 million. They are currently evaluating financing options.