



Office of Missouri State Auditor
Nicole Galloway, CPA

Knox County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Knox County

Sales Taxes	The county has imposed 2 sales taxes, totaling 1-cent, which exceeds the statutory maximum allowed for capital improvement sales taxes per Section 67.700, RSMo, by 1/2-cent. The County Clerk did not accurately calculate property tax reduction amounts because she included the sales tax receipts from both of the county's general revenue sales taxes when such a reduction was required for only one of the sales taxes. As a result, the property tax levy was reduced more than necessary to meet statutory requirements.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not provide adequate oversight of financial functions and records, as bank reconciliations are not always completed timely. The Prosecuting Attorney does not prepare a monthly list of unpaid court-ordered restitution. The Prosecuting Attorney's staff does not always assess the statutorily required fees from defendants who owe court-ordered restitution.
Sheriff's Controls and Procedures	The Sheriff has not established adequate controls over seized property. The Sheriff's office does not always reconcile invoices received from other counties for boarding county prisoners to supporting records to evaluate their accuracy before payment is made. In addition, a reconciliation of current and past payments is not always possible because the log maintained by office personnel of prisoners housed by other counties does not always include the date incarcerated and/or the date released.
County Collector's Voided or Deleted Transactions	The County Collector's computer system cannot generate a detailed report of voided or deleted transactions, and adequate documentation is not retained to support such transactions.
Electronic Data Security	Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access. The Recorder of Deeds has not established any password controls to reduce the risk of unauthorized access to computers and data. Security controls are not in place to lock computers in the offices of the County Clerk and County Collector after a specified number of incorrect logon attempts, or to lock the County Assessor's computers after a certain period of inactivity. The Sheriff and County Assessor do not store backup files at a secure off-site location, and county officials do not periodically test backup data.
Public Administrator's Annual Settlements	The Public Administrator did not file annual settlements timely for 2 of the 10 active cases.

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

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Knox County

We have audited certain operations of Knox County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer & Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Knox County for the 2 years ended December 31, 2015. 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:

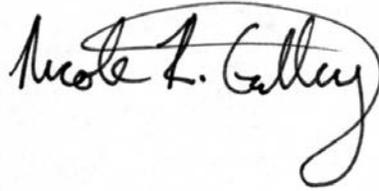
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Knox County.

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

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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Knox County

Management Advisory Report

State Auditor's Findings

1. Sales Taxes

We identified various concerns related to county sales taxes.

1.1 Excess capital improvement sales taxes

The county has imposed 2 sales taxes, totaling 1-cent, which exceeds the statutory maximum allowed for capital improvement sales taxes per Section 67.700, RSMo, by 1/2-cent. The county received approximately \$11,000 in November and December 2016 from the excess capital improvement sales tax passed during that year. County records provided the following information:

- In November 1984, voters approved a 1/2-cent capital improvement sales tax under Section 67.700, RSMo. This sales tax has been renewed every 4 years and was most recently renewed in August 2016. The county received approximately \$152,000 in 2016 from this tax. It is used for the purpose of road and bridge building, repair, maintenance, and general capital improvement and has an expiration date of December 31, 2020.
- In April 2016, voters approved an additional 1/2-cent capital improvement sales tax under Section 67.700, RSMo. The county started receiving the related sales tax collections in November 2016. The related annual sales tax receipts will be equal to the receipts from the 1/2-cent capital improvement sales tax passed in November 1984. It is used to pay for the replacement of windows and doors, tuck-pointing and roof repairs, heating ventilation and air conditioning upgrades, and other repairs as necessary to the courthouse and has an expiration date of September 30, 2031, or whenever the final payment occurs on the project financing, whichever occurs first.

Section 67.700.4, RSMo, allows counties to impose a rate of 1/8, 1/5, 1/4, 3/8, or 1/2-cent. Although there is no provision against having 2 sales taxes under this section, the total sales tax cannot exceed 1/2-cent. Attorney General's Opinion 97-1999 (June 4, 1999) states the maximum sales tax rate for capital improvements cannot exceed the 1/2-cent tax rate. Therefore, the county had already reached its statutorily-imposed maximum capital improvement sales tax rate with the original sales tax passed in November 1984. The additional capital improvement sales tax passed in April 2016 caused the county to exceed the statutorily-imposed maximum amount of 1/2-cent.

A similar condition was noted in our prior audit report regarding a failed ballot measure for an additional law enforcement sales tax.

1.2 Property tax levy reductions

The County Clerk did not accurately calculate property tax reduction amounts because she included the sales tax receipts from both of the



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county's general revenue sales taxes. As a result, the property tax levy was reduced more than necessary to meet statutory requirements.

The county has two general revenue sales taxes. One sales tax passed under Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Knox County voters enacted this 1/2-cent general sales tax with a provision to reduce property taxes by 50 percent of sales tax collected. The other sales tax passed under Section 67.547, RSMo, has no property tax reduction provision. The County Clerk's property tax reduction calculation has incorrectly included both sales taxes. County officials could not provide documentation to support using both general sales taxes in the calculation and the County Clerk stated she was unaware she should only be using receipts from one of the sales taxes in the calculation.

To ensure property tax levies are properly set, the County Commission and the County Clerk should ensure property tax reductions are accurately calculated.

Recommendations

The County Commission:

- 1.1 Review the current sales taxes imposed, research the statutory requirements for current sales taxes, and ensure sales tax levies do not exceed statutory limits prior to submitting any future sales tax proposals to voters for approval.
- 1.2 And the County Clerk properly calculate property tax rate reductions.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *We respectfully disagree with this finding. Prior to placing the sales tax question on the April 2016 ballot, we thoroughly researched statutes, and sought a legal opinion from our attorney. It was determined by our legal counsel that it is indeed legal to adopt multiple capital improvement sales taxes under Section 67.700, RSMo.*

In the finding the State Auditor cited Attorney General's Opinion 97-1999 (June 4, 1999). Although we respect the opinion of the Attorney General, even within his own opinion it was stated that, "We are aware of a circuit court decision holding there is no limit on the total capital improvements sales tax rate as long as each proposition provides for a sales tax rate of one-fourth of one percent, three-eighths of one percent, or one-half of one percent. There is no reported appeal of the circuit court decision. With due



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respect to the circuit court, we disagree with the circuit court decision." It is the opinion of the Knox County Commission, and our legal counsel, that a standing court ruling takes precedence over an Attorney General's Opinion.

1.2 *We will work with the County Clerk to ensure property tax rate reductions are properly calculated in the future.*

The County Clerk provided the following response:

1.2 *In the future, I will only use the sales tax subject to Section 67.505, RSMo, when calculating the sales tax reduction.*

Auditor's Comment

1.1 A circuit court is not a court of record, its decisions are not published, and its findings are not binding precedent. The Attorney General opinion issued under Section 27.040, RSMo, cited above clearly states the maximum sales tax rate for capital improvements cannot exceed the 1/2-cent tax rate. The statute does not prohibit counties from having multiple capital improvement sales taxes under Section 67.700, RSMo, but the total sales tax cannot exceed 1/2-cent.

2. Prosecuting Attorney's Controls and Procedures

2.1 Segregation of duties

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$11,000 in bad check and court ordered restitution and fees and delinquent taxes during the year ended December 31, 2016.

The Prosecuting Attorney has not adequately segregated accounting duties and does not provide adequate oversight of financial functions and records. One employee is primarily responsible for receipting, recording, depositing, and disbursing monies received. The Prosecuting Attorney provides independent oversight by performing bank reconciliations; however, bank reconciliations are not always completed timely. The Prosecuting Attorney stated she sometimes performs multiple bank reconciliations at one time.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, timely independent or supervisory reviews of accounting and bank records are essential.

A similar condition was noted in our prior audit report. In addition, Report No. 2013-043, *Follow-Up Report on Audit Findings - Knox County* (section 7.1), issued in May 2013, reported the status as implemented. However, a



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similar condition was noted in the letter issued by the State Auditor to the Knox County Prosecuting Attorney dated May 13, 2015.¹

2.2 Accounts receivable

The Prosecuting Attorney does not prepare a monthly list of unpaid court-ordered restitution. A complete and accurate list of unpaid 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.

2.3 Administrative fees

The Prosecuting Attorney's staff does not always assess the statutorily required fees from defendants who owe court-ordered restitution, although the Prosecuting Attorney has instructed her staff to assess these fees. The Prosecuting Attorney does not review restitution cases to ensure fees are properly assessed.

Section 559.100.3, RSMo, requires the Prosecuting Attorney to collect an administrative handling cost fee on cases of court-ordered restitution.

A similar condition was noted in the letter issued by the State Auditor to the Knox County Prosecuting Attorney dated May 13, 2015.

Recommendations

The Prosecuting Attorney:

- 2.1 Segregate accounting duties or ensure supervisory reviews of accounting and bank records are performed timely.
- 2.2 Establish procedures to monitor and collect court-ordered restitution accounts receivable.
- 2.3 Assess and collect fees on all restitution cases as required by state law.

Auditee's Response

- 2.1 *Segregating accounting duties would be difficult due to the size of the office, but I will work to complete reviews timely to ensure accounting records are in balance.*
- 2.2 *We believe the court is monitoring defendants who owe court-ordered restitution. We are planning to get a new computer system later this year. We will work with the programmer to determine the capabilities of that system to track accounts receivable.*

¹ In 2015, the Knox County Prosecuting Attorney requested the State Auditor review the status of his office due to concerns of misappropriation of monies. The State Auditor issued a letter (Report No. 2015-028) to the Knox County Prosecuting Attorney dated May 13, 2015, detailing the State Auditor's findings related to this review.



2.3 *We have implemented this recommendation.*

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil fees, concealed carry weapon permits, and other miscellaneous receipts totaling approximately \$13,600 for the year ended December 31, 2016.

3.1 Seized property

The Sheriff has not established adequate controls over seized property. The log of seized property maintained is not complete or accurate. The log includes previously disposed of items. Also, a physical inventory of seized property has not been performed since June 2013.

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 accounted for properly.

A similar condition was noted in our prior audit report.

3.2 Board bill invoices

The Sheriff's office does not always reconcile invoices received from other counties for boarding county prisoners to supporting records to evaluate their accuracy before payment is made. In addition, a reconciliation of current or past payments is not always possible because the log maintained by office personnel of prisoners housed by other counties does not always include the date incarcerated and/or the date released. During the year ended December 31, 2016, the Sheriff's office paid approximately \$51,000 to other counties for boarding prisoners.

Without reconciling board bill invoices received to adequate supporting records, there is less assurance the amounts invoiced and paid are accurate.

Recommendations

The Sheriff:

- 3.1 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.
- 3.2 Ensure invoices received for boarding county prisoners are reconciled to supporting records before payment is made. In addition, the Sheriff should ensure the log of prisoners includes the incarceration date and the date released.



Auditee's Response

- 3.1 *Since taking office I have inventoried all current seized property and now have accurate records. I am also working with the court to dispose of old seized property. I will ensure inventory records are updated for any changes in inventory. In addition, I will conduct periodic inventory counts to help ensure the accuracy of the records.*
- 3.2 *My office now keeps complete and accurate prisoner logs, which we reconcile to invoices prior to payment.*

4. County Collector's Voided or Deleted Transactions

The County Collector's computer system cannot generate a detailed report of voided or deleted transactions, and adequate documentation is not retained to support such transactions.

Retaining documentation to support voided or deleted transactions helps ensure such transactions are appropriate and reduces the risk of errors, loss, theft, or misuse of funds.

Recommendation

The County Collector retain documentation of all voided and deleted transactions and work with the computer programmer to develop a voided and deleted transaction report that can be periodically compared to supporting documentation.

Auditee's Response

The recommendation has been implemented.

5. Electronic Data Security

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

5.1 Passwords

The Recorder of Deeds has not established any password controls to reduce the risk of unauthorized access to computers and data. A password is not required to access the computer and data in the office of the Recorder of Deeds.

Passwords are necessary to authenticate access to computers and data, and to reduce the risk of unauthorized access to and use of systems and data. 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.

5.2 Security controls

Security controls are not in place to lock computers in the offices of the County Clerk and County Collector after a specified number of incorrect logon attempts. In addition the County Assessor does not have security controls in place to lock computers after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful logon attempts and are



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necessary to prevent unauthorized individuals from continually attempting 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.

5.3 Data backup

The Sheriff and County Assessor do not store backup files at an off-site location. In addition, county officials do not periodically test backup data. Failure to store backup data at a secure off-site location results in the data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backups should be stored at a secure off-site location and tested on a periodic basis.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The County Commission:

- 5.1 Work with the Recorder of Deeds to require confidential passwords that are periodically changed to prevent unauthorized access to the county's computers and data.
- 5.2 Work with county officials to require each county computer have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 5.3 Work with county officials to ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

Auditee's Response

We and the county staff are working with our information technology specialist to implement these recommendations.

6. Public Administrator's Annual Settlements

The Public Administrator does not always file annual settlements timely. During our review of the 10 active cases, we found 2 cases did not have annual settlements filed timely. One annual settlement was approximately 3 months overdue and the other settlement was approximately 5 months overdue. After we brought this issue to the attention of the Public Administrator, she prepared these settlements. The Public Administrator does not keep a record of when annual settlements are due to the court. Instead, she relies on the Circuit Court, Probate Division Clerk to send reminder notifications to the Public Administrator. However, due to a limitation within the Justice Information System, the system did not remind



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the Probate Division Clerk to send annual settlement notifications for these 2 cases.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely filing of settlements is necessary for the court to properly oversee the administration of cases and reduce the possibility that errors, loss, theft, or misuse of funds will go undetected.

Recommendation

The Public Administrator ensure annual settlements are filed timely.

Auditee's Response

I am now tracking all cases to ensure annual settlements are filed timely.

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Organization and Statistical Information

Knox County is a county-organized, third-class county. The county seat is Edina.

Knox 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 33 full-time employees and 7 part-time employees on December 31, 2016.

Elected Officials

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

Officeholder	2017	2016
Evan Glasgow, Presiding Commissioner	\$	26,619
Michael R. Fox, Associate Commissioner		24,232
Roger Parton, Associate Commissioner		24,232
Sandy Woods, Recorder of Deeds		35,700
Marlene Spory, County Clerk		36,716
Jo Fortney, Prosecuting Attorney		44,747
Allen Gudehus, Sheriff		43,609
Donnie L. Davis, County Treasurer		35,700
Jeffrey Doss, County Coroner		10,326
Theresa L. Hamlin, Public Administrator		15,750
Brent Karhoff, County Collector (1), year ended February 28,	38,490	
Anita James, County Assessor, year ended August 31,		36,716

(1) Includes \$1,775 of commissions earned for collecting city property taxes.