



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Scotland County**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Scotland County

Public Administrator's Annual Settlements	Real estate valued at approximately \$648,000 was not included in the beginning balance for one ward's annual settlement. The Public Administrator was questioned about this discrepancy in March 2017 but the annual settlement had not been corrected as of August 2017.
Seized Property	The Sheriff's office does not perform a documented physical inventory of seized property and does not adequately record the disposition of seized property.
County Assessor's Receipting and Transmitting Procedures	Official prenumbered receipt slips are not issued for all monies received and monies are not always transmitted timely to the County Treasurer. Also, checks are not restrictively endorsed immediately upon receipt.
Electronic Data Security	Controls over some county computers are not sufficient to prevent unauthorized access. Passwords are not required to be changed on a periodic basis in the County Assessor's and Sheriff's offices.
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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# Scotland County

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Scotland County

We have audited certain operations of Scotland 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 Scotland 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:

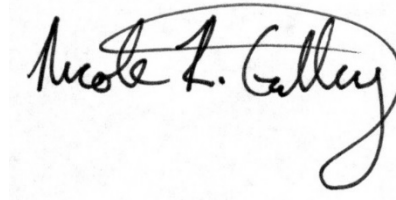
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Scotland County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last 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
Audit Manager:	Lori Melton, M.Acct., CPA
In-Charge Auditor:	David Olson
Senior Auditor:	Christopher A. McClain
Audit Staff:	Mariela A. Hernandez
	Shyla McWilliams

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# Scotland County Management Advisory Report State Auditor's Findings

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## **1. Public Administrator's Annual Settlements**

Real estate was not included in the beginning balance for one ward's annual settlement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division. The Public Administrator was responsible for the financial activity of 12 individuals as of December 31, 2016.

The annual settlement for one ward for the year ending December 31, 2016, did not include real estate valued at approximately \$648,000 in the beginning balance. The Probate Clerk indicated the Circuit Judge, Probate Division had not approved this settlement because the clerk had noted this discrepancy and asked the Public Administrator in March 2017 to provide more information and update the settlement. The annual settlement had not been corrected as of August 2017.

To ensure the financial activity of the wards is accurately and completely reported to the court, Sections 473.543 and 475.270, RSMo, requires the total amount of money or property on hand be reflected on the annual settlements.

### Recommendation

The Public Administrator prepare annual settlements that include all assets.

### Auditee's Response

*I am amending the annual settlement mentioned and will include real estate in annual settlements in the future.*

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## **2. Seized Property**

As noted in our prior audit report, the Sheriff's office does not perform a documented physical inventory of seized property and does not adequately record the disposition of seized property. Our review of inventory records and the evidence room identified inaccurate records. For example, an item indicated as on hand in the inventory records could not be located at the time of our review. The Sheriff subsequently provided documentation showing the item should not have been on hand or included in the inventory records because it was destroyed in 2012.

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. Periodic physical inventories should be performed and documented and the results compared to inventory records to ensure seized property is accounted for properly.

### Recommendation

The Sheriff maintain accurate inventory records of seized property. In addition, the Sheriff should ensure a periodic documented physical inventory is conducted and reconciled to inventory records, and investigate any differences.

### Auditee's Response

*A software error was corrected and a full inventory to update all records has been performed.*



Scotland County  
Management Advisory Report - State Auditor's Findings

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### 3. County Assessor's Receipting and Transmitting Procedures

The County Assessor has not established proper procedures for receipting and transmitting monies. The County Assessor collected monies for copies of deeds and maps totaling approximately \$3,000 for the year ended December 31, 2016.

- Official prenumbered receipt slips are not issued for all monies received. Receipt slips are not issued for payments received through the mail.
- Monies received are not always transmitted timely to the County Treasurer as required by state law. For example, receipts collected from January 19, 2016, through April 8, 2016, totaling \$972, were not transmitted until April 11, 2016.
- Checks are not restrictively endorsed immediately upon receipt. The endorsement is applied when preparing the transmittal to the County Treasurer.

Failure to implement adequate receipting and transmitting procedures increases the risk that loss, theft, or misuse of monies received will go undetected. In addition, Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.

### Recommendation

The County Assessor issue prenumbered receipt slips for all monies received, transmit receipts timely, and restrictively endorse checks immediately upon receipt.

### Auditee's Response

*This recommendation has been implemented.*

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### 4. Electronic Data Security

As noted in our prior 5 audit reports, controls over county computers in various offices as identified in each audit have not been sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

Passwords are not required to be changed on a periodic basis in the County Assessor's and Sheriff'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.



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**Recommendation**

The County Assessor and Sheriff ensure passwords are periodically changed to prevent unauthorized access to computers and data.

**Auditee's Response**

*The County Assessor provided the following response:*

*I agree and will implement this recommendation.*

*The Sheriff provided the following response:*

*I will implement this recommendation.*



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# Scotland County

## Organization and Statistical Information

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Scotland County is a county-organized, third-class county. The county seat is Memphis.

Scotland 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 23 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
Duane Ebeling, Presiding Commissioner	\$	24,440
Danette Clatt, Associate Commissioner		22,440
David Wiggins, Associate Commissioner		22,440
Dana Glasscock, Recorder of Deeds		34,000
Batina Dodge, County Clerk		38,400
Kimberly J. Nicoli, Prosecuting Attorney		41,000
Wayne Winn, Sheriff		39,000
Kathy Kiddoo, County Treasurer		34,000
Jeffrey Davis, County Coroner		9,500
Patty Freburg, Public Administrator		15,000
Kathy Becraft, County Collector (1), year ended February 28,	37,443	
James Ward, County Assessor, year ended August 31,		34,000

(1) Includes \$3,443 of commissions earned for collecting city property taxes.