



Office of Missouri State Auditor
Nicole Galloway, CPA

Andrew County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Andrew County

Financial Condition and Sales Tax Rollback	The Law Enforcement Fund is in poor financial condition and the General Revenue Fund is in a weakened condition as a result of supporting the Law Enforcement Fund. In addition, property tax reductions were not sufficient to offset 50 percent of sales tax monies received.
Architectural Services	The Andrew County Public Benefit Corporation Board (which consists of the 3 County Commissioners, the Sheriff, and the County Treasurer) contracted with an architectural firm in May 2017 for the design of a 20 bed jail expansion without soliciting requests for qualifications of at least 2 other firms as required by state law.
Sheriff's Controls and Procedures	The Sheriff's office does not prepare a monthly list of liabilities for the fee account or the commissary account, and consequently, liabilities are not agreed to the reconciled bank balances. The Sheriff's office does not remit net proceeds from commissary sales timely to the county Inmate Prisoner Detainee Security Fund as required by state law. The Sheriff's office charges a \$15 flat fee for mileage when serving civil papers, which is not in accordance with state law.
County Assessor's Receipting, Recording, and Transmitting	The County Assessor has not established proper controls or procedures for receipting, recording, and transmitting monies.
Electronic Data Security	The Recorder of Deeds and Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Assessor, County Clerk, Recorder of Deeds, Public Administrator and the County Collector do not have security controls in place to lock computers after a certain period of inactivity.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations of 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

County Commission
and
Officeholders of Andrew County

We have audited certain operations of Andrew County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Andrew County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

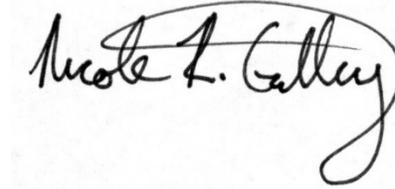
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Andrew 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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Andrew County Management Advisory Report State Auditor's Findings

1. Financial Condition and Sales Tax Rollback

The Law Enforcement Fund (LEF) is in poor financial condition and the General Revenue Fund (GRF) is in a weakened condition as a result of supporting the LEF. In addition, property tax reductions were not sufficient to offset 50 percent of sales tax monies received.

1.1 Financial condition

The LEF is in poor financial condition and the GRF is in a weakened condition as a result of supporting the LEF.

The following tables reflect the budgeted receipts, disbursements, and beginning and ending cash balances for the year ended December 31, 2018; and actual receipts, disbursements, and beginning and ending cash balances, for the 4 years ended December 31, 2017, of the LEF and GRF as reported in the county budgets:

Law Enforcement Fund:	Year Ended December 31,				
	2018	2017	2016	2015	2014
Beginning cash balance	\$ 818	4,333	954	413	16,366
Receipts	1,272,500	1,136,013	941,912	960,333	782,901
Transfers in:					
From General Revenue Fund	668,000	489,000	575,000	471,000	570,000
Disbursements	1,940,066	1,628,528	1,513,533	1,430,792	1,368,854
Ending Cash Balance	\$ 1,252	818	4,333	954	413

General Revenue Fund:	Year Ended December 31,				
	2018	2017	2016	2015	2014
Beginning cash balance	\$ 434,220	314,123	508,712	480,403	223,373
Receipts	2,553,602	2,344,097	2,316,198	2,271,551	2,079,222
Transfers in:					
From Special Road and Bridge Fund	116,864	116,686	135,162	115,577	144,464
From Capital Improvement Fund	134,457	130,309	106,169	12,676	8,716
From Administrative Handling Cost Fund	31,352	0	15,676	15,676	12,787
Disbursements*	2,330,702	1,981,995	2,192,794	1,916,171	1,418,159
Transfers out:					
To Law Enforcement Fund	668,000	489,000	575,000	471,000	570,000
Ending Cash Balance	\$ 271,793	434,220	314,123	508,712	480,403

* Includes the jail lease payment for 2015-2017 and appropriated for 2018. This payment was made from the Capital Improvement Fund in 2014.



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The cash balance of the LEF is low and while receipts have increased between 2015 and 2017, yearly receipts are significantly less than yearly disbursements and disbursements have increased faster than receipts. The LEF cannot continue to operate as it is currently operating. Disbursements would have been higher if the county had not borrowed \$79,292 in March 2016 for 4 Sheriff's office vehicles and \$112,519 in August 2017 to purchase 4 more vehicles for that office. At December 31, 2017, the total amount of principal and interest outstanding on these loans was approximately \$185,000. The obligations on these loans for 2018 total \$51,559.

In addition, the LEF was supported by \$2,105,000 in transfers from the GRF between 2014 and 2017. If the GRF continues to make these large transfers to the LEF each year, the fund may not have enough monies in reserve to address budget shortfalls in the event of an economic downturn or other significant financial emergency.

The GRF is experiencing cash flow problems as a result of supporting the LEF and the county has borrowed \$250,000 yearly on a bank line of credit from 2014 to 2017 to help pay the annual jail lease payment. For 2017, this payment totaled \$337,892. The county has repaid these amounts borrowed each year by February 2, and as of January 28, 2018, all amounts have been repaid.

The tables above do not take into account significant liabilities of the GRF including \$240,726 as a result of the county's sales tax rollback methodology.

- The County Commission will need to develop a plan to correct for the accumulation of prior years' over collection of property taxes (see section 1.2) which will further reduce general property tax revenues and the ending cash balance in future years.
- In January 2018, the county entered into an additional lease contract for improvements to the jail (see MAR finding number 2). The new lease requires an additional payment of \$30,509 each January beginning in 2019. Payments will come from the GRF.

It is essential the County Commission address the financial condition of the GRF and the LEF both in the immediate and long-term future. To ensure the financial condition of both funds is improved, the County Commission should reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue.

1.2 Reduction of property tax levy

The county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received. The County Clerk incorrectly calculated the adjustment for the prior year's sales tax calculations. As a result, \$270,217



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in excess property taxes were collected for the years 2014 through 2017. At December 31, 2017, the cumulative total insufficient property tax reduction was \$240,726.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Andrew County voters enacted a one-half of 1 percent general sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement based on estimated sales tax collections of the current year, and in the following year calculate any excess property taxes collected based upon actual sales taxes collected. Any excess should be included as an adjustment in the next year's property tax levy calculation to ensure property taxes are reduced in the subsequent year by the amount of the excess collection.

Recommendations

The County Commission:

- 1.1 Closely monitor the county's financial condition and perform a study of the county's current level of expenditures and determine whether normal operations and other financial commitments have expanded to the point where they cannot be sustained by operating revenues. If so, expenditures should be reduced where possible without eliminating necessary services. In addition, a long-range budget should be prepared and used in planning for future years' operations.
- 1.2 And the County Clerk properly calculate property tax rate reductions, adequately reduce the property tax levy for 50 percent of sales tax revenue, and develop a plan to correct for the accumulation of prior years' over collection of property taxes.

Auditee's Response

- 1.1 *The new 20 bed jail expansion began housing prisoners at the end of June 2018. We anticipate operating the jail and the 20 bed jail expansion at maximum capacity. While at maximum capacity, approximately \$292,000 annually in additional revenue should be generated while only incurring \$120,000 in additional expenditures including the new lease payment on the 20 bed jail expansion. Therefore, the 20 bed jail expansion will help reduce transfers to the LEF from the GRF annually. In addition, we will continue to monitor county operations to maximize revenues and limit expenditures for both the LEF and GRF.*
- 1.2 *We have developed a four-year plan to correct the over collection of property taxes and we anticipate this plan to be completed in 2021. We recognize where these errors occurred and are adjusting the process to try to ensure that they are not repeated in the future.*



2. Architectural Services

The Andrew County Public Benefit Corporation (ACPBC) Board (which consists of the 3 County Commissioners, the Sheriff, and the County Treasurer) contracted with an architectural firm in May 2017 for the design of a 20 bed jail expansion without soliciting requests for qualifications of at least 2 other firms as required by state law.

The ACPBC is a not-for-profit organization formed by the county in September 2011 for the purpose of providing funding for the construction of a Sheriff's office and jail facility, which was completed in November 2012. The county leases the facility and the expansion from the ACPBC for payments equal to the amounts due to retire the ACPBC's debt. Information on the ACPBC financing arrangements is discussed in the Organization and Statistical Information section.

The expansion was completed in June 2018 at a cost of approximately \$585,900 including \$41,500 paid to the architect. The County Commission indicated the architect selected for the jail expansion was the same firm used for the original construction of the jail.

Section 8.291, RSMo, requires political subdivisions to consider the qualifications of at least three firms when negotiating contracts for architectural services. Complete documentation should be maintained of the selection process.

Recommendation

The County Commission comply with state law when procuring architectural services and document the reasons for selecting the winning firm.

Auditee's Response

In the future, we will clearly document the reasons and criteria used to make our selection of architectural services and record the reason for our selection in the County Commission minutes.

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office are in need of improvement. Office personnel deposited approximately \$160,000 collected for civil and criminal process fees, bonds, boarding and transporting prisoners, inmate monies, and other miscellaneous fees into the fee and commissary accounts during the year ended December 31, 2017.

3.1 Liabilities

The Sheriff's office does not prepare a monthly list of liabilities for the fee account or the commissary account, and consequently, liabilities are not agreed to the reconciled bank balances.

For the fee account, identified liabilities totaled \$10,432 at February 28, 2018. The reconciled bank balance was \$6,438, resulting in a shortage of \$3,994. For the commissary account, we requested a list of liabilities as of March 31, 2018. The list totaled \$14,135, which agreed with the total of the reconciled bank balance of \$13,289 and cash of \$846 deposited in a kiosk per the kiosk's trial balance.



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Management Advisory Report - State Auditor's Findings

Monthly lists of liabilities should be prepared and reconciled to the available cash balance to ensure sufficient cash is available for the payments of amounts due and all monies in the bank can be identified. Prompt follow up on discrepancies is necessary to resolve errors. Various statutory provisions provide for the disposition of unidentified monies.

A similar condition was noted in our 2 prior audit reports.

3.2 Commissary net proceeds

The Sheriff's office does not remit net proceeds from commissary sales timely to the county Inmate Prisoner Detainee Security Fund as required by state law. During 2017, commissary net proceeds were only disbursed twice to the County Treasurer and totaled \$25,794.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 50.370, RSMo, requires county officials to turn over all fees to the County Treasurer monthly.

3.3 Civil paper service fees

The Sheriff's office charges a \$15 flat fee for mileage when serving civil papers, which is not in accordance with state law. The Sheriff's office collected approximately \$17,500 for civil paper service fees, including mileage, during the year ended December 31, 2017.

Section 57.280, RSMo, provides that the Sheriff be reimbursed for each mile actually traveled to serve any summons, writ, subpoena, or other order of the court. Charging a per-mile reimbursement for service will bring the Sheriff into compliance with state law.

Recommendations

The Sheriff:

- 3.1 Prepare monthly lists of liabilities and reconcile the list to the available cash balances. Any differences should be promptly investigated and resolved. Any unidentified monies should be disposed of in accordance with state law.
- 3.2 Disburse timely net proceeds not necessary to meet cash flow needs or current operating expenses to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 3.3 Ensure civil paper service fees are charged in accordance with state law.



Auditee's Response

- 3.1 *I have worked with the County Treasurer and identified the differences, which have been corrected. I have implemented a procedure to prepare a monthly list of liabilities and will reconcile it to the available cash balances for both the fee and commissary bank accounts on a monthly basis.*
- 3.2 *This recommendation has been implemented.*
- 3.3 *I am aware of the state law, however for simplification of accounting I charge a \$15 flat fee for mileage when serving civil papers. The flat fee was enacted because it was requested by local attorneys. However I will take this recommendation under advisement.*

4. County Assessor's Receipting, Recording, and Transmitting

The County Assessor has not established proper controls or procedures for receipting, recording, and transmitting monies. We could not determine the amount of monies received by the County Assessor's office during the year ended December 31, 2017. Between January 2016 and December 2017, the office prepared an unnumbered form for monies received. This form was given to the County Treasurer upon transmittal and not retained and no other documentation was maintained of monies collected or transmitted to the County Treasurer.

The County Assessor's office began issuing receipt slips in January 2018. The County Assessor does not perform a review of receipt slips to ensure all monies received have been transmitted. We reviewed monies received during January and February 2018, and identified various concerns:

- The method of payment was not indicated on 40 percent (8 of 20) of receipts slips issued in January 2018. At our recommendation the office began recording the method of payment on all receipt slips in February 2018.
- Some receipt slips did not accurately record the method of payment or amount received. For example, we reviewed 2 receipt slips each issued for \$2 (cash) in January 2018; however, the County Treasurer's 2 receipt slips written to the County Assessor for those 2 receipts indicate these payments occurred by check for \$200 each. The County Assessor indicated the receipt slips were written for the wrong type of receipt and therefore indicated the incorrect amounts.

Failure to implement adequate receipting, recording, and transmitting procedures increases the risk of loss, theft, or misuse of monies received will go undetected.

Recommendation

The County Assessor issue prenumbered receipt slips for all monies received, indicate the method of payment on all receipt slips, and record all receipts on a receipts log. In addition, the numerical sequence of receipt slips should be



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Management Advisory Report - State Auditor's Findings

accounted for and the composition of receipts should be reconciled to the composition of amounts transmitted.

Auditee's Response

We have started using a prenumbered receipt slip book to keep track of the money we collect. The method of payment is indicated on all receipt slips. We also keep a receipt log to make sure all monies collected are turned over to the County Treasurer. The log is also used to account for the numerical sequence of receipt slips and reconcile the composition of receipts to the composition of monies turned over. We also get a receipt slip back from the County Treasurer so we can balance with each other. We will continue this until the property tax system is programmed to allow the County Collector's office to receipt our monies; this change is expected to take place by the end of 2018.

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 or loss of data.

5.1 Passwords

The Recorder of Deeds and Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Recorder of Deeds and the Deputy Recorder of Deeds use the same password to access the office's computer and are not required to change the password. In addition, the password is not required to have a minimum number of characters. Also, the Public Administrator's computer password is not required to be changed.

Passwords are necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not kept confidential or contain a minimum number of characters in one office and do not have to be periodically changed in two offices, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential, contain a minimum number of characters, and be changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

5.2 Security controls

The County Assessor, County Clerk, Recorder of Deeds, Public Administrator and the County Collector do not have security controls in place to lock computers after a certain period of inactivity.

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.



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Management Advisory Report - State Auditor's Findings

Similar conditions
previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The County Commission work with other county officials to:

- 5.1 Require employees maintain confidential passwords with a minimum number of characters that must be periodically changed.
- 5.2 Ensure county computers have security controls in place to lock each computer after a specified period of inactivity.

Auditee's Response

- 5.1 *This recommendation has been implemented.*
- 5.2 *This recommendation has been implemented.*

Andrew County

Organization and Statistical Information

Andrew County is a county-organized, third-class county. The county seat is Savannah.

Andrew 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 55 full-time employees and 18 part-time employees on December 31, 2017.

In addition, county operations include the Senate Bill 40 Board, the Senior Citizens Services Board, the Johnson Grass Board, and 3 neighborhood improvement districts.

Elected Officials

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

Officeholder	2018	2017
Bob Caldwell, Presiding Commissioner	\$	29,540
Fritz Hegeman, Associate Commissioner		28,860
Gary Baumann, Associate Commissioner		28,860
Rosa Lea Lancey, Recorder of Deeds		41,980
Sarah Miller, County Clerk		41,980
Steven Stevenson, Prosecuting Attorney		51,480
Bryan Atkins, Sheriff		48,480
Cindy Esely, County Treasurer		41,980
Doug Johnson, County Coroner		15,480
Janet Rosenauer, Public Administrator		25,000
Phil Rogers, County Collector (1), year ended February 28 (29),	47,321	
Paul Garrison, County Assessor, year ended August 31,		41,442
F. Shane Terhune, County Surveyor (2)		

(1) Includes \$5,405 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

Financing Arrangements

The county entered into lease contracts with the Andrew County Public Benefit Corporation (ACPBC) in January 2011 and January 2018.



Andrew County Organization and Statistical Information

The terms of the January 2011 contract call for the ACPBC to provide funding for the construction of a Sheriff's office and jail facility and for the county to lease the facility from the ACPBC for lease payments equal to the amount due to retire the ACPBC's indebtedness and administrative costs. To fund construction, the ACPBC obtained 2 loans from the United States Department of Agriculture (USDA) totaling \$5.9 million in September 2011. Construction was completed in November 2012. Both loans are scheduled to be paid off in September 2051. The remaining principal outstanding at December 31, 2017, was \$5,571,045. Interest remaining to be paid over the life of the agreement totals \$5,020,970.

The terms of the January 2018 contract call for the ACPBC to construct a storage shed and complete renovations and additions to the jail and for the county to lease these improvements from the ACPBC for lease payments equal to the amount due to retire the ACPBC's indebtedness and administrative costs. To fund the construction, the ACPBC obtained a loan from the USDA totaling \$553,500 in January 2018. Construction began in January 2018 and was completed in June 2018. The first principal payment is scheduled for January 2019 and the loan is scheduled to be paid off in January 2058. Interest remaining to be paid over the life of the agreement totals \$386,500.