

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

McDonald County

Report No. 2021-080

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auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of McDonald County

Land Purchase	The County Commission purchased 2 parcels of land from a County Commissioner in violation of state law.
Sheriff's Controls and Procedures	The Sheriff's office does not prepare adequate bank reconciliations or maintain an accurate check register balance for the civil bank account. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balance. The Sheriff's office has not established adequate controls and procedures over seized property.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not prepare adequate bank reconciliations or maintain a book balance. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balance. The Prosecuting Attorney's office has not established proper procedures for receipting and recording payments received. The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution. The Prosecuting Attorney's office does not always assess the statutorily required fees from defendants who owe court-ordered restitution.
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**.*

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*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.

McDonald County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of McDonald County

We have audited certain operations of McDonald County in fulfillment of our duties under Section 29.230, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2020. The objectives of our audit were to:

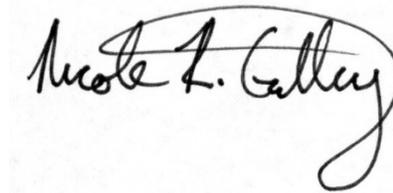
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 performed sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. 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 McDonald 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:

Senior Director:	Randall Gordon, M. Acct., CPA, CGAP
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McDonald County Management Advisory Report State Auditor's Findings

1. Land Purchase

The County Commission purchased 2 parcels of land from a County Commissioner in violation of state law.

On November 26, 2018, the County Commission voted to approved a motion to purchase 2 parcels of land owned by County Commissioner John Bunch for \$75,000. County Commissioner Bunch abstained from voting on the motion. The County Clerk indicated the county purchased the property to provide additional parking and storage for the county courthouse. An appraisal valued the property at \$89,500 on February 21, 2019. The transaction settled on March 20, 2020.

Purchasing a property from a current County Commissioner is in violation of Section 49.140, RSMo, which states "No county commissioner shall, directly or indirectly, become a party to any contract to which the county is a party, or act as a road or bridge commissioner, either general or special, or keeper of any poor person." Section 49.150, RSMo, states county commissioners that violate Section 49.140, RSMo, shall be guilty of a class B misdemeanor.

Recommendation

The County Commission discontinue making purchases from County Commissioners to ensure compliance with state law.

Auditee's Response

This sale took place under a different administration. For example, the County Commissioner subject to this sale no longer serves McDonald County. In addition, there is a new legal department. Turnover has occurred since the events of March 20, 2019. It is also important to note, Kimberly Bell (County Clerk) serves at the direction and pleasure of the County Commission. She has no authority to approve or deny agenda items subject to commission meetings.

A former County Commissioner owned the parcels and according to the documents (being sent or sent to you), the parcels were appraised at \$89,500. The County Commissioner that owned the land allowed the County to obtain the parcels far under market value. The parcels were deemed located within the county's plans and were found necessary to further economic expansion. In addition, the County Commissioner who had a potential conflict abstained from all voting (see meeting minutes of March 20, 2019). Further, prior to voting on the sale of the parcels, public notice containing time, date, place, and tentative agenda was posted in advance, in compliance with:

Section 610.020.1, RSMo: All public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered . . .

We thank you and agree with your assessment of the applicability of Section 105.454.1(2), RSMo. While our current administration, including our legal



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department is not privy to any legal analysis conducted by the prior administration regarding this matter, we do feel it is germane to the transaction under inquiry.

After review, we wish to let you know the county strives to maintain good governmental transparency regarding all matters subject to disclosure. Further, the county always seeks to lean towards disclosure that allows the general public to reasonably have means and methods to obtain any information they may seek, sans matters not subject to disclosure under Missouri law and other applicable laws.

While we rely on what is required of us by Section 610.020, RSMo, and find ourselves in compliance with said statute, we always acknowledge room for improvement. Moving forward, we will consider posting legal descriptions of real property under their clean title in advance of future meetings concerning sale of real property. We will further seek to refrain or limit sale of real property owned by any elected officials. Lastly, we will record meeting minutes (when possible) that disclose reasons for voting abstention, such as potential conflict.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected approximately \$346,000 in civil and criminal process fees, concealed carry weapon permits, bonds, inmate monies, and other miscellaneous receipts during the year ended December 31, 2020.

2.1 Bank reconciliations and liabilities

The Sheriff's office does not prepare adequate bank reconciliations or maintain an accurate check register balance for the civil bank account. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balance.

The civil account's check register balance on December 31, 2020, was \$26,583. However, office personnel indicated this balance included 11 duplicate deposits from November 2016 totaling \$17,963 that should be removed from the register. Office personnel indicated they were uncertain how to remove the duplicate deposits from the accounting system. Adjusting the check register balance for these deposits results in a book balance of \$8,620. The bank statement balance was \$8,988 resulting in an unidentified difference of \$368 between the adjusted book balance and the bank statement balance. In addition, liabilities for the civil bank account totaled \$7,019 on December 31, 2020, resulting in an unidentified balance of \$1,601 between the adjusted book balance and liabilities.

Maintaining an accurate check register balance and performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Without regular identification and



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comparison of liabilities to the reconciled bank balance, including removal of erroneous deposits in transit, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished.

2.2 Seized property

The Sheriff's office has not established adequate controls and procedures over seized property. A complete and accurate seized property inventory listing is not maintained and a physical inventory of seized property has not been performed. In addition, the Sheriff does not periodically review cases and dispose of related seized property items. Some seized property has been held for more than 15 years.

Two different logs are used to track seized property, and neither of the logs is accurate or complete. Items obtained since 2014 are maintained in one log and items obtained prior to 2014 are maintained in the other log. We tested 22 seized property items haphazardly selected from both logs with the population totaling approximately 3,100 items. We identified 3 items (2 knives and a sword) on the seized property logs that could not be located in the seized property room. Records indicate office personnel released the sword to the owner in 2011, but did not update the log.

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. Maintaining complete and accurate inventory control records and performing periodic physical inventories with the results compared to inventory records is necessary to ensure seized property is accounted for properly. The use of multiple logs to track seized property is cumbersome and reduces the assurance that all information is accurately recorded and accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

A similar condition was noted in our prior 3 audit reports.

Recommendations

The Sheriff:

- 2.1 Ensure adequate monthly bank reconciliations are prepared and maintain an accurate check register. In addition, prepare monthly lists of liabilities and reconcile the list to the available cash balance. Any differences, including the duplicate deposits, should be promptly investigated and resolved.
- 2.2 Maintain a complete and accurate seized property evidence log, and ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property in accordance with state law.



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Auditee's Response

- 2.1 *The issue identified during the audit where you claim that the office does not maintain an accurate check register balance for the civil bank account has been corrected. The issue was due to a defective software program not allowing QuickBooks to work as designed. This has been fixed. Separate ledgers are maintained to document monthly activities. We are aware of the errors and are correcting them. Steps are being taken to address the recommendations regarding check registers and liabilities.*
- 2.2 *A new storage facility has been provided to the Sheriff's office for seized property. Along with the new facility, a new tracking system has been implemented. The new system and facility will allow efficient controls of seized property. We were in the process of changing to this new system/facility during the audit. We believe we located the three items noted in the audit report but believe that old labeling fell off of the items or packaging and we could not with a 100 percent certainty, prove that these items were the ones chosen for the audit. The new system and facility will ensure better controls. We are also in the process of eliminating old items from seized property inventory from old cases that are no longer needed.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$122,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2020.

3.1 Bank reconciliation and liabilities

The Prosecuting Attorney's office does not prepare adequate bank reconciliations or maintain a book balance. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balance.

The Prosecuting Attorney's office does not calculate a reconciled bank statement balance on the reconciliation worksheet and the worksheet only lists the checks reconciled and unreconciled for the month. We determined the account had a reconciled bank balance of \$1,078 at December 31, 2020 (bank balance of \$10,394 less outstanding checks totaling \$9,316). As previously indicated the office does not prepare a list of monthly list of liabilities. Office personnel could not explain why this money remained in the account as of December 31, 2020.

Maintaining a book balance and performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Further, 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.



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Management Advisory Report - State Auditor's Findings

3.2 Receipting and recording The Prosecuting Attorney's office has not established proper procedures for receipting and recording payments received.

The bookkeeper does not always enter receipts into the office's computerized accounting system timely at the time of receipt. We haphazardly selected 2 consecutive weeks of receipts (13 receipts) to test during the year ended December 31, 2020. During this test, we identified 8 money orders totaling \$1,104 recorded with manual receipt slips that were not recorded in the electronic accounting system until 1 to 13 days after receipt.

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

3.3 Accounts receivable The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution. As a result, the amount of unpaid receivables is unknown and the need to follow up on specific cases may not be identified timely.

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

3.4 Administrative fees The Prosecuting Attorney's office does not always assess the statutorily required fees from defendants who owe court-ordered restitution. We noted the administrative handling fee was not assessed for all applicable cases handled during the year ended December 31, 2020. We haphazardly selected and reviewed 5 restitution cases from the 125 cases that received a payment during the year ended December 31, 2020. Four of these cases were not assessed the administrative handling fees that would have totaled \$250.

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

Similar conditions previously reported A condition similar to section 3.2 was noted in our prior 3 audit reports and a similar condition to section 3.3 was noted in our prior audit report.

Recommendations The Prosecuting Attorney:

- 3.1 Ensure adequate monthly bank reconciliations are prepared and maintain a book balance. In addition, prepare monthly lists of liabilities and reconcile the list to the available cash balance. Any differences should be promptly investigated and resolved.



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- 3.2 Timely record all payments received in the computerized accounting system.
- 3.3 Establish procedures to monitor and collect accounts receivable.
- 3.4 Assess and collect fees on all restitution cases as required by state law.

Auditee's Response

- 3.1 *In response to the findings of this section, you indicated an unidentified balance of \$1,078 was found in the bank account. Maleia Cheney, Prosecuting Attorney of McDonald County was sworn in effective October 15, 2020. When taking over, the office inherited the financial account that was not reconciled, and subject to your finding under this section.*

Currently, our office has opened a new bank account to produce more balanced and accurate reconciliations for the future. It is worth noting the old account must remain open until money can be sent to the state through the escheatment process. The significance of having to leave the former account open is that it will not permit our office to have an accurate reconciliation until we can close the prior administration's account. Additionally, our office will have to hold onto returned checks for up to 6 months. This means, our office could conceivably have a positive balance until such funds are escheated.

- 3.2 *In response to the findings of this section, you indicated you selected two consecutive weeks of receipts (13 receipts) to test during the year ending on December 31, 2020, and 8 money orders were not recorded until some 13 days after receipt. Maleia Cheney, Prosecuting Attorney of McDonald County was sworn in effective October 15, 2020. When taking over, the office inherited the financial receipting and recording of the prior administration, and subject to your finding under this section.*

We currently provide a copy of a written receipt slip to customers and keep a copy for our records. After this transaction, we also now utilize Karpel to enter receipting and recording (when applicable) as they come in, and we no longer take up to 13 days for this process.

- 3.3 *In response to the findings of this section, you indicated our office does not generate a monthly list of unpaid bad checks and restitution. You found this results in the amount of unpaid receivables being unknown, and the need to follow up on specific cases may not be identified timely. Maleia Cheney, Prosecuting Attorney of McDonald County was sworn in effective October 15, 2020. When taking over, the office inherited the processes of the prior administration.*



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Management Advisory Report - State Auditor's Findings

Our current staff does utilize Karpel to run various reports. Part of these reports is a monthly scan for what has not been paid. Notice of failure to pay is sent or revocations of probation are filed on a case-by-case basis. This implemented practice has allowed the office a firmer grasp on monies owed, and produce more accurate reporting.

- 3.4 *In response to the findings of this section, you indicated our office does not always assess the statutorily required fees from defendants who owe court-ordered restitution in accordance with Section 559.100.3, RSMo. Maleia Cheney, Prosecuting Attorney of McDonald County was sworn in effective October 15, 2020. When taking over, the office inherited the prior administration's accounts, which did not collect all the required administrative fees.*

Moving forward, our office utilizes Karpel to implement all the required fees. Karpel calculates the fees and ensures the office is collecting the fees in compliance with Section 559.100.3, RSMo. We look forward to future audits now that this measure is in place.

McDonald County

Organization and Statistical Information

McDonald County is a county-organized, third-class county. The county seat is Pineville.

McDonald 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 94 full-time employees and 16 part-time employees on December 31, 2020.

Elected Officials

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

Officeholder	2021	2020
Bill Lant, Presiding Commissioner	\$	31,329
John Bunch, Associate Commissioner		29,267
David Holloway, Associate Commissioner		29,267
Kenny Underwood, Recorder of Deeds		44,343
Kimberly Bell, County Clerk		44,343
Bill Dobbs, Prosecuting Attorney (1)		107,153
Maleia Cheney, Prosecuting Attorney (1)		36,334
Mike Hall, Sheriff		49,500
Sheila Fuller, County Treasurer		44,343
B.J. Goodwin III, County Coroner		15,469
Tonya Garvin, Public Administrator		44,343
Jennifer Weber, County Collector, year ended February 28,	44,343	
Laura Pope, County Assessor, year ended August 31,		44,111
Travis Green, County Surveyor (2)		

(1) Bill Dobbs retired as Prosecuting Attorney on September 30, 2020. Maleia Cheney took office on an interim basis on October 1, 2020. Maleia Cheney was then appointed by the Governor and sworn in as the Prosecuting Attorney on October 15, 2020.

(2) Compensation on a fee basis.