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Missouri State Auditor

Schuyler County

Report No. 2021-086

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Schuyler County

Property Tax Levy Reductions	The County Clerk did not use the correct tax rate ceilings when performing the annual property tax reduction calculations for 2019 and 2020.
Sheriff's Controls and Procedures	Sheriff's office personnel do not issue prenumbered bond forms and have not established adequate controls and procedures over seized property.
County Debit Card	The County Commission has not established guidelines for the use of the county debit card including requiring the card to be signed out and documented approval of the proposed purchase.
Electronic Data Security	The County Collector and Prosecuting Attorney have not established computer controls to reduce the risk of unauthorized access to the computers and data.
Electronic Communication Policy	The county has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.
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.

Schuyler County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Schuyler County

We have audited certain operations of Schuyler 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:

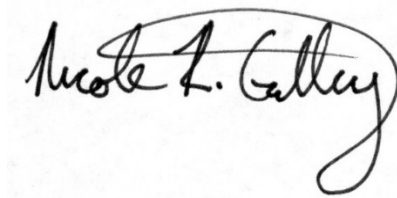
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 testing selected transactions. 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 deficiencies in internal control, noncompliance with legal provisions, and the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Schuyler 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:	Kelly Davis, M.Acct., CPA, CFE
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In-Charge Auditor:	Mackenzie J. Wooster
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	Shelby Reams

Schuyler County Management Advisory Report State Auditor's Findings

1. Property Tax Levy Reductions

The County Clerk did not use the correct tax rate ceilings when performing the annual property tax reduction calculations for 2019 and 2020. The County Clerk incorrectly used the maximum authorized tax rate of \$0.5000¹ instead of the current year tax rate ceilings of \$0.4995 for 2019 and \$0.4365 for 2020. The County Clerk indicated she was unsure about whether to use maximum tax rate authorized or current year tax rate ceiling in the property tax reduction calculation. As a result, the County Clerk incorrectly calculated general revenue property tax levies for 2019 and 2020. These errors resulted in collection of approximately \$2,500 and \$47,300 in excess property tax revenues² in those years, respectively.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Schuyler County voters enacted a one-half of 1 percent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. To determine the required reduction in property tax revenue, the County Clerk must annually calculate an estimated property tax levy using the county's total assessed valuation, the current year tax rate ceiling, and estimated sales tax revenue for the current year. Using the maximum authorized tax rate instead of the current year's tax rate ceiling results in an insufficient reduction of the general revenue property tax levy. By using the correct tax rate ceiling, the County Commission and the County Clerk can ensure property tax reductions are accurately calculated.

Recommendation

The County Commission and the County Clerk properly calculate property tax rate reductions.

Auditee's Response

We corrected this error this year when we calculated the general revenue property tax levy for 2021. In addition, we will ensure we use the proper tax rate ceiling in future years.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected payments for paper service, concealed carry weapon permits, bonds, and other miscellaneous receipts totaling approximately \$60,255 during the year ended December 31, 2020.

2.1 Bond accountability

Sheriff's office personnel do not issue prenumbered bond forms. As a result, Sheriff's office personnel cannot account for all bond forms issued. The Sheriff and his office personnel stated they did not realize the related risks until we discussed this issue with them. Using prenumbered bond forms and properly accounting for the numerical sequence of the forms is necessary to ensure all bonds received are recorded and submitted to the court for

¹ Tax rate amounts are per \$100 of assessed valuation.

² These amounts are calculated as net of any previous year credits.



Schuyler County Management Advisory Report - State Auditor's Findings

processing, and to reduce the risk of loss, theft, or misuse of bond funds going undetected.

2.2 Seized property

Sheriff's office personnel have not established adequate controls and procedures over seized property. We identified the following concerns:

- A complete seized property evidence listing is not maintained. The seized property evidence listing includes only evidence dating back to 2015 when the current Sheriff took office. Prior to May 2021, when the Sheriff assigned the position of Evidence Custodian to the Office Deputy, no one in the office specifically had oversight of the seized property room. The Office Deputy has been working on improving controls and ensuring all seized property records are complete.
- We haphazardly selected 5 items from the seized property evidence listing to trace to the physical inventory, and 5 items from the physical inventory to trace back to the seized property evidence listing. We could not locate one item in the seized property room. We also could not find 3 items on the seized property evidence listing. The Office Deputy indicated she relies on the deputy assigned to the case to ensure property seized is properly marked in the law enforcement system case file to be included on the seized property listing generated by the system. She said when this does not occur, items may not be included on the listing.
- Office personnel have not performed a physical inventory of seized property since 2017. As previously stated, no one in the office had the responsibility to oversee the seized property room until recently.

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 including information such as description, current location, case number, date of seizure, and disposition of such property should be maintained, and periodic physical inventories performed with the results compared to inventory records to ensure seized property is accounted for properly.

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

Recommendations

The Sheriff:

- 2.1 Ensure prenumbered bond forms are issued and accounted for properly.
- 2.2 Maintain a complete and accurate seized property evidence listing and ensure periodic physical inventories are conducted and



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Management Advisory Report - State Auditor's Findings

reconciled to the seized property evidence listing. Any differences should be investigated and resolved.

Auditee's Response

- 2.1 *We will ensure procedures are put in place to account for all bond forms issued by the Sheriff's office moving forward whether using prenumbered forms or another method.*
- 2.2 *We are in the process of ensuring all seized property is properly included on the seized property listing. In addition, we will conduct physical inventories of seized property periodically, and reconcile the inventory to the evidence listing once the seized property listing is complete.*

3. County Debit Card

The County Commission has not established guidelines for the use of the county debit card including requiring the card to be signed out and a documented approval of the proposed purchase. County personnel used the card for purchases totaling approximately \$27,900 during the year ended December 31, 2020; mostly for postage, office supplies, machinery parts, janitorial supplies, and online software updates. The County Commissioners indicated they gave the County Clerk general authorization to purchase routine, budgeted items; however, this authorization was not documented. Also, they indicated they did not realize the risks involving the use of a debit card until we discussed the issue with them.

Debit card purchases are inherently more risky than other purchases because debit card purchases are, or can be, made prior to proper approval. That risk and the potential for inappropriate purchases or other misuse increases even more when internal controls and proper procedures are lacking. Without guidelines, employees are not aware of what purchases are allowable, the limits of what could be purchased without prior County Commission approval, or the documentation required to support purchases; and there is less assurance these purchases are appropriate.

Recommendation

The County Commission establish written guidelines regarding use of the county debit card, including provisions for tracking who is using the card and the approval process for debit card purchases.

Auditee's Response

We will establish written guidelines for the use of the county debit card.

4. Electronic Data Security

The County Collector and Prosecuting Attorney have not established computer controls to reduce the risk of unauthorized access to the computers and data. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.

The County Collector and Deputy Collector share the County Collector's user identification and password when using the property tax system. As a result,



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there is no assurance that the user listed in the system for posting a transaction is the person who did it. In addition, office personnel are not required to have a minimum number of characters in the passwords. The County Collector indicated she did not realize the importance of having separate user accounts until we discussed the issue with her. Also, Prosecuting Attorney's office personnel are not required to change passwords regularly. Office personnel indicated they change the password approximately one time per year and the accounting system does not regularly require them to change their passwords.

Unique user identifications and passwords are necessary to identify activity performed by each individual. While user identifications and passwords are required to authenticate access, the security of these logon credentials is dependent upon keeping them confidential. Allowing certain users to share computers without logging off and back on with an unique user identification and password, and not requiring passwords to be periodically changed or contain a minimum number of characters increases the risk of unauthorized access and/or changes to the system and records, and reduces assurance that access is limited to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of the county computers and data.

Recommendation

The County Commission work with other county officials to require the use of unique user identifications and passwords when using the property tax system, require Prosecuting Attorney's office personnel change passwords periodically, and require passwords in the County Collector's office to contain a minimum number of characters to help prevent unauthorized access to the county computers and data.

Auditee's Response

The County Commission provided the following response:

We will work with other county officials to ensure unique user identifications and passwords with a minimum number of characters are used to log into county computers and passwords are changed periodically.

The County Collector provided the following response:

I have already implemented this recommendation. I contacted our software provider and set up separate user identifications and passwords for each of us. The tax system now identifies the user entering the transaction.

The Prosecuting Attorney provided the following response:

I will ensure passwords are changed quarterly.



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Management Advisory Report - State Auditor's Findings

5. Electronic Communication Policy

The county has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms. The elected officials indicated they were not aware of these requirements and did not recognize the need for an electronic communication policy because most county business is handled in person.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.³

The County Commission can help ensure compliance with state law by developing written policies to address the use of personal email, social media and message accounts, and management and retention of electronic communications.

Recommendation

The County Commission work with the other county officials to develop written records management and retention policies to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division Electronic Communications Guidelines.

Auditee's Response

We will work with other county officials to develop a written records management and retention policy that complies with the Secretary of State's electronic communications guidelines.

³ Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, accessed August 10, 2021.

Schuyler County

Organization and Statistical Information

Schuyler County is a county-organized, third-class county. The county seat is Lancaster.

Schuyler 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 17 full-time employees and 12 part-time employees on December 31, 2020.

In addition, county operations include the Senior Citizens' Board.

Elected Officials

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

Officeholder	2021	2020
Rodney Cooper, Presiding Commissioner	\$	25,432
Jim Werner, Associate Commissioner		23,290
Jeff Lindquist, Associate Commissioner		23,290
Sara Jo Beeler, Recorder of Deeds		34,216
Bree Lawson, County Clerk		34,216
Lindsay Gravett, Prosecuting Attorney		42,786
Joe Wuebker, Sheriff		41,714
Karmen Burt, County Treasurer		34,216
Douglas B. Norman, County Coroner		10,145
Mary (Melody) Whitacre, Public Administrator		18,148
Tammy R. Steele, County Collector (1), year ended February 28 (29),	39,969	
Gary Stump, County Assessor, year ended August 31,		34,216

(1) Includes \$5,446 of commissions earned for collecting city property taxes.