



# Nicole Galloway, CPA

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Missouri State Auditor

Nodaway County

Report No. 2022-084

September 2022

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Nodaway County

Sheriff's Controls and Procedures	The Sheriff's office does not always correctly record the method of payment on receipt slips issued for the fee account and receipts are not always deposited intact. Sheriff's office personnel do not prepare a monthly list of liabilities for the commissary account. The Sheriff does not disburse all commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. The Sheriff's office does not charge or collect sales tax on e-cigarettes sold to inmates; and sales taxes charged and collected for commissary items sold through the commissary vendor are not remitted to the state Department of Revenue. The Sheriff's office has not established procedures to follow up on outstanding checks. The Sheriff has also not entered into written agreements with the surrounding counties or cities for the boarding of prisoners detailing the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.
Sheriff's Electronic Data Security	The Sheriff has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Sheriff's office personnel are not required to change their password periodically to help ensure it remains known only to them. The Sheriff does not have security controls in place to lock computers after a certain period of inactivity.
Public Administrator's Annual Settlements	The Public Administrator does not always file annual settlements and/or status reports timely.
Electronic Communication Policy	The county has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.

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 Nodaway County

We have audited certain operations of Nodaway 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, 2021. The objectives of our audit were to:

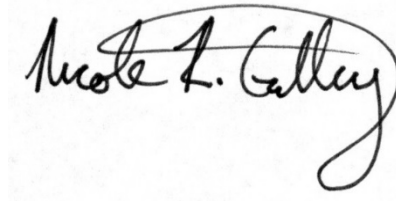
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 performing sample testing using haphazard, random, 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 control, (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 Nodaway 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 word "Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# Nodaway County Management Advisory Report State Auditor's Findings

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## **1. Sheriff's Controls and Procedures**

Controls and procedures in the Sheriff's office need improvement. The office collected approximately \$100,000 for civil fees, concealed carry weapon permits, bonds, commissary sales, and other miscellaneous receipts during the year ended December 31, 2021.

### **1.1 Receipting, recording, and depositing**

The Sheriff's office does not always correctly record the method of payment on receipt slips issued for the fee account and receipts are not always deposited intact. We reviewed March 2021 deposits and found the method of payment was not recorded on one receipt slip and the method of payment was not recorded correctly on another. Also, the \$630 receipt with no method of payment on the receipt slip was withheld from the March 19, 2021 deposit, but the next sequential receipt was included. The dates recorded on these two receipt slips were altered on the carbon copies which makes it appear they were received in reverse order. The \$630 receipt was deposited a week later, and according to bank records, was a cash receipt. The clerk responsible for these types of receipts indicated the issues were caused by clerical errors. While the clerk indicated another clerk compares total receipts to amounts deposited, this comparison is not documented and did not detect this issue.

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

### **1.2 Liabilities**

Sheriff's office personnel do not prepare a monthly list of liabilities for the commissary account. Consequently, liabilities are not agreed to the reconciled bank balances. The clerk responsible for this account indicated she was unaware this procedure needed to be performed.

The reconciled bank balance for the commissary account was \$41,450 as of December 31, 2021, which consisted of inmate account balances, undistributed sales tax, undistributed inmate donations, and undistributed commissary net proceeds. We requested office personnel prepare a list of liabilities for the account as of December 31, 2021, but they could not provide one.

Regular identification and comparison of liabilities to the reconciled bank balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and money is available to satisfy all liabilities. Prompt follow up on discrepancies is necessary to resolve errors and ensure money is properly disbursed. Various statutory provisions provide for the disposition of unidentified money.

### **1.3 Inmate Prisoner Detainee Security Fund**

The Sheriff does not disburse all commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. Net proceeds from commissary sales are retained with inmate money in the commissary bank account. Any amount in the bank account exceeding the



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inmate money and other liabilities is considered commissary net proceeds. The clerk stated she was unaware commissary net proceeds needed to be disbursed. In April 2022, after we informed the clerk that net proceeds needed to be disbursed; she disbursed \$12,683 of net proceeds, to the County Collector-Treasurer for deposit to the Inmate Prisoner Detainee Security Fund. The clerk indicated this represented commissary net proceeds for the period January 1, 2017, to March 31, 2022.

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 money (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Collector-Treasurer.

#### 1.4 Sales tax

The Sheriff's office does not charge or collect sales tax on e-cigarettes sold to inmates; and sales taxes charged and collected for commissary items sold through the commissary vendor are not remitted to the state Department of Revenue (DOR). The clerk indicated the failure to collect sales tax on e-cigarettes was an oversight and that she thought the sales tax collected on commissary items was remitted to the DOR by the vendor. Since lists of liabilities are not maintained, the amount of sales tax on hand was unknown. The contract with the commissary vendor stipulates that sales tax will be charged on all transactions, but is the responsibility of the Sheriff's office to remit the collections to the DOR.

Pursuant to 12 Code of State Regulations 10-110.955(3)(B), sales by the state of Missouri and its political subdivisions are subject to tax. Section 144.080, RSMo, requires sales tax collections be remitted to the DOR on a monthly, quarterly, or annual basis, depending on the amounts collected. Therefore, the Sheriff should be charging and collecting sales tax and remitting tax collections to the DOR.

#### 1.5 Outstanding checks

The Sheriff's office has not established procedures to follow up on outstanding checks. As of December 31, 2021, 16 checks, totaling \$935, had been outstanding for more than a year for the commissary account. The clerk indicated that they do not follow-up on outstanding checks because it can be difficult to contact former inmates.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of money in the commissary account and to ensure the checks are appropriately reissued to the payee or the money is disbursed as otherwise provided by state law. Failure to resolve reconciling items, like outstanding checks, timely in the commissary account increases the risk that other errors or misstatements will not be detected and corrected timely.



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## 1.6 Prisoner boarding

The Sheriff has not entered into written agreements with the surrounding counties or cities for the boarding of prisoners detailing the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations. The Sheriff's office collected approximately \$25,000 for the boarding of prisoners during the year ended December 31, 2021. The Office Administrator indicated they do not regularly hold prisoners for the same counties, which makes it difficult to ensure a written agreement is in place for the various counties the prisoners may be from.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written agreements, signed by the parties involved, typically specify the services to be rendered and the manner and amount of compensation to be paid and are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

## Similar conditions previously reported

Similar conditions to sections 1.1, 1.2, and 1.4 were noted in our prior audit report. A similar condition to section 1.3 was noted in our prior 2 audit reports.

## Recommendations

The Sheriff:

- 1.1 Ensure all receipts are deposited intact, receipt slips are not altered, the method of payment is indicated on all receipt slips, and an independent reconciliation of the composition of receipts to the composition of deposits is performed.
- 1.2 Prepare monthly lists of liabilities and reconcile the lists to the available cash balances. Any differences noted between accounting records should be promptly investigated and resolved. Any unidentified money should be disposed of in accordance with state law.
- 1.3 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Collector-Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.4 Determine the amount of sales tax previously collected and remit any amounts owed to the DOR. In addition, establish procedures for charging and collecting sales tax on all items sold to inmates and ensure future sales tax collections are remitted to DOR.
- 1.5 Routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the money should be disposed of in accordance with state law.





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## Auditee's Response

- 1.6 Work with the County Commission to obtain written agreements with counties and cities for the boarding of prisoners.
- 1.1 *I agree with the recommendation and plan to adopt procedures to ensure receipts are deposited intact, receipt slips are not altered, and the method of payment is recorded. I will also ensure an independent review of the composition of receipts to deposits is performed.*
- 1.2 *I will discuss with staff and require a listing of liabilities be prepared monthly and reconciled to the available cash balance in the commissary account.*
- 1.3 *I will ensure profits from the commissary are turned over to the County Collector - Treasurer annually.*
- 1.4 *The Department of Revenue has been contacted and we are in the process of determining the amount of sales tax to remit. Sales taxes will be collected on all applicable sales in the future and amounts collected will be remitted timely to the DOR.*
- 1.5 *My staff have reviewed old outstanding checks and remitted those where the payee could not be located to the state. Procedures will be adopted to routinely investigate checks remaining outstanding for a period of time.*
- 1.6 *I will talk with the County Commission about getting contracts in place with applicable entities for housing prisoners.*

## 2. Sheriff's Electronic Data Security

Controls over the Sheriff's computers are not sufficient. As a result, the office's records are not adequately protected and are susceptible to unauthorized access or loss of data.

### 2.1 Passwords

The Sheriff has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Sheriff's office personnel are not required to change their password periodically to help ensure it remains known only to them. The Sheriff indicated they are in a secure facility and the number of applications requiring passwords makes it difficult to continuously change passwords and retain that information. Instead, personnel write down passwords and keep them under their keyboards, which is also a security control issue.

Passwords are necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed and secured, there is less assurance the office is effectively limiting access to computers and data files. Passwords should be unique, confidential, and changed periodically to



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reduce the risk of a compromised password and unauthorized access to and use of computers and data.

## 2.2 Security controls

The Sheriff does not have security controls in place to lock computers after a certain period of inactivity. The Sheriff indicated they have a secure facility and he does not believe this control is necessary.

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.

## Recommendations

The Sheriff:

- 2.1 Require passwords that are periodically changed and kept confidential, to prevent unauthorized access to county computers and data.
- 2.2 Require computers to have security controls in place to lock after a certain period of inactivity.

## Auditee's Response

*I will discuss these recommendations with the county Information Technology professional and determine what actions are necessary to implement these recommendations.*

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## 3. Public Administrator's Annual Settlements

The Public Administrator does not always file annual settlements and/or status reports timely. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division. The Public Administrator's office was responsible for the financial activity of 73 wards and estates as of December 31, 2021.

During our review of 6 randomly selected cases and 2 judgmentally selected cases based on the estate value, we found the Public Administrator did not timely file the annual settlements for 2 of them. Settlements for these cases were filed 31 and 76 days after the due dates. For one of these cases, the annual settlement for the previous year was filed at the same time as the current year, making it almost 400 days late. The Public Administrator indicated the attorney preparing settlements had a conflict of interest on one of the cases and a different attorney was sought to prepare that settlement, which took longer than expected. The settlement on the other case was overlooked.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement and/or status report with the court for each ward or estate. Timely filing of annual settlements and/or status reports 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.



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**Recommendation**

The Public Administrator file annual settlements and/or status reports timely.

**Auditee's Response**

*I agree and will make every effort to ensure settlements and status reports are filed timely.*

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**4. Electronic  
Communication  
Policy**

The county has not developed a records management and retention policy 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.

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.<sup>1</sup>

Development of a written policy to address the use of electronic communications is necessary to ensure all documentation of official business of the county is retained as required by state law. The Commission indicated it was unaware of the record retention requirements and the electronic communications guidelines.

**Recommendation**

The County Commission work with other county officials to develop a written records management and retention policy 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 talk with the other county officials about their usage of electronic communications and current retention procedures, review the applicable guidelines, and discuss this recommendation with our attorney.*

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<sup>1</sup> 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 June 9, 2022.

# Nodaway County

## Organization and Statistical Information

Nodaway County is a township-organized, third-class county. The county seat is Maryville.

Nodaway 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 bridges, and performing miscellaneous duties not handled by other county officials. The townships maintain county roads. 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 49 full-time employees and 18 part-time employees on December 31, 2021.

In addition, county operations include Senate Bill 40 and Senior Citizen Services Boards.

### Elected Officials

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

Officeholder	2022	2021
Bill Walker, Presiding Commissioner	\$	47,381
Chris Burns, Northern District Commissioner		44,672
Scott A. Walk, Southern District Commissioner		44,672
Lisa Nickerson, Recorder of Deeds		67,685
Melinda Patton, County Clerk		67,685
Caleb Phillips, Prosecuting Attorney		143,765
Randy Strong, Sheriff		76,229
Vince Shelby, County Coroner		22,833
Dee O'Riley, Public Administrator		52,687
Marilyn Jenkins, Treasurer and ex officio County Collector (1), year ended March 31,	88,626	
Rex Wallace, County Assessor, year ended August 31,		67,685

(1) Includes \$20,941 of commissions earned for collecting city property taxes.

### Financing Arrangements

The county entered into a lease purchase agreement in June 2008, and obtained a loan of \$4,550,000 to build the Administrative Building. As of December 31, 2021, the amount outstanding was \$1,980,115. The loan is scheduled to be paid in monthly installments of \$29,652 over 240 months with an interest rate of 4.85 percent annually. The final payment is scheduled for June 1, 2028.