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Missouri State Auditor

Stoddard County

Report No. 2022-126

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auditor.mo.gov



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Missouri State Auditor

CITIZENS SUMMARY

Summary of findings in the audit of Stoddard County

| | |
|--|--|
| County Collector-Treasurer's Controls and Procedures | The County Collector-Treasurer did not properly review Assessment Fund withholdings and commissions calculated by the property tax system to ensure accuracy, and as a result, the County Collector-Treasurer under withheld Assessment Fund fees by \$101,884 and commissions by \$66,516. In November 2021, the property tax system used an understated amount of school district tax collections in the calculations of the Assessment Fund withholding and commissions, causing the majority of these errors. The County Collector-Treasurer also used a flawed calculation template to determine the December 2021 Assessment Fund withholdings adjustment (done to comply with statutory limitations on some withholdings), which inflated the adjustment amount, resulting in \$42,541 being under withheld. In addition, the County Collector-Treasurer does not prepare a monthly list of liabilities, and consequently, liabilities are not agreed to the reconciled bank balance. |
| Sheltered Facilities Board Contracts | The Sheltered Facilities Board did not ensure written agreements were entered into or renewed with some not-for-profit (NFP) entities it provided funding in recent years. |
| 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. |
| Electronic Data Security | Password controls, testing of back up data, and security controls need improvement for computers in some county offices. The County Clerk, Public Administrator, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Sheriff and Public Administrator do not perform periodic testing of backup data. Employees in the County Clerk's and Sheriff's offices do not have security controls in place to lock computers after a specified number of incorrect logon attempts and/or after a certain period of inactivity. |

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.

Stoddard County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Stoddard County

We have audited certain operations of Stoddard 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:

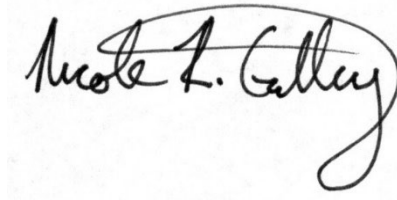
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 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 Stoddard County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

Stoddard County Management Advisory Report State Auditor's Findings

1. County Collector-Treasurer's Controls and Procedures

Controls and procedures regarding commissions, fees, and liabilities in the County Collector-Treasurer's office need improvement. The County Collector-Treasurer collected approximately \$26 million in property taxes and other receipts and withheld approximately \$1 million in commissions and fees during the year ended February 28, 2022.

1.1 Commissions and withholdings

The County Collector-Treasurer did not properly review Assessment Fund withholdings and commissions calculated by the property tax system to ensure accuracy, and as a result, the County Collector-Treasurer under withheld Assessment Fund fees by \$101,884 and commissions by \$66,516.

Assessment withholding errors

Various errors occurred in the calculation of Assessment Fund withholdings. In November 2021, the County Collector-Treasurer's property tax system used an understated amount of school district tax collections in the calculation of Assessment Fund withholdings, causing \$59,343 to be under withheld from various school districts. In addition, the County Collector-Treasurer used a flawed calculation template to determine the December 2021 Assessment Fund withholdings adjustment (used to comply with statutory limitations on some withholdings), which inflated the adjustment amount, resulting in \$42,541 being under withheld. The County Collector-Treasurer indicated he relied on the calculation template prepared by a previous officeholder to calculate the additional Assessment Fund withholding.

Section 137.720.1, RSMo, requires a one percent withholding on ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent withholding to be deposited in the assessment fund, but limits the amount withheld to \$75,000.

Commission errors

Various errors occurred in the calculation of commissions. The same property tax system error involving understated school district tax collections in November 2021 resulted in commissions from school district tax collections being under withheld from the various school districts by \$69,815. The County Collector-Treasurer also incorrectly included late assessment filing penalties in commission calculations, resulting in excess commissions of \$3,558. Finally, the County Collector-Treasurer did not include interest in the January and February calculation of commissions on school district tax collections. This resulted in commissions being under withheld on political subdivision tax collections by \$259. The County Collector-Treasurer indicated the amounts to be included in the commission calculation are programmed in the property tax system and he did not realize there was an error in the programming.



Stoddard County Management Advisory Report - State Auditor's Findings

Section 54.320.1, RSMo, requires the County Collector-Treasurer to collect on behalf of the county, a commission of 3 percent on all licenses, including current railroad and utility taxes, surtax, back taxes, delinquent taxes, and interest collected by the County Collector-Treasurer to be deducted from the amounts collected. In addition Section 54.320.1, RSMo, requires the County Collector-Treasurer collect a commission of one-half of one percent for mailing.

Conclusion

Thorough review and accurate withholding calculations are necessary to ensure distributions owed to the various political subdivisions are appropriate.

1.2 Liabilities

The County Collector-Treasurer does not prepare a monthly list of liabilities, and consequently, liabilities are not agreed to the reconciled bank balance. The reconciled bank balance as of February 28, 2022, was \$375,100. Liabilities consisting of February collections of taxes and fees, undisbursed interest, undisbursed redemptions and refunds totaled \$374,483, resulting in \$617 of unidentified money. The County Collector-Treasurer indicated the prior administration did not maintain a list of liabilities, and he was unaware of the need for the list.

Monthly lists of liabilities that are reconciled to cash balances are necessary to ensure records are in balance, errors are detected and corrected timely, and sufficient cash is available for the payment of 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.

Recommendations

The County Collector-Treasurer:

- 1.1 Work with the property tax system vendor to ensure commissions and fee calculations are correct and review calculations periodically to ensure they are in accordance with state statute. The County Collector-Treasurer should also recalculate all commissions and fees and correct distributions to the various political subdivisions and the county General Revenue and Assessment Funds.
- 1.2 Prepare a monthly list of liabilities and reconcile the list to the available cash balance. Any differences should be promptly investigated and resolved, and any unidentified money disposed of in accordance with state law.

Auditee's Response

- 1.1 *I agree with the findings. Once I was made aware of assessment withholding problems, our property tax system programmer was notified and the issue quickly resolved. The correction from the software glitch took place in November 2022, as this was the soonest*



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Management Advisory Report - State Auditor's Findings

time frame to make the correction because of the time and amount of taxes available to make the correction. System checks have been put in place to aid in catching any programming errors like this in the future. The template used to calculate the Assessment Fund withholdings, and the associated limitations set forth by statute, was flawed. This template has been utilized for many years, but the flaws were not identified previously. That template has been discarded and a new system, with checks and balances, has been put in place to determine when the limit has been met. Any amounts over or under withheld in prior years are currently being addressed and corrected.

The commissions collected on behalf of the county from late assessment filing fees is yet another programming issue. The current program and its internal calculations and procedures have been used year after year. After the programming flaw was identified, a correction in the property tax system program was requested. A control has been implemented to ensure such programming issues are less likely in the future.

- 1.2 *I agree with this finding. A list of liabilities had not been created in past years so I was unaware of the need for this listing. After the problem was identified, thorough research was conducted and a list of liabilities is being generated and is now part of the month to month reconciliation process.*

2. Sheltered Facilities Board Contracts

The Sheltered Facilities Board (Board) did not ensure written agreements were entered into or renewed with some not-for-profit (NFP) entities it provided funding in recent years. The Board disbursed a total of approximately \$230,000 in 2021 to 2 NFPs without renewing or extending the written agreements from the previous year. One NFP operates the sheltered workshop and another provides services to citizens with disabilities.

In addition, during 2018 and 2019, the Board funded initial start-up costs for 2 other NFPs, totaling approximately \$187,000, without approving written agreements with these entities. Both of these NFPs dissolved during 2019 and the Board was unable to recover any of those funds because there was no agreement that allowed for recovery.

Section 432.070, RSMo, requires government contracts to be in writing. Written agreements are necessary to ensure all parties are aware of their duties and responsibilities.

Recommendation

The Sheltered Facilities Board enter into written agreements as required by state law.

Auditee's Response

We agree and will ensure contracts exist with all entities provided funding in the future.



Stoddard County
Management Advisory Report - State Auditor's Findings

3. 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 that business conducted on personal devices and accounts should also be retained as part of the county records. The Commission also indicated it was unaware of the record retention requirements and the electronic communications guidelines.

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.¹

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.

Recommendation

The County Commission work with the 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 agree and will work with other county officials to develop a policy to address electronic communications and records management.

4. Electronic Data Security

4.1 Passwords

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.

The County Clerk, Public Administrator, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the County Clerk's office are not required to change passwords periodically and passwords for employees in the offices of the County Clerk and Public Administrator are not required to have a minimum number of characters. In addition, employee passwords in

¹ 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 October 18, 2021.



Stoddard County Management Advisory Report - State Auditor's Findings

the County Clerk's and Recorder of Deeds' offices are not kept confidential. The County Clerk, Public Administrator, and the Recorder of Deeds did not recognize the importance of establishing and enforcing password controls in their offices until it was brought to their attention.

Passwords are necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords in certain offices are not required to be kept confidential and periodically changed, or contain a minimum number of characters, 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.

4.2 Data backups

The Sheriff and Public Administrator do not perform periodic testing of backup data. Both the Sheriff and the Public Administrator did not realize the importance of testing the backup data because they have not encountered the need to restore information using the backup data. Such testing is necessary to ensure the backup process is functioning properly and to ensure all essential data can be recovered.

Without testing the full backup process, management cannot be assured the entire system can be restored when necessary.

4.3 Security controls

Employees in the County Clerk's and Sheriff's offices do not have security controls in place to lock computers after a specified number of incorrect logon attempts and/or after a certain period of inactivity. Personnel in these offices did not recognize the importance of ensuring these security controls are in place.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. 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.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require confidential passwords for each employee that contain a minimum number of characters and are periodically changed to prevent unauthorized access to county computers and data.
- 4.2 Ensure backup data is tested on a regular, predefined basis.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

4.3 Require county computers to have security controls in place to lock each computer after a specified number of incorrect logon attempts and after a certain period of inactivity.

4.1 *We plan to work with the applicable county officials to ensure adequate password controls are in place.*

4.2 *We will work with other county officials to ensure back up testing procedures are implemented.*

4.3 *We will discuss this recommendation with our IT provider and will ensure security controls are utilized on all county computers.*

Stoddard County

Organization and Statistical Information

Stoddard County is a township-organized, third-class county. The county seat is Bloomfield.

Stoddard 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. 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 62 full-time employees and 19 part-time employees on December 31, 2021. The townships maintain county roads.

In addition, county operations include the Sheltered Facilities Board (Senate Bill 40), Mental Health Board, and the 911 Board.

Elected Officials

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

| Officeholder | 2022 | 2021 |
|---|--------|---------|
| Daniel K. Talkington, Presiding Commissioner | \$ | 43,774 |
| Carol Jarell, Associate Commissioner | | 41,774 |
| Steve Jordan, Associate Commissioner | | 41,744 |
| Kay Asbell, Recorder of Deeds | | 55,104 |
| Cecil Weeks, County Clerk | | 55,104 |
| Russell Oliver, Prosecuting Attorney | | 146,073 |
| Carl Hefner, Sheriff | | 69,647 |
| Brent Stidman, County Coroner | | 25,112 |
| Cindy Duckworth, Public Administrator | | 59,104 |
| Joshua Speakman, Collector-Treasurer, (1) year ended March 31, | 90,506 | |
| Daniel Creg, County Assessor, year ended August 31, | | 54,832 |
| Joseph Pulliam, County Surveyor (2) | | |

(1) Includes \$15,206 of commissions earned for collecting city and drainage taxes.

(2) Compensation on a fee basis.

Other Information

In April 2022, the County completed construction on a county jail addition, costing approximately \$13,470,400. The construction was funded by a voter approved 1/2 of 1 percent sales tax, passed in 2018, and a lease purchase agreement of \$9,000,000.