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Missouri State Auditor

Iron County

Report No. 2024-028

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auditor.mo.gov



CITIZENS SUMMARY

Findings in the audit of Iron County

County Collector's Controls and Procedures

The County Collector incorrectly withheld 2 percent on all real and personal property taxes collected rather than withholding the allowed 1 percent. As a result, the various political subdivisions did not receive approximately \$84,000 that was owed to them. The County Collector did not prepare and file annual settlements for the years ended February 28 (29), 2019, through 2023, in violation of state law. The County Clerk did not use the County Collector's tax book amounts to prepare the delinquent tax, land and personal tax, or railroad and utility tax aggregate abstracts for 2019 through 2023. The County Collector did not prepare formal bank reconciliations for any of the office's 7 bank accounts during the years ended February 28 (29), 2020, through 2023. In addition, the County Collector did not prepare a monthly list of liabilities for the bank accounts.

County Commission

The County Commission has not adopted a written policy regarding public access to county records, as required, or developed a log to track Sunshine Law requests. The County Commission did not vote in the open meeting to go into a closed meeting for 3 of the 21 closed meetings held from January 1, 2022, through October 31, 2023. In addition, the County Commission did not make specific reference to the section of law allowing the closure of County Commission meetings when voting to go into a closed meeting for an additional 12 out of the 21 closed meetings held. The county has not developed a records management and retention policy that includes electronic communication in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. The county spent approximately \$1,800 on gift card and food purchases that may not have been prudent, reasonable, or necessary uses of county funds. In addition, the county does not have written policies on employer-provided food and gifts.

Sheriff's Compensation

The County Commission authorized mid-term salary increases totaling \$7,954 to the Sheriff, in violation of constitutional provisions.

Electronic Data Security

The County Assessor, Recorder of Deeds, and Prosecuting Attorney have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Prosecuting Attorney does not perform periodic testing of backup data. In addition, the County Collector and County Assessor indicated they do testing quarterly; however, as of August 2023, the last test they performed was in October 2022.

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 **Fair**.*

*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.

Iron County

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SCOTT FITZPATRICK MISSOURI STATE AUDITOR

County Commission
and
Officeholders of Iron County

We have audited certain operations of Iron 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, 2022. 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; 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 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 Iron County.

An audit of the Iron County Sheriff, fulfilling our obligations under Section 29.230, RSMo, is in progress, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Scott Fitzpatrick". The signature is written in a cursive, flowing style with a large initial "S".

Scott Fitzpatrick
State Auditor

Iron County

Management Advisory Report

State Auditor's Findings

1. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. The office collected approximately \$10 million in property taxes and other receipts during the year ended February 28, 2023.

1.1 Commissions

The County Collector incorrectly withheld 2 percent on all real and personal property taxes collected rather than withholding the allowed 1 percent. As a result, the various political subdivisions did not receive the full amount owed to them. The county deposited the commissions in the General Revenue Fund. From December 2022 through January 2023, the County Collector incorrectly withheld approximately \$84,000 from real and personal property taxes that should have been disbursed to the political subdivisions. The County Collector reviewed the 2021 tax year commissions and changed the rate to 2 percent to follow Section 54.280, RSMo. However, this is the statute for township-organized counties and the County Collector indicated she did not realize the county was not a township-organized county and this rate did not apply. The County Clerk and Commission agreed with the Collector's decision, resulting in the County Collector continuing to use the incorrect rate.

Section 52.260(3), RSMo, allows the collector of non-township counties that have levied taxes in excess of \$3 million in a year to collect a fee of 1 percent on all state, county, bridge, road, school, back and delinquent, and all other local taxes collected.

1.2 Annual settlements

The County Collector did not prepare and file annual settlements for the years ended February 28 (29), 2019, through 2023, in violation of state law. Because the County Collector did not file annual settlements, the County Commission could not verify the County Collector's accounts. The County Collector indicated she was unaware of the statutory requirement to file annual settlements. The County Commissioners indicated they were aware and had inquired about the annual settlements, but the settlements remained unfiled.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these accounts, the County Collector must file annual settlements. Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all money received from taxes and other sources. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector and the County Clerk to certify the amounts to the state. Such procedures are intended to establish checks and balances related to the collection of property taxes.



Iron County Management Advisory Report - State Auditor's Findings

1.3 Aggregate abstracts

The County Clerk did not use the County Collector's tax book amounts to prepare the delinquent tax, land and personal tax, or railroad and utility tax aggregate abstracts for 2019 through 2023. The County Clerk indicated she did not have access to the County Collector's tax book information and totals due to lack of response from the County Collector's office and used her records to prepare the abstract reports instead. This resulted in inaccurate report entries.

Section 137.295, RSMo, requires the County Clerk to prepare these reports using the County Collector's information and forward them to the Department of Revenue and State Tax Commission upon completion of current and delinquent tax books.

1.4 Bank reconciliations and open items

The County Collector did not prepare formal bank reconciliations for any of the office's 7 bank accounts during the years ended February 28 (29), 2020, through 2023. In addition, the County Collector did not prepare a monthly list of liabilities for the bank accounts. The following table lists the bank account balances at February 28, 2023.

Account	Bank Balance
General account	\$ 466,034
Tax maintenance account	12,528
Credit card account	48,432
Protested account no. 1 ¹	1,545,368
Protested account no. 2 ¹	1,581,585
Protested account no. 3 ¹	1,563,922
Protested account no. 4 ¹	1,549,936
Total	\$ 6,767,805

¹The County Collector maintains each protested tax payment in a separate bank account.

The County Collector stated she performed bank reconciliations; however, they were not documented or retained. In addition, the County Collector indicated she reviewed account balances and outstanding checks but did not prepare open items listings. The County Collector indicated she did not understand all the elements required to complete proper reconciliations of the office's accounts.

Preparing monthly bank reconciliations and lists of liabilities helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely.

Recommendations

- 1.1 The County Collector recalculate tax commissions withheld from real and personal property taxes and correct distributions to the various political subdivisions and the General Revenue Fund. The County Collector should also ensure future commission calculations are accurate.



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Management Advisory Report - State Auditor's Findings

- 1.2 The County Collector prepare and file annual settlements in accordance with state law. In addition, the County Commission should ensure the annual settlements are filed and carefully and fully examine the annual settlements to ensure tax book charges and credits are accurately reported.
- 1.3 The County Clerk develop procedures to ensure all aggregate abstract totals are reconciled by both offices before submission to the Department of Revenue and State Tax Commission.
- 1.4 The County Collector prepare monthly bank reconciliations and lists of liabilities and reconcile the lists of liabilities to the reconciled bank balances. Any differences should be promptly investigated and resolved.

Auditee's Response

1.1 *The County Collector indicated the commissions withheld have already been corrected and she distributed the incorrect withholdings in November 2023. She ensured the correct percent was withheld for the 2023 tax year.*

1.2 *The County Collector agreed she did not prepare or file an annual settlement. She will prepare and file the annual settlement for the year ended February 29, 2024, when the year ends. After that settlement is filed, she will work to complete the reports for the prior years.*

The County Commission will issue a letter informing the County Collector that the Annual Settlement must be filed on an annual basis using Missouri Department of Revenue Form 205.

1.3 *The County Collector indicated she has provided what has been asked for.*

The County Clerk will continue to try to work with the County Collector by documenting any communication and continuing to follow up with her to try and ensure that all aggregate abstracts are reconciled and submitted.

1.4 *The County Collector indicated she will correct the reconciliation process and ensure any remaining balance is accounted for.*



2. County Commission

County Commission controls and procedures need improvement.

2.1 Sunshine Law public access policy

The County Commission has not adopted a written policy regarding public access to county records, as required, or developed a log to track Sunshine Law requests. A public access policy can identify a person to contact, provide an address to mail such requests, establish fees that may be assessed for providing copies of public records, and require the county to document Sunshine Law requests in a log. The County Clerk and County Commission indicated they were not aware of the requirement for a written public access policy or need for a request log.

Section 610.028, RSMo, requires a written policy regarding release of information under the Sunshine Law. Section 610.023, RSMo, lists requirements for making records available to the public. To ensure compliance with this section, the county should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. The log information should include the date of the request, a brief description of it, the date it is completed, and any associated costs to fulfill.

2.2 Closed meetings

The County Commission did not vote in the open meeting to go into a closed meeting for 3 of the 21 closed meetings held from January 1, 2022, through October 31, 2023. In addition, the County Commission did not make specific reference to the section of law allowing the closure of County Commission meetings when voting to go into a closed meeting for an additional 12 out of the 21 closed meetings held. The County Commission and the County Clerk indicated they were not aware of this requirement as closed meetings rarely occurred in the past.

Section 610.022, RSMo, provides that a meeting or vote may be closed only after the vote of each member on the question of closing the meeting and requires public bodies announce the specific reasons allowed by law for going into a closed session and to enter the reason into the minutes. This section also limits discussion topics and actions in closed meetings to only those specifically announced prior to closure.

2.3 Electronic communications policy

The county has not developed a records management and retention policy that includes electronic communication 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.



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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. The County Clerk indicated the county had not considered the importance of an electronic communications policy.

2.4 Food and gift purchases

The county spent approximately \$1,800 on gift card and food purchases that may not have been prudent, reasonable, or necessary uses of county funds. In addition, the county does not have written policies on employer-provided food and gifts.

During our review of County Commission minutes, we noted approvals of gift card and food purchases. The gift card purchases were approved by the County Commission in October 2022, for up to \$35 each and provided to the full-time employees at a December 7, 2022, Christmas luncheon. The County Clerk indicated the total paid once the gift cards were redeemed was \$1,015. In addition, the luncheon was held at a local restaurant for all county employees, and totaled approximately \$800. The County Clerk explained that, during the luncheon, the County Commission met with all county employees to discuss the year and benefits changes for the upcoming year. While the County Commission provided food may be a prudent use of public funds, the purpose of the luncheon indicating the meeting was for a necessary business purpose was not documented.

The County has not established any guidance or policies about food and gift purchases. Such guidance or policies can have various provisions. For example, the State of Missouri's agency provided food policy only allows for food at official business functions and light refreshments at other agency sponsored activities (e.g., employee retirement and appreciation), but banquets for such activities are not allowed. In addition, the policy requires documentation to support food purchases including (1) purpose, (2) list of participants or estimated number of invitees, and (3) cost of food provided. The State of Missouri also has an agency gift and award policy that allows retirement, service, and other recognition award gifts that are reasonable and

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 December 21, 2023.



Iron County Management Advisory Report - State Auditor's Findings

primarily represent a token of recognition and not a reward with a cash equivalent, such as a gift card, or a reward of substantial monetary value.

County residents have placed a fiduciary trust in their public officials to spend county revenues in a prudent and necessary manner. Established policies on county provided food and gifts would provide employees necessary guidance and better transparency for citizens about the use of public funds. Additionally, Article VI, Sections 23 and 25 of the Missouri Constitution prevent local governments from granting public money to any private individual, except as otherwise provided by law.

Recommendations

The County Commission:

- 2.1 Develop a written public access policy, and maintain a public request log or other documentation to help ensure compliance with state law.
- 2.2 Ensure a vote is taken to approve going into a closed meeting and the specific section of law allowing the meeting to be closed is announced publicly and recorded in the meeting minutes.
- 2.3 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.
- 2.4 Ensure all disbursements are a necessary and prudent use of public funds. In addition, the County Commission should establish policies regarding food and gift purchases, if such purchases are considered necessary.

Auditee's Response

- 2.1 *The County Commission will develop a written public access policy regarding public sunshine law requests. The written policy will be incorporated in the Internal Control Policy Document for all elected officials to follow.*
- 2.2 *The County Commission will ensure that the roll call vote and the specific section of law allowing the meeting to be closed is recorded in the minutes.*
- 2.3 *The County Commission will develop a policy for written records management and retention for county officials to follow. The policy will address electronic communication management and retention to comply with Missouri guidelines.*



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2.4 *The County Commission has eliminated the annual meeting of employees and the paid luncheon. Also, the Presiding Commissioner has voluntarily reimbursed the county for all gift cards and meals related to the annual employees' meeting.*

3. Sheriff's Compensation

The County Commission authorized mid-term salary increases totaling \$7,954 to the Sheriff in violation of constitutional provisions. The Sheriff took office in 2021 at the salary level approved by the Iron County Salary Commission.

Section 57.317.1(2), RSMo, enacted in 2021, states the sheriff shall receive an annual salary computed based on a percentage of the compensation of an associate circuit judge of the county, with the percentage determined by a statutory schedule using the county's current assessed valuation level. The law indicates if the increase to the Sheriff's salary is less than \$10,000, the increase shall take effect January 1, 2022, but if the salary increase is more than \$10,000, the increase shall be paid equally over a 5-year period. However, Article VII, Section 13 of the Missouri Constitution prohibits an increase in compensation for state, county, and municipal officers during the term of office. Court cases have concluded that to receive additional compensation during a term of office there must be: 1) no existing compensation for the office; 2) new or additional duties extrinsic or not germane to the office; or 3) the mid-term increase must result from the application of a statutory formula for calculating compensation that was in place prior to the individual being elected or taking office. None of those circumstances exist; therefore, the increase to the Sheriff's salary should be effective only for any Sheriff elected and sworn into office after the new salary schedule was authorized.

The County Commission stated it believed it was required to increase the Sheriff's salary due to the change in state law. The County Commission authorized a salary increase for the Sheriff in June 2022, after pending court cases related to the authorizing Senate bill were resolved. The County Commission indicated the county's attorney advised the raise was allowable, but their attorney did not provide the county a written legal opinion to support why this would be the case. The County Commission also authorized an additional salary increase for the Sheriff in January 2023. The Sheriff received salary increases totaling \$7,954 during his term.²

Recommendation

The County Commission discontinue the mid-term salary increases and consider various methods for possible recoupment of money already paid.

² Sheriff Burkett resigned effective January 31, 2024. The county discontinued the mid-term salary increase as of December 31, 2023.



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Auditee's Response

The County Commission discontinued the mid-term salary increases. The County Commission will notify the former Sheriff of the overpayment in writing with the amount of overpayment and request reimbursement.

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 Assessor, Recorder of Deeds, and Prosecuting Attorney have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically. In addition, employee passwords in these offices are not kept confidential. The officeholders indicated they 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, 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.

A similar condition was noted in our prior audit report.

4.2 Data backups

The Prosecuting Attorney does not perform periodic testing of backup data. In addition, the County Collector and County Assessor indicated they do testing quarterly; however, as of August 2023, the last test they performed was in October 2022. The officeholders did not realize the ramifications of not testing backups at scheduled intervals or the potential security weakness. Such testing is necessary to ensure the backup process is functioning properly and to ensure all essential data can be recovered.

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 computer data is tested on a regular, predefined basis.

Auditee's Response

- 4.1 *The County Commission will issue a letter to all elected officials requiring all confidential passwords for all employees to be periodically changed to prevent unauthorized access to county data.*
- 4.2 *The County Commission will notify elected officials that all backup computer data should be tested on a quarterly basis.*

Iron County

Organization and Statistical Information

Iron County is a county-organized, third-class county. The county seat is Ironton. The county's population was 9,537 in 2020, according to the U.S. Census Bureau.

Iron 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 33 full-time employees and 6 part-time employees on December 31, 2022.

County operations also include the Senate Bill 40 Board.

Elected Officials

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

Officeholder	2023	2022
Jim Scaggs, Presiding Commissioner	\$	34,575
Ben Young, Associate Commissioner		32,368
Ronnie Chandler, Associate Commissioner		32,368
Karen Reagan, Recorder of Deeds		47,934
Marsha Womble, County Clerk		47,934
Brian Parker, Prosecuting Attorney		150,035
Jeff Burkett, Sheriff		54,984
Carol Hardy, County Treasurer		47,934
Tim Harbison, County Coroner		17,597
Lisa Light, Public Administrator		47,934
Crystal Skaggs, County Collector, year ended February 28,	48,573	
David L. Huff, County Assessor, year ended August 31,		47,173