



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Bates County**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Bates County

Payroll Related Matters	Cost of living adjustments provided to elected officials annually since 2007 do not comply with state law. The county does not compensate law enforcement personnel in accordance with county policy. The county does not have documentation to support allocating the entire cost of the Deputy County Clerk's salary to the Special Road and Bridge Fund.
Administrative Handling Cost Fund	Disbursements totaling \$3,581 made from the Administrative Handling Cost Fund (AHCF) were not in compliance with uses allowed by state law and/or seemed unreasonable. Some purchases were personal expenses and not essential to the administration or operation of the Prosecuting Attorney's office. The Prosecuting Attorney maintains the AHCF bank account outside the county treasury. In addition, the Prosecuting Attorney has not prepared a budget for this fund, and disbursements of this fund are not made through the county's normal disbursement process.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not compare monthly lists of liabilities for the restitution account to the reconciled bank balance. The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks and voided restitution checks that were not reissued. The Prosecuting Attorney's office does not generate or prepare monthly lists of unpaid bad checks or a report of unpaid court-ordered restitution, including court-ordered restitution for bad checks.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform a supervisory review of accounting and bank records. Procedures for depositing inmate and commissary monies intact and timely are not sufficient. Money is received almost daily, but money held in the lobby kiosk is usually deposited weekly while money held in the booking kiosk is deposited monthly. The Sheriff's clerk does not prepare adequate bank reconciliations for the inmate/commissary account and a monthly list of liabilities is not prepared to reconcile to the inmate/commissary account balance. The Inmate Coordinator does not perform a periodic physical inventory of commissary items on hand or reconcile to the system records of commissary inventory.
Capital Assets	Records to account for county property are not adequate. The county has not established adequate procedures and records to ensure capital assets are insured against loss from theft or destruction. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year and some property items are not tagged.
Electronic Data Security	The County Clerk and the Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Clerk's office does not store data backups at an offsite location and does not test backup data.

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## 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.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Bates County

We have audited certain operations of Bates County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Bates County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

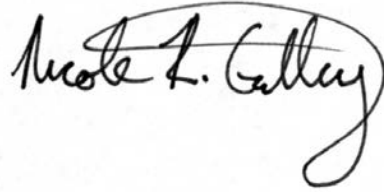
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. 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 Bates 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:	Randall Gordon, M.Acct., CPA, CGAP
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# Bates County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Payroll Related Matters**

Cost of living adjustments (COLA) given to elected officials do not comply with state law, the county does not compensate law enforcement personnel in accordance with county policy, and the county does not maintain adequate documentation to support allocating the entire cost of the Deputy County Clerk's salary to the Special Road and Bridge Fund.

##### **1.1 Cost of living adjustments**

COLAs provided to elected officials annually since 2007 do not comply with state law. In 2005, the Bates County Salary Commission adopted salary schedules for each elected official (as documented in state statutes) and set each official's salary base at 100 percent of the authorized amount. In addition, the salary commission authorized the County Commission to provide a COLA percentage or flat amount to all elected officials equal to the COLA granted to other county employees.

Since 2007, the County Commission has authorized an increase of a flat amount annually instead of a percentage for all elected officials. This method has increased the base salary for all elected officials (except the Prosecuting Attorney, whose salary is set by statute equal to an associate circuit judge, and the Public Administrator) by \$8,700. Based on these flat amount increases, the annual salary of one official is approximately 62 percent more than the county's salary base while another elected official's annual salary is approximately 15 percent more than the county's salary base.

Also, in 2009 the Public Administrator's position became full time and the salary base was increased to the amount authorized by state statutes. However, the \$2,550 in increases to the salary base provided to other county officials between 2007 to 2009 were not added to the official's salary.

While Section 50.333.12, RSMo, allows elected officials salaries to be adjusted through COLAs, it requires the percentage increase be the same for all elected officials. Since most county officials' salaries are not the same, the flat amount increases constitute different percentages of the elected officials' salary base and is a violation of state law.

##### **1.2 Compensatory time**

The county does not compensate law enforcement personnel in accordance with county policy. The county's personnel policy provides for law enforcement personnel to accrue compensatory time or receive overtime pay for any time worked over 171 hours during a 28 consecutive day period; however, the county currently awards compensatory time to law enforcement personnel who work more than 40 hours per week. While the Sheriff indicated this change in procedure was approved by the County Commission, County Commission minutes do not reflect this approval and the county's written policy has not been updated.



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By not following county policy, the county may be paying more overtime and compensatory time than required resulting in a greater financial burden. Compliance with county policy is necessary to limit any potential liability for compensatory time not properly earned. Personnel policies should be updated to provide guidance to county employees, provide a basis for proper compensation, and avoid misunderstandings.

### 1.3 Salary allocation

The county does not have documentation to support the Deputy County Clerk's salary of \$31,600, being paid from the Special Road and Bridge Fund instead of the General Revenue Fund for the year ended December 31, 2015. The Special Road and Bridge Fund is restricted for road and bridge related disbursements and cannot be used for other county purposes.

The Deputy County Clerk's payroll responsibilities includes the employees of the road and bridge department but most duties relate to general county government and not the road and bridge department. However the entire salary is paid from the Special Road and Bridge Fund without any documentation of the time spent related to that department. The completed timesheets do not contain any detail to indicate the type of work performed to support the allocation.

To ensure restricted funds are used for the intended purpose and to support the allocation of salaries to the various county funds, the allocation should be based on a specific criteria, such as number of hours worked by the Deputy County Clerk, and documentation of allocations should be retained to support the amount charged to each county fund.

## Recommendations

The County Commission:

- 1.1 Ensure COLA increases given to officials are the same percentage for all officials.
- 1.2 Ensure compliance with county personnel policies and revise the county personnel policy to reflect changes in the accrual of compensatory time.
- 1.3 Ensure documentation is retained to support the salaries allocated to the Special Road and Bridge Fund and ensure the allocation is reasonable.

## Auditee's Response

*The County Commission provided the following responses:*

- 1.1 *COLA increases will be addressed at the Salary Commission meeting in November.*





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- 1.2 *We will meet with the Sheriff and revise the county personnel policy to reflect the changes in the accrual of compensatory time.*
- 1.3 *The Deputy County Clerk's salary in question is now being paid out of the General Revenue Fund. According to Section 50.515, RSMo, a county of the third classification can impose an administrative service fee, not to exceed 5 percent of the total budget, on the county road and bridge fund to recover administrative expenses incurred in the county general revenue fund. A budget transfer that does not exceed 5 percent of the total budget will be made from the Special Road and Bridge Fund in December to cover these administrative fees.*

*The Sheriff provided the following response:*

- 1.2 *County policy is being updated to reflect current procedures.*

## 2. Administrative Handling Cost Fund

We identified significant concerns with the disbursements and handling of Administrative Handling Cost Fund (AHCF) monies, commonly referred to as the Prosecuting Attorney Bad Check Fund.

The Prosecuting Attorney collects an administrative handling fee of \$25 to \$75 from individuals who have passed a bad check or when the Prosecuting Attorney collects restitution. These fees are paid into the AHCF to be used for additional administration and operation costs related to the office of the Prosecuting Attorney.

### 2.1 Disbursements

Disbursements totaling \$3,581 made from the AHCF were not in compliance with uses allowed by state law and/or seemed unreasonable. Some purchases were personal expenses and not essential to the administration or operation of the Prosecuting Attorney's office. In addition, some disbursements were not adequately supported. We reviewed most transactions from December 2014 to May 2016 and noted these concerns:

- Four gift cards totaling \$400 were purchased on December 24, 2014, and 5 gift cards totaling \$250 were purchased on December 22, 2015, and given to the Prosecuting Attorney's employees as a Christmas gift. In addition, one \$50 gift card purchased in May 2016 was given to an employee as a wedding gift. These gift cards are not an appropriate use of the AHCF monies.
- The Prosecuting Attorney was improperly reimbursed \$550 for the purchase of a smartphone. According to the sales contract associated with the purchase, the entire cost of the phone was financed through the cellular provider for 30 months with payments included on monthly billing statements. The Prosecuting Attorney's monthly request for



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cellphone reimbursement includes the monthly installment payment for the purchase of the smartphone. In addition, the smartphone was not listed on the Prosecuting Attorney's capital asset listing.

- The Prosecuting Attorney spent \$1,290 for food and drink purchases for employee meetings and lunches at local restaurants, including dinner for office employees on April 6, 2016, costing \$223. These transactions were not supported by information demonstrating how the purchase related to the operation of the office or detailing the persons in attendance.
- Numerous purchases totaling \$550 for soda, snacks, and disposable tableware were made for the Prosecuting Attorney's office. There was no additional information documented to demonstrate the purpose of the purchase and how it related to the operation of the office.
- The Prosecuting Attorney was reimbursed \$95 for personal cellphone charges not related to his official duties.
- No receipt slip or other proof of purchase was retained for 5 reimbursements totaling \$396, including 2 made to the Prosecuting Attorney totaling \$310.

Additionally, the Prosecuting Attorney was reimbursed \$685 for the purchase of a tablet. The tablet was not listed on the Prosecuting Attorney's capital asset listing.

Section 559.100.4, RSMo, indicates the AHCF is to be used for office supplies, postage, books, training, office equipment, capital outlay, trial and witness preparation expenses, additional employees, employees' salaries, and other lawful expenses incurred in the operation of the office. It is unclear how the above items benefited the operation or administration of the office of the Prosecuting Attorney and therefore, the disbursements are not an appropriate use of the AHCF monies. In addition, some items were personal expenses.

A similar condition was noted in our 2 prior audit reports.

## 2.2 Bank account and budgets

The Prosecuting Attorney maintains the AHCF bank account outside the county treasury. In addition, the Prosecuting Attorney has not prepared a budget for this fund, and disbursements of this fund are not made through the county's normal disbursement process. At April 30, 2016, the AHCF reconciled bank balance totaled \$4,802.



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There is no statutory authority allowing the Prosecuting Attorney to maintain this account outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. The budget process provides a means to allocate and monitor financial resources. Processing disbursements through the county's normal disbursement process provides a system of checks and balances.

### Recommendations

The Prosecuting Attorney:

- 2.1 Ensure disbursements from the Administrative Handling Cost Fund are in compliance with statutory provisions and are a prudent use of taxpayer funds. In addition, the Prosecuting Attorney should ensure adequate documentation is submitted to ensure all disbursements represent valid and appropriate expenses.
- 2.2 Transfer the balance of the Administrative Handling Cost Fund bank account to the County Collector-Treasurer and close the account. In addition, the Prosecuting Attorney should work with the County Commission to adopt a budget for the Administrative Handling Cost Fund and process disbursements from this fund through the county's normal disbursement process.

### Auditee's Response

2.1 *Disbursements from the AHCF are supported by state law.*

- *Gift cards given as salary are approved expenses.*
- *Food and drink expenses are necessary as many times the staff work through lunch during court, particularly during jury trials. The staff is provided lunch so they can continue to perform their duties. In addition, the office periodically conducts staff meetings at which time lunch is provided in the office or the staff meets at a local restaurant. These staff meetings are valuable for planning and information sharing. Staff donate their personal time to attend the meetings. I will follow the auditor's suggestion to maintain an agenda and list of attendees at staff meetings.*
- *Butler FFA fruit sale was fruit given to staff for Christmas.*
- *Baked potato fundraiser was lunch for staff and is called "Take a Spud to Work" day.*
- *Cheese was food for staff.*
- *Grocery delivery service was for ice cream bars for staff.*



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*The use of the funds for food, salaries and miscellaneous office expenses is authorized by the Supreme Court case of State Ex Rel. Reed V. Reardon 41 SW 3d 470 (2001). A copy of said case was presented to the auditors. The case held generally that the fund was set up to supplement funding for Prosecuting Attorneys, that the Prosecuting Attorney has authority to spend the money on items for his office and that food, drink and (supplemental) employee salaries are approved expenses.*

*The tablet is a necessary office expense. The job of Prosecuting Attorney goes 24 hours a day, 7 days a week. When a suspect is arrested in Missouri, the state must file charges or release the suspect within 24 hours. The tablet is synched to the smartphone and has a program, Adobe Read and Sign, that allows the Prosecuting Attorney to file and sign search warrants and criminal complaints electronically 24 hours a day.*

*A smartphone is necessary to enable the Sheriff's office to email probable cause statements and reports to the Prosecuting Attorney after office hours.*

*The purchases which the auditor claims were made without receipt include:*

- The May 2015 cellphone bill for \$110 was inadvertently not placed in the file.*
- The \$32.39 was for a griddle to make pancakes for the Bates County Adult Recovery Court fundraisers.*

*I will see if the monthly contract amounts for the smartphone are being paid by the county or myself and will reimburse the AHCF if necessary.*

*The smartphone and tablet have been added to the Prosecuting Attorney's capital asset listing. A copy of the list has been given to the County Clerk.*

- 2.2 *I will not relinquish control of the AHCF as I have maintained a surplus in the account for 20 years and do not intend to exhaust the fund annually through the budgeting process. I will follow the recommendation of budgeting the AHCF.*

Auditor's Comment

- 2.1 The case discussed in the Prosecuting Attorney's response was a Missouri Supreme Court case that never reached the underlying issues discussed above because the Supreme Court dismissed it as



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moot. All employee compensation including gift cards given as salary should be processed through the county's payroll system and reported on employee's W-2 forms. Also, additional compensation for services previously rendered are in violation of Article III, Section 39, the Missouri Constitution, and contrary to Attorney General Opinion No. 72-1955 (June 14, 1955), which states, "... a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

### **3. Prosecuting Attorney's Controls and Procedures**

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$104,000 in bad check and court-order restitution and fees during the year ended December 31, 2015.

#### **3.1 Liabilities**

The Prosecuting Attorney's office does not compare monthly lists of liabilities for the restitution account to the reconciled bank balance. At May 31, 2016, identified liabilities of \$5,357 exceeded the reconciled bank balance of \$4,197 by \$1,160, indicating sufficient funds may not be available to pay all liabilities.

Regular comparison of liabilities to the available cash balance is necessary to ensure bank and book records agree, and cash is sufficient to meet liabilities.

#### **3.2 Outstanding checks and overages**

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks and voided restitution checks that were not reissued. At May 31, 2016, the restitution bank account had 41 checks totaling \$6,148 that had been outstanding for over a year. In addition, the Prosecuting Attorney's policy is to void restitution checks that are not cashed or are returned as undeliverable to the Prosecuting Attorney's office and add the money back to the book balance and track it as an "overage" rather than disposing of it in accordance with state law. At May 31, 2016, the Prosecuting Attorney was holding \$5,347 in "overages." The office has not taken any action to reissue or resolve these outstanding checks or voided restitution checks.

Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law.

A similar condition has been noted in our prior audit reports issued since 1997.



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### 3.3 Accounts receivable

The Prosecuting Attorney's office does not generate or prepare monthly lists of unpaid bad checks or a report of unpaid court-ordered restitution, including court-ordered restitution for bad checks. At our request, a list of accounts receivable was prepared as of June 30, 2016, that identified \$93,188 in court-ordered restitution outstanding. However, the list only included restitution cases established prior to 2013. Therefore, it is unclear how much is actually outstanding.

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

### Recommendations

The Prosecuting Attorney:

- 3.1 Reconcile the monthly lists of liabilities to the available cash balance. Any discrepancies should be promptly investigated and resolved.
- 3.2 Routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If the payee cannot be located the amount should be disbursed in accordance with state law.
- 3.3 Establish procedures to monitor and collect accounts receivable.

### Auditee's Response

- 3.1 *I will follow the recommendation and am working to resolve the discrepancies between the available cash balance and list of liabilities.*
- 3.2 *A Prosecuting Attorney is responsible for collecting restitution for victims. The Prosecuting Attorney has more victims owed restitution than sums paid in. If a restitution check goes uncashed I will continue to pay this sum out to other victims in Bates County who were not paid. This is not contrary to state law and I have no intention of sending uncashed restitution to the state of Missouri when I have Bates County victims that are owed money. Past auditors have not found this practice is prohibited by state law. I have been following this practice since 1997.*
- 3.3 *The payment of restitution to a victim depends on whether a defendant pays restitution. If the defendant goes to prison after being ordered on probation and ordered to pay restitution, the funds will never be paid to the victim. A monthly list of unpaid restitution does not assist in the conduct of the Prosecuting Attorney's business. However, I will work with the software vendor*



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*to implement this practice at the request of the State Auditor's Office.*

## Auditor's Comment

3.2 There is no statutory authority allowing the Prosecuting Attorney to disburse court ordered restitution received from a defendant to other victims the Prosecuting Attorney has determined would otherwise not receive restitution payments. Court ordered restitution collected from a defendant should be disbursed to the intended payee or disbursed to the State Treasurer Office's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo. Our office has regularly questioned the practice of disbursing restitution to individuals other than those the money was collected on behalf of since the county's audit for the 2 years ended December 31, 1999, but no action has been taken.

## 4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office maintains a fee account for monies collected for conceal carry weapon permit fees, local and state prisoner board and transportation reimbursements, payments for school resource officer, and other miscellaneous receipts. During the year ended December 31, 2015, receipts for the fee account totaled approximately \$127,500.

In addition, the Sheriff operates a 124 bed facility, housing inmates for Bates County, the United States Marshall Service, and neighboring cities. The Sheriff's office operates a commissary for inmates to purchase various snacks and personal items, as well as phone cards, and access to email and video visitation. Deposits into the inmate/commissary bank account totaled approximately \$230,500 during the year ended December 31, 2015.

### 4.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform a supervisory review of accounting and bank records. The Sheriff's clerk is responsible for receipting, recording, depositing, and disbursing monies, and reconciling the bank accounts.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential.

### 4.2 Deposits

Procedures for depositing inmate and commissary monies intact and timely are not sufficient. While monies, including cash, are received almost daily, monies held in the lobby kiosk are usually deposited weekly while monies held in the booking kiosk are deposited monthly. For example, cash receipts totaling \$2,799 received through the lobby kiosk between April 28 and



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May 11, 2016, were included in a deposit to the commissary account on May 11, 2016, totaling \$5,555; however, \$1,848 in cash received through the booking kiosk between April 18 and May 11, 2016, was not included in a deposit to the commissary account until May 18, 2016.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, all receipts should be deposited intact and timely.

#### 4.3 Bank reconciliations and liabilities

The Sheriff's clerk does not prepare adequate bank reconciliations for the inmate/commissary account. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate/commissary account balance. While a Statement Reconciliation Report is prepared using the computerized accounting system each month and includes the beginning bank balance, individual checks and deposits that have cleared the bank during the month, and the ending bank balance, outstanding checks, and deposits in transit are not determined. As of May 31, 2016, we determined the reconciled inmate/commissary account balance was \$24,777, while liabilities, consisting of inmate monies held in the account and amounts due to vendors totaled \$24,010, resulting in an unidentified balance of \$767.

Performing adequate monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

#### 4.4 Commissary inventory

The Inmate Coordinator does not perform a periodic physical inventory of commissary items on hand or reconcile to the system records of commissary inventory.

Loss, theft, or misuse of the inventory and related monies may go undetected without adequate inventory procedures. Comparison of periodic physical inventory to system inventory records is necessary to ensure these items and associated monies are properly recorded and handled.

#### Similar conditions previously reported Recommendations

Similar conditions to sections 4.1, 4.2, and 4.3 were noted in our prior 3 audit reports.

The Sheriff:

- 4.1 Segregate accounting duties or ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 4.2 Ensure receipts are deposited intact and timely.





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## Auditee's Response

- 4.3 Ensure adequate monthly bank reconciliations are prepared and a lists of outstanding checks and deposits in transit are prepared. In addition, the Sheriff should prepare a monthly list of liabilities and reconcile the listing to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 4.4 Conduct a physical inventory count on a periodic basis and reconcile the inventory on hand to the inventory records.
- 4.1 *We are in the process of hiring additional administrative personnel to assist in segregating accounting duties. In addition, procedures have been established to ensure I have documented my review of monthly accounting and bank records.*
- 4.2 *We will implement this recommendation immediately.*
- 4.3 *We will implement this recommendation.*
- 4.4 *A physical inventory will be conducted in January and July of each year and will be reconciled to inventory records. Any adjustments to inventory records will be approved by myself.*

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## 5. Capital Assets

Records to account for county property are not adequate. The county has not established adequate procedures and records to ensure capital assets are insured against loss from theft or destruction. On June 1, 2016, a theft occurred at the road and bridge department. The property stolen included a trailer, tools, and equipment valued at \$17,340. The county filed a claim with its property insurance company and received reimbursement of \$3,245 for the stolen trailer. The county did not receive reimbursement for the tools and equipment valued at \$14,095 because they were not included on the inventory list provided to the insurance company.

In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year. Instead, capital asset additions and dispositions are documented when the annual inventory is performed by each office. Asset records lack some necessary information such as purchase date, vendor, model or serial number, and disposition information such as the date and method of disposal. Some property items are not tagged because each department is responsible for ensuring applicable property items are tagged.

Adequate capital assets records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital



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assets and potentially identify unrecorded additions and dispositions, identify obsolete assets and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by that department and for submitting an inventory report to the County Clerk.

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

## Recommendation

The County Commission and the County Clerk work with other county officials to ensure complete and detailed capital asset records are maintained, acquisitions and dispositions are tracked, and assets are tagged as county property.

## Auditee's Response

*The County Clerk's office requests officeholder/department heads provide a copy of their capital asset listing each October. However, some officeholder/department heads have not provided an updated listing as requested. We will continue to request this information from each officeholder annually to ensure capital asset records are complete. It is each officeholder/department head's responsibility to track acquisitions and dispositions on these capital asset listings and to tag assets purchased for \$500 and above and items costing \$100 and above that are susceptible to theft. Numbered labels and inventory forms with required information are available from the County Clerk's office.*

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## 6. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. In addition, some data are not backed up, stored offsite, or periodically tested.

### 6.1 Passwords

The County Clerk and the Public Administrator 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 to help ensure passwords remain known only to the assigned user.

Passwords are necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in some offices, there is less assurance access to computers and data files is effectively limited to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.



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## 6.2 Data backup

The County Clerk's office does not store data backups at an offsite location and does not test backup data.

To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be stored offsite and tested on a periodic basis.

## Recommendations

The County Commission work with other county officials to:

- 6.1 Require confidential passwords that are periodically changed to prevent unauthorized access to county computers and data.
- 6.2 Ensure backed up computer data is stored in a secure offsite location and tested on a regular basis.

## Auditee's Response

- 6.1 *We will work with the county IT Specialist to prevent unauthorized access.*
- 6.2 *We will work with the county IT Specialist to ensure data is being backed up offsite and these backups are periodically tested.*

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# Bates County

## Organization and Statistical Information

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Bates County is a township-organized, third-class county. The county seat is Butler.

Bates 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 91 full-time employees and 23 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board, a Senate Bill 40 Board, and an Enhanced Enterprise Zone Board.

### Elected Officials

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

Officeholder	2016	2015
Jim Wheatley, Presiding Commissioner	\$	38,090
Larry Hacker, Associate Commissioner		36,090
Jim Scott, Associate Commissioner		36,090
Lucille Munday, Recorder of Deeds		50,200
Marlene Wainscott, County Clerk (1)		51,839
Hugh C. Jenkins, Prosecuting Attorney		133,716
Chad Anderson, Sheriff		55,698
Gary Schowengerdt, County Coroner		22,700
Sharon Cumpton, Public Administrator		47,650
Jimmy Platt, County Collector-Treasurer (2), year ended March 31,	60,674	
Roger Pruden, County Assessor, year ended August 31,		49,800
W. C. Bill Lethcho, County Surveyor (3)		28,200

(1) Includes \$1,639 of commissions earned for preparing city property tax books.

(2) Includes \$10,174 of commissions earned for collecting city property taxes.

(3) Salary paid for serving as County Highway Engineer.

### Other Information

On August 2, 2016, Bates County voters approved continuance of a 1/2 of 1 percent county-wide capital improvement sales tax for the purpose of purchasing equipment and services to support, repair, renovate, and maintain all structures and facilities under the responsibility of the County Commission including, but not limited to, the Courthouse and the Jail.