



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Lawrence County

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Lawrence County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Lawrence County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-136, *Lawrence County* (rated as Poor), issued in December 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included bank statements, reconciliations, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during July 2017.

Nicole R. Galloway, CPA
State Auditor

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Status of Findings

1. County Procurement Process

The County Commission did not retain sufficient documentation to support awarding the bid for pretrial electronic monitoring services. As a result, it was unclear why the County Commission awarded the bid to the vendor selected. The County Commission also did not adequately document discussions and decisions concerning a potential conflict of interest.

Recommendation

The County Commission ensure adequate documentation is prepared to support the evaluation process of vendor proposals, and potential conflicts of interest should be documented.

Status

In Progress

The County Commission plans to continue to use the same pretrial electronic monitoring services until the contract termination date (October 5, 2017), and indicated the services will be rebid at that time. We reviewed 8 bid proposals obtained by the County Commission from January to July 2017, and the county retained documentation supporting each bid evaluation and the decision made except for an engineering services contract. The County Commission only solicited a proposal for an energy efficiency evaluation of the Justice Center from one engineering firm.

2.1 County Collector's Controls and Procedures - Annual settlements

The County Collector's annual settlement for the year ended February 29, 2016, was not accurate. The County Collector did not include some railroad and utility taxes charged, collected, and distributed on the annual settlement.

Recommendation

The County Collector prepare and file complete and accurate annual settlements.

Status

Implemented

The County Collector's annual settlement for the year ended February 28, 2017, accurately reported railroad and utility taxes charged, collected, and distributed.

2.2 County Collector's Controls and Procedures - Assessment withholdings

The County Collector withheld a one-half percent commission for the Assessment Fund that is limited to \$75,000, but did not monitor the amounts withheld or limit the amount deducted from tax collections to \$75,000.

Recommendation

The County Collector recalculate assessment withholdings for current and prior years and work with the County Commission to disburse amounts owed to the taxing districts from the Assessment Fund. The County Collector should also ensure the percentage deducted from property taxes for the Assessment Fund is properly reduced in future years once the \$75,000 limit is reached.



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Status

In Progress

The County Collector recalculated the assessment withholdings for tax years ended February 28, 2013, through February 28, 2017, and worked with the County Commission to disburse \$80,811 from the Assessment Fund to the taxing districts. However, the County Collector did not include railroad and utility taxes collected each year in his calculations, so some amounts may still be due to the taxing districts. The County Collector indicated he will review and correct his calculations to include the railroad and utility taxes and make additional disbursements as appropriate. The County Collector worked with the county's computer programmer to implement controls to ensure the percentage deducted from property taxes for the Assessment Fund is reduced once the \$75,000 limit is reached for future years.

2.3 County Collector's
Controls and Procedures
- Liabilities

The County Collector did not prepare a monthly list of liabilities for the property tax collection bank account. As a result, liabilities were not agreed to the reconciled bank balance monthly.

Recommendation

The County Collector prepare and reconcile a list of liabilities to the reconciled bank balance monthly. Any differences should be promptly investigated and resolved.

Status

Not Implemented

The County Collector still does not prepare a monthly list of liabilities for the property tax collection bank account, and as a result, liabilities are not agreed to the reconciled bank balance monthly. The County Collector indicated he has taken no steps to resolve the overage in his bank account.

2.5 County Collector's
Controls and Procedures
- Receipting and
recording

Procedures for receipting and recording needed improvement. The County Collector did not issue receipt slips for payments received for duplicate tax receipts, and those monies were held in a petty cash fund. Office personnel did not always record the method of payment accurately in the property tax system, and the composition of receipts (cash, check, money order, or credit card) recorded in the property tax system was not reconciled to the composition of deposits.

Recommendation

The County Collector issue receipt slips for duplicate tax receipt payments, record method of payment accurately, and reconcile the composition of receipts to the composition of deposits.

Status

Not Implemented

The County Collector indicated he still does not issue receipt slips for duplicate tax receipts and holds some of these monies in a petty cash fund. The County Collector indicated he still does not reconcile the composition



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of receipts recorded in the property tax system to the composition of deposits. We reviewed tax payments received from June 5 through June 9, 2017, and noted instances where the composition of receipts in the property tax system differed from the composition of deposits.

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office needed improvement.

3.1 Receipting, recording, and reconciling

Controls and procedures for receipting, recording, and reconciling monies needed improvement.

- Official prenumbered receipt slips were not issued by the Sheriff's office. Office personnel issued receipt slips created by the Administrative Clerk using computer software. The Administrative Clerk assigned a number to each receipt slip for payments received.
- Manual receipt slips issued at the jail were not always issued in numerical sequence, and manual receipt slips were not issued for 2 cash bonds received. In addition, the numerical sequence of manual receipt slips issued at the jail was not accounted for properly and reconciled with the monies transmitted to and recorded in the Sheriff's office.
- Bond forms were not prenumbered, and a reconciliation between bond forms and the manual receipt slips issued by the jail was not performed.

Recommendation

The Sheriff issue official prenumbered receipt slips in sequential order for all monies received, ensure the numerical sequence of manual receipt slips is accounted for properly and reconciled with monies transmitted to the Sheriff's office, and issue prenumbered bond forms and reconcile the bond forms to the manual receipt slips issued.

Status

Implemented

The Sheriff now issues official prenumbered manual receipt slips in sequential order for all monies received. We reviewed the receipt slips issued during June 2017, and noted one of them was issued out of numerical order at the jail, but a manual receipt slip had been issued for each bond received. Receipt slips issued at the jail are now reconciled with the monies transmitted to and recorded in the Sheriff's office. Although prenumbered bond forms are not issued, the Administrative Clerk in the Sheriff's office now reconciles manual bond receipt slips to the bond forms.

3.2 Inmate monies

The Sheriff's office procedures for the refunding of inmate monies with debit cards were not adequate. The Jail Administrator did not maintain records to account for debit card stock received, issued, and on hand. Debit card stock on hand was maintained in the jail and was accessible to all



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jailers. In addition, inmates were not required to sign for the receipt of debit cards, and a report of debit card issuances was not generated and reviewed for accuracy.

Recommendation

The Sheriff obtain adequate supporting documentation for any refunds of inmate monies, and develop records and procedures to account for all debit cards.

Status

Partially Implemented

The Jail Administrator indicated he does not plan to establish records to account for the debit card stock issued, received, and on hand or generate a report of debit card issuances. Debit card stock on hand is still maintained in the jail and is accessible to all jailers. The Jail Administrator indicated inmates are now required to sign for the receipt of debit cards. At our request, the Jail Administrator generated a report of debit cards issued for the week ending June 30, 2017, and receipts were signed by inmates to support all debit card issuances listed on the report. The Sheriff indicated he does not plan to review records related to debit cards.

3.3 Seized property

A physical inventory of seized property had not been performed, and some seized property had been held for years with some items dating back to 1979.

Recommendation

Ensure a periodic physical inventory is conducted and reconciled to the list of seized property, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Status

Partially Implemented

The Sheriff indicated a physical inventory of seized cash maintained in his safe was completed in June 2017, and was reconciled to the list of seized cash. The seized cash (\$5,328) was deposited into his official bank account in July 2017, and the Sheriff intends to disburse these monies once the proper disposition is determined. We reviewed the inventory of seized cash and agreed it to the related deposit. The Sheriff indicated he did not have the time or staff to complete a physical inventory of the remaining seized property, but plans to complete this task and work with the Prosecuting Attorney regarding the disposition of seized property as time allows.

5. Electronic Data Security

Controls over county computers were not sufficient.

5.1 Passwords

The County Clerk, County Assessor, Public Administrator, and County Collector had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the County Clerk and County Assessor's offices were not required to change passwords



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periodically. Computers in the Public Administrator's office did not require a password. Additionally, user access was not promptly deleted or suspended after seasonal employees in the County Collector's office ended their employment.

Recommendation

The County Commission work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data, and ensure seasonal employees user access are promptly deleted or suspended.

Status

Partially Implemented

The Public Administrator now requires confidential passwords for each employee and plans to start requiring employees change passwords monthly beginning in September 2017. The County Clerk and the County Assessor do not plan to require employees in their offices to change passwords periodically. The County Collector does not plan to delete or suspend user access after seasonal employees end their employment.

5.2 Security controls

Security controls were not in place to lock computers in the offices of the County Clerk, County Assessor, and Public Administrator after a specified number of incorrect logon attempts or after a certain period of inactivity.

Recommendation

The County Commission work with other county officials to require each county computer have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.

Status

Partially Implemented

The County Clerk indicated computer settings were modified and computers in his office now lock after a specified number of incorrect logon attempts and after a certain period of inactivity. The County Assessor and Public Administrator indicated they do not have plans to establish controls to lock computers in their offices after a specified number of incorrect logon attempts or a certain period of inactivity.

5.3 Data backup

The County Clerk and Public Administrator did not store backup files at an off-site location. In addition, the Public Administrator did not periodically test backup data.

Recommendation

The County Commission work with other county officials to ensure backup data is stored in a secure off-site location and tested on a regular basis.



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Status

In Progress

The County Clerk and Public Administrator indicated they are now storing backup files at an off-site location. The Public Administrator indicated she plans to start testing the backup data quarterly in August 2017.

7. Recorder of Deeds'
Segregation of Duties

The Recorder of Deeds had not adequately segregated accounting duties or ensured independent reviews of detailed accounting and bank records were performed.

Recommendation

The Recorder of Deeds segregate accounting duties or ensure independent or supervisory reviews of detailed accounting and bank records are performed and documented.

Status

Implemented

Accounting duties have not been segregated; however, one of the full-time deputy clerks documents her independent review of bank statements and the reconciliations prepared by the Recorder of Deeds. We reviewed the June 2017 bank statement and reconciliation and confirmed the deputy clerk had documented her review.