



Office of Missouri State Auditor
Nicole Galloway, CPA

Washington County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Washington County

Sheriff's Controls and Procedures	The Sheriff's Administrative Assistant does not prepare adequate bank reconciliations for the bond and inactive commissary bank accounts, and monthly lists of liabilities are not prepared to reconcile to the account balances. The Sheriff does not disburse commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. The Sheriff has not established adequate controls and procedures over seized property.
County Assessor's Controls and Procedures	The County Assessor does not issue receipt slips for all monies received. The County Assessor's review of the accounting records is not documented and does not effectively ensure monies received have been properly recorded, and the County Assessor does not account for the numerical sequence of receipt slips. The method of payment is not always indicated on receipt slips and checks are not restrictively endorsed immediately upon receipt.
Board for the Handicapped	The Washington County Board for the Handicapped purchased flooring material and a building from the Board Treasurer, creating a conflict of interest.
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.
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 **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.

Washington County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Sheriff's Controls and Procedures4 2. County Assessor's Controls and Procedures.....6 3. Board for the Handicapped.....7 4. Electronic Data Security.....9
---	--

Organization and Statistical Information	11
---	----



NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Washington County

We have audited certain operations of Washington County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Washington County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

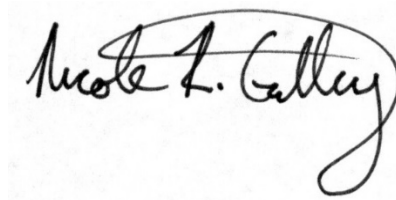
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 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 Washington County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the 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
Audit Manager:	Josh Allen, CPA, CFE, CGAP
In-Charge Auditor:	Steven J. Barton
Audit Staff:	Scott Davis, MAc, CPA
	Ethan D. Evans
	Ryan P. Tierney, MAcc

Washington County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office processed receipts for civil paper service fees and mileage, bonds, inmate monies, prisoner board, and other miscellaneous receipts totaling approximately \$538,000 for the year ended December 31, 2017.

1.1 Bank reconciliations and liabilities

The Sheriff's Administrative Assistant does not prepare adequate bank reconciliations for the bond and inactive commissary bank accounts. In addition, monthly lists of liabilities are not prepared to reconcile to the account balances.

The reconciliation process includes documenting the transactions that have cleared the bank; however, reports of outstanding checks, deposits in transit, and other reconciling items are not prepared or reviewed. We determined the bond account's reconciled balance was \$260 as of December 31, 2017. In addition, the Sheriff's office did not maintain records from the prior commissary system to perform bank reconciliations. This account had a bank balance of \$37,548 as of December 31, 2017. Office personnel did not maintain a list of liabilities but indicated the balance consists of commissary net proceeds that have not been turned over to the Inmate Prisoner Detainee Security Fund (see section 1.2).

Performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

A similar condition was noted in our prior audit report.

1.2 Inmate Prisoner Detainee Security Fund

The Sheriff does not disburse commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. All net proceeds from commissary sales, and commissions received from commissary vendors for purchases made by inmates are retained with the inmate monies in the commissary bank accounts. Any amount in the bank accounts exceeding the inmate monies is considered commissary net proceeds.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) of the commissary account into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

1.3 Seized property

The Sheriff has not established adequate controls and procedures over seized property. The electronic seized property evidence log maintained is not



Washington County
Management Advisory Report - State Auditor's Findings

complete and only includes items seized starting in 2001. Items obtained prior to 2001 are recorded on manual logs. We tested 10 items and identified errors for 5 items. Two test items were listed in the system with an inaccurate location and one test item was labeled with a case number that did not match the case number on the log. Two other test items were located in the seized property room but could not be initially found on the log. The Sheriff subsequently located both items in the system and determined the initial case number had not been properly recorded in the system. In addition, the Sheriff does not periodically reconcile the physical inventory to the log. Per the Sheriff's seized property deputy, the last physical inventory was performed in 2001.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Complete and accurate inventory records including information such as description, current location, case number, date of seizure, and disposition of such property should be maintained, and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.

Recommendations

The Sheriff:

- 1.1 Ensure adequate monthly bank reconciliations are prepared for all bank accounts, and lists of outstanding checks and deposits in transit are prepared. In addition, prepare monthly lists of liabilities and reconcile the lists to the available cash balances. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 1.2 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.3 Maintain a complete and accurate seized property evidence log, and ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences.

Auditee's Response

- 1.1 *The Sheriff's office is and has been doing bank reconciliations; however, we will follow the Auditor's recommendations and start using new forms. Each month, preparation of monthly lists of liabilities and reconciliation to cash balances will be done, and differences will be investigated and resolved. The bond account had an unreconciled balance as of December 31, 2017. After investigation and review it was determined the money came from the reimbursement of bank fees from our previous bank.*



Washington County
Management Advisory Report - State Auditor's Findings

- 1.2 *With regards to commissary net proceeds, the company we use (Tiger Commissary), breaks down money automatically for us between inmate money and proceeds. The revenue from this, is now placed into a separate account and transferred quarterly to the County Treasurer to be deposited into the Inmate Prisoner Detainee Security Fund. The Sheriff's office maintains a minimal amount in the account for cash flow purposes as defined by Section 221.102, RSMo. Missouri law allows the Sheriff to maintain a minimal amount of cash; however, it does not define that further. When the Auditor's office was asked who defined the minimal amount, the auditor advised that the Sheriff determines this amount.*
- 1.3 *The Sheriff's office has been working with the County Commission on a more suitable means to hold seized property and we are nearing a solution to this issue. The seized property encompasses approximately 30 years and several different administrations. The Sheriff's office is working to employ a full-time property clerk who can perform annual audits and convert paper files to digital files. Previous Sheriffs used a different numbering system that my current staff was not familiar with, and that problem has been corrected.*

Auditor's Comment

- 1.2 Section 221.102, RSMo, requires net proceeds from the commissary, other than a minimum amount for cash flow purposes and current expenses, to be deposited into the Inmate Prisoner Detainee Security Fund held by the County Treasurer. Considering the Sheriff's office does not maintain any commissary inventory, it is unreasonable to consider the Sheriff's large balance of accumulated net proceeds (as indicated in section 1.1) as a minimal cash balance necessary for the operation of the commissary.

2. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The office transmitted \$13,951 to the County Treasurer for the collection of maps, copies, and electronic data access during the year ended December 31, 2017.

A cash count performed on June 19, 2018, and a review of the County Assessor's office receipt slips, transmittal reports, and County Treasurer receipt slips identified various concerns.

- Office personnel do not issue receipt slips for all monies received. For the year ended December 31, 2017, receipts totaling \$13,951 were transmitted to the County Treasurer. However, only \$902 (approximately 6 percent) was recorded on receipt slips issued by the County Assessor's office.
- The County Assessor's review of the accounting records is not documented and does not effectively ensure monies received have been



Washington County
Management Advisory Report - State Auditor's Findings

properly recorded. In addition, the County Assessor does not account for the numerical sequence of receipt slips. For the 97 receipt slips issued during 2017, we noted 3 skipped receipt slips (not used), 6 receipt slips improperly voided (top copy of receipt slips not retained), and receipt slips issued out of sequence.

- The method of payment (cash or check) is not always indicated on receipt slips. We noted 66 out of 97 (68 percent) receipt slips issued did not indicate the method of payment.
- Checks are not restrictively endorsed immediately upon receipt. Endorsement is applied by the County Treasurer after the monthly transmittal.

To reduce the risk of loss, theft, or misuse of monies received going undetected, procedures should be established to ensure all monies received are properly receipted and transmitted.

A similar condition was noted in our prior audit report.

Recommendation

The County Assessor issue prenumbered receipt slips for all monies received, indicate the method of payment on all receipt slips, and restrictively endorse checks immediately upon receipt. In addition, perform a documented review of the accounting records ensuring the numerical sequence of receipt slips is accounted for and the composition of receipts is reconciled to the composition of amounts transmitted.

Auditee's Response

The County Assessor agrees and will implement the recommendation.

3. Board for the Handicapped

The Washington County Board for the Handicapped (Board) purchased flooring material and a building from the Board Treasurer, creating a conflict of interest. On March 29, 2017, the Board executed a contract with the Board Treasurer to purchase a building for \$96,000 (appraised at \$110,000) in Potosi to increase office space. The purchase was to be paid in 96 monthly installments of \$1,000 starting January 1, 2018. The Board failed to provide public notice prior to the execution of the contract as required by state law. In addition, the Board also purchased \$5,600 in flooring material to renovate the building from the Board Treasurer without soliciting bids.

Board members serve in a fiduciary capacity. Personal interests in business matters of the Board could create actual and the appearance of conflicts of interest. In addition, Section 105.454, RSMo, prohibits financial transactions between the board and elected or appointed officials or employees that involve more than \$500 per transaction or \$5,000 per annum unless there has been public notice to solicit proposals, and also requires competitive bidding



Washington County
Management Advisory Report - State Auditor's Findings

for property other than real property, provided the bid or offer accepted is the lowest received.

Recommendation

The Washington County Board for the Handicapped refrain from entering into business transactions that could result in the appearance of or actual conflict of interest and ensure all transactions are made in accordance with state law.

Auditee's Response

The Washington County Board for the Handicapped (WCBH) recognizes our error in the processes around the purchase of the property purchased for new office space to be used by Washington County Handicapped Services/The Pam Dudley Center. In response to the questions which arose from the handling of this purchase the Board sought and followed legal advice to remedy the situation.

The following was posted at the Washington County Courthouse, the WCBH building, and in the local newspaper on May 10, 2018.

On January 1, 2018 the Washington County SB 40 Board (the "Board") entered into a contract to purchase the building adjacent to its current TCM building, at a below-market price, from an appointed member of the Board. In connection with that sale, the Board acquired carpeting, also at a below-market price, from the same member to renovate the building. The purchased building is currently being used to further the Board's mission of providing for the unmet specialized needs of those with developmental disabilities in Washington County.

Under Chapter 105 of the Missouri Revised Statutes, certain sales of real and/or personal property by a public official to a related political subdivision may require public notice and competitive bidding. The Board will address the above transactions at its meeting from 5:00 PM – 6:00 PM on May 22, 2018 at 10558 West State Hwy E, Potosi, MO 63664, and seeks public comment from Washington County residents at such time and place. The Board intends to carefully consider all reasonable input and determine whether to rescind or ratify the contracts with respect to the above transactions.

On May 22, 2018, the Board met as posted and was available for public comment. At that time the Board ratified the decision to purchase the building and flooring. Further, on August 28, 2018, in conjunction with our Board meeting, the Board underwent training in relation to Section 105.458, RSMo, and the Missouri Sunshine Law to ensure future actions are conducted within the rules and guidelines of which we are bound.



Washington County
Management Advisory Report - State Auditor's Findings

Though the mistakes which were made in the purchase of these items were unintentional, the Board recognizes our responsibility to follow the guidelines and rules under which we operate. It is our desire to have the respect and faith of the taxpayers and community we serve.

4. 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.

4.1 Passwords

The Recorder of Deeds has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the Recorder of Deeds' office are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required 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, 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.

4.2 Security controls

Security controls are not in place to lock computers in the offices of the Sheriff and Recorder of Deeds after a specified number of incorrect logon attempts or after a certain period of inactivity.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful 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 that are periodically changed to prevent unauthorized access to county computers and data.
- 4.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.



Washington County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission is working with our IT contractor/consultant to implement a policy related to IT Security Controls. The County Commission expects to implement this policy prior to December 31, 2018.

Washington County

Organization and Statistical Information

Washington County is a county-organized, third-class county. The county seat is Potosi.

Washington 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 97 full-time employees and 9 part-time employees on December 31, 2017.

In addition, county operations include a Board for the Handicapped and a Senior Citizens' Services Board.

Elected Officials

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

Officeholder	2018	2017
Marvin Wright, Presiding Commissioner	\$	31,370
Cody Brinley, Associate Commissioner		29,370
Doug Short, Associate Commissioner		28,380
Pamela Blair, Recorder of Deeds		43,000
Jeanette Allen, County Clerk		44,500
Joshua E. Hedgecorth, Prosecuting Attorney		137,084
Zach Jacobsen, Sheriff		48,000
Phyllis Long, County Treasurer		44,500
Brian DeClue, County Coroner		16,000
Beverly Boyer, Public Administrator		43,000
Carla Zettler, County Collector (1), year ended February 28,	45,401	
Tina Litton, County Assessor, year ended August 31,		45,635
R. Timothy Daughtery, County Surveyor (2)		

(1) Includes \$2,401 of commissions earned for collecting city property taxes.

(2) Not compensated by the county.