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Missouri State Auditor

Scotland County



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CITIZENS SUMMARY

Findings in the audit of Scotland County

Financial Liabilities	The county may not have sufficient funds to pay outstanding liabilities of \$227,974. The county owes \$49,408 for unpaid salary amounts relating to a statutory change affecting the base salary amount paid to elected county officials. The county also owes \$178,566 pursuant to a court judgment issued in February 2013; the county is appealing the decision, but no decision had been rendered as of September 25, 2013.
Sheriff's Controls and Procedures	As noted in our prior audit report, monies are often not recorded on receipt records immediately upon receipt, and the method of payment is not always accurately recorded on receipt slips and reconciled to the composition of deposits. Checks are not restrictively endorsed immediately upon receipt, the numerical sequence of receipt slips is not accounted for properly, and receipts are not deposited intact. The Sheriff's office sells phone cards but does not always deposit or disburse the monies collected on a timely basis. The Sheriff's office bills other entities for boarding prisoners and bills civil process fees and mileage, but does not adequately follow-up to ensure all payments are received. Inmate monies on-hand did not always agree with the computerized log totals, and these differences were not always explained. The computerized inventory control log of seized property and evidence does not always document the release or disposition of such property, evidence bags do not always document the correct case number, and periodic physical inventories are not documented.
County Procedures	As noted in our prior audit report, the county does not effectively monitor road and bridge department fuel use. Fuel logs are not always complete or accurate, and significant differences between fuel purchases and fuel usage exist. In 2012, bulk fuel purchases exceeded reported bulk fuel usage by 7,203 gallons, but the county's reconciliation process and follow-up procedures are not sufficient, making it difficult to identify any misuse of fuel. The Salary Commission did not meet in 2007 or 2009, as required by state law.
Computer Controls	The Recorder of Deeds does not require passwords to log on to the computer system, the County Collector, County Clerk and Sheriff do not require passwords to be changed periodically, and Sheriff's office employees share passwords. The County Clerk, County Treasurer, and Sheriff do not have security controls in place to detect or prevent incorrect log-on attempts, and the computers in the County Collector's office and the Recorder of Deeds' office are not locked after a certain period of inactivity. The Sheriff's office does not store backup data at an off-site location, leaving the backup data susceptible to the same damage as the data on the computer.

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.
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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.

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Scotland County

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Scotland County

We have audited certain operations of Scotland County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Scotland County for the year ended December 31, 2012. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. 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 operations, 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 contract 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 Scotland County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Director of Audits:	Regina Pruitt, CPA
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Scotland County Management Advisory Report State Auditor's Findings

1. Financial Liabilities Significant liabilities, totaling \$227,974, will potentially affect the county's financial condition as monies available in the General Revenue Fund may not be sufficient to pay these liabilities.

In February 2013, a court judgment was issued against the county for \$178,566. The county appealed the court's decision; however, as of September 25, 2013, no new decision has been rendered.

Also as of September 25, 2013, the county had remaining liabilities of \$49,408 for underpaid salary amounts relating to a statutory change affecting the base salary amounts paid to elected county officials (see MAR finding number 3).

The county did take into account the underpaid salary amounts when preparing the 2013 budget for the General Revenue Fund, but did not consider the court judgment which was not known at the time. Even though the General Revenue Fund had an available cash balance of \$197,855 as of December 31, 2012, the county has projected an ending cash balance of only \$5,745 as of December 31, 2013. Should the outcome of the appeal confirm the original court decision, the county will likely not have sufficient funds available to pay the judgment.

The County Commission needs to consider significant changes to ensure the necessary funds are available to cover all liabilities. Possible options to improving the county's financial condition include reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring county budgets.

Recommendation

The County Commission closely monitor the county's financial condition and take the necessary steps to ensure the General Revenue Fund has sufficient monies available to pay these liabilities.

Auditee's Response

The County Commission provided the following response:

We are continuously monitoring the county's financial condition by reviewing monthly budgetary reports. We will take the steps necessary to ensure sufficient monies are available to pay all liabilities.

2. Sheriff's Controls and Procedures

Weaknesses exist in accounting controls and procedures in the Sheriff's office. The Sheriff's office processed monies for civil and criminal fees, concealed carry permits, phone card sales, bonds, and other miscellaneous receipts totaling approximately \$102,000 for the year ended December 31, 2012.



Scotland County
Management Advisory Report - State Auditor's Findings

2.1 Receipting, recording, and depositing monies

As noted in our prior audit report, receipting, recording, and depositing procedures are not adequate. The Office Administrator is primarily responsible for these tasks; however, dispatchers perform receipting and recording tasks in her absence. Our review of recorded receipts and deposits for April 2012 determined the following:

- Monies are often not recorded on receipt records immediately when received and are sometimes recorded several days after deposit. For example, monies for fees and miscellaneous receipts deposited on April 16 and April 18, 2012, totaling \$302 and \$36, were not recorded on receipt records until April 27, 2012.
- The method of payment (cash, check, or money order) is not always recorded accurately on receipt slips, and the Office Administrator does not reconcile the composition of receipts to the composition of deposits. Additionally, checks are not restrictively endorsed immediately upon receipt.
- The numerical sequence of receipt slips is not accounted for properly and receipts are not deposited intact. For example, monies collected on April 7, 2012, totaling \$67, were not deposited until April 10, 2012, after monies collected on April 8, 2012, totaling \$30, were deposited on April 9, 2012.

To reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are properly receipted, promptly recorded, and deposited intact.

2.2 Phone card sales

The Sheriff's office does not always timely deposit or disburse monies collected for phone card sales. Phone card sales are recorded on a log, but monies are held until all phone cards in a batch (usually 20 or 40 cards) have been sold. Our review identified phone card sales collected between August 19 and November 21, 2011, totaling \$200 in cash, were not deposited until December 28, 2011, and not disbursed to the County Treasurer until March 16, 2012. Additional phone card sales collected between March 3 and March 30, 2012, totaling \$400 in cash, were not deposited until April 4, 2012, and not disbursed to the County Treasurer until June 4, 2012. To reduce the risk of loss, theft, or misuse of monies received for phone card sales, all monies should be deposited and disbursed timely.

2.3 Accrued costs

The Sheriff's office does not adequately pursue collection of or track amounts due to the office for board bills or civil process fees. The Sheriff's office bills other entities for boarding prisoners and also bills civil process fees and mileage (for serving subpoenas or other papers), but does not adequately follow-up to ensure all payments are received. The Office



Scotland County Management Advisory Report - State Auditor's Findings

Administrator indicated the office does not maintain a list of amounts billed, collected, or owed, or otherwise track billed amounts to ensure payment is received.

Adequate procedures to bill and collect board of prisoner costs and civil process fees and mileage are necessary to ensure amounts owed are collected. Proper records and follow-up procedures are also necessary to safeguard against possible theft or misuse of funds going undetected.

2.4 Inmate monies

The Sheriff's office does not always follow established procedures to ensure inmate monies are accounted for properly. Inmate monies are held in cash, and according to office personnel, all monies on-hand are to be counted and reconciled to a computerized log of inmate balances at each dispatcher shift change. Any differences are to be investigated and resolved prior to staff shift changes.

Our review of inmate balances from September 3 to September 9, 2012, noted the inmate monies on-hand and the computerized totals were not always reconciled at the end of each shift. In addition, our review of inmate records for 2012 noted several instances when the inmate monies on-hand did not agree to the computerized totals, and these differences were not always explained.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the Sheriff should ensure established procedures are followed, and differences are promptly investigated.

2.5 Seized property

The Sheriff's office does not maintain complete and accurate seized property and evidence records. The computerized inventory control log of seized property and evidence does not always document the release or disposition of such property and evidence bags do not always document the correct case number associated with the property. In addition, periodic inventories of all seized property and evidence are not documented.

Considering the often sensitive nature of seized property and evidence, complete and accurate inventory control records should be maintained and should include information such as description, persons involved, current location, case number, date of seizure, and disposition of such property. In addition, periodic physical inventories should be documented and the results compared to the inventory records to ensure seized property and evidence are accounted for properly.

Recommendations

The Sheriff:

- 2.1 Ensure all monies are properly recorded when received, the method of payment is accurately indicated for all receipts, the composition



Scotland County
Management Advisory Report - State Auditor's Findings

of receipts is reconciled to the composition of deposits, checks are restrictively endorsed immediately upon receipt, the numerical sequence of receipt slips is accounted for properly, and all receipts are deposited intact.

- 2.2 Ensure all monies collected for phone card sales are deposited and disbursed on a timely basis.
- 2.3 Bill all amounts owed to the Sheriff's office for board of prisoners and civil process fees and mileage, and implement procedures to track and pursue collection of amounts owed.
- 2.4 Ensure established procedures for inmate monies are followed and differences are promptly investigated.
- 2.5 Require all seized property and evidence be properly recorded on evidence bags and the inventory control log. In addition, a periodic inventory should be documented and reconciled to the inventory control log.

Auditee's Response

The Sheriff provided the following responses:

- 2.1 *I will work with the Office Administrator to improve receipting procedures, depositing procedures, and accountability of receipt slips.*
- 2.2 *I will work with the Office Administrator to ensure phone card monies are receipted and deposited at time of collection and also disbursed timely.*
- 2.3 *For boarding of prisoners, we will bill when necessary, and for civil process fees, we will create a new log to track and follow-up on unpaid civil process fees and mileage.*
- 2.4 *We will remind personnel of required procedures and ensure differences are documented and investigated.*
- 2.5 *I will be working with officers to ensure evidence and seized property is recorded correctly and oversee the process more. I will try to conduct more frequent inventories of evidence and seized property.*

3. County Procedures

Procedures related to vehicles and fuel usage need improvement. In addition, the Salary Commission has not always met as required by state law.



Scotland County Management Advisory Report - State Auditor's Findings

3.1 Vehicles and fuel use

As similarly noted in our prior audit report, the county does not effectively monitor road and bridge department fuel use. According to the county's 2013 budget, fuel purchases for the road and bridge department totaled approximately \$202,000 for the year ended December 31, 2012, for the 22 road and bridge vehicles and equipment items.

Logs of fuel dispensed from bulk fuel tanks are not always complete or accurate as some logs did not record the amount of fuel used. The County Clerk's office monthly compares fuel purchases with fuel usage and significant differences are identified but not resolved. For example, the County Clerk's records for 2012 show bulk fuel purchases of 45,759 gallons, but the bulk fuel logs reported usage of only 38,556 gallons, for a difference of 7,203 gallons. The County Clerk's reconciliation is reviewed by the County Commission who indicated faulty fuel gauges may have contributed to the inaccuracy of the logs resulting in the difference. The reconciliation difference may also be partially attributable to timing differences between when the fuel is purchased and used. The county's reconciliation process and follow-up procedures are not sufficient to effectively monitor fuel use or verify fuel billings; therefore, it would be difficult to identify any misuse of fuel.

Procedures for maintaining and reviewing usage logs and bulk fuel inventory records, and reconciling log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper amounts, and decrease the risk of loss, theft, or misuse of fuel occurring without detection. Logs should be complete and accurate, and provide sufficient details to allow the county to effectively monitor vehicle and equipment fuel costs. Prompt investigation of discrepancies identified through reconciliations is necessary to obtain explanations and prevent future problems.

3.2 Salary Commission

The Scotland County Salary Commission did not meet in 2007 or 2009 to consider statutory changes and ensure the salary schedules established and approved in 2005 were still in compliance with state law. During the November 2005 meeting, the Salary Commission established salaries for elected officials and those salary amounts were applied to terms beginning in 2007, 2009, and 2011. However, some statutory provisions related to officials' salaries have been revised since 2005. For example, Section 50.327, RSMo, adopted in 2007, revised requirements regarding base salaries of the various elected officials.

Section 50.333, RSMo, states the Salary Commission shall meet at least once before November thirtieth of each odd numbered year. The Salary Commission did meet in November 2011 and the statutory revisions were then considered. According to a legal opinion obtained by the county, with the changes to Section 50.327, RSMo, Scotland County elected officials should have received salary increases when starting new terms of office in



Scotland County Management Advisory Report - State Auditor's Findings

2009 and 2011. The legal opinion further states amounts are owed to all elected county officials who were not properly paid.

During 2012, the county paid the amount due to some officials, but only upon request of the respective official. As of June 2013, the county has remaining liabilities of \$49,408 for these salary underpayments (see MAR finding number 1).

Recommendations

The County Commission:

- 3.1 Establish adequate records and procedures to effectively monitor vehicle, equipment, and fuel use.
- 3.2 Ensure the Salary Commission meets as required by state law.

Auditee's Response

The County Commission provided the following responses:

- 3.1 *We installed a new certifiable meter on the bulk fuel tanks. In addition, to monitor usage, we are taking monthly readings of the bulk fuel pumps. We will also reinforce with road and bridge personnel the importance of keeping complete and accurate fuel logs. Any differences on the monthly reconciliation will be investigated.*
- 3.2 *We will ensure the Salary Commission meets as required by state law.*

4. Computer Controls

As similarly noted in our prior audit reports, controls over county computer systems are not sufficient to prevent unauthorized access, or to restore key systems in the event of a disaster or system failure. As a result, county records are unprotected and susceptible to damage or theft.

4.1 User passwords

The Recorder of Deeds does not require passwords to log on to the computer system, and the County Collector, County Clerk, and Sheriff do not require passwords to be periodically changed. In addition, Sheriff's office employees share passwords to access data.

Passwords should be kept confidential and periodically changed to provide more assurance that passwords will effectively limit access to data files and programs to only those individuals who need access for completion of job responsibilities, and to reduce the possibility of unauthorized users.

4.2 Log-on attempts

The County Clerk, County Treasurer, and Sheriff do not have security controls in place to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on to the system and, if successful, have unrestricted access to programs and data



Scotland County Management Advisory Report - State Auditor's Findings

files. In addition, the computers in the County Collector's and Recorder of Deeds' offices are not locked after a certain period of inactivity.

To help protect computer files, security controls should be implemented to detect incorrect log-on attempts after a certain number of tries and lock computers after a certain period of inactivity. Such controls should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

4.3 Backup data

The Sheriff's office does not store backup data at an off-site location.

Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. Off-site storage would provide increased assurance county data could be recreated if necessary.

Recommendations

The County Commission work with county officials to:

- 4.1 Require passwords, which are kept confidential and periodically changed, to prevent unauthorized access to the county's computers and data.
- 4.2 Establish security controls to detect and report incorrect log-on attempts after a certain number of tries and which lock computers after a certain period of inactivity.
- 4.3 Ensure backup data is stored in a secure off-site location.

Auditee's Response

The County Commission and County Clerk provided the following response:

We will work with the county's IT programmer and county officials to improve password, log-on, and backup procedures. Because we do not have a programmer on staff, it is not always feasible for computer issues to be resolved in a timely manner which could result in lost productivity, lost revenue, or added expense. In addition, access to county offices are restricted during non-business hours. We have also limited capabilities within the county systems to electronically transfer funds, so any unauthorized access would not significantly impact the county.

The Sheriff provided the following response:

I will consider making some changes to passwords and computer controls with the help of our IT programmer. I will also discuss with the IT programmer storing backups off-site.



Scotland County
Management Advisory Report - State Auditor's Findings

The Recorder of Deeds provided the following responses:

- 4.1 *I have implemented the recommendation. I now use passwords which are periodically changed.*
- 4.2 *Although the computer does not lock after a period of inactivity, it does return to the main screen. In addition, access to the computer is restricted.*

The County Collector provided the following responses:

- 4.1 *I will work with the county's IT programmer to change passwords periodically; however, this could be costly if passwords should need to be reset.*
- 4.2 *I will work with the county's IT programmer to improve procedures where possible.*

The County Treasurer provided the following response:

- 4.2 *I will work with the County Commission to review log-on procedures.*

Scotland County

Organization and Statistical Information

Scotland County is a county-organized, third-class county. The county seat is Memphis.

Scotland 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. The county employed 34 full-time employees and 9 part-time employees on December 31, 2012.

Elected Officials

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

Officeholder	2013	2012
Charles E. Harris Jr., Presiding Commissioner	\$	23,120
Paul Campbell, Associate Commissioner		21,120
Danette Clatt, Associate Commissioner		21,120
Dana Glasscock, Recorder of Deeds		32,000
Batina Dodge, County Clerk		32,000
Kimberly J. Nicoli, Prosecuting Attorney		39,000
Wayne Winn, Sheriff		38,000
Kathy Kiddoo, County Treasurer		32,000
Ginny Monroe, County Coroner		9,000
Ellen Aylward, Public Administrator		15,000
Kathy Becraft, County Collector (1), year ended February 28,	35,341	
James Ward, County Assessor, year ended August 31,		32,000

(1) Includes \$3,341 of commissions earned for collecting city property taxes.

Financing Arrangements

The county has entered into lease-purchase agreements with the County of Scotland Improvement Corporation to purchase a police vehicle in September 2012, and police radios in December 2012. The terms of the agreements are for the County of Scotland Improvement Corporation to purchase the police vehicle and police radios and lease the vehicle and equipment back to the county for payments totaling the principal and interest due on the lease-purchase. The county makes the lease payments from the General Revenue Fund. The final payments for the lease-purchases



Scotland County
Organization and Statistical Information

are scheduled to be in 2018. The remaining principal and interest due on the lease-purchase agreements at December 31, 2012, was \$42,798.

The county has entered into a lease-purchase agreement for a motor grader. Principal and interest payments are made from the Special Road and Bridge Fund. The final payment for the lease-purchase is scheduled to occur in 2017. The remaining principal and interest due on the lease-purchase agreement at December 31, 2012, was \$77,625.

The county has entered into a lease-purchase agreement for a GIS mapping system for the Assessor's office. Principal and interest payments are made from the General Revenue Fund and the Assessment Fund. The final payment for the lease-purchase is scheduled to occur in 2014. The remaining principal and interest due on the lease-purchase agreement at December 31, 2012, was \$16,530.

The county has entered into a lease-purchase agreement for election equipment for the County Clerk's office. Principal and interest payments are made from the General Revenue Fund. The final payment for the lease-purchase is scheduled to occur in 2015. The remaining principal and interest due on the lease-purchase agreement at December 31, 2012, was \$47,024.