



**John Watson**  
Missouri State Auditor

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# Hickory County

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April 2015  
Report No. 2015-021



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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of Hickory County

Sheriff's Controls and Procedures	The Sheriff's department does not follow established procedures regarding inmate monies, and procedures to track inmate balances are not adequate. The Sheriff housed 268 inmates in 2014, but there is no record of how much inmate money was handled. In addition, the department logs all civil service papers to be served but does not require payment before service is performed, no reconciliation of papers served to monies received is performed, and no follow up on unpaid amounts is performed. Further, the Sheriff does not calculate mileage reimbursement based on actual mileage traveled as required by state law. Monies receipted are not reconciled to monies deposited, the Sheriff does not deposit monies collected timely, and the Sheriff's master listing of seized property does not contain all property maintained.
County Credit Purchases	The county does not always obtain sales slip receipts to ensure fuel purchases are made by county employees. In addition, the Sheriff's department does not reconcile amounts billed to its fuel logs to ensure all charges are appropriate.
Vehicle Usage	The Sheriff and some of his deputies have used county patrol vehicles for personal use but do not document personal mileage. The county does not have a comprehensive written vehicle use policy. Personal use can result in significant potential liability for the county and unnecessary fuel costs.
Computer Controls	Employees in several county offices are not required to periodically change their passwords.
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.

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## **JOHN WATSON**

### **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Hickory County

We have audited certain operations of Hickory County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, was engaged to audit the financial statements of Hickory County for the 2 years ended December 31, 2013. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

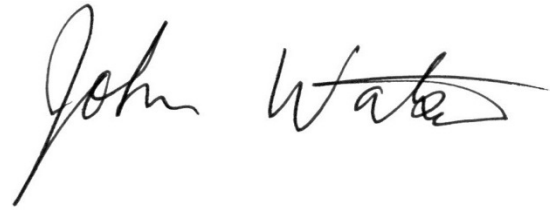
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Hickory County.

A handwritten signature in black ink that reads "John Watson". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

John Watson  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Randall Gordon, CPA, CGAP
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Nancy McDowell
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# Hickory County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Sheriff's Controls and Procedures**

Weaknesses exist in controls and procedures over inmate monies, seized property, and deposits. Charges for civil service paper fees are not in compliance with state law. The Sheriff collected approximately \$65,000 in bonds, civil fees, and other miscellaneous receipts, as well as approximately \$10,000 in concealed carry weapon permit fees during the year ended December 31, 2014.

##### 1.1 Inmate monies

The Sheriff's department does not follow established procedures regarding inmate monies, and procedures to track inmate balances are not adequate. Current procedures require placement of inmate monies in a personal property envelope upon booking. Monies received by the Sheriff's department for commissary purposes for the inmates are also added to the envelope and used to make commissary purchases for the inmate. Upon release, inmates are to sign the personal property envelope indicating all personal property has been returned.

Our review of 8 inmate files indicated only one inmate file contained a signed personal property envelope. Our review of receipt slips also identified 3 payments received by the department for our test inmate's commissary accounts, however, no record of those payments is contained in the inmate file. In addition, there was no indication of how these monies were disbursed or if they were returned to the inmate. Any documentation maintained of inmate monies spent is returned to the inmate upon release. The Sheriff housed 268 inmates during the year ended December 31, 2014, however, there is no record of how much inmate money was handled.

Developing and following procedures to adequately track and maintain documentation of inmate balances would reduce the risk of loss, theft, and misuse of funds.

##### 1.2 Civil paper service fees

The Sheriff's department does not have proper controls to ensure all civil paper service fees are collected. In addition, the Sheriff charges a flat fee for mileage when serving civil service papers, which is not in accordance with state law. During the year ended December 31, 2014, the Sheriff collected approximately \$12,500 for civil service paper fees.

The Sheriff's department logs all civil service papers to be served, however, no payment is required before service is performed, and no reconciliation is performed of papers served to monies received. Our review of the civil paper service log for the month of September 2014 indicated \$1,150 in service fees should have been collected, however, only \$650 could be traced to a receipt. The Sheriff's department had not followed up on the unpaid amounts. As a result, the Sheriff has no assurance all fees due have been received and an accurate accounts receivable balance cannot be determined. In addition, the Sheriff charges a flat fee for mileage of \$20. However, Section 57.280, RSMo, requires the Sheriff be reimbursed for each mile



## Hickory County Management Advisory Report - State Auditor's Findings

actually traveled to serve any summons, writ, subpoena, or other order of the court.

Establishing procedures to reconcile the civil papers served to fees collected helps ensure the Sheriff is collecting all fees due, and reduces the risk of loss, theft, or misuse of funds. Changing the fee structure to require a per-mile reimbursement for service will bring the Sheriff into compliance with state law.

### 1.3 Deposits

Procedures for depositing monies collected are not sufficient. Monies received are not reconciled to monies deposited, and monies collected are not deposited timely. Our review of deposits indicated that although the Sheriff's department lists individual checks on deposit slips, there is no indication of which cash receipts are included in the deposit. As a result, the Sheriff cannot demonstrate all monies received were deposited. In addition, our review of receipts for a one month test period indicated a \$1,500 cash bond was not deposited for 5 days after being received, and also indicated other monies collected were not deposited for several weeks.

Establishing procedures to ensure all receipts are deposited intact and timely helps to reduce the risk of loss, theft, or misuse of monies received going undetected.

### 1.4 Seized property

The Sheriff's master listing of seized property does not contain all property maintained. Current procedures are to complete a chain of custody evidence card, and enter the evidence into the computer system. However, not all evidence prior to 2014 has been entered in the computer system. In addition, the Sheriff's department does not conduct periodic inventories of seized property.

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 stored items. Inventory control records should be maintained and periodic physical inventories performed and the results compared to the inventory records to ensure seized property and evidence are accounted for properly.

## Recommendations

The Sheriff:

- 1.1 Ensure adequate procedures for inmate monies are established and followed, and retain supporting documentation for inmate disbursements.
- 1.2 Develop procedures to track, monitor, and pursue collection of civil paper service fees, and ensure fees are charged in compliance with Section 57.280, RSMo.



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Management Advisory Report - State Auditor's Findings

- 1.3 Reconcile receipts to deposits to ensure receipts are deposited intact and timely.
- 1.4 Maintain a complete master listing of all seized property, perform periodic physical inventories, and compare the results to the master listing.

## Auditee's Response

*The Sheriff provided the following responses:*

- 1.1 *Procedures have been put in place to track each inmate's balance, and ensure documentation of disbursements is maintained.*
- 1.2 *Procedures have been implemented to track any unbilled civil fees and actual mileage is now being charged for service of civil papers.*
- 1.3 *Procedures have been put in place to implement this recommendation.*
- 1.4 *The Sheriff's department is in the process of updating property records. Procedures will be developed to perform periodic physical inventories, and we will work with the Judge to dispose of any old property and update all records.*

## 2. County Credit Purchases

The county did not obtain adequate documentation to support some fuel purchases made on credit. We tested 3 lines of credit and 5 credit card transactions and noted the following:

- Our review of invoices for one of the Sheriff's lines of credit determined the county did not always obtain supporting documentation for fuel purchased. Instead, a vendor was allowed to submit a ledger indicating the Sheriff's employee name, date, and amount of purchase. The county did not obtain sales slip receipts to ensure fuel was purchased by a county employee, and the Sheriff's department does not reconcile the amounts billed to its fuel logs to ensure all charges are appropriate. Our reconciliation of a fuel billing statement from one vendor to the Sheriff's fuel log for July 2014 identified two transactions billed to the county were not included in the Sheriff's fuel log. As a result of our questions, the county started requiring sales slip receipts for fuel purchases from this vendor starting in December 2014. During the year ended December 31, 2014, the county spent \$14,237, on fuel purchases for the Sheriff's department.
- Our review of fuel credit card invoices noted two instances where the county paid invoices despite not having signed sales slip receipts to support all of the fuel purchases billed. For one invoice, 2 of the 6 purchases did not have a supporting sales slip receipt. At our request,





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the county obtained the missing sales slip receipts, which had been signed by a county employee and appeared appropriate.

Our review of a second invoice from another fuel credit card used by the Sheriff's department and the road and bridge department determined no sales slip receipts were being provided to the county. The monthly invoice documented the quantity, price per gallon, and total purchase amount. However, the county did not obtain a sales slip receipt to ensure a county employee made the fuel purchase and did not receive approval from the Sheriff's department or the road and bridge department to ensure the appropriateness of the purchases.

To ensure all charges actually incurred and amounts paid are proper, all disbursements should be supported by signed sales slip receipts and approved by the applicable department incurring the charges before payment of the invoice.

## Recommendation

The County Commission obtain adequate supporting documentation for all credit purchases and ensure all charges are approved by the applicable department incurring the charges prior to payment.

## Auditee's Response

*The County Commission provided the following response:*

*The County Commission agrees improvement is needed, and has already begun to obtain supporting documentation for credit purchases and departmental approval before payment.*

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## 3. Vehicle Usage

Based on discussions with the Sheriff and several citizens of Hickory County, the Sheriff and some of his deputies have used county patrol vehicles for personal use. As reported in our prior audit report, the county does not have a comprehensive written vehicle use policy and no record of personal mileage is documented. The Sheriff stated any personal use is covered under the department's informal ride along policy that allows citizens to ride in Sheriff vehicles; however, the department does not have a formal written policy indicating what is considered allowable use under the ride along policy. Such use results in both a significant potential liability for the county and unnecessary fuel costs. Individuals not employed by the county, such as spouses or children, should not be passengers in county vehicles, unless they are involved in the conduct of county business. The county owns 12 passenger vehicles with 10 vehicles for the Sheriff's department, 1 for the County Commission, and 1 for the County Assessor.

A vehicle use policy should address allowable and unallowable use of county vehicles and the records required to account for such use, justification for assigning vehicles to individuals, and the justification for commuting.



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Management Advisory Report - State Auditor's Findings

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**Recommendation**

The County Commission adopt a comprehensive written vehicle use policy.

**Auditee's Response**

*The County Commission provided the following response:*

*The County Commission will strongly recommend that each elected official within his/her department that operates passenger vehicles adopt a formal written policy for acceptable and/or allowable use of the county vehicles.*

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**4. Computer Controls**

The County Commission has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the offices of the County Clerk, County Treasurer, County Collector, County Assessor, and Recorder of Deeds are not required to periodically change their password.

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

A similar condition was noted in our prior audit report.

**Recommendation**

The County Commission require employees change passwords periodically to prevent unauthorized access to the county's computers and data.

**Auditee's Response**

*The County Commission provided the following response:*

*The County Commission understands the importance of password protection of the county computers and will recommend each elected official with a department require computer passwords to be changed every ninety days.*

# Hickory County

## Organization and Statistical Information

Hickory County is a county-organized, third-class county. The county seat is Hermitage.

Hickory 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 39 full-time employees and 9 part-time employees on December 31, 2014.

### Elected Officials

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

Officeholder	2015	2014
Robert Sawyer, Presiding Commissioner	\$	27,080
Robert Breshears, Associate Commissioner		25,080
Rick Pearson, Associate Commissioner		25,080
Pamela Hutton, Recorder of Deeds		38,000
Jeanne Lindsey, County Clerk		38,000
James Brown, Prosecuting Attorney		45,000
Raymond S. Tipton, Sheriff		43,000
Kenny Ratliff, County Treasurer		38,000
Connie Boller, County Coroner		11,000
Cindy Gates, Public Administrator (1)		16,667
Karen Stokes, County Collector, year ended February 28,	38,000	
Clint D. Baker, County Assessor, year ended August 31,		38,000

(1) Compensation paid from March 1, 2014, through December 31, 2014. Rhonda Hargriss served as the Public Administrator from January 1, 2014, through February 28, 2014, and was paid \$3,333.