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Missouri State Auditor

Schuyler County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Schuyler County

Sheriff Controls and Procedures	A master listing of all seized property is not maintained. The Sheriff's office does not maintain adequate records over inmate monies nor do office personnel always issue receipt slips immediately upon receipt of monies received after regular office hours. Additionally, checks and money orders are not restrictively endorsed immediately upon receipt, and some fuel and mileage logs for county-owned vehicles were missing.
County Collector Controls and Procedures	The County Collector allows the County Clerk and the County Treasurer to collect property taxes, resulting in inappropriately segregated duties. The County Collector, the Deputy County Collector, the County Treasurer, and the County Clerk use the same password to access a County Collector's office computer.
Information Systems Backup	The Prosecuting Attorney does not back up computer data. The Recorder of Deeds and County Assessor do not store backup files at an off-site location. The County Assessor's office computers contain the databases for the property tax system shared by the County Assessor, County Clerk, and County Collector's offices, leaving those offices at risk if data could not be recovered.
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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Schuyler County

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Schuyler County

We have audited certain operations of Schuyler County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer and Associates, PC, has been engaged to audit the financial statements of Schuyler County for the 2 years ended December 31, 2014. 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:

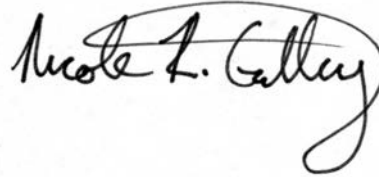
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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) no significant 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 Schuyler County.

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

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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Audit Staff:	Jennifer Anderson
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Schuyler County Management Advisory Report State Auditor's Findings

1. Sheriff Controls and Procedures

Controls and procedures related to seized property and inmate monies need improvement. Receipt slips are not always issued for some monies received, and adequate fuel usage records are not maintained. Sheriff records indicate approximately \$31,700 was received for civil and criminal process fees, concealed carry weapon permits, bonds, and other miscellaneous receipts during the year ended December 31, 2014.

The former elected Sheriff resigned effective July 31, 2014. An interim Sheriff was appointed to serve until a special election on November 4, 2014. The current Sheriff took office after certification of the special election results on November 7, 2014. Recommendations are directed to the current Sheriff since he is in a position to work with the County Commission and implement changes.

1.1 Seized property

As noted in our prior audit report, the Sheriff's office has not established adequate controls over seized property. A master listing of all seized property is not maintained. Seized property is documented in each case file and office personnel performed a physical inventory of the seized property rooms in February 2015; however, without a master listing of the seized property items, it is not possible to ensure all items were accounted for in the inventory.

Considering the 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, periodic physical inventories performed, and the results compared to the inventory records to ensure seized property is accounted for properly.

1.2 Inmate monies

The Sheriff did not maintain adequate records over inmate monies. During a cash count on January 6, 2015, we noted cash totaling \$158 in 2 envelopes for one inmate in the office safe. The cash balance per the inmate's transaction ledger was \$14, resulting in a difference of \$144.

Sheriff personnel indicated one envelope was maintained for the inmate's booking money and the other envelope for commissary money. The Sheriff indicated inmate money should be recorded on the inmate's transaction ledger, the money put in the inmate's envelope, and the envelope put in the office safe. Monies are used to purchase commissary items. However, monies were kept in 2 envelopes instead of one and the inmate's transaction ledger did not include all transactions or monies from both envelopes and also included other transactions. A ledger entry should be made for all inmate transactions including the receipt of monies and disbursement of those monies. Upon release, office personnel return any remaining monies to the applicable inmate.



Schuyler County Management Advisory Report - State Auditor's Findings

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the Sheriff should ensure office personnel follow the established procedure of maintaining one envelope for each inmate's monies and ensure the transaction ledger includes all activity documenting the inmate's balance, receipts, and disbursements.

1.3 Receipting procedures

Office personnel do not always issue receipt slips immediately upon receipt of monies received after regular office hours. County jailers or dispatchers are responsible for issuing receipt slips when the secretary is not in the office; however, the secretary sometimes has to issue receipt slips after she returns to the office for monies they received. In addition, checks and money orders are not restrictively endorsed immediately upon receipt, but are endorsed when deposits are prepared.

Failure to implement adequate receipting and endorsement procedures increases the risk that loss, theft, or misuse of monies received will go undetected. To adequately safeguard receipts and reduce this risk, procedures should ensure receipt slips are written immediately for all monies received and all receipts are restrictively endorsed upon receipt.

1.4 Fuel usage

Office personnel began keeping fuel and mileage logs for county-owned vehicles in September 2014; however, some monthly vehicle logs were missing since that time. During the year ended December 31, 2014, the Sheriff's office spent approximately \$19,800 on fuel.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and to support fuel charges. Failure to review fuel use and reconcile to fuel purchased could result in loss, theft, and misuse of fuel going undetected.

Recommendations

The Sheriff:

- 1.1 Maintain a master listing of all items in the seized property rooms, perform periodic physical inventories, and compare the results to the inventory records.
- 1.2 Maintain records indicating balances, receipts, and disbursements made by the inmate and reconcile the balances to the monies held.
- 1.3 Ensure receipt slips are timely issued for all monies received and ensure all checks and money orders are restrictively endorsed upon receipt.
- 1.4 Ensure fuel use and mileage logs are maintained and retained for all county-owned vehicles, and these logs are reviewed for accuracy



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and reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

The Sheriff provided the following responses:

- 1.1 Since taking office in November 2014, I have begun to implement these procedures. A master inventory of evidence is now maintained. A physical inventory was performed in February 2015 and will be conducted annually in the future. The results of the physical inventory will be compared to the inventory records.*
- 1.2 The Sheriff's office no longer accepts or maintains monies for inmates for commissary purchases, because there is now a commissary vendor. Payments are made directly to the vendor and not to the Sheriff's office; therefore, records of inmate balances are no longer necessary. The only money received from inmates is the money in the inmate's possession at the time of booking. This money is not available for commissary use.*
- 1.3 All employees have been trained in proper receipting procedures and now issue receipt slips at all times. Checks and money orders are restrictively endorsed immediately upon receipt.*
- 1.4 Fuel and mileage logs are now required for all vehicles. Fuel logs are reconciled to fuel purchases (receipts) monthly. The fuel and mileage logs have been modified since I took office to better document fuel usage. Additionally, new fuel cards have been acquired with better controls over fuel usage.*

2. County Collector Controls and Procedures

Other county officials are collecting property taxes for the County Collector. In addition, the County Collector has not established adequate password controls to reduce the risk of unauthorized access to computers and data.

2.1 Segregation of duties

The County Collector allows the County Clerk and the County Treasurer to collect property taxes during busy periods or when County Collector personnel are not available. Receipts collected by the County Clerk and the County Treasurer cannot be determined because they use the same computer workstation used by County Collector personnel for processing collections (see section 2.2). In addition, the County Clerk and County Treasurer are not covered under the County Collector's bond.

The County Clerk's statutory duties include reviewing the County Collector's annual settlement to ensure it is complete and accurate. When the County Clerk collects property taxes, this negates the segregation of



Schuyler County Management Advisory Report - State Auditor's Findings

duties intended by the review of the annual settlement. The statutory duties of the County Clerk and the County Treasurer do not include collecting property taxes for the County Collector. Without adequate segregation of duties, there is an increased risk of loss, theft, misuse, or errors occurring and going undetected. Additionally, allowing county officials not covered by the County Collector's bond to perform duties of the County Collector puts the county at an increased risk that a claim against the bond could be denied.

2.2 Password controls

The log in and password for one of the County Collector's workstations with access to property tax records is shared by the County Collector, the Deputy County Collector, the County Treasurer, and the County Clerk. As a result, accountability for receipts collected cannot be established and the risk of loss, theft, misuse, or errors is greatly increased.

Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping passwords confidential. However, since passwords are shared among employees, 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 to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendations

The County Collector:

- 2.1 Discontinue allowing the County Clerk and County Treasurer to collect monies for the County Collector's office.
- 2.2 Require unique passwords for each employee that are confidential to prevent unauthorized access to computers and data.

Auditee's Response

The County Collector provided the following response:

I agree with the recommendations and have taken steps to implement them.

3. Information Systems Backup

The Prosecuting Attorney does not back up computer data. The Recorder of Deeds and County Assessor do not store backup files at an off-site location. The County Assessor's office computers contain the databases for the property tax system shared by the County Assessor, County Clerk, and County Collector's offices, leaving those offices at risk if data could not be recovered.

Preparation of backup data, preferably on a daily or at least weekly basis, and off-site storage would provide increased assurance county data could be recreated if necessary. Failure to store computer backup data at a secure off-



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site location results in the backup data being susceptible to the same damage as the data on the computer.

Recommendation

The Prosecuting Attorney should ensure computer data is backed up periodically. In addition, the Prosecuting Attorney, Recorder of Deeds, and County Assessor should ensure computer backup data is stored at a secure off-site location.

Auditee's Response

The Prosecuting Attorney provided the following response:

Data is now backed up and taken off-site.

The Recorder of Deeds provided the following response:

The recommendation has been implemented. All data is now being backed up and taken off-site.

The County Assessor provided the following response:

This recommendation has been implemented. Backup of data has always been performed. We were under the belief that the software vendor was remotely backing up office data. The backup files are now being taken off-site.

Schuyler County

Organization and Statistical Information

Schuyler County is a county-organized, third-class county. The county seat is Lancaster.

Schuyler 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 30 full-time employees and 5 part-time employees on December 31, 2014.

In addition, county operations include the 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	2015	2014
Rodney Cooper, Presiding Commissioner	\$	21,800
Jim Werner, Associate Commissioner		19,800
Jeff Lindquist, Associate Commissioner		19,800
Linda Blessing, Recorder of Deeds		30,000
Bree Shaw, County Clerk		30,000
Lindsay Gravett, Prosecuting Attorney		38,000
Joe Wuebker, Sheriff (1)		5,499
Luis Perez, Sheriff (1)		9,918
Josh Dole, Sheriff (1)		21,583
Karmen Burt, County Treasurer		30,000
Douglas B. Norman, County Coroner		8,500
Ronald L. Morgan, Public Administrator		15,000
Tammy R. Steele, County Collector, year ended February 28,	30,000	
Gary Stump, County Assessor, year ended August 31,		29,667

(1) Josh Dole resigned as Sheriff effective July 31, 2014. Luis Perez served as interim Sheriff until a special election held November 4, 2014. Joe Wuebker took office after certification of the election results on November 7, 2014.

Restitution Funds

As noted in our prior audit, weaknesses in internal controls in the County Collector's office allowed the former County Collector to steal \$568,974 from the office. On December 19, 2011, Kathy Roberts pled guilty in federal court to one felony count of mail fraud. She was sentenced to 33



Schuyler County Organization and Statistical Information

months in federal prison and ordered to pay restitution of \$568,974. On June 6, 2012, she pled guilty in state court to felony stealing and was placed on 5 years' probation.

The county established two funds to account for the restitution due from the former County Collector. The Collector Bond Recovery Fund was established to accept and disburse \$242,937 received from the bonding company that insured the former County Collector. These monies have been distributed to the taxing entities and the fund has been closed. The Collector Restitution Fund was established to accept and disburse the monthly restitution payments due from the former County Collector. These monies will be disbursed to taxing entities as appropriate. As of December 31, 2014, the county had received \$788 and none of it had been disbursed.