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Missouri State Auditor

Grundy County

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Grundy County

Prosecuting Attorney's Controls and Procedures	<p>The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. Proper controls or procedures for receipting, depositing, and transmitting monies have also not been established and bank reconciliations are not prepared on a monthly basis. The Prosecuting Attorney's office does not have adequate procedures to ensure charges are filed timely with the court for unresolved bad check complaints, and adequate procedures are not in place to ensure sufficient information is obtained for the prosecution of bad checks. Procedures are not adequate to ensure restitution amounts entered into the accounting system and collected by the Prosecuting Attorney's office agree to court-ordered restitution amounts and there are no established procedures to routinely follow up on outstanding checks.</p>
Sheriff's Controls and Procedures	<p>The Sheriff has not adequately segregated accounting duties and does not perform adequate supervisory reviews of the accounting records. The Sheriff's office does not prepare complete and accurate bank reconciliations for the commissary bank account to ensure accounting records agree with bank records and liabilities are not reconciled to available cash balances. The Sheriff's office has not established procedures to dispose of seized property, and does not conduct periodic physical inventories of seized property. The Sheriff's office does not maintain adequate records to account for net proceeds earned on telephone card sales to inmates in the county jail, and net proceeds are not disbursed timely to the County Collector-Treasurer.</p>
Ambulance Department's Controls and Procedures	<p>The Ambulance Department Director has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The Ambulance Department does not always transmit monies intact or timely. Billings are not prepared timely, accounts receivable are not adequately monitored, and written procedures are not always followed for the collection of past due amounts or for writing off accounts receivable.</p>
County Collector-Treasurer's Controls and Procedures	<p>The County Collector-Treasurer does not account for the numerical sequence of receipt numbers assigned by the computer system, and has not distributed the portion of protested tax payments not under protest to political subdivisions as authorized by the State Tax Commission. An unidentified balance in the County Collector-Treasurer's general bank account was not disposed of in accordance with state law.</p>
Computer Controls	<p>Controls over county computers are not sufficient to prevent unauthorized access by requiring password changes or to restore key systems in the event of a disaster or system failure. The County Collector-Treasurer, Prosecuting Attorney, Sheriff, Ex Officio Recorder of Deeds, County Clerk, County Assessor, Public Administrator, and Ambulance Department have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees are not required to change passwords on a periodic basis, and the County Clerk's office employees do not keep passwords confidential. The Prosecuting Attorney, Public Administrator, and Ambulance Department do not perform periodic testing of backup data and do not store backups at an off-site location. As a result, county records are not adequately protected and are susceptible to unauthorized access or damage.</p>

Senate Bill 40 Board Closed MeetingsS

The Senate Bill 40 Board did not prepare minutes for 3 of the 4 closed meetings held in 2014, in accordance with state law.

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 **Fair**.*

*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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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Grundy County

We have audited certain operations of Grundy County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Grundy 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:

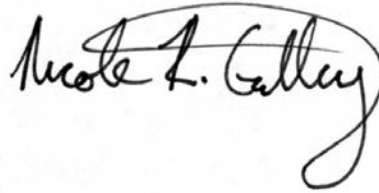
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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) 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 Grundy County.

A handwritten signature in black ink, reading "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:

Deputy State Auditor: John Luetkemeyer, CPA
Director of Audits: Randall Gordon, M.Acct., CPA, CGAP
Audit Manager: Robyn Vogt, M.Acct., CPA
In-Charge Auditor: Brian Hammann, M.Acct., CPA
Audit Staff: Hussein A. Arwe

Grundy County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collects money orders for bad check restitution and fees and these monies are receipted and transmitted to the applicable party. Money orders are also collected for court-ordered restitution and fees, and these monies are receipted, deposited, and disbursed by check to the applicable party. The Prosecuting Attorney's office collected approximately \$90,000 during the year ended December 31, 2014.

Christine Stallings was the Prosecuting Attorney during 2014. Carrie Lamm-Clark took office on January 1, 2015; however, she has been absent due to active military duty since that time. Adam Warren has been serving as the interim Prosecuting Attorney since January 2015.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The Bad Check Clerk is responsible for entering all information related to bad check complaints and payments (prior to charges being filed) in the computerized accounting system and for transmitting these payments and fees to the applicable party. The Office Manager is responsible for entering all information related to court-ordered restitution (including bad checks filed with the court) and related payments into the computerized accounting system, depositing monies into the restitution bank account, disbursing these payments to the applicable party, and performing bank reconciliations (see section 1.3). Both employees also have the ability to post adjustments to defendant accounts in the computerized accounting system without independent approval. The Prosecuting Attorney does not perform a documented supervisory review of the accounting records to ensure all monies received are properly recorded and transmitted or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement documented independent or supervisory reviews of accounting records, which would include a review of adjustments made.

1.2 Receipting, depositing, and transmitting monies

The Prosecuting Attorney has not established proper controls or procedures for receipting, depositing, and transmitting monies. We noted the following concerns:

- The Bad Check Clerk does not transmit bad check restitution and fees timely. For example, a cash count performed on January 22, 2015, identified 46 money orders on hand totaling \$4,270, of which 22 money orders totaling \$2,185 had been receipted from December 10 to December 22, 2014.



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- The Office Manager does not always deposit court-ordered restitution and fees timely. During 2014, 22 deposits (less than 2 per month) averaging approximately \$2,200 were made to the restitution bank account.
- Office personnel do not account for the numerical sequence of receipt slips. Our review of 49 receipt slips issued for December 2014, identified 2 receipt slip numbers had been skipped. Office personnel could not explain the reason these receipt slip numbers had been skipped.
- Money orders for bad check fees are not restrictively endorsed immediately upon receipt. A cash count performed on January 22, 2015, identified 20 money orders, totaling \$817, were not restrictively endorsed.

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 deposited or transmitted timely.

1.3 Bank reconciliations and liabilities

The Office Manager does not prepare bank reconciliations on a monthly basis. As of January 2015, the Office Manager had not prepared bank reconciliations for the restitution bank account since April 2014. In addition, the Office Manager does not prepare monthly lists of liabilities, and therefore, liabilities are not reconciled to the cash balance in the restitution account. Upon our request, the Office Manager prepared bank reconciliations through February 2015, and prepared a list of liabilities at February 28, 2015. The identified liabilities of \$8,448 at that date exceeded the reconciled bank balance by \$101 indicating the bank account did not contain sufficient funds to pay all liabilities.

Preparing monthly bank reconciliations is necessary to ensure accounting records are in balance and to identify errors timely. In addition, regular identification of liabilities and comparison to the reconciled cash balance is necessary to ensure bank and book records agree, and cash is sufficient to meet liabilities.

1.4 Charges filed

The Prosecuting Attorney has not established adequate procedures to ensure charges are filed timely with the court for unresolved bad check complaints.

We reviewed 10 bad check cases and noted charges were filed on 4 cases. For these 4 cases, charges were not filed until 156 to 1,011 days after the 10-day letter was issued by the office. For example, the Prosecuting Attorney's office received a bad check from a local vendor and issued a 10-day letter on November 11, 2013, notifying the bad check writer he/she has 10 days to pay before charges are filed; however, charges were not filed against the bad check writer until May 15, 2014.



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Procedures should be established to ensure charges are timely filed with the court for unresolved bad check complaints. Untimely filing of charges with the court may limit the ability to collect bad check payments for merchants.

1.5 Bad check complaint forms

The Prosecuting Attorney has not established adequate procedures to ensure sufficient information is obtained for the prosecution of bad checks. The office does not require submission of a complaint form when bad checks are turned over to the Prosecuting Attorney for collection; instead, the office obtains a complaint form from the merchant prior to charges being filed. Of the 10 bad check cases we reviewed, the office did not obtain the complaint form until filing charges for 3 cases and no complaint form was on file for 4 cases. By not obtaining these complaint forms when bad checks are submitted for collection, sufficient information may not be available and potentially delay the filing of charges (see section 1.4).

To ensure bad checks are handled and prosecuted properly, the office should require submission of a bad check complaint form along with the bad check. According to the Missouri Bad Check Prosecution Handbook prepared by the Missouri Office of Prosecution Services, the Prosecuting Attorney's office must have an initial complaint form upon which all essential data concerning the original check transaction can be recorded to begin processing the bad check. This form is to contain all necessary factual information as this form may eventually become the basis for the probable cause statement required for filing charges.

1.6 Court-ordered restitution

Procedures are not adequate to ensure restitution amounts entered into the accounting system and collected by the Prosecuting Attorney's office agree to the court-ordered restitution amount.

The Office Manager enters restitution amounts into the accounting system using police reports, insurance estimates, and other case related documents. However, none of this documentation is court approved. For each of the 10 restitution cases we reviewed, the Circuit Clerk provided a court judgment showing restitution had been ordered for all cases reviewed, but the judgment did not include the restitution amount the defendant was ordered to pay.

To ensure the court-ordered restitution amounts are entered into the accounting records, the Prosecuting Attorney should work with the Circuit Clerk to obtain the court-ordered restitution amount for all restitution cases.

1.7 Outstanding checks

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. As a result, at February 28, 2015, the restitution bank account had \$4,348 in checks that had been outstanding for over a year. Of this amount, \$4,263 relates to checks issued to 31 payees in 2006 or earlier. The office has not taken any action to reissue or resolve these outstanding checks.



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Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law.

Similar conditions
previously reported

Similar conditions to sections 1.1, 1.2, and 1.3 were noted in our 3 prior audit reports and a similar condition to section 1.7 was noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 1.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
- 1.2 Ensure transmittals and deposits are made timely, the numerical sequence of all receipt slip numbers is accounted for, and money orders are restrictively endorsed immediately upon receipt.
- 1.3 Prepare formal bank reconciliations monthly and reconcile bank balances to monthly lists of liabilities ensuring any differences between accounting records and reconciliations are investigated and resolved.
- 1.4 Establish procedures to file charges with the court timely.
- 1.5 Establish procedures to ensure bad check complaint forms are obtained at the time bad checks are submitted for collection.
- 1.6 Work with the Circuit Clerk's office to obtain court-ordered restitution amounts to ensure these are entered into the accounting records.
- 1.7 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.

Auditee's Response

Due to the lack of funding from the state and limited funds from the county we will only be able to have one full-time employee in the office effective immediately. Due to lack of funding in bad check collections, our office has no funds to pay for additional full-time or part-time employees.

As noted in three previous audit reports, similar conditions have been reported to sections 1.1, 1.2, and 1.3 as well as 1.7 in one previous audit. Since our last audit, we had new computer systems/programs which had benefited the receipting, recording, and disbursing functions of this office;



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however, we are still finding glitches (such as missing receipt numbers) and have attempted to resolve them although we have been unsuccessful at getting responses from the system vendor.

With respect to all recommendations made:

- 1.1 It is not possible to segregate the duties of collecting bad checks and/or restitution, with only one full-time employee in the office. The Prosecuting Attorney on a monthly basis, will ensure that transactions are accounted for properly and assets are adequately safeguarded by reviewing disbursements and all accounting adjustments.*
- 1.2 We will attempt weekly deposits and transmittals, and monies will be immediately endorsed upon receipt. We will also attempt to account for the numerical sequence of all receipt numbers.*
- 1.3 Formal bank reconciliations are being done monthly and reviewed since we have utilized a QuickBooks program instead of excel which wasn't working during the timeframe the audit was conducted. We will also attempt to maintain a monthly list of liabilities and reconcile the list to the reconciled bank balance.*
- 1.4 Check procedures have been established and enforced. They will be checked by the Prosecuting Attorney periodically to ensure they are being implemented and charging decisions are made timely.*
- 1.5 Since January 2015, all checks that are accepted in the Prosecuting Attorney's office are accompanied with a bad check complaint form.*
- 1.6 Our office will attempt to make sure the Circuit Clerk's office obtains and inserts a restitution amount when ordered by the Judge.*
- 1.7 Outstanding checks have been voided and new ones issued with payments to any payees that could not be located being forwarded to the state in accordance with the law.*

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office deposited approximately \$86,000 into the Sheriff's fee bank account and approximately \$37,000 into the commissary bank account during the year ended December 31, 2014.

2.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform adequate supervisory reviews of the accounting records. One office assistant is responsible for the Sheriff's fee bank account and the other office assistant is responsible for the commissary bank account. Each employee is



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responsible for receipting, recording, depositing, and disbursing monies for the account assigned. The Sheriff reviews the bank statements and the bank reconciliations for both accounts but does not perform a documented supervisory review of the detailed accounting records to ensure all monies received are properly recorded, deposited, and disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement documented independent or supervisory reviews to ensure bank records are in agreement with accounting records.

2.2 Bank reconciliations and liabilities

The Sheriff's office does not prepare complete and accurate bank reconciliations for the commissary bank account to ensure accounting records agree with bank records and does not reconcile liabilities to available cash balances.

Bank reconciliations

Unreconciled differences identified on the bank reconciliations are not properly investigated and resolved. The December 2014 bank reconciliation indicated the reconciled bank balance exceeded the book balance by \$270, although as of January 2015, there was only a \$3 difference, and as of February 2015, there was a \$48 difference. In addition, we noted several errors in the December 2014 bank reconciliation. For example, several outstanding checks were excluded from the reconciliation, several checks issued in the following month were improperly included in the reconciliation, and deposits in transit were not accurately identified.

Liabilities

The office assistant does not prepare monthly lists of liabilities for the commissary bank account, and consequently, liabilities are not compared to the reconciled bank balance. At our request, a list of liabilities for the commissary account was prepared and identified liabilities totaled \$1,463 at December 31, 2014. However, as noted above, the December 31, 2014, reconciled bank balance was not accurate; therefore, liabilities were compared to the book balance. The identified liabilities of \$1,463 exceeded the book balance of \$1,179 by \$284, indicating sufficient funds may not be available to pay all liabilities.

The preparation of complete and accurate monthly bank reconciliations, including investigation and correction of unreconciled amounts, is necessary to ensure accounting records are in balance and to identify errors timely. In addition, regular identification of liabilities and comparison to the reconciled cash balance is necessary to ensure bank and book records agree, and cash is sufficient to meet liabilities.



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2.3 Seized property

The Sheriff's office has not established procedures to dispose of seized property held for long time periods, and does not conduct periodic physical inventories of seized property. According to the inventory listing, several items had been held for years with 2 items dating back to cases from the 1980s.

The Sheriff's office should establish procedures to dispose of property consistent with Section 542.301, RSMo. 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 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.

2.4 Telephone net proceeds

The Sheriff's office does not maintain adequate records to account for net proceeds earned on telephone card sales, and net proceeds are not disbursed timely to the County Collector-Treasurer. During the year ended December 31, 2014, net proceeds on telephone card sales totaled approximately \$2,600. However, approximately \$8,100 of net proceeds received over several years were disbursed to the County Collector-Treasurer during the year ended December 31, 2014.

Net proceeds from telephone cards sold to inmates are maintained in the commissary bank account. However, records of these proceeds are not maintained making it difficult to determine the total accumulated in the commissary bank account. These net proceeds are not disbursed timely and only disbursed to the County Collector-Treasurer's Inmate Prisoner Detainee Security Fund when the commissary bank account has an excessive balance. Without adequate records, net proceeds cannot be disbursed timely, fully accounted for, and accurately determined when reconciling liabilities to the available cash balance (see section 2.2).

To reduce the risk of loss, theft, or misuse of funds, detailed records should be maintained to adequately account for net proceeds earned on telephone card sales. In addition, Section 221.102, RSMo (effective August 28, 2013), requires each county jail to keep revenues from its canteen or 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) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

Similar conditions previously reported

Similar conditions to sections 2.1 and 2.4 were noted in our 3 prior audit reports and a similar condition to section 2.2 was noted in our prior audit report.



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Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties or ensure adequate supervisory reviews of accounting records are performed and documented.
- 2.2 Perform complete and accurate bank reconciliations for the commissary bank account and reconcile bank balances to monthly lists of liabilities ensuring any differences are investigated and resolved.
- 2.3 Ensure a periodic inventory is conducted and reconciled to the records, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.
- 2.4 Maintain records to adequately account for net proceeds earned on telephone card sales. In addition, net proceeds should be disbursed to the County Collector-Treasurer monthly.

Auditee's Response

- 2.1 *Accounting duties have been segregated to the best of my ability due to staff size and work load. I have performed documented supervisory reviews to the best of my ability and documented independent reviews have been conducted on non-audit years.*

Throughout my 11 year tenure as Grundy County Sheriff, this has been a continuing issue with the State Auditor's office; however, not once has there been a finding of lost, stolen, or misappropriated funds. The practices and procedures of the Grundy County Sheriff's office may not please the State Auditor's office, but my staff and I have always and will always operate in the best manner possible given our size and ability.

- 2.2 *I will work with staff to perform complete and accurate bank reconciliations for the commissary bank account and reconcile that account with our liabilities, then investigate and resolve any differences.*
- 2.3 *I have already begun to work with the Prosecuting Attorney's office and the Courts for a timelier disposition of seized property and I will perform periodic physical inventories of seized property and investigate any differences.*
- 2.4 *Records to more adequately account for net proceeds earned on inmate telephone card sales will be maintained. I will instruct staff to disburse net proceeds to the County Collector-Treasurer (Inmate Security Fund) monthly, if possible; however, a portion of the net*



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proceeds are needed on hand in the commissary account to purchase the inmate telephone cards (upfront cost).

3. Ambulance Department's Controls and Procedures

Controls and procedures in the Ambulance Department need improvement. The Ambulance Department collected approximately \$506,000 in ambulance service and other miscellaneous receipts during the year ended December 31, 2014.

3.1 Segregation of duties

The Ambulance Department Director has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The Billing Director is responsible for preparing billings for ambulance services, receipting and recording monies received, and transmitting these monies to the County Collector-Treasurer. During the year ended December 31, 2014, the Billing Director also made adjustments (charge offs) totaling approximately \$102,000 to ambulance service billings without independent approval. The Ambulance Department Director does not perform a documented supervisory review of the detailed accounting records to ensure billings are properly prepared, and all monies received are properly recorded and transmitted to the County Collector-Treasurer.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Ambulance Department Director should implement documented independent or supervisory reviews of accounting records, including a review of adjustments made.

3.2 Transmitting monies

The Ambulance Department does not always transmit monies intact or timely.

Monies collected between May 13, 2014, and May 29, 2014, totaling \$6,115, were not transmitted until May 30, 2014. However, a receipt for \$10 collected on May 15, 2014, was transmitted on May 23, 2014, and a receipt for \$16,226 collected on May 16, 2014, was transmitted on May 22, 2014. Additionally, a receipt for \$706 collected on March 31, 2014, was held and not transmitted to the County Collector-Treasurer until May 30, 2014. Ambulance Department personnel indicated the delay occurred because this receipt was a potential duplicate payment and they did not want to issue a refund check.

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



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3.3 Billing, collection, and write-off procedures

Billings are not prepared timely, accounts receivable are not adequately monitored, and written procedures for the collection of past due amounts and the write-off of accounts receivable are not always followed. Written procedures indicate past due accounts receivable are to be turned over to a collection agency 7 months (payment grace period) after initial patient billing if no payment agreement is in place. In addition, written procedures require the County Commission to approve the write-off of accounts receivable. Ambulance services accounts receivable totaled approximately \$306,000 as of December 31, 2014. We reviewed 25 billings and noted the following:

- Billings are not prepared timely. For 21 of 25 billings reviewed, it took more than 30 days after the date of service to prepare an invoice, and for 3 of these billings, it took approximately 3 months to prepare an invoice.
- Accounts receivable are not adequately monitored. For 9 of the 25 billings reviewed, we noted extended time periods from months to years with no activity or follow-up done by the Ambulance Department.
- Procedures were not followed on 4 billings for turning past due amounts over to a collection agency. Two billings were sent to a collection agency before the payment grace period had ended. Two other billings were never turned over to a collection agency with one billing written off 13 months after the payment grace period and the other written off 6 years after the payment grace period.
- The County Commission did not approve the July 2014 write-offs, totaling \$531, as required by written procedures.
- As of April 15, 2015, over 200 billings totaling approximately \$118,000 had not been turned over to a collection agency even though full payment had not been received in at least 15 months from the date of service.

Billings should be prepared timely to ensure timely collection of amounts owed. In addition, proper and timely monitoring of accounts receivable is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. Also, written procedures should be followed to ensure the consistency and propriety of the collection and write-off of accounts receivable.

Similar conditions previously reported

A similar condition to section 3.3 was noted in our 2 prior audit reports and a similar condition to section 3.2 was noted in our prior audit report.



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Recommendations

The Ambulance Department Director:

- 3.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. Additionally, the Ambulance Department Director should require a supervisory review and approval for all accounting adjustments.
- 3.2 Ensure all monies are transmitted intact and timely to the County Collector-Treasurer.
- 3.3 Ensure patients are timely billed and follow the written procedures for the collection and write-off of accounts receivable. In addition, establish procedures to routinely monitor accounts receivable and ensure proper follow-up action is taken on accounts with non-payment.

Auditee's Response

- 3.1 *The Ambulance Department Director as well as the County Commissioners receive a spreadsheet reporting monthly activities; beginning accounts receivable balance, collections, non-allowed/charge offs, bad debt, and the new accounts receivable balance. The Billing Director and the Ambulance Director will review each category monthly.*

We will request billing software modification to add receipt numbers to the billing balance sheet report. The numerical sequence of receipt numbers will be independently reviewed periodically.

Write-offs to bad debt accounts are approved by the County Commissioners before they are written off. We will consider performing independent periodic reviews of charge offs/adjustments.

- 3.2 *The Grundy County Ambulance Department recently hired a part-time clerk for office duties to include: pre-audit trip reports insurance information, mileage checks, correct date, etc. This person will also be contacting patients, hospitals, and the Highway Patrol for additional information needed for billing purposes. Another responsibility will be contacting insurance/patients for follow-up on unpaid balances. The part-time clerk along with the Billing Director and the Ambulance Department Director will be revising all procedures for improvement with current changes in the billing of Medicare, Medicaid, and other insurance companies.*

Our current procedure for transmitting monies to the Grundy County Collector-Treasurer's office: receipts are written daily for



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monies received, the monies are posted to accounts as soon as time permits, the County Collector-Treasurer is notified that she can stop by the Ambulance Department to pick monies up or the Ambulance Department Director will take monies to the County Commission meeting held on Tuesday of each week.

3.3 *Billing, collection, and write-off procedures:*

- *It is not always possible to bill within 30 days of date of service due to many reasons: tracking down insurance information, quality assurance issues, corrected trip information, and correct transfer information from emergency room, etc. According to Medicare and Medicaid rules, a service has 12 months to bill. The newly hired clerk will help with some of the above mentioned issues.*
- *For accounts receivable monitoring, the newly hired clerk will help with follow-up on outstanding accounts.*
- *Collection agency: accounts are turned over as soon as all avenues are exhausted. Certain accounts are held open for Medicaid or Medicare qualifying. Other accounts are turned over early because of returned mail with no forwarding address. As stated before, the newly hired clerk will do follow-up on accounts.*
- *For the July 2014 write-offs, patients were all deceased with no estates or monies. We failed to get the County Commissioners signatures.*
- *We do not send accounts to collections if a person is attempting to make payments or notifying us of the status of case pending. Some patients pay minimal amounts but do pay.*

In summary: with the hiring of a part-time clerk, this will reduce the load on the Billing Director giving more time for follow-up on open accounts, procedures, and general office practices.

4. County Collector-Treasurer's Controls and Procedures

Controls and procedures in the County Collector-Treasurer's office need improvement. The County Collector-Treasurer's office collected property taxes and other revenues of approximately \$8.9 million during the year ended February 28, 2015.



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4.1 Computer system controls

The County Collector-Treasurer does not account for the numerical sequence of receipt numbers assigned by the computer system. The 2 collection stations (cash drawers) share the same sequence of receipt numbers; therefore, receipt numbers are not in sequence because receipt numbers are skipped in the receipt number sequence on the daily cash reports generated for each station. Staff in the County Collector-Treasurer's office do not account for the numerical sequence of the receipt numbers when reviewing the daily cash reports and preparing deposits. In addition, receipts can be voided in the tax system after transactions are completed and the property tax system is unable to generate a list of voided receipts. During our review of receipts, we identified receipt numbers unused by both collection stations and the County Collector-Treasurer could not provide documentation to show whether the receipt numbers had been skipped or voided in the property tax system.

To ensure all monies received are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Collector-Treasurer should work with the computer software vendor to ensure adequate controls are in place to track the numerical sequence of all receipt numbers and the identification of voided receipts.

4.2 Protested taxes

The County Collector-Treasurer has not distributed the portion of protested tax payments not under protest to political subdivisions as authorized by the State Tax Commission (STC). The County Collector-Treasurer received letters from the STC in July 2014 notifying her of appeals by 2 taxpayers seeking a reduction in their valuation of state-assessed property. The County Collector-Treasurer received additional letters from the STC in November 2014 identifying the percentage of monies collected from these 2 taxpayers which may be distributed to political subdivisions and stating the remaining balance must be maintained in separate funds pending resolution of the appeals. The County Collector-Treasurer received payment of property taxes from both taxpayers in December 2014, and was still holding these payments in full in separate bank accounts as of March 10, 2015. The portion of taxes held by the County Collector-Treasurer that may be distributed to the political subdivisions totaled approximately \$41,500.

Section 139.031.2, RSMo, requires the County Collector-Treasurer to disburse all portions of taxes not protested or not disputed by the taxpayer and maintain in a separate fund all portions of such taxes that are protested or in dispute. In addition to being required by state law, timely distributions of property tax collections to the political subdivisions are important because most political subdivisions rely heavily on property tax revenues to fund their operations.

4.3 Unidentified monies

The County Collector-Treasurer's general bank account had a \$1,430 unidentified balance as of February 28, 2015. The County Collector-



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Treasurer has been unable to identify to whom these monies should be paid. The unidentified balance has been in the account since December 2013.

Maintaining unidentified bank balances increases the risk of loss, theft, or misuse of such funds. Various statutory provisions address the disposal of unidentified monies.

Recommendations

The County Collector-Treasurer:

- 4.1 Implement procedures to account for the numerical sequence of receipt numbers and work with the computer software vendor to ensure adequate controls are in place to track all receipt numbers, including voided receipts.
- 4.2 Distribute the non-protested portion of protested tax payments.
- 4.3 Dispose of unidentified monies in accordance with state law.

Auditee's Response

- 4.1 *I have talked to the computer software vendor to remedy accounting for the numerical sequence of receipt numbers and identification of voided receipts. We will review the numerical sequence of receipt numbers daily.*
- 4.2 *I was advised to deposit the whole protested amount. In the future, I will distribute the non-protested portion of protested tax payments.*
- 4.3 *I will dispose of unidentified monies in accordance with state law.*

5. Computer Controls

Controls over county computers are not sufficient to prevent unauthorized access by requiring password changes or to restore key systems in the event of a disaster or system failure. As a result, county records are not adequately protected and are susceptible to unauthorized access or damage.

5.1 Password controls

The County Collector-Treasurer, Prosecuting Attorney, Sheriff, Ex Officio Recorder of Deeds, County Clerk, County Assessor, Public Administrator, and Ambulance Department have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees are not required to change passwords on a periodic basis, and the County Clerk's office employees do not keep passwords confidential.

Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping passwords confidential. However, since passwords in these offices do not have to be periodically changed and some are not kept confidential, 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



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reduce the risk of a compromised password and unauthorized access to and use of computers and data.

5.2 Backup data

The Prosecuting Attorney, Public Administrator, and Ambulance Department do not perform periodic testing of backup data and do not store backups at an off-site location. Failure to store computer backup data at a secure off-site location results in the data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backups should be tested on a periodic basis and stored at a secure off-site location.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The County Commission work with other county officials to:

- 5.1 Require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the county's computers and data.
- 5.2 Ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Auditee's Response

The County Commission provided the following responses:

- 5.1 *We will discuss with the other elected officials the recommendation and encourage timely password changes.*
- 5.2 *We will discuss with the other elected officials options for testing backups and storing backups in off-site locations.*

The Prosecuting Attorney provided the following responses:

- 5.1 *The Prosecuting Attorney's office has a network system that requires access to any computer for use of programs. We cannot have unique confidential passwords for each employee.*
- 5.2 *Without the Prosecuting Attorney's office having a key to an off-site secured location it is impossible to keep our back-up system off-site for storage. We have to have access to our back-up drive. It will be tested monthly. We will consider off-site options.*



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**6. Senate Bill 40
Board Closed
Meetings**

The Senate Bill 40 Board (Board) did not prepare minutes for 3 of the 4 closed meetings held during the year ended December 31, 2014. The Board is responsible for development and operation of services for individuals with developmental disabilities.

Without minutes of closed meetings, it cannot be determined that discussion was limited to the topics cited as the reason for closing the meetings. Section 610.020.7, RSMo, requires minutes be kept for all closed meetings.

Recommendation

The Senate Bill 40 Board ensure minutes are prepared and retained for all closed meetings.

Auditee's Response

This recommendation has been implemented. Minutes are now prepared and maintained for closed meetings.

Grundy County

Organization and Statistical Information

Grundy County is a township-organized, third-class county. The county seat is Trenton.

Grundy 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 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 49 full-time employees and 19 part-time employees on December 31, 2014. The townships maintain county roads.

In addition, county operations include the Ambulance Department, the Senate Bill 40 Board, and the Senior Citizens' Service 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
Rick Hull, Presiding Commissioner	\$	27,080
Gene Wyant, Associate Commissioner		25,080
Joe Brinser, Associate Commissioner		25,080
Charlene Arnold, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Betty Spickard, County Clerk		38,000
Christine Stallings, Prosecuting Attorney		45,000
Rodney Herring, Sheriff		42,000
Dewayne Slater, County Coroner		11,000
Jill Eaton, Public Administrator		38,000
Barbara Harris, County Collector-Treasurer, year ended March 31,	38,000	
Kathy Veatch, County Assessor, year ended August 31,		38,000

(1) Compensation is paid by the state.