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Missouri State Auditor

Holt County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Holt County

Sheriff's Controls and Procedures	The Sheriff operates a jail and contracts with a vendor to provide a commissary for inmates to purchase snacks and personal items. The Sheriff also handles money received for concealed carry weapon permits, bonds posted for bail, and various other items. The Sheriff has not adequately segregated the duties related to handling money for the commissary account, and no supervisory review of accounting records is performed, putting the county at risk for potential mismanagement. A running balance is not maintained in the checkbook register for the fee account, which means bank balances can't be reconciled against the checkbook register. Monthly lists of amounts owed are also not prepared, so there is less assurance that available cash is sufficient to pay all liabilities.
Passwords	The County Commission has not established adequate password controls for county offices. Employees in the offices of the County Collector, Prosecuting Attorney, Ex Officio Recorder of Deeds, and County Assessor are not required to periodically change their passwords, putting accounts at risk for unauthorized access.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Holt County

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Holt County

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

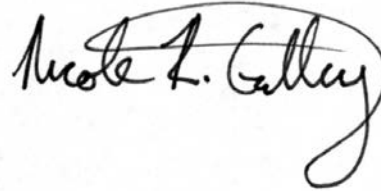
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Holt County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Keisha Williams

Holt County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Despite similar concerns noted in prior audits, weaknesses continue to exist in the Sheriff's accounting controls and procedures. The Sheriff operates a jail and contracts with a vendor to provide a commissary for inmates to purchase various snacks and personal items, in addition to handling money for bonds, conceal carry weapon permits, board bills, phone system commissions, and other miscellaneous receipts. Receipts for the fee account and commissary account totaled approximately \$58,000 and \$13,000, respectively for the year ended December 31, 2014.

1.1 Segregation of duties

The Sheriff has not adequately segregated the receipt and disbursement duties for the commissary account, and no supervisory review of the accounting records is performed. A jailer/dispatcher is primarily responsible for commissary accounting duties, including recording transactions, taking deposits to the bank, and disbursing funds. There is no independent and/or supervisory review of commissary accounting records over receipting, depositing, or disbursement procedures to ensure monies are properly and timely recorded, deposited, and disbursed.

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 an adequate independent or supervisory review of accounting and bank records.

1.2 Bank reconciliations and liabilities

Bank reconciliations are not reconciled to the book balance of the fee account because a running balance is not maintained in the checkbook register. In addition, a monthly list of liabilities is not prepared and reconciled to the cash balance of the fee account. As of March 31, 2015, the reconciled bank balance for the fee account was \$5,003, and we identified \$2,438 in liabilities, resulting in an unidentified balance of \$2,565.

Maintaining running book balances in checkbook registers and performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Further, various statutory provisions provide for the disposition of unidentified monies.

Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties or ensure an independent or supervisory review of accounting and bank records is performed and documented.
- 1.2 Maintain a running balance in the checkbook register and reconcile the bank balance to the book balance monthly. In addition, ensure a



Holt County
Management Advisory Report - State Auditor's Findings

list of liabilities is prepared and reconciled to the cash balance monthly. Any differences should be promptly investigated. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.

Auditee's Response

- 1.1 *I agree and will ensure a supervisory review of the accounting and bank records is performed and documented in the future.*
- 1.2 *This recommendation has been implemented. A running balance is now maintained and is reconciled to the bank account monthly. We are now preparing lists of liabilities monthly and the difference identified during the audit has been investigated and distributed to the County Treasurer.*

2. Passwords

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 Collector, Prosecuting Attorney, Ex Officio Recorder of Deeds, and County Assessor are not required to periodically change their passwords.

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.

Recommendation

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

Auditee's Response

We agree and will work with our elected officials and network providers to strengthen controls over passwords.

Holt County

Organization and Statistical Information

Holt County is a county-organized, third-class county. The county seat is Oregon, Missouri.

Holt 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 38 full-time employees and 12 part-time employees on December 31, 2014.

In addition, county operations include the Health Department, Emergency 911, Senior Citizens Board, drainage and levee districts established by the County Commission, neighborhood improvement districts, the Tax Increment Financing Commission, and the Johnson Grass 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
Mark Sitherwood, Presiding Commissioner	\$	27,080
Bill Gordon, Associate Commissioner		25,080
David Carroll, Associate Commissioner		25,080
Vicki Book, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Kathy J. Holstine, County Clerk		38,000
Robert Shepherd, Prosecuting Attorney		45,000
Scott Wedlock, Sheriff		42,000
Gay Quick, County Treasurer (2)		40,343
Susan Lentz, County Coroner		11,000
Edward Meng, Public Administrator		20,000
Donna Cotton, County Collector (3), year ended February 28,	56,997	
LaDonna Jones, County Assessor, year ended August 31,		37,708

- (1) Compensation is paid by the state.
- (2) Includes \$2,343 of commissions earned as Treasurer for the levee districts.
- (3) Includes \$18,997 of commissions earned for collecting city, levee, drainage, and special road district property taxes.