



Office of Missouri State Auditor
Nicole Galloway, CPA

Carter County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Carter County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables. The Prosecuting Attorney has not established adequate procedures to ensure charges are filed timely with the court for unresolved bad check complaints.
Sheriff's Controls and Procedures	The Sheriff's office personnel do not restrictively endorse checks and money orders immediately upon receipt, and monies received are not deposited timely.
Electronic Data Security	County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in the offices of the County Clerk, Sheriff, Assessor, Prosecuting Attorney, and Collector are not required to change passwords periodically and some passwords are shared by employees, which increases the risk of a compromised password.
Property Tax System	The County Collector's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions.
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

Carter County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Carter County

We have audited certain operations of Carter County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Carter County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

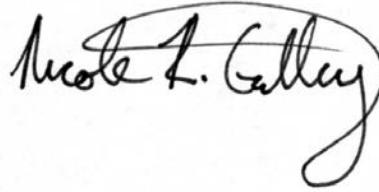
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 contracts 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 Carter 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:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Christopher A. McClain
	Dacia Rush, M.Acct.
	Joel Stucky

Carter 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 collected monies for bad checks, restitution and related fees, and other miscellaneous receipts totaling approximately \$17,000 for the year ended December 31, 2015.

1.1 Accounts receivable

Improvement is needed to better monitor and pursue collection of unpaid receivables. The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables.

A complete and accurate list of unpaid bad checks and restitution would allow the Prosecuting Attorney's office to more easily review the amounts due to the office and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible.

1.2 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 cases that had charges filed and determined the Prosecuting Attorney did not file charges timely for 9 of them. The number of days between receiving the initial bad check complaint and filing charges ranged from 72 to 294. For example, the Prosecuting Attorney's office received a bad check complaint from a local vendor on July 17, 2014, and the Prosecuting Attorney's office issued a 10-day letter on July 21, 2014; however, he did not file charges against the bad check writer until April 17, 2015.

Procedures should be established to ensure charges are filed timely 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.

Recommendations

The Prosecuting Attorney:

- 1.1 Establish procedures to monitor and collect accounts receivable.
- 1.2 Establish procedures to file charges with the court timely.

Auditee's Response

The County Commission provided the following response:

Ernie Richardson resigned as the Carter County Prosecuting Attorney effective June 30, 2016. In August 2016, Amanda Oesch was appointed by the Governor to replace him. Once she has been sworn in to office, we will advise her of these recommendations.



2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil fees, conceal and carry weapon permits, bonds, board bills, jail phone commissions, inmate commissary funds, and other miscellaneous fees totaling approximately \$72,000 for the year ended December 31, 2015.

2.1 Receipts

Office personnel do not restrictively endorse checks and money orders immediately upon receipt. They restrictively endorsed them when the weekly deposit is prepared. A cash count performed on April 20, 2016, identified 11 checks totaling \$3,159 that had not been restrictively endorsed.

Failure to implement adequate receipting procedures increases the risk of loss, theft, or misuse of monies and the likelihood that errors will go undetected. Procedures should be established to ensure all monies received are restrictively endorsed immediately upon receipt.

2.2 Deposits

Monies received are not deposited timely. Deposits are typically made weekly into the fee bank account. For example, office personnel deposited \$1,275 received from November 13, 2015, through November 20, 2015, on November 24, 2015.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

Similar conditions previously reported

A similar condition to section 2.1 was noted in our prior audit report and a similar condition to section 2.2 was noted in our prior 2 audit reports. Additionally the *Follow-Up Report on Audit Findings - Carter County*, Report No. 2013-42 (section 4.2), issued in May 2013, reported the status, at that time, as implemented. The current Sheriff needs to take steps to correct these weaknesses.

Recommendations

The Sheriff:

- 2.1 Restrictively endorse checks and money orders immediately upon receipt.
- 2.2 Ensure receipts are deposited timely.

Auditee's Response

- 2.1 *We have started endorsing checks and money orders immediately upon receipt.*
- 2.2 *We evaluate the amount received daily. If over \$500, it is immediately deposited. If less than \$500, it is usually deposited the next day.*



3. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in the offices of the County Clerk, Sheriff, Assessor, Prosecuting Attorney, and Collector are not required to change passwords periodically and some passwords are shared by employees, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed or 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, 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 to periodically change passwords and emphasize the importance of keeping passwords confidential to prevent unauthorized access to computers and data.

Auditee's Response

The County Commission provided the following response:

We will make recommendations that each office change passwords every 90 days for security purposes.

The County Sheriff provided the following response:

We will periodically review and will change passwords at least quarterly.

The County Assessor provided the following response:

The recommendation is duly noted and we will make every effort to put the recommendation in place. We will be obtaining new computers and will implement this recommendation to follow in the near future.

The County Collector provided the following response:

The current passwords the County Collector's office use to access the billing software are kept confidential. The County Collector's office will implement changing the passwords on a quarterly basis beginning the first of September 2016 and every employee will be given his/her own password to logon to the office computers. Currently the office has 2 employees that access the office computers.



4. Property Tax System

The County Collector's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions. The County Collector's office processed collections totaling approximately \$3 million during the year ended February 29, 2016.

Retaining documentation to support voided or deleted transactions helps ensure such transactions are appropriate and reduces the risk of errors, loss, theft, or misuse of funds.

Recommendation

The County Collector maintain documentation of all voided and deleted transactions and work with the computer programmer to develop a voided and deleted transaction report that can be periodically compared to supporting documentation.

Auditee's Response

Since the day it was found out that the County Collector's billing program could not print out a detailed report on voided or deleted receipts, the County Collector implemented a new policy that when any receipt has to be voided or deleted for any reason, the receipt must be printed out and the batch number and receipt number along with an explanation must be written on the voided/deleted receipt. The County Collector has requested that the billing program company add the receipt numbers to be automatically printed on the receipts in the future. Previously the procedure was to write down any deleted/voided receipts or batches in a journal always kept in the office.

Carter County

Organization and Statistical Information

Carter County is a county-organized, third-class county. The county seat is Van Buren.

Carter 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 37 full-time employees (including elected officials) and 11 part-time employees on December 31, 2015.

In addition, county operations include a Senate Bill 40 Board and a 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	2016	2015
Donald Black, Presiding Commissioner	\$	23,800
Lynn Murdick, Associate Commissioner		21,800
Eddie Ballard, Associate Commissioner		21,800
Pauline Peterman, Recorder of Deeds		32,000
Leona Stephens, County Clerk		32,000
Ernie Richardson, Prosecuting Attorney		40,000
Richard Stephens, Sheriff		39,000
Velvet Ricker, County Treasurer		32,000
Erik McSpadden, County Coroner		9,000
Mary Jo Sanders, Public Administrator		20,000
Lisa Goodwin, County Collector (1), year ended February 29,	29,935	
Debbie Turley, County Collector (1), year ended February 29,	1,118	
George Meyers, County Assessor, year ended August 31,		32,000

(1) Debbie Turley served as County Collector until March 15, 2015. Lisa Goodwin was appointed the Carter County Collector and sworn into office on March 25, 2015.