



Office of Missouri State Auditor
Nicole Galloway, CPA

Putnam County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Putnam County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform documented supervisory reviews of accounting and bank records. The office also does not maintain records to account for all items sold to inmates, and periodic physical inventory counts are not performed. Additionally, controls and procedures over receipting, depositing, and disbursing fees, bonds, and inmate monies need improvement.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The Prosecuting Attorney also does not ensure restitution and fees are timely disbursed to applicable parties, and certain records and property are not properly secured and safeguarded.
County Assessor's Controls and Procedures	The County Assessor has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The County Assessor also has not established proper controls or procedures for receipting and depositing monies.
Electronic Data Security	Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.
County Procedures	The county has not entered into written agreements for payments made to the Prosecuting Attorney or the 911 Board and has not documented adequate justification for the amounts paid to the Prosecuting Attorney or the 911 Board. Additionally, a listing of county assets has not been updated since 2012, and the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year.
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 GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Putnam County

We have audited certain operations of Putnam County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Putnam County for the year 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.

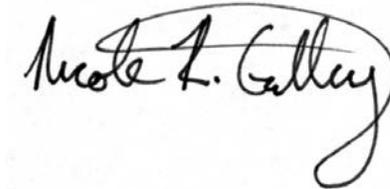
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls 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 contract, grant agreement, 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 Putnam County.

Additional audit work of the Putnam County Memorial Hospital is still in process, and any findings and recommendations will be included in the subsequent report.

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:	Regina Pruitt, CPA
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Gayle Garrison
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Putnam County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil fees, concealed carry weapon (CCW) permits, bonds, board bills, inmate funds, and other miscellaneous receipts totaling approximately \$31,000 for the year ended December 31, 2015.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform documented supervisory reviews of accounting and bank records. The Secretary is responsible for receipting, recording, and depositing monies; making disbursements; and preparing the monthly bank reconciliation. In addition, the Secretary is responsible for recording inmate monies, reconciling records to inmate monies on hand, and maintaining the inventory of items sold to inmates.

The Sheriff's reviews of accounting and bank records are not adequately documented and do not compare the reconciled bank balance to the book balance. In addition, no independent or supervisory reviews are performed of inmate monies on hand, the inmate fund ledgers, or the purchase and sale of inventory items.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records, inmate monies, and inventory records are essential.

1.2 Inventory records and procedures

The Sheriff's office does not maintain records to account for electronic cigarettes or phone cards purchased and sold to inmates, and inventory remaining on hand. In addition, periodic physical inventory counts are not performed.

Loss, theft, or misuse of the inventory and related monies may go undetected without adequate inventory records and procedures. Detailed inventory records are necessary to adequately account for electronic cigarettes and phone cards. Comparisons of purchases and sales of electronic cigarettes and phone cards to inventory records are necessary to ensure these items and associated monies are properly recorded and handled.

1.3 Receipting, depositing and disbursing

The Sheriff's office controls and procedures over receipting, depositing, and disbursing fees, bonds, and inmate monies need improvement. We noted the following concerns:

Fees and bonds

Checks received are not restrictively endorsed at the time of receipt and are endorsed only when deposits are prepared. In addition, deposits are not



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always made timely and include significant amounts of cash. Also, disbursements are not always made by check. For example, instead of depositing a cash bond and disbursing a refund by check, the Sheriff refunded a bond in cash, and no documentation such as a signature or other verifying information was obtained from the individual receiving the refund.

Inmate monies

Receipt slips are not issued for some inmate monies received. As a result, records of monies received for inmates cannot be reconciled to the amounts recorded to an inmate's fund ledger.

In addition, inmate monies are not deposited, but are held in cash in a safe until purchases are made by the inmate. All inmate monies are commingled and are not segregated from other receipts collected by the Sheriff's office. No documentation or signature is obtained from the inmate to support purchases of electronic cigarettes or phone cards, or when funds are returned to the inmate upon release.

Also, no reconciliations are performed of the inmate fund ledgers to inmate monies on hand, and deposits of inventory sales are not reconciled to purchases documented on inmate fund ledgers.

Conclusion

Proper receipting, depositing, and disbursing procedures are necessary to ensure receipts are adequately safeguarded and to reduce the risk of loss, theft, or misuse of monies going undetected.

Similar conditions
previously reported

Similar conditions to sections 1.1 and 1.3 were noted in our prior 2 audit reports.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records, inmate funds, and inventory records are performed and documented.
- 1.2 Maintain inventory records of electronic cigarettes and phone cards and reconcile these records to inventory items purchased and sold, and perform periodic physical inventory counts.
- 1.3 Issue prenumbered receipt slips for all monies received, endorse checks immediately upon receipt, deposit all monies intact and timely, and disburse all monies by check. In addition, reconcile inmate fund ledgers to inventory sales and inmate monies on hand.

Auditee's Response

- 1.1. *Due to current funding and staff limitations, segregation of accounting duties and independent reviews are unable to be performed at this time. Supervisory reviews of accounting and bank records, inmate funds, and inventory records will be performed and*



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will be better documented by the Sheriff with initials or signatures with dates of review.

- 1.2. *We currently have implemented an inventory electronic cigarette log, which includes serial numbers and dates, and Sheriff's office personnel are required to verify and sign the log. The phone card tracking for inventory purposes is currently being reviewed with the intent that a similar procedure will be in place.*

We have revised a running commissary ledger for each inmate who wishes to place funds into a commissary account. This ledger has a place for initial deposited amount to be listed and a place for the person to verify the amount. The ledger also has a place for deposits, and purchases, which requires both the inmate and Sheriff's office personnel to initial for each transaction. Also included in the ledger is a place for refund amount given at the time of inmate departure and the inmate and Sheriff's office personnel are required to verify, sign, and date the ledger.

Physical inventory counts will be conducted periodically by the Sheriff or Sheriff's designee and reconciled to inmate ledgers on a test basis.

- 1.3. *Prenumbered receipts will be issued for all monies received.*

All checks will be immediately endorsed and will be deposited in a timely manner.

All checks and monies received are categorized and secured in a safe located in the Sheriff's office and are held there until a deposit is made, or until monies are spent or returned to the inmate.

At this time, it would not be financially responsible for the Sheriff's office to employ a bookkeeping position to be on hand to disburse inmate refunds by check 24 hours a day. However, we will review other possibilities for a solution. Currently, we are utilizing new documentation for cash refunds which requires the amount, date, and signatures of inmate and Sheriff's office personnel.

As previously noted, we will reconcile inmate fund ledgers to inventory sales and inmate monies on hand.

2. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$21,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.



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2.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The Legal Assistant is responsible for receipting, recording, and depositing monies; making disbursements; and preparing the monthly bank reconciliation.

The Prosecuting Attorney's reviews of accounting and bank records do not ensure all monies received have been properly recorded, deposited, and disbursed to the appropriate party. In addition, periodic reviews of selected case files are not documented.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential.

2.2 Disbursements

The Prosecuting Attorney does not ensure restitution and fees are timely disbursed to applicable parties by the Legal Assistant.

Monthly disbursements

During 2015, no disbursements occurred during the months of January, May, July, September, and December, and the office held significant amounts of receipts between disbursement dates. For example, following disbursements totaling \$3,730 on June 18, 2015, the next disbursements totaling \$4,360, occurred on August 10, 2015.

Liabilities

Restitution for some older cases has not been appropriately disbursed. For example, the May 31, 2016, list of liabilities included 6 cases with balances totaling approximately \$2,950 that had been held since at least June 2013, with some of the monies being held since May 2003. The Legal Assistant indicated disbursements had not occurred due to difficulty locating or communicating with the victims.

To reduce the risk of loss, theft, or misuse of funds, restitution and fees should be disbursed timely. In addition, follow up on older case balances is necessary to ensure monies are appropriately disbursed to the victims or as otherwise provided by state law.

2.3 County records and property

The Prosecuting Attorney has not ensured county records and property are properly secured and safeguarded.

Case files, the Prosecuting Attorney's signature stamp, blank checks, and other records are accessible to non-county employees that work in the Prosecuting Attorney's private practice. The signature stamp and blank checks are maintained in unlocked cabinets.



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To safeguard against possible loss, theft, or misuse of funds and to ensure disbursements are proper, the Prosecuting Attorney should establish controls over the use of and access to the signature stamp and blank checks. Without adequate safeguards over county records and other property, there is risk of inappropriate access.

Similar conditions
previously reported

Similar conditions to sections 2.1 and 2.2 were noted in our prior 2 audit reports, and a similar condition to section 2.3 was noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 2.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 2.2 Ensure timely disbursement of restitution and fees and establish procedures to routinely review older case balances. If victims cannot be located, the monies should be disbursed in accordance with state law.
- 2.3 Ensure county records and property are properly secured and safeguarded.

Auditee's Response

- 2.1. *With only one staff member, it is not possible to segregate duties. The Prosecuting Attorney will perform a documented review of all reports by the 10th of the following month. If the budget allows, we will arrange for independent reviews of accounting and bank records.*
- 2.2. *Disbursements will be made monthly. If victims cannot be located within a reasonable time and after diligent efforts have been made to locate victims, the money will be turned over to the Missouri State Treasurer as unclaimed.*
- 2.3. *Any signature stamps and blank checks will be kept in a locked drawer.*

3. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The office collected approximately \$7,500 for maps, plat books, data requests of property records, on-line data access, and other miscellaneous fees during the year ended December 31, 2015.

3.1 Segregation of duties

The County Assessor has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The Deputy Assessor is responsible for receipting, recording,



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and depositing monies; making disbursements; and preparing the monthly bank reconciliation.

The County Assessor indicated she reviews the monthly bank reconciliations, but she does not have procedures to ensure all receipts recorded in the accounting system have been properly deposited and disbursed.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits and to monthly disbursements to the County Treasurer.

3.2 Receipting and depositing

The County Assessor has not established proper controls or procedures for receipting and depositing monies. We identified the following concerns:

- Monies are not always receipted at the time they are received. The Deputy Assessor records monies received in the accounting software; however, if she is absent, monies received are placed in her desk drawer to be recorded when she returns.
- Payment receipts generated by the accounting software are not assigned a numerical sequence and a system report of receipts by date cannot be generated. As a result, it is difficult to ensure all monies received are deposited.
- Checks are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time deposits are prepared.
- Receipts are not always deposited intact. For example, 4 checks totaling \$1,200 received between June 12 and June 22, 2015, were deposited on June 22, 2015, while cash totaling \$85 received between June 1 and June 17, 2015, was not deposited until June 30, 2015.

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 intact.



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Recommendations

The County Assessor:

- 3.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 3.2 Ensure all monies received are recorded on prenumbered receipt slips and the numerical sequence of receipt slips is accounted for properly. In addition, ensure checks are endorsed immediately upon receipt and receipts are deposited intact.

Auditee's Response

- 3.1 *I will implement a review that includes comparing daily receipt activity to monthly deposits that are prepared by the Deputy Assessor.*
- 3.2 *Everyone in the office now has independent password accounts to record payments within the accounting software when the Deputy Assessor is out of the office.*

A revision was implemented to enter checks that were received through the mail at the date the check was received rather than the date the check was made out. This should enable a report that shows a numerical sequence in order. We will account for numerical sequence when preparing deposits.

Checks are now immediately endorsed upon receipt and receipts are deposited intact.

4. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

The County Clerk, Collector-Treasurer, Recorder of Deeds, Prosecuting Attorney, Sheriff, Public Administrator, and Assessor have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be 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



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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 other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.

Auditee's Response

We will work with a local information technology vendor and county officials to ensure passwords are changed periodically.

5. County Procedures

Procedures for written agreements and capital assets need improvement.

5.1 Written agreements

The county has not entered into written agreements for payments made to the Prosecuting Attorney or the 911 Board. In addition, the county has not documented adequate justification for the amounts paid to the Prosecuting Attorney or the 911 Board.

The Prosecuting Attorney performs official duties of the county from his private practice law office. The county reimburses the Prosecuting Attorney for a portion of telephone and utility costs associated with county-related activities. In 2015, the county paid the Prosecuting Attorney \$4,380 for utilities and telephone costs. For 2016, the county budgeted a \$1,000 increase for a total of \$5,380 in reimbursements. However, there is no written agreement documenting the rights and responsibilities of the parties, including the portion of expenses to be paid by the county. The county has not worked with the Prosecuting Attorney to estimate the total cost of conducting county business in the private law office. In addition, the county does not receive adequate documentation supporting the costs paid to the Prosecuting Attorney.

The 911 Board conducts dispatching operations from the county courthouse. The county pays \$24,000 per year to the 911 Board for expenses related to dispatching services provided to the Sheriff's office; however, the county has not worked with the 911 Board to calculate or estimate the total cost of the services provided by the 911 Board or to ensure the rate charged is reasonable. The most recent dispatching contract between the Sheriff and the 911 Board covered one year beginning October 1, 2012. That contract indicates it will renew automatically each year unless otherwise indicated in writing; however, the contract is not reviewed annually to ensure the contract terms are still reasonable.

Section 432.070, RSMo, requires government contracts to be in writing. To ensure county resources are used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining expenses that will be provided by the county. In addition, the basis for the agreement should be adequately documented. The agreement should



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be updated when circumstances change. To ensure the amount paid is reasonable and represents the true costs of the services, the county should work with the 911 Board to establish criteria for calculating or estimating the dispatching costs and include such criteria in the contract terms.

5.2 Capital assets

Procedures and records to account for county property are not adequate. The listing of assets maintained has not been updated since 2012, when county personnel performed the last physical inventory. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year. As a result, the county's capital asset records are not complete and up to date.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by that department and for submitting an inventory report to the County Clerk.

Similar conditions previously reported Recommendations

A similar condition to section 5.1 was noted in our prior 2 audit reports, and a similar condition to section 5.2 was noted in our prior audit report.

The County Commission:

- 5.1 Enter into written agreements with the Prosecuting Attorney and the 911 Board documenting contractual obligations of each party. In addition, the County Commission should ensure amounts paid for the services are reasonable, and supporting documentation is submitted and reviewed prior to payment.
- 5.2 And the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking capital asset purchases and dispositions throughout the year.

Auditee's Response

- 5.1. *We will work with the Prosecuting Attorney and 911 Board to develop current contracts and we will perform a yearly cost analysis at the time of budget development to ensure amounts paid are reasonable and adequately supported.*



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- 5.2. *We will work with the County Clerk and other county officials to ensure capital assets are inventoried annually and purchases and dispositions are accounted for.*

Putnam County

Organization and Statistical Information

Putnam County is a township-organized, third-class county. The county seat is Unionville.

Putnam 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 21 full-time employees (including elected officials) and 9 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board, the Putnam County Memorial Hospital, and a 911 Board. The Putnam County Memorial Hospital is audited separately, with the last audit report issued for the year ended June 30, 2014.

Elected Officials

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

Officeholder	2016	2015
Randy Sands, Presiding Commissioner	\$	24,400
Shane Bradshaw, Associate Commissioner		22,440
Gerald Owings, Associate Commissioner		22,440
Jeneen Roof, Recorder of Deeds		34,000
Chrystal Perkins, County Clerk		34,000
Tom Keedy, Prosecuting Attorney		41,000
Jason Knight, Sheriff		39,000
Anna Watt, County Coroner		9,500
Peggy Wood, Public Administrator		15,000
Sharon Thompson Parks, County Collector-Treasurer, year ended March 31,	34,000	
Chrissy Gillis, County Assessor, year ended August 31,		34,000