



Office of Missouri State Auditor
Nicole Galloway, CPA

Chariton County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Chariton County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a supervisory review of detailed accounting and bank records. The Prosecuting Attorney also did not perform documented monthly bank reconciliations. Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified.
Sheriff's Controls and Procedures	The Sheriff's office does not always deposit monies timely or restrictively endorse checks and money orders immediately when received, which is necessary to reduce the risk of loss, theft, or misuse of monies received going undetected.
County Funds	The county cannot ensure commissary net proceeds and conceal carry weapon (CCW) fees are used for allowable expenses because usage of these monies is not properly tracked. The county maintains net proceeds from commissary sales in the county's General Revenue Fund, where the use of the funds is not restricted. In addition, CCW fees are deposited into the Sheriff's Fund held by the County Collector-Treasurer, instead of being accounted for in the Sheriff's Revolving Fund, which has not been established. As a result, the Sheriff cannot determine if CCW fees were spent on allowable expenses.
Electronic Data Security	Employees in some offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. Antivirus software is not installed on computer systems in the Prosecuting Attorney and the Sheriff's office, and the Sheriff's office does not store data backups at an offsite location.
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

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

To the County Commission
and
Officeholders of Chariton County

We have audited certain operations of Chariton County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer and Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Chariton 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:

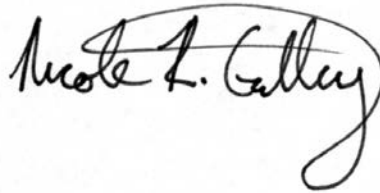
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 applicable 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 Chariton County.



Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Chariton 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 receipts monies for bad check and court-ordered restitution and fees, and deposited approximately \$24,500 during the year ended December 31, 2015.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a supervisory review of detailed accounting and bank records. The office clerk is responsible for receipting monies, making deposits, disbursing funds, and recording transactions. The Prosecuting Attorney does not perform a supervisory review of accounting and bank 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 Prosecuting Attorney should implement an adequate independent or supervisory review of accounting and bank records.

1.2 Bank reconciliations and liabilities

The Prosecuting Attorney did not perform documented monthly bank reconciliations for the year ended December 31, 2015. In addition, a monthly list of liabilities is not prepared to reconcile to the bank balance. The bank account balance was \$667 as of December 31, 2015, and the amount was unidentified.

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 available 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 Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 1.2 Ensure monthly bank reconciliations are performed and lists of liabilities are prepared and reconciled to the cash balance monthly. Any differences between accounting records and reconciliations should be investigated and resolved. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.



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Auditee's Response

- 1.1 *The Prosecuting Attorney agrees and will implement the recommendation.*
- 1.2 *The Prosecuting Attorney's office clerk has started performing full bank reconciliations and preparing an open items list monthly. The Prosecuting Attorney is working with the County Collector-Treasurer to transfer unidentified funds in the account to the state unclaimed property per statutes.*

2. Sheriff's Controls and Procedures

The Sheriff's office does not always deposit monies timely or restrictively endorse checks and money orders immediately when received. The Sheriff's office collected approximately \$237,000 in concealed carry weapon (CCW) permits, civil fees, inmate monies, and other miscellaneous receipts during the year ended December 31, 2015.

The Sheriff's office does not deposit inmate monies timely. For example, a \$30 receipt was received on September 3, 2015, but was not deposited until October 5, 2015, when \$1,976 was deposited. In addition, checks and money orders received are not restrictively endorsed immediately when they are received. The check or money order is not endorsed until the deposit slip is prepared.

To reduce the risk of loss, theft, or misuse of monies received going undetected, deposits should be made timely and checks and money orders should be restrictively endorsed immediately upon receipt.

Recommendation

The Sheriff ensure receipts are deposited timely and all checks and money orders are restrictively endorsed immediately upon receipt.

Auditee's Response

The Sheriff said his office will deposit monies more timely. He explained the inmate fund monies were sometimes used as a change fund, and were not always deposited timely for that reason. The office has begun applying a restrictive endorsement to checks and money orders immediately upon receipt.

3. County Funds

The county cannot ensure commissary net proceeds and CCW fees are used for allowable expenses. The Sheriff's office collected monies for civil fees, CCW permits, inmate commissary funds, and other miscellaneous receipts totaling approximately \$38,600 for the year ended December 31, 2015.

Commissary monies

The county maintains net proceeds from commissary sales in the county's General Revenue Fund, where the use of the funds is not restricted. Commissary sales total approximately \$28,700, and the net proceeds from those sales were \$6,686 for the year ended December 31, 2015. While the county tracks the commissary receipts and disbursements, the county does not keep a record of the use of the net proceeds or the total net proceeds



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remaining in the General Revenue Fund. In addition, some of the net proceeds should have been disbursed to the Inmate Prisoner Detainee Security Fund. The county has not established this fund. As a result, it is not possible to determine if net proceeds were spent on allowable disbursements.

Section 221.102, RSMo, requires each county jail to keep revenues from its 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 Collector-Treasurer. In addition, Section 488.5026.3, RSMo, mandates the use of those funds.

CCW fees

Fees for the renewal of CCW permits are deposited into the Sheriff's Fund held by the County Collector-Treasurer, instead of being deposited in the Sheriff's Revolving Fund. The county has not established this fund. As a result, the Sheriff cannot determine if CCW fees were spent on allowable disbursements.

Section 571.101.12, RSMo, requires fees for renewal of CCW permits be deposited in the Sheriff's Revolving Fund. Section 50.535, RSMo, authorizes the Sheriff's Revolving Fund to be used for expenses related to issuance of CCW permits.

Recommendation

The Sheriff ensure commissary funds are tracked or maintained in a separate account and existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Collector-Treasurer for deposit in the Inmate Prisoner Detainee Security Fund. In addition, the Sheriff ensure CCW fees are disbursed to the County Collector-Treasurer for deposit in the Sheriff's Revolving Fund.

Auditee's Response

The Sheriff and the County Commission indicated the county would establish a Sheriff's Revolving Fund and an Inmate Prisoner Detainee Security Fund by the beginning of 2017. Commissary proceeds will be credited to the Inmate Prisoner Detainee Security Fund. CCW fees will be credited to the Sheriff's Revolving Fund.

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. In addition, some data are not backed up to offsite locations.

4.1 Passwords

The Ex Officio Recorder of Deeds, Public Administrator, Prosecuting Attorney, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in



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

4.2 Antivirus software

The offices of the Prosecuting Attorney and the Sheriff do not have antivirus software installed on computer systems to ensure protection of county data.

Maintaining adequate antivirus software is critical to system protection. Properly used antivirus software helps protect computer systems from destructive viruses.

4.3 Data Backup

The Sheriff's office does not store data backups at an offsite location. Offsite storage would provide reasonable assurance data could be recovered if necessary.

To help prevent loss of information and ensure all essential information and computer systems can be recovered, backups should be stored at a secure offsite location.

Recommendations

- 4.1 The County Commission work with other county officials to require confidential passwords that are periodically changed to prevent unauthorized access to county's computers and data.
- 4.2 The Prosecuting Attorney and the Sheriff ensure computer systems are adequately protected from computer viruses.
- 4.3 The Sheriff ensure backups are stored at a secure offsite location.

Auditee's Response

The County Clerk and County Commissioners provided the following response:

- 4.1 *The county will update the county computer policy to recommend changing passwords every 90 days.*

The Ex Officio Recorder of Deeds provided the following response:



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4.1 *I will communicate with our software provider and have them set up a password change that will occur every 90 days in order to comply with your recommendation.*

The Public Administrator provided the following response:

4.1 *I agree and will change my password every 90 days.*

The Prosecuting Attorney provided the following responses:

4.1 *I agree and will require the changing of passwords every 90 days.*

4.2 *I agree with the finding and will obtain and install antivirus software on the office's computers by January 1, 2017.*

The Sheriff provided the following responses:

4.1 *I will require password changes every 90 days on computers that contain sensitive information.*

4.2 *My office will ensure antivirus software is installed on all computers that contain sensitive information.*

4.3 *My office will ensure backups are stored offsite.*

Chariton County

Organization and Statistical Information

Chariton County is a township-organized, third-class county. The county seat is Keytesville.

Chariton 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 37 full-time employees (including elected officials) and 7 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Senate Bill 40 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
Tony McCollum, Presiding Commissioner	\$	29,390
Steve Atkinson, Associate Commissioner		27,390
Danny Price, Associate Commissioner		27,390
Eric Stallo, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Susan Littleton, County Clerk		41,500
Robert W. Wheeler, Prosecuting Attorney		51,000
Chris Hughes, Sheriff		46,000
Larry Breshears, County Coroner		14,000
Patti Yung, Public Administrator (2)		3,333
Sherry Hershey, Public Administrator (2)		14,703
Darlene Shipp, County Collector-Treasurer, year ended March 31,	41,500	
Darrin E. Gladbach, County Assessor, year ended August 31,		41,167

(1) Compensation is paid by the state.

(2) Patti Yung resigned in February 2015. Sherry Hershey was appointed by the Governor in April 2015.