



Office of Missouri State Auditor
Nicole Galloway, CPA

Sullivan County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Sullivan County

Public Administrator's Controls and Procedures	The Circuit Court, Probate Division does not sufficiently review the activity of cases assigned to the Public Administrator. In addition, supporting documentation was not maintained for all disbursements, and 2 annual settlements prepared by the Public Administrator's office did not include some assets of the estate. The Public Administrator did not perform bank reconciliations, and checks were not always issued in sequence.
Property Tax System and County Collector-Treasurer's Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector-Treasurer. The County Collector-Treasurer has not disbursed property taxes collected for the abolished townships since March 2015. The County Collector-Treasurer's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. Monies received are not recorded and deposited timely. The clerk records receipts when preparing a deposit. The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. Administrative handling cost fees collected by the Prosecuting Attorney's office are not always in compliance with state law.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. A physical inventory of seized property has not been performed, the seized property records maintained are not accurate, and there is no master list of seized property. In addition, some seized property has been held for years and the Sheriff indicated his office has not periodically disposed of items no longer needed.
Sunshine Law	The County Commission did not prepare minutes for both closed meetings held during the year ended December 31, 2015, and the agenda for one meeting did not include advanced notice of a closed meeting.
Electronic Data Security	The County Collector-Treasurer, County Assessor, County Clerk, Recorder of Deeds, Prosecuting Attorney, Public Administrator, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Sheriff does not periodically test backup files and does not store backup files at an off-site location.
Contracted Labor	The county did not document the reasons for classifying a grant coordinator for disaster recovery projects and the Sheriff's secretary as independent contractors rather than employees. In addition, these individuals were not required to submit monthly timesheets and/or invoices to document hours worked, and the county compensates them at a flat monthly rate.

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 **Poor**.*

*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 Sullivan County

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

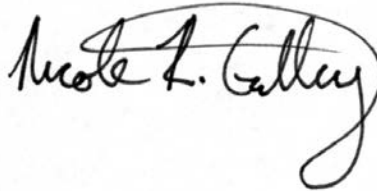
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 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 control, (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 Sullivan 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:

Director of Audits:	Randall Gordon, M. Acct., CPA, CGAP
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Sullivan County Management Advisory Report State Auditor's Findings

1. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division. As of December 31, 2015, the Public Administrator was responsible for the financial activity of 26 individuals.

1.1 Annual settlements

The Circuit Court, Probate Division does not sufficiently review the activity of cases assigned to the Public Administrator. In addition, supporting documentation was not maintained for all disbursements, and 2 annual settlements prepared by the Public Administrator's office did not include some assets of the estate.

- The court's review of disbursements on annual settlements is limited to verifying the accuracy of amounts reported by reviewing copies of canceled checks included as part of the bank statements. In addition, the Public Administrator did not file supporting documentation with the Circuit Court, Probate Division when filing annual settlements. Without additional supporting documentation such as invoices, the court cannot be certain of the purpose and appropriateness of the expenses.
- The Public Administrator could not provide adequate supporting documentation such as invoices for numerous disbursements.
- Some ward assets were not included for 2 annual settlements reviewed. A vehicle purchased in 2011 was not included in the ward's annual settlement, and the contents of a safe deposit box for another ward were not included in the annual settlement but may need to be included if the contents have a cash value. The Public Administrator indicated she did not have a key to the box and did not know the contents in it. The Circuit Court, Probate Division's review of annual settlements filed by the Public Administrator did not detect either of these issues, though payments for the vehicle loan and fees for the safe deposit box were reported on the annual settlements.

Without proper supporting documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring supporting documentation be filed with the court and reviewed in conjunction with the annual settlements. In addition, the Public Administrator should file complete and accurate annual settlements and the court should perform adequate reviews of the annual settlements.

1.2 Bank reconciliations and checks

The Public Administrator did not perform bank reconciliations, and checks were not always issued in sequence. For one estate, checks were not issued in sequential order because the Public Administrator used two checkbooks



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simultaneously. In addition, we noted one issued check and several voided checks had not been entered in the checkbook register.

Monthly bank reconciliations are necessary to ensure the bank activity and accounting records are in agreement, and to identify errors timely. Additionally, to ensure accurate records, checks should be issued in numerical sequence and an accurate checkbook register maintained.

A similar condition was noted in our prior audit report.

Recommendations

The Public Administrator:

- 1.1 Prepare annual settlements that adequately detail and report all assets, and retain adequate supporting documentation for all disbursements. In addition, the Circuit Judge, Probate Division, establish procedures to adequately monitor the activity of cases assigned to the Public Administrator, and require supporting documentation such as invoices to be filed with the court for the annual settlement.
- 1.2 Prepare monthly bank reconciliations for all accounts and ensure checks are issued in numerical sequence and properly accounted for in the checkbook register.

Auditee's Response

The Public Administrator provided the following responses:

- 1.1 *I plan to purchase and start using a scanner so that I can maintain electronic copies of invoices, receipts, or other supporting documentation for disbursements. I will provide such documentation to the court when filing annual settlements in accordance with their request. In the future, I will ensure all assets of the ward are reported on the annual settlements and I will determine how to access the safe deposit box to verify the contents.*
- 1.2 *I plan to purchase accounting software to assist with maintaining bank records for all wards. I will prepare monthly bank reconciliations for each account. In the future, I will ensure checks are issued in numerical sequence and all checks, including voided checks, are entered in the checkbook register.*

The Circuit Judge, Probate Division, provided the following response:

- 1.1 *The Probate Clerk has requested invoices for some items in the past, but we agree there is no audit trail of this review of invoices. In the future, we will require a check box on the annual settlement to indicate that invoices over \$75 were obtained from the Public*



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Administrator and reviewed to ensure all disbursements are appropriate.

2. Property Tax System and County Collector-Treasurer's Controls and Procedures

The property tax system and the County Collector-Treasurer's controls and procedures need improvement. The office processed tax collections and other revenues of approximately \$6.2 million during the year ended February 29, 2016.

2.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. Although the County Clerk maintains files of tax charges, additions and abatements, and the County Collector-Treasurer's monthly settlements, the County Clerk does not use this information to create an account book. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector-Treasurer's annual settlements. Thus, the error noted in section 2.2 was not detected and corrected on the County Collector-Treasurer's annual settlement approved by the County Clerk and the County Commission. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector-Treasurer are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector-Treasurer's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

A similar condition was noted in our prior audit report.

2.2 Distributions of township collections

The County Collector-Treasurer has not disbursed property taxes collected for the abolished townships since March 2015. Undistributed township property taxes collected totaled approximately \$61,000 as of February 29,



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2016, and these monies continue to accumulate in the County Collector-Treasurer's main account.

In April 2015, Sullivan County voters approved abolishing the township form of government. Each of the 12 townships turned over all cash and investments, as well as any liabilities, to Sullivan County, and Sullivan County took over all road and bridge duties from the townships. Although the townships no longer exist, the County Collector-Treasurer is still charged with collecting delinquent property taxes levied by the townships in previous tax years. In addition, the annual settlement for the year ended February 29, 2016, listed the township tax collections as being disbursed even though this had not occurred.

To help ensure county officials can adequately monitor the county's financial condition and make accurate budgeting decisions, all monies due to the county should be disbursed timely. Additionally, the County Collector-Treasurer should file complete and accurate annual settlements.

2.3 Voided transactions

The County Collector-Treasurer's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions.

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.

Recommendations

- 2.1 The County Clerk maintain an account book with the County Collector-Treasurer. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's annual settlements.
- 2.2 The County Collector-Treasurer ensure all collections are disbursed timely and prepare complete and accurate annual settlements.
- 2.3 The County Collector-Treasurer retain 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

The County Clerk and County Commission provided the following response:

- 2.1 *The County Clerk has contacted other county clerks to gain a better understanding of how they maintain account books and use them to verify the accuracy of the annual settlements. The County Clerk will prepare and maintain an account book and use it to verify the*



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amounts reported on the annual settlement. The account book will be made available to the County Commission. The error noted in section 2.2 will not occur in future years because the County Collector-Treasurer has now distributed township collections to county funds and will continue to make disbursements monthly.

The County Collector-Treasurer provided the following responses:

- 2.2 *Accumulated township collections were distributed to the county's Special Road and Bridge Fund in September 2016. Future collections will continue to be distributed monthly. This was an unusual situation, which required discussion, research, and input from the County Clerk to determine which county fund to deposit the monies. In the future, I will ensure all collections are disbursed timely and reported correctly on the annual settlement.*
- 2.3 *All employees who process property tax collections are now retaining manual records of any voided or deleted transactions to ensure a proper audit trail. We will work with the programmer to see if a system report can be created to track voided and deleted transactions, which will include comments explaining the reason for the voided or deleted transaction. If the report can be generated, it will be periodically generated and compared to supporting documentation.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$15,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

3.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. One clerk receives, records, and deposits monies received; prepares checks; and reconciles the bank account. As a result, there is little assurance that all monies received are properly recorded, deposited, and disbursed to the appropriate parties.

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



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3.2 Receipts and deposits

Monies received are not recorded and deposited timely. The clerk records receipts when preparing a deposit. Deposits are typically made 2-3 times per month. For example, 3 deposits occurred in August 2015 and averaged \$686.

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 recorded immediately and deposited timely.

3.3 Outstanding checks

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. As of May 31, 2016, 127 checks totaling \$3,339 had been outstanding for over a year, with some checks dating back to 1999.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of monies in the account and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

3.4 Administrative fees

Administrative handling cost fees collected by the Prosecuting Attorney's office are not always in compliance with state law. The Prosecuting Attorney collected administrative handling cost fees and fees for the Missouri Office of Prosecution Services totaling approximately \$2,900 during the year ended December 31, 2015.

We reviewed recent case activity for 5 defendants and identified 2 defendants had been overcharged for the administrative handling cost fee on 3 cases. These defendants were assessed a fee of \$95 per check on 3 bad checks, while the maximum statutorily authorized fee was limited to \$75 per bad check. In each of these 3 cases, the bad check amount was \$1,000 or more.

Section 570.120.5, RSMo, states the Prosecuting Attorney shall collect an administrative handling cost on bad checks. The cost shall be \$25 for checks of less than \$100, and \$50 for checks of \$100 but less than \$250. For checks of \$250 or more an additional fee of 10 percent of the face amount shall be assessed, with a maximum fee for administrative handling costs not to exceed \$75.

Recommendations

The Prosecuting Attorney:

- 3.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 3.2 Ensure all monies are recorded and deposited timely.
- 3.3 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees



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that can be readily located. If payees cannot be located, the monies should be disbursed in accordance with state law.

3.4 Ensure administrative handling cost fees assessed comply with state law.

Auditee's Response

3.1 *I agree that accounting duties need to be segregated more than they were at the time of the audit. A serious limitation to further segregation is the fact that the Office of the Prosecuting Attorney is staffed by a part-time prosecutor and one full-time employee.*

In an attempt to work around this limitation, negotiations have been started with the County Collector-Treasurer to establish a new procedure in which the County Collector-Treasurer's office will receive, receipt, and deposit money paid for bad checks and restitution. To the extent possible, the remaining duties of recording payments in our records, disbursing funds received, and reconciling the bank account will be segregated between the part-time prosecutor and the full-time employee in the Prosecuting Attorney's office in a manner that will reduce the risk of loss, theft, or misuse of funds collected for bad checks and restitution.

If it is not possible to cooperate with the County Collector-Treasurer's office to segregate the duties of receiving, receipting, and depositing funds, then the Prosecuting Attorney will take over the duties of depositing the funds and reconciling the account. An independent third party will then be enlisted to review the detailed accounting and bank records, though this will likely result in an additional expense that will likely further reduce funds available to the office to perform its essential prosecuting responsibilities.

3.2 *I agree that all monies received should be recorded and deposited timely.*

If it is possible to enter into an agreement with the County Collector-Treasurer's office to receive, receipt, and deposit monies collected for bad checks and restitution, then monies collected will be receipted and deposited by the County Collector-Treasurer's office the same day as they are received. Otherwise, procedures within the Prosecuting Attorney's office will be changed to prioritize the receipt, recording, and deposit of monies the same day they are received.

3.3 *I agree with these recommendations. Many changes have been made to the standard operating procedures of the Office of the Prosecuting Attorney since I took office on January 1, 2015.*



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The current outstanding checks have been reviewed. The outstanding checks to existing businesses will be reissued and hand-delivered to the business along with an explanation of why the check was reissued. For businesses that are no longer operational, steps are currently being taken to identify the individual or corporation who owned the business at the time the original bad check was received or the individual or corporation that bought or otherwise took over the assets of the now defunct business. We will then reissue checks to those businesses or individuals.

Ongoing business practices have been changed. All outstanding checks will be reviewed annually on or around June 30. Reasonable and necessary steps will be taken to contact the payee to determine the status of the outstanding check and, if necessary, reissue the check.

Before November 1 of each year, outstanding checks that exceed the statutory abandonment period will be reported and sent to the Missouri State Treasurer pursuant to the Uniform Disposition of Unclaimed Property Act and procedures established by the Missouri State Treasurer.

3.4 *I agree with these recommendations. The Auditor's Office has identified a mistake or an error in the software program used by the office to process bad checks.*

The Prosecuting Attorney's office is in the process of changing software programs and will ensure that the data fields of the new software system include the proper administrative handling costs as set for in Section 570.120.5, RSMo.

In addition, we will perform a review of all bad checks we collected on since August 28, 2005 (the effective date of amendments affecting the amounts collectable as administrative handling costs as set forth in H.B. 353). This review will ensure the correct amounts were assessed and collected as administrative fees. If fees collected for any of these checks exceeded the statutorily allowed amounts, then the overcharges will be refunded.

4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office processed receipts for bonds, conceal carry weapon permits, civil paper service, and other miscellaneous receipts totaling approximately \$88,000 during the year ended December 31, 2015.

4.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank



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records. The Sheriff's secretary is primarily responsible for receipting, recording, and depositing monies; making disbursements; and preparing bank reconciliations and the monthly fee report. The Sheriff reviews and initials the monthly bank reconciliation, but does not review accounting records including detailed receipt and disbursement records.

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

4.2 Seized property

A physical inventory of seized property has not been performed, the seized property records maintained are not accurate, and there is no master list of seized property. For example, the property records indicated multiple items were on hand related to 2 cases; however, the items could not be located at the time of our review. The Sheriff subsequently provided documentation indicating the items should not have been on hand or included in the seized property records because the cases had been resolved and the items returned to the owners. Also, the seized property records did not include a description of the item for one case. Instead of using a master log of seized property, the Sheriff manually logs seized property for each case and inserts the handwritten log in a binder. In addition, some seized property has been held for years and the Sheriff indicated his office has not periodically disposed of items no longer needed.

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. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

Recommendations

The Sheriff:

- 4.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 4.2 Ensure a periodic physical inventory is conducted and reconciled to seized property records, and investigate any differences. Also, the Sheriff should maintain accurate seized property records, create a master log of seized property, and make timely and appropriate dispositions of seized property.



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Auditee's Response

- 4.1 *I agree with the recommendation and will document my reviews of accounting and bank records on a test basis. This will include reviews of individual deposits.*
- 4.2 *I am considering various improvements to controls over seized property, which will include consideration of the procedures suggested by the auditors. I have attempted to obtain court orders for disposal of seized property, and will again attempt to obtain court orders.*

5. Sunshine Law

The County Commission did not prepare minutes for both closed meetings held during the year ended December 31, 2015, and the agenda for one meeting did not include advanced notice of a closed meeting. The County Commission generally meets once per week.

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. Sections 610.020 and 610.022, RSMo, requires the county to give notice at least 24 hours in advance of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered.

Recommendation

The County Commission ensure minutes are prepared and retained for all closed meetings. In addition, provide proper notification and agendas for public meetings.

Auditee's Response

The County Commission rarely holds closed session meetings. In the future, we will maintain separate minutes for closed meetings and ensure agendas contain advanced notice of closed sessions. These were unintentional errors, and we are committed to full compliance with the Sunshine Law.

6. 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.

6.1 Passwords

The County Collector-Treasurer, County Assessor, County Clerk, Recorder of Deeds, Prosecuting Attorney, Public Administrator, and the Sheriff 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 on keeping them confidential. However, since passwords do not have to be periodically changed by employees in



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these offices, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

6.2 Backup data

The Sheriff does not periodically test backup files and does not store backup files 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, backup data should be tested on a periodic basis and stored at a secure off-site location.

Recommendations

The County Commission work with other county officials to:

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

Auditee's Response

We agree with the recommendations, and plan to draft and implement a written policy to govern electronic data security across all county offices.

7. Contracted Labor

The county did not document the reasons for classifying a grant coordinator for disaster recovery projects and the Sheriff's secretary as independent contractors rather than employees. For the year ended December 31, 2015, these individuals were paid \$10,000 and \$12,050, respectively.

The county did not withhold payroll and income taxes from payments made to these individuals. In addition, they are not required to submit monthly timesheets and/or invoices to document hours worked, and the county compensates them at a flat monthly rate.

Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations. The failure to withhold and properly report payroll and income taxes for county employees makes the county potentially subject to additional tax liabilities along with penalties and interest. For employees, the Internal Revenue Service requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Additionally, procedures should be established to ensure payroll payments are adequately supported by invoices or timesheets.



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Recommendation

The County Commission ensure persons are properly classified as employees or independent contractors in compliance with state and federal laws and regulations, and all employee compensation paid is subject to proper withholdings and properly reported. Additionally, proper supporting documentation should be obtained and approved prior to payment.

Auditee's Response

The grant coordinator position is temporary, and he was hired due to specialized knowledge. The Sheriff's secretary is retiring, and we do not plan to continue using contract labor in that office. We will seek legal advice on how to make these determinations in the future, and ensure adequate documentation is maintained to support our decisions. We will continue to discuss and determine the best approach to establishing the pay structure for independent contractors, and require them to submit documentation of services provided.

Sullivan County

Organization and Statistical Information

Sullivan County is a county-organized, third-class county. The county seat is Milan.

Sullivan 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 34 full-time employees (including elected officials) and 11 part-time employees on December 31, 2015.

In addition, county operations include a 911 Board, Senior Services Board, Sullivan County Memorial Hospital Board, and a Law Enforcement Restitution Fund 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
Chris May, Presiding Commissioner	\$	24,440
John Watt, Associate Commissioner		22,440
Danny Busick, Associate Commissioner		22,440
Peggy Sloan, Recorder of Deeds		34,000
Jackie Morris, County Clerk		34,000
Brian Keedy, Prosecuting Attorney		41,000
Roger Smiley, Sheriff		39,000
Paul Ruschmeier, County Coroner		9,500
Joan Brummitt, Public Administrator		25,000
Jennifer Hollon-Russell, County Collector-Treasurer, year ended March 31,	34,000	
Karen LaFaver, County Assessor, year ended August 31,		34,000