



Office of Missouri State Auditor
Nicole Galloway, CPA

Caldwell County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Caldwell County

Detention Center's Controls and Procedures	The Caldwell County Detention Center's (CCDC) procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. Inmate monies are not deposited intact or timely and some inmate money is held in cash to make refunds upon release. The Sheriff has not adequately segregated accounting duties, performed documented supervisory reviews of detailed accounting and bank records, or limited access to certain financial transactions to only certain staff. No procedure is in place to ensure all manual receipt slips issued are subsequently posted to a kiosk, and for some bonds, the manual receipt slip is not posted to the system because the bond is transmitted to the Sheriff's office bookkeeper and not tracked in the inmate system. CCDC personnel do not make timely disbursements to the County Collector-Treasurer for commissions earned from the telephone provider and net proceeds earned from operating the commissary. The CCDC does not prepare a monthly lists of liabilities for the commissary account, and consequently, liabilities are not compared to the reconciled bank account balance.
Electronic Data Security	The Prosecuting Attorney and the CCDC have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Collector-Treasurer and all employees share a user account and password. The CCDC does not have security controls in place to lock computers after a certain period of inactivity.
Seized Property	The Sheriff's office has not conducted a periodic inventory of seized property since May 2014, after the Sheriff identified a theft of some seized property had occurred the month before.
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.

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Caldwell County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Caldwell County

We have audited certain operations of Caldwell 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 Caldwell 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:

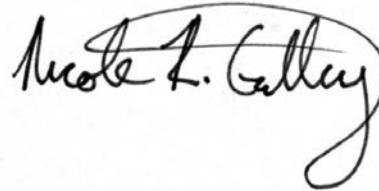
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 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 Caldwell 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:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Ruben Lara
	Alex Bruner, MBA

Caldwell County Management Advisory Report State Auditor's Findings

1. Detention Center's Controls and Procedures

Controls and procedures at the Caldwell County Detention Center (CCDC) need improvement.

The Sheriff operates a 128 bed facility, housing inmates for the following entities: Caldwell County, United States Marshals Service (USMS), United States Immigration and Customs Enforcement (ICE), and neighboring cities and counties. CCDC personnel maintain inmate monies and operate a commissary for inmates to purchase various snacks and personal items, as well as phone cards, access to email and video visitation, and electronic cigarettes. Commissary orders are placed electronically with a vendor and the goods are delivered to the CCDC for distribution to inmates, except electronic cigarettes, which are maintained and distributed by CCDC personnel.

Electronic records of individual inmate account receipts, disbursements, and balances are maintained. Cash in the possession of any inmate at the time of booking is deposited into a kiosk in the booking area by detention center personnel. If the kiosks are not operating or a check or money order is in the inmate's possession, a manual receipt slip is issued and the amount received is manually entered into the system by CCDC personnel. Inmates can also have amounts added to their account by debit or credit card through a website operated by the vendor, through cash deposits into a kiosk in the lobby, or by a check or money order received on their behalf. CCDC personnel maintain most inmate monies in the commissary bank account; however, some cash is always maintained in the CCDC administrative area in a bank bag. Cash in the possession of an ICE inmate when booked is deposited to the booking kiosk, but an equivalent amount of cash is taken from the bank bag to put in an inmate envelope stored in a safe. The Sheriff indicated ICE inmate monies are maintained in cash because the ICE prefers inmates receive cash upon release. ICE inmates are frequently deported upon release, and it is easier for them to negotiate cash than checks. When an ICE prisoner is released, the commissary bookkeeper reviews the inmate's account records in the system to determine his/her account balance. If the balance exceeds the cash in the inmate's envelope the difference is taken from the bank bag and added to the envelope and the cash is distributed to the inmate.

In addition, cash bonds are also received and processed by CCDC personnel and are handled in one of two ways. Bonds for Caldwell County inmates are transmitted in cash to the Sheriff's office and bonds received for other jurisdictions are deposited into a kiosk and paid out by check. Activity within the kiosks are tracked by sessions. When cash is removed from a kiosk, the current session is to be closed and after removal, a new session opened. All cash removed from the kiosks, along with checks and money orders received for inmates, are placed in the bank bag.



Caldwell County
Management Advisory Report - State Auditor's Findings

1.1 Receipting and depositing

Procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. Commissary bank account deposits totaled approximately \$255,000 during the year ended December 31, 2015.

Large amounts of cash are received and processed through the booking area and lobby kiosks; however, prenumbered receipt slips are not issued for these transactions. The system assigns a transaction number to each cash entry, but these numbers are not unique to the CCDC. Manual receipt slips are sometimes used for cash receipts when the system is not operating and a kiosk cannot be used, but controls are not in place to ensure all manual receipt slips are posted to the system (see section 1.3).

When a kiosk session is closed and the money is removed from the kiosk, no comparison of the cash removed to the session transaction detail report is performed to ensure the amount removed agrees to the amount deposited. A May 2, 2016, cash count determined \$5,475 on hand, of which \$4,111 was cash. We were unable to agree the cash on hand to transaction detail reports from the system.

Inmate monies are not deposited intact or timely, and some ICE inmate monies are held in cash. While monies, including cash, are received almost daily, only 28 deposits to the inmate commissary account occurred during 2015. Some deposits were more than a month apart. A deposit occurred on December 19, 2014, which included cash, and then no cash was deposited until February 6, 2015, even though another deposit happened on January 16, 2015. A deposit occurred on February 27, 2015, which included no cash, and the next deposit happened on May 4, 2015. Based on when deposit records indicate cash was deposited, we attempted to account for cash receipts during the period December 19, 2014, through February 5, 2015. A deposit was made to the commissary account on February 6, 2015, totaling \$8,567, which included \$6,677 of cash. Deposit records did not provide sufficient detail to determine which cash receipts were included in the deposit. In addition, checks and money orders received and posted to the system were not deposited intact. Twenty-three checks and money orders receipted during the period January 6 through January 21, 2015, totaling \$1,664, were not deposited until February 27, 2015, although deposits occurred on January 16, 2015, and February 6, 2015.

The bookkeeper indicated she made deposits when the bank bag became full. At that time, she would remove a portion of the contents (some checks and money orders and some cash) and prepare whatever was removed for deposit. A large amount of cash was always retained to ensure sufficient cash was available to make refunds to ICE inmates upon their release; however, the amount kept on hand was never indicated in the records.



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Due to the poor records and procedures in place for handling inmate monies and because there is no documentation of the monies retained in the bank bag, we were unable to determine if all cash received was accounted for properly during our test period. We noted similar problems for other periods reviewed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact and timely. The Sheriff should consult with the ICE to establish alternative procedures for maintaining cash for ICE inmate releases. Consideration should be given to maintaining a cash fund, on an imprest basis, to maintain and disburse funds for ICE inmate releases. To ensure all receipts are properly accounted for and deposited, the composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of deposits to the receipt and inmate records

1.2 Segregation of duties

The Sheriff has not adequately segregated accounting duties, performed documented supervisory reviews of detailed accounting and bank records, or limited access to certain financial transactions to only certain staff. Any CCDC personnel can receive or record payments. In addition to receiving and recording duties, the bookkeeper is also responsible for depositing and disbursing monies. 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.

1.3 Manual receipt slips

No procedure is in place to ensure all manual receipt slips issued are subsequently posted to a kiosk, and for some bonds, the manual receipt slip is not posted to the system because the bond is transmitted to the Sheriff's office bookkeeper and not tracked in the inmate system. Personnel also indicated that occasionally a family member of an ICE inmate will bring in a cash payment after the inmate's account has been closed because they are being released. In those cases, the manual receipt slip is not posted to the kiosk and the cash is simply added to the amount the system indicates needs to be paid out upon the inmate's release. In addition, some of the manual receipt slips issued from the four different receipt slips books used in 2015 were unreadable and we could not determine if they were posted to a kiosk.



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Management Advisory Report - State Auditor's Findings

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify receipts have been recorded in a kiosk on a timely basis and deposited.

1.4 Commissary transmittals CCDC personnel do not make timely disbursements to the County Collector-Treasurer for commissions earned from the telephone provider and net proceeds earned from operating the commissary. During 2015, the bookkeeper only disbursed commissary monies to the County Collector-Treasurer 3 times, totaling \$112,034. No documentation was available to support the amounts disbursed and the bookkeeper indicated the payments made in 2015 occurred when the account balance was getting too large. Phone commissions received monthly from the telephone provider are not deposited by CCDC personnel, but are transmitted to the County Collector-Treasurer. These transmittals, totaling approximately \$23,000 during 2015, did not occur timely. For example, personnel made 2 transmittals on January 9, 2015, none for more than 3 months, and 2 on April 30, 2015. Phone commission checks should be transmitted monthly as received.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all remaining monies, as well as future commissions and profits, should be disbursed to the County Collector-Treasurer monthly. Section 50.370, RSMo, requires county officials to turn over all fees to the County Collector-Treasurer monthly. In addition, 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, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Collector-Treasurer.

1.5 Liabilities The CCDC does not prepare a monthly lists of liabilities for the commissary account, and consequently, liabilities are not compared to the reconciled bank account balance. The reconciled bank balance for the commissary account at December 31, 2015, was \$31,623. We worked with the commissary software system vendor and obtained a listing of liabilities from the system that showed total liabilities (amounts held for inmates and amounts due the vendor for commissary orders) were \$12,100. The remaining balance, \$19,523, represents net proceeds (commissary profit).

Monthly lists of liabilities should be prepared and reconciled to the available cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Any differences should be promptly investigated and resolved, and any unidentified monies should be disposed of in accordance with state law.



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Management Advisory Report - State Auditor's Findings

Corrective Action

We discussed the problems addressed in finding sections 1.1, 1.2, and 1.3 with the Sheriff and CCDC personnel during audit fieldwork. Personnel began implementing new recordkeeping and review procedures soon after these meetings.

Recommendations

The Sheriff:

- 1.1 Ensure all receipts are deposited intact and timely, and work with the ICE to establish alternative procedures for maintaining cash for inmate releases. The Sheriff's department should ensure receipt and deposit records are adequately detailed, and the composition of monies received should be reconciled to the composition of deposits.
- 1.2 Segregate accounting duties or ensure documented supervisory or independent reviews of detailed accounting and bank records are performed.
- 1.3 Ensure manual receipt slips are recorded in a kiosk timely and accounted for properly by someone independent of the receipt process.
- 1.4 Ensure existing and future commissary net proceeds and phone commissions are disbursed/transmitted timely to the County Collector-Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.5 Ensure monthly lists of liabilities are prepared and reconciled to the cash balances monthly. Any differences should be promptly investigated and resolved.

Auditee's Response

- 1.1 *Cash handling procedures at the Detention Center have been completely overhauled since the audit was conducted. All cash is now removed daily from the kiosks and all monies on hand from inmates are deposited intact daily. We have established a petty cash fund, which is maintained at a constant amount, to use for making cash refunds to ICE inmates upon release. Receipt slips are adequately detailed now and are attached to daily receipt totals from the kiosks to clearly show all monies received were deposited. Supervisory reviews of the daily deposits are now performed. Since the last state audit, we have had an increase in ICE inmates being held in our jail and have had significant staff changes, including multiple administrators, which has contributed to the problems identified by the auditors. We have already added another administrative person to help with the volume of work and to ensure all monies handled are accounted for properly.*



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Management Advisory Report - State Auditor's Findings

- 1.2 *Procedures have been changed and supervisory reviews of accounting and bank records are now being performed.*
- 1.3 *We have improved procedures for handling manual receipts and they are now all entered into the system and the transaction number is recorded on the manual receipt. Supervisory review of these transactions is now performed daily.*
- 1.4 *We are now turning over net proceeds and phone commission checks to the County Collector-Treasurer on a monthly basis.*
- 1.5 *We are now printing these lists and comparing to the reconciled balance monthly.*

2. Electronic Data Security

2.1 Passwords and user names

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 Prosecuting Attorney and the CCDC 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. In addition, the County Collector-Treasurer and all employees in that office share a user account and password to access a computer for payment of taxes.

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 and/or are shared by employees, 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.

2.2 Security controls

The CCDC does not have security controls in place to lock computers after a certain period of inactivity.

Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.



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Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission:

- 2.1 Work with county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 2.2 And the Sheriff require the CCDC computers to have security controls in place to lock the computer after a certain period of inactivity.

Auditee's Response

The County Commission provided the following responses:

- 2.1 *We have contacted our IT provider and are working to resolve these concerns.*
- 2.2 *We will discuss this issue with the Sheriff and ensure this is corrected.*

The Sheriff provided the following responses:

- 2.1 *We will contact our IT provider to have them help us establish procedures for periodically changing passwords.*
- 2.2 *This recommendation has been implemented.*

3. Seized Property

The Sheriff's office has not conducted a periodic inventory of seized property since May 2014. In April 2014 the Sheriff identified a theft of some seized property had occurred and subsequently, reviewed and strengthened controls over the property. One of the procedure changes now requires the Chief Deputy to perform periodic inspections of the seized property room, which the Sheriff indicates have been done, but there is no documentation to support the inspections. In addition to the random inspections, a full inventory of all seized property should be performed at least annually by an independent person.

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 stored items. Periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property and evidence are accounted for properly.

Recommendation

The Sheriff ensure documentation is maintained for any inspections performed of the seized property room and require periodic (at least annually) physical inventories be performed.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

The implementation of unscheduled periodic inspections of the seized property room is now in place and already being utilized and I will ensure documentation of these inspections is maintained in the future. I will discuss with my Chief Deputy the best way to implement performing annual inventories of seized property.

Caldwell County

Organization and Statistical Information

Caldwell County is a township-organized, third-class county. The county seat is Kingston.

Caldwell 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 73 full-time employees (including elected officials) and 8 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Little Otter Creek Board (a watershed project board) and Senior Citizens 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
C.R. (Bud) Motsinger, Presiding Commissioner	\$	28,968
Donald Raymond Cox, Associate Commissioner		26,928
Gerald McBrayer, Associate Commissioner		26,928
Julie Hill, Recorder of Deeds		40,800
Beverly Bryant, County Clerk (1)		41,186
Brady C. Kopek, Prosecuting Attorney		47,940
Jerry Galloway, Sheriff		44,880
Dana Brown, County Coroner		12,240
Richard Lee, Public Administrator		25,502
June Grooms, County Collector-Treasurer (2), year ended March 31,	42,008	
Beverly Alden, County Assessor, year ended August 31,		40,800

- (1) Includes \$386 of commissions earned for preparing city property tax books.
- (2) Includes \$1,208 of commissions earned for collecting city property taxes.