



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Sullivan County

Sullivan County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Sullivan County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-138, *Sullivan County* (rated as Poor), issued in December 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included bank statements, reconciliations, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during October 2017.

Nicole R. Galloway, CPA
State Auditor

Sullivan County

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Status of Findings

1. Public Administrator's Controls and Procedures	Controls and procedures in the Public Administrator's office needed improvement.
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1.1 Annual settlements	The Circuit Court, Probate Division, did 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.
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Recommendation	The Public Administrator 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.
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Status	Implemented The Public Administrator indicated she has begun retaining originals of all invoices or other documents to support disbursements, and is including copies of supporting documents with the annual settlements filed with the court. She now ensures annual settlements detail and report all assets, and ending assets are based on beginning assets and asset acquisitions and dispositions. In addition, the Circuit Judge, Probate Division, indicated the division has adopted procedures to (1) review invoices supporting annual settlement disbursements, (2) ensure ending assets reported on the annual settlements are supported by bank statements and/or are consistent with beginning assets and activity reported on the settlement, and (3) obtain an explanation from the Public Administrator as necessary for any discrepancies or unusual items noted. We reviewed one annual settlement filed in May 2017, and noted invoices or other documents supporting disbursements were filed with the court, assets were properly detailed and reported on the settlement, and the court documented its review.
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1.2 Bank reconciliations and checks	The Public Administrator did not perform bank reconciliations, and checks were not always issued in sequence. In addition, we noted one issued check and several voided checks had not been entered in the checkbook register.
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Recommendation	The Public Administrator prepare monthly bank reconciliations for all accounts and ensure checks are issued in numerical sequence and properly accounted for in the checkbook register.
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Status	Implemented The Public Administrator indicated she has begun preparing monthly bank reconciliations for all accounts and the bank balances often agree to the
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checkbook register balances with no reconciling items, and she has begun issuing checks in numerical order and accounting for the sequence of checks issued in the checkbook register. We reviewed the recent financial activity for one ward and noted bank statement balances agreed to the checkbook register balance for August 2017 and September 2017 and the checks recorded in the checkbook register from March 2017 through September 2017 were recorded sequentially.

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 needed improvement.

2.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector-Treasurer. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes.

Recommendation

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.

Status

In Progress

In September 2017, the County Clerk obtained an account book template and guidance on its use. She intends to begin maintaining the account book by the end of December 2017, and she and the County Commission will use it to verify the County Collector-Treasurer's annual settlements beginning with the settlement for the year ended February 28, 2018.

2.2 Distributions of
township collections

The County Collector-Treasurer had not disbursed property taxes collected for abolished townships since March 2015. Undistributed township property taxes collected totaled approximately \$61,000 as of February 29, 2016, and this money had continued to accumulate in the County Collector-Treasurer's main account. 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.

Recommendation

The County Collector-Treasurer ensure all collections are disbursed timely and prepare complete and accurate annual settlements.

Status

In Progress



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In September 2016, the County Collector-Treasurer disbursed property taxes collected for the abolished townships from March 2015 through August 2016. Thereafter, the County Collector-Treasurer made monthly disbursements of additional delinquent tax collections for the townships. On the annual settlement for the year ended February 28, 2017, the County Collector-Treasurer reported the receipt and disbursement of delinquent township taxes from March 2016 through February 2017 totaling about \$8,000. The County Collector-Treasurer indicated she intends to contact the Missouri Department of Revenue about amending the reporting of township taxes on the last 2 annual settlements.

2.3 Voided transactions

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

Recommendation

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.

Status

Implemented

The County Collector-Treasurer has instituted procedures to account for the numerical sequence of receipts and has begun printing voided or deleted receipts and recording the reason for the void or deletion on the receipt. We noted supporting documentation has been maintained for these transactions since December 2016. The County Collector-Treasurer indicated she contacted the software vendor about a system-generated report of voided and deleted transactions, but the vendor could not provide such a report. Consequently, she began accounting for the numerical sequence of receipts and maintaining documentation of voided and deleted transactions in lieu of a system-generated report.

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office needed improvement.

3.1 Segregation of duties

The Prosecuting Attorney had not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records.

Recommendation

The Prosecuting Attorney segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.

Status

In Progress



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The Prosecuting Attorney indicated he has reached a preliminary agreement with the County Collector-Treasurer about assisting his office with collections, and he intends to segregate duties as follows: the County Collector-Treasurer will receive all monies for the Prosecuting Attorney's office and prepare the bank deposits; the Prosecuting Attorney's office clerk will post payments to case files, prepare checks, and reconcile the bank account; and the Prosecuting Attorney will sign checks and make bank deposits. Additionally, he intends to review and approve the accounting records. He intends to finalize the agreement with the County Collector-Treasurer and anticipates these procedures will be implemented by January 2018.

3.2 Receipts and deposits

Monies received were not recorded and deposited timely.

Recommendation

The Prosecuting Attorney ensure all monies are recorded and deposited timely.

Status

In Progress

The Prosecuting Attorney instituted procedures for deposits to be made weekly or when receipts exceed \$100. We reviewed bank statements for May 2017 through August 2017 and noted deposits generally occurred weekly. The Prosecuting Attorney indicated procedures for recording receipts immediately will be implemented in November 2017 after transitioning to a new computer system.

3.3 Outstanding checks

The Prosecuting Attorney had 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.

Recommendation

The Prosecuting Attorney establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the monies should be disbursed in accordance with state law.

Status

Not Implemented

The Prosecuting Attorney indicated he has not established procedures to routinely investigate outstanding checks and has not taken action on the old outstanding checks, but intends to investigate and follow up as necessary on these checks by the end of this year.

3.4 Administrative fees

Administrative handling cost fees collected by the Prosecuting Attorney's office were not always in compliance with state law.



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Recommendation	The Prosecuting Attorney ensure administrative handling cost fees assessed comply with state law.
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Status	Implemented The Prosecuting Attorney corrected the software problem that caused the incorrect administrative handling cost fees to be assessed on bad checks. We reviewed 3 cases received in September 2017 and noted the proper fees were assessed.
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4. Sheriff's Controls and Procedures	Controls and procedures in the Sheriff's office needed improvement.
4.1 Segregation of duties	The Sheriff had not adequately segregated accounting duties and did not perform an adequate supervisory review of detailed accounting and bank records.

Recommendation	The Sheriff segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
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Status	Implemented The Sheriff has expanded his supervisory review by reviewing the receipt and disbursement ledger and comparing receipts from the receipts slips to bank deposits for at least 2 deposits each month. He documents his monthly review by inserting his initials and date on a form established for that purpose and also separately lists the deposits reviewed. We reviewed the financial records for September 2017 and noted the Sheriff had placed his initials adjacent to 2 deposits to indicate his review.
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4.2 Seized property	A physical inventory of seized property had not been performed, the seized property records maintained were not accurate, and there was no master list of seized property. In addition, some seized property had been held for years and the Sheriff indicated his office had not periodically disposed of items no longer needed.
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Recommendation	The Sheriff 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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Status	In Progress In February 2017, Sheriff's office personnel began reviewing and updating the seized property records and instituted an improved logging system
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detailing the receipt, description, location, and disposition of items by case. In addition, office personnel conducted a complete physical inventory on June 30, 2017, and have made requests of the Prosecuting Attorney to dispose of old evidence. We noted the Deputy Sheriff signed and dated the property records indicating completion of the physical inventory. We compared items in storage and property records for 4 cases and identified no discrepancies. For 2 of those cases, the records indicated the evidence had been held since 2013 or 2014 and the Deputy Sheriff noted on the records that the Prosecuting Attorney had been contacted in October 2017 about disposing of the evidence.

6. Electronic Data Security Controls over county computers were not sufficient to prevent 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 were not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

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.

Status **In Progress**

The County Clerk, County Assessor, and Public Administrator each indicated they now require employee passwords be periodically changed. The Recorder of Deeds, County Collector-Treasurer, Prosecuting Attorney, and Sheriff still do not require passwords to be periodically changed, but each official indicated he/she would contact the office's software programmer about the matter. The County Commissioners indicated they have not established a county password policy, but plan to do so by the end of this year.

6.2 Backup data The Sheriff did not periodically test backup files and did not store backup files at an off-site location.

Recommendation The County Commission work with other county officials to ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Status **In Progress**

The Sheriff's office is now storing backup files at a secure off-site location; however, office personnel do not periodically test these files. The Sheriff



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indicated he intends to seek technical assistance about proper procedures for testing backup files.