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Missouri State Auditor

Hickory County

Report No. 2019-046

June 2019

auditor.mo.gov



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CITIZENS SUMMARY

Findings in the audit of Hickory County

Sheriff's Controls and Procedures	Controls and procedures over receipting and depositing need improvement. Receipt slips are not issued for some receipts, deposits of concealed carry weapon permit fees are not always made timely or intact, and checks received are not restrictively endorsed until deposits are prepared. The Sheriff's office did not timely disburse fees and other receipts to the County Treasurer. A monthly list of liabilities was not prepared for the civil account, and consequently, liabilities are not agreed to the reconciled bank balance. A complete and accurate inventory listing of seized property is not maintained and a physical inventory of seized property has not been performed. The Sheriff does not periodically review cases and dispose of related seized property items.
Prisoner Boarding	The Sheriff has not billed surrounding counties for boarding prisoners, has not established a daily housing rate to recover the costs for this service, and has not entered into written agreements with the counties for the services provided.
Assessment Fund Withholdings	The County Collector does not withhold amounts from the county's general property tax collections for the Assessment Fund in compliance with state law.
Electronic Data Security	Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.
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.

Hickory County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Hickory County

We have audited certain operations of Hickory County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Hickory County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2018. The objectives of our audit were to:

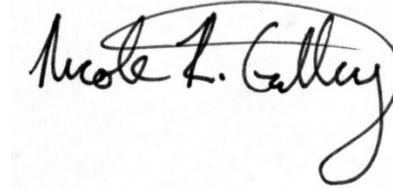
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 Hickory County.

A handwritten signature in black ink, reading "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
Audit Manager:	Julie A. Moulden, MBA, CPA
In-Charge Auditor:	James C. Kayser, CFE, CGAP
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	Joy Stevens, CFE
	Samantha A. Bull

Hickory County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected civil paper service fees, concealed carry weapon (CCW) permit fees, inmate monies, and other miscellaneous receipts totaling approximately \$46,000 during the year ended December 31, 2018.

1.1 Receipting and depositing

Controls and procedures over receipting and depositing need improvement.

- Receipt slips are not issued for phone card commissions, report copy fees, and civil paper service fees. A log of civil paper service fee receipts is maintained; however, entries are not numbered to help ensure all fees collected have been accounted for properly.
- Deposits of CCW permit fees are not always made timely or intact. For example, \$490 of CCW permit fees were collected from April 13, 2018, through July 1, 2018, and a deposit of \$430 was made on July 3, 2018. The dispatcher responsible for handling CCW permit fees indicated \$60 in cash was withheld from the deposit to establish a change fund for CCW receipts. Our cash count of the CCW change fund on February 20, 2019, totaled \$55. The dispatcher could not explain the \$5 shortage.
- Checks received are not restrictively endorsed until deposits are prepared. All 5 checks counted during our cash counts on February 20, 2019, totaling \$199, had not been restrictively endorsed.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Procedures should be established to ensure receipt slips are issued immediately for all monies received, the receipt slip number is posted to the civil paper service fee log, all monies are deposited timely, and checks are restrictively endorsed immediately upon receipt.

1.2 Disbursements

The Sheriff's office does not timely disburse fees and other receipts to the County Treasurer.

- The Sheriff's office disburses inmate monies received from commissary sales and phone card sales and other receipts approximately every 2 to 3 months to the County Treasurer. In addition, receipts from September and October 2017 totaling \$5,037 were disbursed by a check dated February 14, 2018, from the Sheriff's office and not received by the County Treasurer until February 20, 2018. The November and December 2017 receipts totaling \$3,295 were disbursed by a check dated January 19, 2018, and not received by the County Treasurer until February 13, 2018, one week before the September and October monies were received.



Hickory County
Management Advisory Report - State Auditor's Findings

- CCW permit fees totaling \$2,532 received from January to December 2018, were not disbursed to the County Treasurer from the CCW account until February 15, 2019.

Section 50.370, RSMo, requires all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer. Section 50.380, RSMo, indicates the Sheriff may be subject to penalties for failure to timely disburse monies.

1.3 Civil paper service liabilities

The dispatcher responsible for handling the civil account does not prepare a monthly list of liabilities for the account, and consequently, liabilities are not agreed to the reconciled bank balance. The Sheriff's office procedure is to collect civil paper service fees before papers are served. The fees are deposited upon receipt and distributed after the papers are served.

At our request, office personnel prepared a list of all civil paper service fees received, which totaled \$1,230 as of April 20, 2019. The Sheriff distributed refunds of \$90 for excess fees collected, leaving \$1,140 in undistributed collections at that date. The April 20, 2019, check register balance of \$3,136, exceeded the identified liabilities, resulting in a balance of \$1,996, which represents civil paper service fees collected prior to April 2019 that have not been distributed.

Regular identification and comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained.

1.4 Seized property

The Sheriff's office has not established adequate controls and procedures over seized property. A complete and accurate inventory listing is not maintained and a physical inventory of seized property has not been performed. In addition, the Sheriff does not periodically review cases and dispose of related seized property items. Some seized property has been held for years.

Two different computerized systems are used to track seized property, and neither of the systems are accurate or complete. Items obtained since August 2018 are maintained in one system and items obtained prior to August 2018 are maintained in the other system. We tested 21 seized property items and identified the following concerns:

- The owner of \$116 in cash seized in February 2017 was not identified on the evidence tag or in the old computerized system. In addition, \$40 in cash was found in a locked box in the seized property room with a note indicating it was drug buy money. No other information on this money could be located.



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Management Advisory Report - State Auditor's Findings

- A cell phone seized in September 2018 and entered into the new computerized system could not be located in the evidence room.
- The Sheriff has not disposed of drugs and drug paraphernalia seized on 4 closed cases. The oldest of these items was seized in 2010.

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. Complete and accurate inventory control records should be maintained, and periodic physical inventories performed with the results compared to inventory records to ensure seized property is accounted for properly. The use of multiple systems to track seized property is cumbersome and reduces the assurance that all information is accurately recorded and 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.

Similar conditions
previously reported
Recommendations

Similar conditions to sections 1.1 and 1.4 were noted in our prior audit report.

The Sheriff:

- 1.1 Issue receipt slips for all monies received, post receipt slip numbers to the civil paper service fee log, deposit monies timely and intact, and restrictively endorse all checks immediately upon receipt.
- 1.2 Disburse fees and other receipts to the County Treasurer monthly in accordance with state law.
- 1.3 Prepare a monthly list of liabilities for the civil account and reconcile the list to the reconciled bank balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 1.4 Maintain a complete and accurate seized property evidence log, and ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property in accordance with state law, and maintain adequate release records.

Auditee's Response

- 1.1 *We will issue receipt slips for all monies received, post receipt slip numbers to the civil paper service fee log, deposit monies timely and intact, and restrictively endorse all checks immediately upon receipt.*



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Management Advisory Report - State Auditor's Findings

- 1.2 *We will disburse fees and other receipts to the County Treasurer monthly in accordance with state law.*
- 1.3 *We will prepare a monthly list of liabilities for the civil account, reconcile the list to the reconciled bank balance, and any differences will be promptly investigated and resolved.*
- 1.4 *We will maintain a complete and accurate seized property evidence log, will ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences. As Sheriff, I will also make timely and appropriate dispositions of seized property, and maintain adequate release records. Also, I will review any unidentified seized property on hand and obtain written authorization from the court to dispose of applicable property.*

2. Prisoner Boarding

The Sheriff has not billed surrounding counties for boarding prisoners, has not established a daily housing rate to recover the costs for this service, and has not entered into written agreements with the counties for the services provided. Such agreements should detail the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations. In addition, the Sheriff has a verbal agreement to allow Hickory County to house prisoners at another jail at no cost if Hickory County will house prisoners for that county at no cost.

The Sheriff housed prisoners for other counties for a total of 176 days during the year ended December 31, 2018. Surrounding counties charge Hickory County \$35 and \$37 a day to house prisoners. Using those rates, the county did not bill between \$6,160 and \$6,512 for boarding prisoners for 2018.

Procedures should be established to ensure all amounts owed for prisoner housing are properly billed at a rate sufficient to recover all costs. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Recommendation

The Sheriff bill surrounding counties for boarding prisoners. In addition, the Sheriff should work with the County Commission to establish billing rates sufficient to recover costs and obtain written agreements with those counties for boarding prisoners.

Auditee's Response

As Sheriff, and with the consent of the County Commission, I have established a daily housing rate of \$45.00 per day to recover the costs for boarding prisoners.



Hickory County
Management Advisory Report - State Auditor's Findings

Procedures are being established to ensure all amounts owed for prisoner boarding are properly billed to recover all costs incurred by the county. Written contracts will be created to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. With the County Commission's help, written agreements will be created and entered into with surrounding counties regarding boarding prisoners.

3. Assessment Fund Withholdings

The County Collector does not withhold amounts from the county's general property tax collections for the Assessment Fund in compliance with state law. For the 2 years ended February 28, 2019, the General Revenue Fund received \$9,320 that should have been disbursed to the Assessment Fund.

Section 137.720.1, RSMo, requires a one percent commission on ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent commission. Adequate monitoring and proper calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.

Recommendation

The County Collector review Assessment Fund withholdings for past years, calculate the amount owed by the General Revenue Fund, and disburse amounts under withheld to the Assessment Fund.

Auditee's Response

I understand that I incorrectly disbursed funds from tax collections that were not in compliance with state law. I have been doing the same process that I was shown since I was elected in 2011. I have been through other state audits, as was the previous County Collector, and it was never brought to anyone's attention. The County Assessor's office is partially funded by an annual transfer from the General Revenue Fund to the Assessment Fund. The County Assessor's office was not affected by this error.

As of March 2019, we will withhold the 1.5 percent from collections from the county's general property tax collections and disburse that money to the Assessment Fund.

4. Electronic Data Security

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

4.1 Passwords

The County Assessor, Recorder of Deeds, and County Collector have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the offices of the County Assessor and Recorder of Deeds are not required to change passwords periodically, and employees in the County Collector's office only change their passwords every 6 months.



Hickory County
Management Advisory Report - State Auditor's Findings

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords in certain offices are not required to be periodically changed or are changed infrequently, 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 confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior 2 audit reports.

4.2 Security controls

Security controls are not in place to lock computers in the offices of the County Assessor, Record of Deeds, and County Collector 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.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require confidential passwords that are periodically changed to prevent unauthorized access to county computers and data.
- 4.2 Require each county computer to have security controls in place to lock it after a certain period of inactivity.

Auditee's Response

We agree with the State Auditor's recommendations. An updated password policy was approved by the County Commission on June 10, 2019. Our new policy requires passwords to be changed every 90 days and requires computers to lock after a period of inactivity. On June 6, 2019, at 9:30 a.m., a meeting was held with all elected officials. The new policy was reviewed and they all agreed to follow the new policy.

Hickory County

Organization and Statistical Information

Hickory County is a county-organized, third-class county. The county seat is Hermitage.

Hickory 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. In addition to elected officials, the county employed 30 full-time employees and 10 part-time employees on December 31, 2018.

Elected Officials

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

Officeholder	2019	2018
Robert Sawyer, Presiding Commissioner	\$	27,080
Chase Crawford, Associate Commissioner		25,080
Rick Pearson, Associate Commissioner		25,080
Pamela Hutton, Recorder of Deeds		38,000
Jeanne Lindsey, County Clerk		38,000
J. Michael Brown, Prosecuting Attorney		45,000
W. Brian Whalen, Sheriff		43,000
Kenny Ratliff, County Treasurer		38,000
Connie Boller, County Coroner		11,000
Venessa Prettyman, Public Administrator		20,000
Karen Stokes, County Collector, year ended February 28,	38,000	
Clint D. Baker, County Assessor, year ended August 31,		39,462