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Missouri State Auditor

Henry County

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CITIZENS SUMMARY

Findings in the audit of Henry County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a documented supervisory review of detailed accounting records and transmittals. The Prosecuting Attorney has not established adequate procedures for recording receipts.
Sheriff's Controls and Procedures	The Sheriff's office does not always record or correctly record the method of payment on receipt slips issued for the fee account. The Sheriff's office does not prepare adequate bank reconciliations for the inmate commissary account. The Sheriff's office has not established procedures to follow up on outstanding checks and other reconciling items. The Sheriff's office has not performed a physical inventory of all seized property.
Electronic Data Security	The County Clerk, Prosecuting Attorney, and County Collector-Treasurer have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Clerk, County Collector-Treasurer, Sheriff, and County Assessor do not have security controls in place to lock computers after a certain number of incorrect logon attempts.
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.

Henry County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory	
Report - State Auditor's	
Findings	
1. Prosecuting Attorney's Controls and Procedures	4
2. Sheriff's Controls and Procedures	5
3. Electronic Data Security.....	8

Organization and Statistical	10
Information	



NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Henry County

We have audited certain operations of Henry County in fulfillment of our duties under Section 29.230, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2019. The objectives of our audit were to:

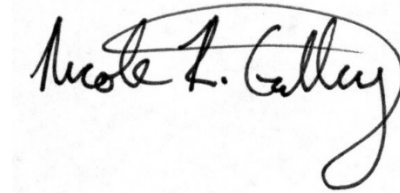
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. 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) no significant 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 Henry County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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	Terese Summers, MSAS, CPA

Henry County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. Office personnel collected approximately \$54,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2019.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a documented supervisory review of detailed accounting records and transmittals. The assistant is primarily responsible for receiving, recording, and transmitting receipts. The Prosecuting Attorney does not perform documented reviews of accounting and transmittal records to ensure receipts are properly recorded and transmitted.

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, and transmitting receipts. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and transmittal records are essential and should include comparing daily receipt activity to transmittals.

1.2 Receipt recording

The Prosecuting Attorney has not established adequate procedures for recording receipts. We reviewed all 45 manual receipt slips issued for September 2019 and identified the following concerns:

- The Prosecuting Attorney does not reconcile manual receipt slips issued to the two case management systems to ensure all receipt slips are recorded in both systems. Two receipt slips totaling \$200 were not recorded to either system and another receipt slip for \$633 was only recorded to one of the systems. In addition, receipts recorded in these systems during the year ended December 31, 2019, totaled \$56,394 in one system and \$54,396 in the other system, for a difference of \$1,998.
- The Prosecuting Attorney does not account for the numerical sequence of transaction numbers in the case management systems. Three transaction numbers were missing in one system and another transaction number was missing in the other system. These transactions were likely voided or deleted. In addition, 3 transaction numbers were not in numerical sequence in one case management system. The Office Manager indicated the office's procedure when voiding a transaction number with a data entry error is to issue a new transaction number with the date from the original transaction.

Failure to implement adequate recording procedures increases the risk that loss, theft, or misuse of money will occur and go undetected.



Henry County
Management Advisory Report - State Auditor's Findings

Similar conditions
previously reported

Similar conditions were noted in our 3 prior audit reports. In addition, Report No. 2016-043, *Follow-Up Report on Audit Findings - Henry County* (sections 7.1 and 7.2), issued in July 2016, reported the status, at that time, as partially implemented for section 7.1 and implemented for section 7.2.

Recommendations

The Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure independent or supervisory reviews of detailed accounting and transmittal records are performed and documented.
- 1.2 Perform reconciliations between the manual receipt slips and the case management systems on a periodic basis. Any differences should be investigated and resolved in a timely manner. In addition, the Prosecuting Attorney should account for the numerical sequence of transactions numbers in the case management systems and evaluate the need to maintain two systems.

Auditee's Response

- 1.1 *As we have noted in our responses to previous audits, we do not have adequate personnel to segregate duties as recommended. We have committed to provide maximum service to the public by being open during the lunch hour which often means there is only one person in the office to perform all of the duties.*

As to the recommendation about supervisory reviews, the auditor suggested a simple procedure to document the supervisory reviews we have been doing and either the Prosecuting Attorney or the office manager will initial all account adjustments.

- 1.2 *We believe we have improved our procedures for receipting money since the last audit. The problems noted in the report were the product of simple human error and not a result of a procedural weakness. We will try to improve the documentation of reconciliations between manual and case management system records. We intend to continue to phase out the use of the Dennis Jones case management system towards the goal of using only the Karpel case management system.*

**2. Sheriff's Controls
and Procedures**

Controls and procedures in the Sheriff's office need improvement. Office personnel collected approximately \$427,000 for civil paper service, prisoner board, commissary commissions, and other miscellaneous receipts during the year ended December 31, 2019.

2.1 Fee account receipting,
recording, and depositing

The Sheriff's office does not always record or correctly record the method of payment on receipt slips issued for the fee account. For the week ended October 26, 2019, the method of payment was not recorded on one receipt



Henry County Management Advisory Report - State Auditor's Findings

slip and the method of payment was not recorded correctly on another receipt slip. In addition, during our cash count conducted on June 12, 2020, the method of payment was not recorded on 3 of 4 receipt slips reviewed. As a result, the composition of receipts cannot be reconciled to the composition of deposits.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of money received will occur and go undetected.

2.2 Inmate commissary account bank reconciliations and liabilities

The Sheriff's office does not prepare adequate bank reconciliations for the inmate commissary account. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate commissary account balance.

The Sheriff does not perform procedures to identify outstanding checks, deposits in transit, and other reconciling items. As a result, the bank balance is not reconciled to the book balance. As of August 31, 2020, the bank balance was \$20,977 and the book balance was \$17,077, for a difference of \$3,900. At our request, the Sheriff generated a list of inmate balances (liabilities) that agreed to the book balance. We identified outstanding checks totaling \$4,462 and deposits in transit totaling \$220 and calculated the adjusted bank balance of \$16,735 at August 31, 2020, resulting in a shortage of \$342.

Performing adequate monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Monthly lists of liabilities should be prepared and reconciled to the available cash balance to ensure sufficient cash is available for the payments of amounts due and all money in the bank can be identified. Prompt follow up on discrepancies is necessary to resolve errors.

2.3 Outstanding checks and other reconciling items

The Sheriff's office has not established procedures to follow up on outstanding checks and other reconciling items.

As of August 31, 2020, 380 checks totaling \$3,988 had been outstanding for the inmate commissary account for more than a year. For the fee account, 20 debit journal entries totaling \$6,993 and 20 credit journal entries totaling \$6,993 were made during 2017 and 2018, but remained as reconciling items on the bank reconciliation report as of December 31, 2019. The Sheriff indicated these journal entries are created when his office voids checks and he was not sure why they remained on the reconciliation report.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of money in the inmate commissary account and to ensure the checks are appropriately reissued to the payee or the money is disbursed as otherwise provided by state law. Failure to resolve reconciling



Henry County Management Advisory Report - State Auditor's Findings

items timely in the fee account increases the risk that other errors or misstatements will not be detected and corrected timely.

2.4 Seized property

The Sheriff's office has not performed a physical inventory of all seized property.

Considering the often sensitive nature of seized property, adequate internal controls, including physical inventories, are essential to ensure seized property is accounted for properly and to reduce the risk of loss, theft, or misuse of the property.

Similar conditions previously reported

Similar conditions to sections 2.2, 2.3, and 2.4 were noted in our prior audit report. In addition, Report No. 2016-043, *Follow-Up Report on Audit Findings - Henry County* (sections 4.1, 4.4, and 4.6), issued in July 2016, reported the status, at that time, as partially implemented for sections 4.1 and 4.4 and not implemented for section 4.6.

Recommendations

The Sheriff:

- 2.1 Indicate the method of payment on all receipt slips and reconcile the composition of receipts to the composition of deposits.
- 2.2 Ensure adequate monthly bank reconciliations are prepared using outstanding checks, deposits in transit, and other reconciling items. In addition, prepare a monthly list of liabilities and reconcile the listing to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 2.3 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 money should be disposed of in accordance with state law. The Sheriff should also ensure other reconciling items are investigated and resolved timely.
- 2.4 Ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences.

Auditee's Response

- 2.1 *While we are not able to make the method of payment field in QuickBooks mandatory, we will more closely monitor the method of payment when generating the deposit summary report. In addition, we will reconcile the composition of receipts to the composition of deposits.*
- 2.2 *We will continue to make the request of our vendor of the commissary system to incorporate a bank reconciliation report that includes*



Henry County Management Advisory Report - State Auditor's Findings

outstanding checks, deposits in transit, and other reconciling items. In the meantime, we will attempt to perform a manual bank reconciliation. In addition, we have started preparing a list of liabilities monthly, and agreeing it to the book balance.

2.3 *We have cleared outstanding checks through December 17, 2020, in the inmate commissary account. Moving forward, outstanding checks greater than 180 days will be investigated and cleared. In addition, we will work to resolve the other reconciling items (journal entries).*

2.4 *We will continue to complete spot audits of seized property inventory and have made significant headway in reducing our seized property inventory this past year through destruction orders. We will maintain a log of spot audits for future reference. Currently, we do not have enough manpower to complete a full audit of seized property annually.*

3. 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.

3.1 Passwords

The County Clerk, Prosecuting Attorney, and County Collector-Treasurer have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the offices of Prosecuting Attorney and County Collector-Treasurer are not required to change passwords periodically and employees in the County Clerk's and Prosecuting Attorney's offices are not required to have passwords with a minimum number of characters in the passwords to help ensure passwords remain known only to the assigned user.

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

3.2 Security controls

The County Clerk, County Collector-Treasurer, Sheriff, and County Assessor do not have security controls in place to lock computers after a certain number of incorrect logon attempts. In addition, the County Clerk and County Collector-Treasurer do not have security controls in place to lock computers after a certain period of inactivity.



Henry County Management Advisory Report - State Auditor's Findings

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. 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.

Similar conditions previously reported

Similar conditions were noted in our prior audit report. In addition, Report No. 2016-043, *Follow-Up Report on Audit Findings - Henry County* (sections 3.1 and 3.2), issued in July 2016, reported the status, at that time, as implemented for section 3.1 and partially implemented for section 3.2.

Recommendations

The County Commission work with other county officials to:

- 3.1 Require passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed.
- 3.2 Require county computers have security controls in place to lock each computer after a specified number of incorrect logon attempts and after a certain period of inactivity.

Auditee's Response

The County Commission provided the following responses:

- 3.1 *The County Clerk and County Collector-Treasurer have implemented the recommendations of the Missouri State Auditor's Office. Each employee has a confidential, 10 character password that is changed quarterly.*
- 3.2 *The County Clerk, County Collector-Treasurer, and County Assessor have implemented the recommendations of the Missouri State Auditor's Office. The computers are set up to lock out after three incorrect logon attempts and time out after five minutes of nonuse.*

The Prosecuting Attorney provided the following response:

- 3.1 *We engage the services of a competent IT contactor and regularly consult with this contractor regarding data security. We believe our data security procedures are excellent. We will work with our IT contractor to see if our system will support automatic password changes on our computers.*

Henry County

Organization and Statistical Information

Henry County is a township-organized, third-class county. The county seat is Clinton.

Henry 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. In addition to elected officials, the county employed 70 full-time employees and 18 part-time employees on December 31, 2019.

In addition, county operations include the Senior Citizens' Services Board.

Elected Officials

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

Officeholder	2020	2019
Jim Stone, Presiding Commissioner	\$	39,996
Rick Fosnow, Associate Commissioner		36,684
Dale Lawler, Associate Commissioner		36,384
Ronda Ake, Recorder of Deeds		54,662
Rick Watson, County Clerk		54,662
Richard Shields, Prosecuting Attorney		140,667
Kent Oberkrom, Sheriff		58,455
Dain Sisk, County Coroner		21,838
Allen Huff, Public Administrator (1)		185,152
Ann Julian, County Collector-Treasurer (2), year ended March 31,	74,568	
Scott Largent, County Assessor, year ended August 31,		59,232

(1) Includes fees from probate cases. The Public Administrator reported paying \$118,584 in personnel salaries and office expenses from these fees.

(2) Includes \$21,643 of commissions earned for collecting city property taxes.