

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom. The background of the entire page is a faded image of the Missouri State Capitol building.

Nicole Galloway, CPA

Missouri State Auditor

Sullivan County

Report No. 2021-107

November 2021

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Sullivan County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. The office secretary does not always timely disburse bad check and restitution payments to victims or fees received to the County Treasurer, did not prepare bank reconciliations or maintain a book balance during our audit period, and does not always deposit receipts timely or intact.
Public Administrator's Controls and Procedures	The Public Administrator does not always file annual settlements timely and does not prepare monthly bank reconciliations for ward accounts.
Property Tax System	As noted in our prior audit report, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector, who processed property tax collections of approximately \$7.1 million during the year ended February 28, 2021.
Electronic Data Security	Controls over county computers are not sufficient. Employees in the Recorder of Deeds and Sheriff's offices are not required to change passwords periodically. Employees in the Recorder of Deeds' and Assessor's offices do not have security controls in place to lock computers after a specified number of incorrect logon attempts and/or after a certain period of inactivity. The Public Administrator does not back up computer data on a regular basis and Sheriff's office personnel do not store backup data at an off-site location.
Sunshine Law	The county could not provide minutes for 9 of the 50 open meetings held during 2020. The County Clerk indicated she prepares the minutes at the time of each meeting but may have lost or misfiled some minutes.
Electronic Communication Policy	The county has not developed electronic records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.
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 **Fair**.*

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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Sullivan County

We have audited certain operations of Sullivan County in fulfillment of our duties under Section 29.230, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2020. The objectives of our audit were to:

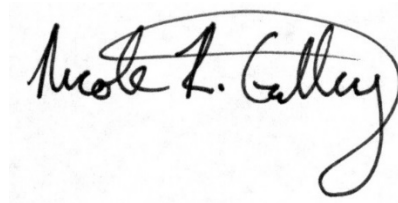
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 planned and performed procedures to assess 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) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Sullivan County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the word "Galloway".

Nicole R. Galloway, CPA
State Auditor

Sullivan 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. The office collected approximately \$14,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2020.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. The office secretary is primarily responsible for receiving, recording, and depositing receipts. The Prosecuting Attorney indicated he does not perform supervisory reviews due to his high caseload as a part-time elected official and limited office staffing.

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

1.2 Disbursement procedures

The office secretary does not always timely disburse bad check and restitution payments to victims or fees received to the County Treasurer. For example, a bad check receipt totaling \$345 collected in April 2020 was not disbursed to the victim until September 2020. Administrative cost handling fees totaling \$225 collected from April 2020 through July 2020 were not disbursed to the County Treasurer until September 2020. The Prosecuting Attorney stated that he believed the disbursements were being made timely but was not reviewing accounting records, including bank statements, or performing other verification or oversight procedures.

Timely disbursement of bad check and restitution payments and fees is necessary to ensure victims are compensated, receipts are properly accounted for, and to reduce the risk of loss, theft, or misuse of funds. Section 50.370, RSMo, requires all county officials who receive fees or any other remuneration for official services to pay such money monthly to the County Treasurer. In addition, pursuant to Section 50.380, RSMo, the Prosecuting Attorney may be subject to penalties for failure to timely disburse fees to the County Treasurer.

1.3 Bank reconciliations, liabilities, and outstanding checks

The office secretary did not prepare bank reconciliations or maintain a book balance during our audit period. In addition, monthly lists of liabilities were not prepared to reconcile to the available cash balance and the office secretary has not established procedures to routinely follow-up on outstanding checks.

During audit fieldwork, the office secretary was not able to prepare a year end bank reconciliation or list of liabilities at our request. She indicated subsequent to our fieldwork, prior months bank reconciliations have been



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Management Advisory Report - State Auditor's Findings

completed and the reconciliations are now completed monthly. However, none of these reconciliations were provided to us as we requested.

The actual year end bank (cash) balance was approximately \$7,100. As noted in section 1.2, the office secretary does not always timely disburse bad check and restitution payments to victims or fees received to the County Treasurer; therefore, the year-end bank balance likely includes such money, as well as outstanding checks. The office secretary indicated there were a significant number of old outstanding checks with some issued more than 10 years ago that she is working to turn over to the State Treasurer's Unclaimed Property Division, but a list of the checks was not available to provide to us when requested.

The Prosecuting Attorney indicated he does not have adequate staffing in his office to ensure bank reconciliations are performed monthly, reconcile liabilities, or follow up on outstanding checks.

Maintaining a book balance and performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Without regular identification and comparison of liabilities to the reconciled bank balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. In addition, procedures to routinely follow up on outstanding checks are necessary to prevent money from accumulating in the account and ensure it is appropriately disbursed to the payee or as otherwise provided by state law.

1.4 Depositing procedures

The office secretary does not always deposit receipts timely or intact. For example, the office secretary received 5 money orders totaling \$327 in January and February 2020 but did not deposit those receipts until March 9, 2020. Those receipts were also not deposited intact since other receipts, totaling \$154, recorded in February 2020 were deposited on February 18, 2020.

The Prosecuting Attorney could not explain why receipts were not always deposited timely and intact. Failure to implement adequate depositing procedures increases the risk that loss, theft, or misuse of money received will occur and go undetected.

Similar conditions previously reported

Similar conditions to sections 1.1, 1.3, and 1.4 were noted in our prior audit report.



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Recommendations

The Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure independent or supervisory reviews of detailed accounting and bank records are performed.
- 1.2 Disburse victim restitution timely and transmit fees in accordance with state law.
- 1.3 Ensure monthly bank reconciliations are prepared, maintain a book balance, and prepare monthly lists of liabilities and reconcile the list to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved. In addition, establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be located. If payees cannot be located, the money should be disposed of in accordance with state law.
- 1.4 Ensure receipts are deposited timely and intact.

Auditee's Response

- 1.1 *Segregation of duties is difficult in an office of two when one of the two is paid as a part-time elected official but, to the extent possible, the Office of the Prosecuting Attorney will attempt to implement the audit recommendation.*
- 1.2 *I have implemented a policy to pay victims and transmit fees the same day or the next day following receipt of funds.*
- 1.3 *Extensive efforts have already been made to remedy the deficiencies described by the auditors. The audit recommendations will be implemented going forward.*
- 1.4 *I have implemented a policy to ensure that receipts are deposited timely and intact.*

2. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division. The Public Administrator's office was responsible for the financial activity of 10 wards and estates as of December 31, 2020.¹

¹ Six of the ward cases require an annual or final settlement. The other 4 only require a status report.



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2.1 Annual settlements

The Public Administrator does not always file annual settlements timely. During our review of the 6 active cases with annual settlements due in 2020, we found the Public Administrator did not file the annual settlements timely for any of them. Settlements filed (or still due) for these cases ranged from 115 to 382 days after the due date as of June 28, 2021. The Public Administrator and the Probate Judge indicated the COVID-19 pandemic contributed to the untimely settlement filings because the Circuit Court and private attorney who prepares the settlements were closed or otherwise unavailable at various times. The Public Administrator indicated she is working to complete the settlements and the Probate Judge has taken a more active role in performing follow-up procedures for settlements not filed.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely filing of annual settlements is necessary for the court to properly oversee the administration of cases and reduce the possibility that errors, loss, theft, or misuse of funds will go undetected.

2.2 Bank reconciliations

The Public Administrator does not prepare monthly bank reconciliations for ward accounts.

The Public Administrator indicated she does not write many checks and has not had problems with them clearing timely. The Public Administrator indicated she verifies the checkbook balance matches the monthly bank statement; however, this is not documented and she does not prepare a formal reconciliation. For the haphazardly² selected ward we reviewed, we noted the Public Administrator did not add 12 months of interest totaling \$849 to the checkbook register balance until the end of the year even though it is paid monthly. Performing monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded.

A similar condition was noted in our prior audit report.

Recommendations

The Public Administrator:

- 2.1 File annual settlements timely.
- 2.2 Perform monthly bank reconciliations for all ward bank accounts and record receipts and disbursements timely in the checkbook register.

Auditee's Response

- 2.1 *I am in the process of purchasing and installing a new computerized case management system. The system includes reminders for annual*

² Due to the nature of the sample, the results cannot be projected to the population.



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settlements or status reports due that will assist me with ensuring that those reports are filed with the court on time.

2.2 *Once the new case management system is in place, receipts and disbursements will be tracked in the system as well as bank reconciliations. The system has various edits in place that will check the annual settlement for accuracy. If anything is missed or out of balance, I will be able to fix it and provide to the courts instead of waiting on an attorney to prepare the annual settlement.*

3. Property Tax System

As noted in our prior audit report, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector, who processed property tax collections of approximately \$7.1 million during the year ended February 28, 2021.

The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. Although the County Clerk maintains files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book. In addition, the County Clerk and the County Commission do not perform adequate procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax money going undetected, and less assurance the annual settlements are complete and accurate. The County Clerk indicated she has spoken with other county clerks and obtained examples of account books; however, she has not had time to prepare the account book.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with money payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate, and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Recommendation

The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.



Auditee's Response

The County Clerk will establish an account book with the County Collector. The County Clerk and the Commission will use that book to check the accuracy and completeness of the County Collector's annual settlement.

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

Employees in the Recorder of Deeds and Sheriff's offices are not required to change passwords periodically. Both elected officials believed the physical security of the computers in their offices was adequate to protect against unauthorized access.

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

4.2 Security controls

Employees in the Recorder of Deeds' and Assessor's offices do not have security controls in place to lock computers after a specified number of incorrect logon attempts and/or after a certain period of inactivity. The Assessor could not explain why these controls were not in place, and the Recorder of Deeds indicated she did not have the authority or access rights to make these changes.

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. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

4.3 Data backups

The Public Administrator does not back up computer data on a regular basis and Sheriff's office personnel do not store backup data at an off-site location. Neither official could explain why these procedures were not performed.

Backing up computer data periodically and testing restoration of it on a regular basis help prevent loss of information and ensure essential information can be recovered. Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. Storing backup data off-site, will help ensure it is available for recovery if necessary.



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Similar conditions
previously reported

Similar conditions to sections 4.1 and 4.3 were noted in our prior audit report.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require passwords for each employee to be periodically changed to prevent unauthorized access to county computers and data.
- 4.2 Require county computers to have security controls in place to lock each computer after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 4.3 Ensure computer data is backed up periodically and stored at a secure off-site location.

Auditee's Response

4.1 *The County Commission provided the following response:*

The County Commission will adopt a new policy regarding all county staff maintain and update all electronic device information and passwords used in county correspondence. An outside vendor will be hired to facilitate secure and confidential password access to all electronic devices used for county purposes.

The Recorder of Deeds provided the following response:

My employees and I do not have any control over the assignment or changing of passwords. The software vendor has the rights to all of these functions. The software vendor generally only requests a password change if other system changes are made. I will look further into whether the vendor can assist me with implementing the auditor's recommendation.

4.2 *The County Commission provided the following response:*

The vendor will be requested to implement a lock function for instances where the computer "times out" or the user has attempted too many failed login attempts to increase security while computers are not in use.

The Recorder of Deeds provided the following response:

As noted in my response to section 4.1, I do not currently have access rights over security controls including locking the computer after a specified number of incorrect logon attempts and/or after a certain period of activity.



4.3 *The County Commission will address offsite data storage and routine backup as well in the new policy over data security.*

5. Sunshine Law

The county's procedures for complying with the Sunshine Law and maintaining minutes of meetings need improvement.

The county could not provide minutes for 9 of the 50 open meetings held during 2020. The County Clerk indicated she prepares the minutes at the time of each meeting but may have lost or misfiled some minutes. For the missing meeting minutes, we noted the minutes for the subsequent meeting indicate the County Commission approved the previous meeting minutes. However, these minutes do not include the date of the meeting minutes approved so there is less assurance the missing meeting minutes were prepared as required.

Section 610.020.7, RSMo, requires minutes of meetings to be maintained as a record of business conducted and to provide an official record of actions and decisions, including the date, time, place, members present, member absent, and a record of any votes taken. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions, and retention of records is necessary to support important decisions made.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission ensure minutes are prepared and retained for all meetings.

Auditee's Response

The County Clerk will improve the process of recording and filing of Commission meeting minutes to ensure Sunshine Law compliance.

6. Electronic Communication Policy

The county has not developed electronic records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms. County Officials indicated they were not aware of the need for such a policy.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.³

³ Missouri Secretary of State Records Services Division, Electronic Communications Records Guidelines for Missouri Government, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, Accessed June 28, 2021.



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Development of written policies to address the use of electronic communications is necessary to ensure all documentation of official business of the county is retained as required by state law.

Recommendation

The County Commission work with other county officials to develop written records management and retention policies to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division Electronic Communications Records Guidelines.

Auditee's Response

The County Commission will establish a policy addressing guidance on electronic communication management and retention schedules as established by the Missouri Secretary of State Records Services Division guidance.

Sullivan County

Organization and Statistical Information

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

Sullivan County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. In addition to elected officials, the county employed 34 full-time employees and 10 part-time employees on December 31, 2020.

In addition, county operations include a Senior Services Board, Sullivan County Memorial Hospital Board, and a Law Enforcement Restitution Fund Board.

Elected Officials

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

Officeholder	2021	2020
Chris May, Presiding Commissioner	\$	29,347
Mike Hepler, Associate Commissioner		25,189
Randy Huffman, Associate Commissioner		25,189
Susie Gardner, Recorder of Deeds		39,504
Jackie Morris, County Clerk		39,504
Brian Keedy, Prosecuting Attorney		47,625
Roger Smiley, Sheriff		42,407
Robert (Bob) Wyant, County Coroner		10,602
Joan Brummitt, Public Administrator		26,504
Jennifer Russell, County Collector-Treasurer, year ended March 31,	38,166	
Karen LaFaver, County Assessor, year ended August 31,		38,166