

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.

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**Grundy County**

Report No. 2022-086

October 2022

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Grundy County

Sheriff's Controls and Procedures	The Sheriff's office does not conduct periodic physical inventories of seized property, has not established procedures to dispose of seized property held for long time periods, and did not maintain disposal forms for all disposed items. The Sheriff has not established procedures to routinely follow up on outstanding checks in the inmate bank account.
Ambulance Department's Controls and Procedures	The Ambulance Department Director has not adequately segregated accounting duties or performed supervisory reviews of accounting records. Accounts receivable are not adequately monitored and written procedures for the collection of past due amounts are not always followed. Additionally, procedures for when accounts receivable are considered uncollectable and should be written off have not been established.
Electronic Data Security	The County Assessor, County Collector-Treasurer, County Clerk, and Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically. Additionally, the passwords used by employees in the offices of the County Assessor and County Clerk are not required to have a minimum number of characters. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.
Electronic Communications Policy	The county has not developed a records management and retention policy 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.
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**.\*

\*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 Grundy County

We have audited certain operations of Grundy 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, 2021. The objectives of our audit were to:

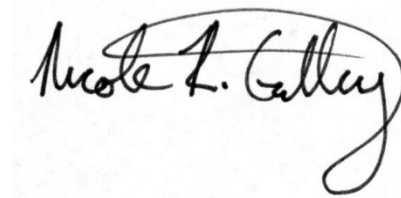
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. 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 Grundy 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 word "Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# Grundy County Management Advisory Report State Auditor's Findings

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## **1. Sheriff's Controls and Procedures**

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office processed receipts for money collected from inmates, civil paper service, concealed carry weapon permits, bonds, and other miscellaneous receipts. The Sheriff's office deposited approximately \$33,000 into the inmate bank account and approximately \$95,000 into the Sheriff's fee bank account during the year ended December 31, 2021.

### 1.1 Seized property

The Sheriff's office does not conduct periodic physical inventories of seized property, has not established procedures to dispose of seized property held for long time periods, and did not maintain disposal forms for all disposed items.

A seized property log is used to track seized property. We haphazardly selected 5 items from the log to ensure they were in the seized property room and identified 1 item that could not initially be located because the case number was not on the item. Additionally, we haphazardly selected 5 items from the room to ensure they were on the log and identified 1 item not on the log correctly. The Sheriff indicated he does not find it necessary to perform periodic physical inventories as he is the only one with access to the seized property room.

The seized property room contained old seized property that could be disposed. According to the seized property log, several items had been held for years with 2 items dating back to cases from the 1980s. The Sheriff indicated he has not spoken with the Circuit Judge regarding the procedures for the disposal of old seized property items. For one of the items that was marked disposed on the log, it was determined the Sheriff did not retain the disposal form and the Sheriff did not have a reason for it not being retained.

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. Maintaining complete and accurate inventory control records, including forms for items that have been disposed, and performing periodic physical inventories with the results compared to inventory records is necessary to ensure seized property is 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.

A similar condition was noted in our prior audit report.

### 1.2 Outstanding checks

The Sheriff has not established procedures to routinely follow up on outstanding checks in the inmate bank account. As of December 31, 2021, 52 checks totaling \$514 had been outstanding for multiple years with issue dates ranging from 2012 to 2017. The Administrative Assistant over the inmate bank account indicated no action was taken on these checks due to the cost of canceling each check.



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Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of money in the account and ensure the checks are appropriately reissued to the payee or the money is disbursed as provided by state law. Section 447.532, RSMo, provides that any funds held by a political subdivision that remain unclaimed for more than 3 years should be turned over to the Missouri State Treasurer's Unclaimed Property Division.

## Recommendations

The Sheriff:

- 1.1 Maintain a complete and accurate seized property log, ensure a periodic inventory is conducted and reconciled to the seized property log, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property, and retain disposal forms for all dispositions.
- 1.2 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 money should be disposed of in accordance with state law.

## Auditee's Response

- 1.1 *I agree with this audit recommendation and am working towards implementing periodic inventories and working with a property room officer to ensure items are labeled property. I will also make timely and appropriate dispositions of seized property, and retain disposal forms for all dispositions.*
- 1.2 *I agree with this audit recommendation and will investigate how to implement the recommendation.*

## 2. Ambulance Department's Controls and Procedures

Controls and procedures in the Ambulance Department need improvement. Deposits totaling approximately \$1 million were made to the ambulance bank account for ambulance service and other miscellaneous receipts during the year ended December 31, 2021.

### 2.1 Segregation of duties

The Ambulance Department Director has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The Billing Director is primarily responsible for preparing billings for ambulance services, receipting and recording money received, and transmitting the money to the County Collector-Treasurer. The Billing Director also enters receivables into the collection agency's program and makes adjustments to accounts, including preparing requests for amounts owed to be written off. The Ambulance Department Director does not perform a supervisory review of the detailed accounting records to ensure billings are properly prepared, adjustments to accounts are valid, and all



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money received is properly recorded and transmitted to the County Collector-Treasurer. The Ambulance Department Director did not document the review of the monthly financial reports, and did not review the accuracy and validity of the amounts included on write-off requests or approve the amounts prior to submission to the County Commission for approval. The current Ambulance Department Director said she did not perform these reviews because she was not aware this was necessary.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments to accounts are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of billing, receipting, recording, and transmitting payments received. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting records, including a review of adjustments made, are essential.

## 2.2 Billing, collection, and write-off procedures

Accounts receivable are not adequately monitored and written procedures for the collection of past due amounts are not always followed. Additionally, procedures for when accounts receivable are considered uncollectable and should be written off have not been established. Written procedures indicate past due accounts receivable are to be turned over to a collection agency 7 months after initial patient billing if no payment agreement is in place. Accounts receivable totaled approximately \$655,000 as of December 31, 2021.

There were 961 accounts receivable balances as of December 31, 2021, and 121 accounts receivable balances, totaling approximately \$71,000, were written off during the year. We haphazardly selected 20 billings from the accounts receivable balances report as of December 31, 2021, and 5 billings from the list of write-offs approved during 2021 for review and noted the following:

- Procedures have not been established regarding when accounts receivable are to be written off. The Billing Director indicated amounts may be written off due to a lack of payment or by judgment that payment is not likely to be received.
- Accounts receivable are not adequately monitored. For 11 of the 20 accounts receivable and 3 of the 5 write-offs reviewed, we noted extended time periods, up to 7 years, with no activity or follow-up by the Ambulance Department. Of these 14 accounts, there had been no activity or follow-up for over a year for 9 of the active accounts receivable and all 3 of the write-offs. The Billing Director indicated she did not adequately follow-up on billings in prior years because she did not have time to do so.





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- Procedures were not followed for turning past due amounts over to a collection agency on 10 billings. Of these 10 billings, 4 were sent to a collection agency before the payment grace period of 7 months had ended and 3 were sent to the collection agency up to 4 months after the grace period. The other 3 billings were never turned over to a collection agency, with 2 written off 7 years after the initial invoice date and the other one written off 1 year after the initial invoice date. The Billing Director indicated she may send accounts to the collection agency earlier than indicated in established procedures based on her judgment regarding the likelihood of receiving payments.

Proper and timely monitoring of accounts receivable is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. Also, written procedures should be established and followed to ensure the consistency and propriety of the collection and write-off of accounts receivable.

Similar conditions  
previously reported  
Recommendations

A similar condition to section 2.1 was noted in our prior audit report and a similar condition to 2.2 was noted in our prior 3 audit reports.

The Ambulance Department Director:

- 2.1 Segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting records, including account adjustments, and transmittals, are performed and documented.
- 2.2 Ensure procedures to routinely monitor accounts receivable are followed and ensure proper follow-up action is taken on accounts with amounts due. In addition, establish procedures regarding when accounts are to be written off.

Auditee's Response

*I understand and will take steps to fix the listed recommendations.*

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### 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.

The County Assessor, County Collector-Treasurer, County Clerk, and Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically. Officials indicated they were not aware policies requiring periodic password changes were necessary, as it is not required by county-wide policies, and passwords are set by the information technology (IT) provider for the county and do not change. Additionally, the passwords used by employees in the offices of the County



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Assessor and County Clerk are not required to have a minimum number of characters. The IT provider for the county indicated the systems used by these offices do not have complexity rules in place, requiring a minimum number of characters for passwords. The County Assessor indicated he had not given much thought to the necessity of a policy requiring passwords to have a minimum number of characters. The County Clerk indicated with the numerous passwords used by the office, complicating the passwords with a minimum number of characters would make remembering the passwords difficult.

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

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

## Recommendation

The County Commission work with other county officials to require each employee to use a password with a minimum number of characters that is required to be periodically changed.

## Auditee's Response

*We agree and will continue to work with county officials to strengthen access to computers as necessary.*

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## 4. Electronic Communications Policy

The county has not developed a records management and retention policy 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.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public 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.<sup>1</sup>

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<sup>1</sup> 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 August 3, 2022.



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Development of a written policy 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. The County Clerk indicated she and the County Commission were unaware of the electronic communications record retention requirements and the electronic communications guidelines.

## Recommendation

The County Commission work with other county officials to develop a written records management and retention policy to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.

## Auditee's Response

*We will develop and implement the policy as stated in the recommendation.*

# Grundy County

## Organization and Statistical Information

Grundy County is a township-organized, third-class county. The county seat is Trenton.

Grundy 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 52 full-time employees and 14 part-time employees on December 31, 2021. The townships maintain county roads.

In addition, county operations include the Ambulance Department, the Senate Bill 40 Board, and the Senior Citizens' Service Board.

### Elected Officials

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

Officeholder	2022	2021
Phillip Ray, Presiding Commissioner	\$	28,968
Don Sager, Associate Commissioner		26,928
Brad Chumbley, Associate Commissioner		26,928
Becky Stanturf, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Betty Spickard, County Clerk		40,800
Kelly W. Puckett, Prosecuting Attorney		47,940
Rodney W. Herring, Sheriff		45,780
Dewayne Slater, County Coroner		12,240
Jill Eaton, Public Administrator (2)		7,787
Adria Moore, Public Administrator (2)		33,013
Barbara Harris, County Collector-Treasurer, year ended March 31,	41,004	
Kathy Veatch, County Assessor, year ended August 31,		40,533

- (1) Compensation is paid by the state.
- (2) Jill Eaton resigned as Public Administrator effective March 9, 2021. Adria Moore was appointed as temporary interim Public Administrator by the County Commission on March 9, 2021, and was appointed as Public Administrator by the Governor on April 26, 2021.