



Office of Missouri State Auditor
Nicole Galloway, CPA

Morgan County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Morgan County

Public Administrator's Controls and Procedures	The Public Administrator does not file annual settlements timely in compliance with state law, and the Circuit Court, Probate Division does not follow up with the Public Administrator when annual settlements are not filed by their due date. Additionally, the Public Administrator does not issue receipt slips for monies received or always restrictively endorse and record checks in the financial accounting system immediately upon receipt.
Sheriff's Revolving Fund	Disbursements from the Sheriff's Revolving Fund are not always appropriate. The County Commission authorized \$52,851 in unallowable disbursements from the Sheriff's Revolving Fund for vehicles totaling \$51,808 and building repairs totaling \$1,043.
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. The County Collector, Sheriff, Public Administrator, Recorder of Deeds, County Assessor, and the County Clerk have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Public Administrator and Prosecuting Attorney's offices do not store data backups at an off-site location.
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.

All reports are available on our Web site: auditor.mo.gov

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Morgan County

We have audited certain operations of Morgan County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Morgan County for the 2 years ended December 31, 2016. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

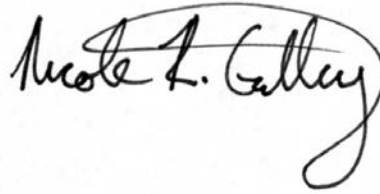
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 Morgan 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 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:	John Lieser, CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Sherrye Lesmes Mackenzie J. Wooster Dovile Zavistauskaite

Morgan County Management Advisory Report State Auditor's Findings

1. 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, and was responsible for the financial activity of 42 individuals as of December 31, 2016.

1.1 Annual settlements

The Public Administrator does not file annual settlements timely in compliance with state law. In addition, the Circuit Court, Probate Division does not follow up with the Public Administrator when annual settlements are not filed by their due date.

Timely filing

For each ward or estate, the Public Administrator is required to file an annual settlement with the Circuit Court, Probate Division, on the anniversary date of the date of letters reflecting a detailed list of assets held, as well as financial activity for the previous year. We reviewed annual settlements filed for 7 of the 42 wards or estates and noted each of the settlements was filed after the due date, including one annual settlement that was filed approximately 5 months after the due date. In addition, 3 of the 7 settlements were not filed on a 12 month (annual) period, as required, including one settlement filed for a 32 month period.

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 settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that loss, theft, or misuse of funds will go undetected.

Probate Division review

The Circuit Court, Probate Division, does not have a system in place to monitor and ensure timely filing of annual settlements, and does not follow up on annual settlements not filed by the required date.

Failure to ensure annual settlements are filed timely increases the risk that loss, theft, or misuse of funds could go undetected. Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement; however, failure to receive the notice does not excuse the conservator or guardian from filing the settlements as required by law.

1.2 Receipts

The Public Administrator does not issue receipt slips for monies received or always restrictively endorse and record checks in the financial accounting system immediately upon receipt. The deputy clerk sometimes restrictively endorses and records the checks when the deposit is prepared. A cash count performed on March 13, 2017, identified 2 checks totaling \$860 that had not been restrictively endorsed or recorded in the financial accounting system.



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Management Advisory Report - State Auditor's Findings

Failure to implement adequate receipting procedures increases the risk of loss, theft, or misuse of monies and the likelihood that errors will go undetected. Procedures should be established to issue prenumbered receipt slips for all monies received, and to restrictively endorse and record checks immediately upon receipt.

Recommendations

The Public Administrator:

- 1.1 Ensure annual settlements are filed timely. In addition, the Circuit Court, Probate Division, should notify the Public Administrator of annual settlement deadlines timely, and follow up on settlements not filed by the required date.
- 1.2 Issue prenumbered receipt slips, and restrictively endorse and record checks immediately upon receipt.

Auditee's Response

The Public Administrator provided the following responses:

- 1.1 *Office staff will work diligently on making sure all settlements are filed timely. The office has implemented an excel spreadsheet which will assist in tracking due dates.*
- 1.2 *Office staff generally restrictively endorse all incoming checks once the mail is opened, with a "for deposit only" stamp. The office will implement a procedure for logging incoming checks into a numbered tracking system immediately upon receipt.*

The Circuit Court, Probate Division provided the following response:

- 1.1 *We have already established a policy for all estates in which notice will be sent, at the anniversary of the estate, requiring submission of the annual or final settlement. If the settlement is not filed after this notice, we will send a reminder after 30 days, requiring submission of the settlement or an appearance in court.*

2. Sheriff's Revolving Fund

Disbursements from the Sheriff's Revolving Fund are not always appropriate.

The County Commission authorized \$52,851 of unallowable disbursements from the Sheriff's Revolving Fund out of the \$80,529 in disbursements during the year ended December 31, 2016. The purchases for vehicles totaling \$51,808 and building repairs totaling \$1,043 occurred prior to October 2016 when a law change made such purchases potentially allowable from the fund.



Morgan County
Management Advisory Report - State Auditor's Findings

Under Section 50.535, RSMo, Sheriff's Revolving Fund monies are to be used to make necessary expenditures to process applications for concealed carry weapon permits, including but not limited to the purchase of equipment, training, fingerprinting, background checks, and employment of additional personnel. Effective October 2016, Section 50.535.5, RSMo, allows any excess monies in the fund not needed for purposes of concealed carry weapons permits to be used for other purposes of the Sheriff's office, provided that no claims have been made in the last 5 years resulting in reimbursement for inadequate funds to process applications for concealed carry weapon permits.

Recommendation

The County Commission use Sheriff's Revolving Fund monies in accordance with state law. In addition, the County Commission should repay \$52,851 to the Sheriff's Revolving Fund from the General Revenue Fund.

Auditee's Response

We agree with the recommendation and will make the appropriate fund transfer.

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. In addition, some data backups are not stored off-site.

3.1 Passwords

The County Collector, Sheriff, Public Administrator, Recorder of Deeds, County Assessor, and the County Clerk 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 to help ensure passwords remain known only to the assigned user.

Passwords are required 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 by employees in these offices, there is less assurance passwords 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.

3.2 Data backup

The Public Administrator and Prosecuting Attorney's offices do not store data backups at an off-site location.

To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be stored off-site.



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Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission work with other county officials to:

- 3.1 Require confidential passwords that are periodically changed to prevent unauthorized access to the county's computers and data.
- 3.2 Ensure backed up computer data is stored in a secure off-site location.

Auditee's Response

- 3.1 *We will contact our information technology personnel to implement requirements for changing passwords and will establish new policies on passwords for 2018.*
- 3.2 *We agree with the recommendation and will work to establish a policy for off-site backup.*

Morgan County

Organization and Statistical Information

Morgan County is a county-organized, third-class county. The county seat is Versailles.

Morgan 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 105 full-time employees and 20 part-time employees on December 31, 2016.

In addition, county operations include the Senate Bill 40 Board, the Senior Services Board, and the County Law Enforcement Restitution Board.

Elected Officials

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

Officeholder	2017	2016
James Bryant, Presiding Commissioner	\$	32,658
Rodney Schad, Associate Commissioner		30,598
Wayne Kroeschen Jr., Associate Commissioner		30,598
Nancy Boles, Recorder of Deeds		46,360
Cathy Daniels, County Clerk		46,360
Dustin Dunklee, Prosecuting Attorney		135,731
Jim Petty, Sheriff (1)		62,169
Kimberly Ingersoll, County Treasurer		46,360
Maynard B. Jones, County Coroner		16,484
Amanda Huffman, Public Administrator		46,360
Kathy Francis, County Collector (2), year ended February 28,	51,958	
Jim Anderson, County Assessor, year ended August 31,		46,360

- (1) Includes \$10,658 in back pay agreed to per a legal settlement.
 (2) Includes \$5,598 of commissions earned for collecting city property taxes.