



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Chariton County Sheriff**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Chariton County Sheriff

### Missing Monies

Sheriff's office receipts totaling at least \$26,277 were received but not deposited into either of the 2 office bank accounts. In June 2017, the Sheriff contracted the State Auditor's Office regarding a shortage in the Sheriff's fee account. The County Commissioners authorized a \$10,000 loan from the county's General Revenue Fund to cover this shortage. From January 2016 through May 2017, receipts totaling \$13,351 were received for the Sheriff's fee account but not deposited. From July 2015 through May 2017, receipts totaling \$12,926 were received for the Sheriff's inmate account but not deposited. Recorded cash receipts were withheld from deposits for both the fee and inmate accounts.

### Accounting Controls and Procedures

Significant weaknesses exist in accounting controls and procedures in the Sheriff's office. The Sheriff has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Jail Administrator's record keeping deteriorated during and was often incomplete by the end of the audit period. The Jail Administrator did not reconcile the total of receipts to the total of deposits and did not reconcile the composition of receipts to the composition of deposits. The Jail Administrator did not deposit monies timely or intact. The Jail Administrator has not performed monthly bank reconciliations for the fee account since May 2016 and for the inmate account since April 2016, and monthly lists of liabilities are not prepared to reconcile to the available cash balance. The Jail Administrator did not always disburse bonds to the applicable courts timely. The Sheriff's office does not have adequate physical controls over monies received. This money is kept in a locked box, but all employees have access to the key.

In the areas audited, the overall performance of this entity was **Poor**.\*

\*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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# Chariton County Sheriff

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the Chariton County Commission  
and  
Sheriff of Chariton County

We have audited certain operations of the Chariton County Sheriff in fulfillment of our duties under Sections 29.200.3 and 29.230, RSMo. Due to the Chariton County Sheriff's concerns regarding missing monies, the State Auditor initiated the audit at the Chariton County Sheriff's request. The scope of our audit included, but was not necessarily limited to, January 1, 2016, through May 31, 2017. The objectives of our audit were to:

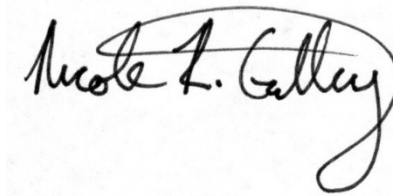
1. Evaluate the Sheriff's internal controls over significant management and financial functions.
2. Evaluate the Sheriff's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.
4. Determine the amount of missing monies to the extent possible.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Chariton County Sheriff and was not subjected to the procedures applied in our audit of the Sheriff.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with a legal provision, (3) the need for improvement in management practices and procedures, (4) and missing monies totaling at least \$26,277. The accompanying Management Advisory Report presents our findings arising from our audit of the Chariton County Sheriff.

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:	Lori Melton, M.Acct., CPA
In-Charge Auditor:	Wayne Kauffman, MBA, CPA

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# Chariton County Sheriff

## Management Advisory Report

### State Auditor's Findings

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#### **1. Missing Monies**

Sheriff's office receipts totaling at least \$26,277<sup>1</sup> were received but not deposited into either of the 2 office bank accounts. Significant weaknesses in internal controls and record-keeping procedures of the Sheriff's office, as noted throughout this report, allowed missing monies to occur and go undetected for a significant period of time. The Jail Administrator is responsible for most accounting duties for both accounts, including receipting and recording payments received, preparing and making deposits, preparing and signing checks for disbursements, and performing the bank reconciliations. See Appendix A for details regarding undeposited receipts for the fee account and Appendix B for details regarding undeposited receipts for the inmate account.

In June 2017, the Sheriff contacted the State Auditor's Office regarding a shortage in the Sheriff's fee account. The Sheriff held approximately \$250,000 remaining from a partition sale in this account from April 2016 until May 2017. When the partition sale final expenses became due, monies in the fee account were not sufficient to pay the expenses. The County Commissioners authorized a \$10,000 loan from the county's General Revenue Fund to cover the deficit for the account on May 22, 2017. Audit procedures also identified missing monies in the Sheriff's inmate account. We communicated with the Sheriff our findings throughout the audit and the Sheriff contacted the Missouri State Highway Patrol for assistance on July 25, 2017.

The scope of our audit included, but was not necessarily limited to January 1, 2016, through May 31, 2017. After determining cash receipts were withheld from deposits in January 2016, we applied limited procedures to receipts for the period of January 2015 through December 2015 solely for the purpose of quantifying any additional missing monies.

#### Fee account

From January 2016 through May 2017, receipts totaling \$13,351 were receipted for the Sheriff's fee account but not deposited (See Appendix A). Bonds, concealed carry weapon permits, civil fees, and other miscellaneous receipts are deposited into this account. Out of the 26 deposits made from January 2016 through May 2017, the amount deposited was less than the amount receipted for 15 deposits. The majority of the undeposited receipts occurred between September 2016 and May 2017, when approximately 50 percent of the cash received was not deposited. Cash receipts during this period totaled \$25,377 and cash deposited totaled \$12,758 resulting in undeposited receipts of \$12,619.

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<sup>1</sup> All amounts presented in this report, including appendixes, are rounded to the nearest dollar.



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Management Advisory Report - State Auditor's Findings

Inmate account

From July 2015 through May 2017, receipts totaling \$12,926 were received for the Sheriff's inmate account but not deposited (See Appendix B). Inmate monies are deposited into this account. Out of the 22 deposits made from July 2015 through May 2017, the amount deposited was less than the amount received for 19 deposits. Approximately 33 percent of the monies received were not deposited. Receipts during this period totaled \$39,549 and deposits totaled \$26,623 resulting in undeposited receipts of \$12,926.

Conclusion

Recorded cash receipts were withheld from deposits for both the fee and the inmate accounts. Weaknesses in internal controls and office record-keeping procedures, as discussed in the remainder of this report, resulted in the missing receipts going undetected.

Recommendation

The Sheriff continue to take necessary action to recover the missing monies and work with law enforcement authorities regarding any criminal prosecution.

Auditee's Response

*We are working with the Missouri State Highway Patrol regarding criminal prosecution. We are also working with the County Commission regarding procedures to recover the missing monies.*

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## 2. Accounting Controls and Procedures

Significant weaknesses exist in accounting controls and procedures in the Sheriff's office. The office collected approximately \$1,333,000 for the fee and inmate accounts from January 1, 2016, through May 31, 2017; including approximately \$1,185,000 from a partition sale.

### 2.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Jail Administrator receipts and records payments received and is also primarily responsible for preparing and making deposits; preparing and signing checks for disbursements; and performing bank reconciliations. The Sheriff does not perform a documented supervisory review of the accounting and bank records to ensure all monies received are properly recorded, deposited, and disbursed.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory review of detailed accounting and bank records are essential.

### 2.2 Receipts, reconciliations, and deposits

The Sheriff needs to improve receipting, reconciling, and depositing procedures. We noted the following concerns:



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Management Advisory Report - State Auditor's Findings

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- The Jail Administrator's record keeping, such as documenting on the check stubs which receipts were included in each deposit, deteriorated during and was often incomplete by the end of the audit period. In addition, the deposit slips early in the audit period included the receipt slip numbers making up the cash portion of the deposit, but this information was not documented on later deposit slips.
- The Jail Administrator did not reconcile the total of receipts to the total of deposits.
- The Jail Administrator did not reconcile the composition of receipts (cash, checks, or money orders) to the composition of deposits. In addition, the method of payment was not indicated for 9 receipt slips.
- The Jail Administrator did not deposit monies timely or intact. For example, receipts from October 2016 were not deposited until December 19, 2016, and the receipts from November 2016 were not deposited until January 10, 2017. A similar condition regarding depositing monies timely was noted in our prior report.

Failure to implement adequate receipting, reconciling, and depositing procedures increases the risk that loss, theft, or misuse of monies will go undetected.

### 2.3 Bank reconciliations and liabilities

The Jail Administrator has not performed monthly bank reconciliations for the fee account since May 2016 and for the inmate account since April 2016. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balances.

Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

### 2.4 Bond disbursement

The Jail Administrator did not always disburse bonds to the applicable courts timely. We reviewed 61 bonds received between September 1, 2016, and May 31, 2017, and identified 7 bonds totaling \$1,218 that had not been disbursed to the applicable courts. One of these bonds had not been disbursed for 7 months. The Sheriff disbursed these bonds after we discussed this issue with him in July 2017.

Missouri Supreme Court Rule 33.11 requires all bonds taken by the sheriff be immediately disbursed to the clerk of the court in which the person is required to appear. Additionally, properly disbursing bonds is necessary to ensure





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receipts are adequately safeguarded and to reduce the risk of loss, theft, or misuse of funds going undetected.

## 2.5 Physical controls

The Sheriff's office does not have adequate physical controls over monies received by deputies and jailers. This money is kept in a locked box; however, all employees have access to the key.

To safeguard against possible loss, theft, or misuse of funds and to ensure receipts are properly handled, monies received should be maintained in a secure location with restricted access.

## Recommendations

The Sheriff:

- 2.1 Segregate accounting duties or ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 2.2 Maintain adequate records for receipting, reconciling, and depositing monies. Such records would include reconciling the total of receipts to the total of deposits, reconciling the composition of receipts to the composition of deposits, and ensuring the method of payment is documented on all receipt slips. Also, the Sheriff should ensure receipts are deposited timely and intact.
- 2.3 Ensure monthly bank reconciliations are performed and lists of liabilities are prepared and reconciled to the available cash balance monthly. Any differences should be promptly investigated and resolved.
- 2.4 Disburse bonds received timely.
- 2.5 Maintain monies collected in a secure location with limited access.

## Auditee's Response

*We agree and have implemented all the recommendations.*

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# Chariton County Sheriff

## Organization and Statistical Information

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The Sheriff is the chief law enforcement officer of the county. The Sheriff's duties are defined in Missouri Statutes, and include keeping the county jail, transporting prisoners to state penitentiaries, and serving various legal papers and processes. The Sheriff's office collects monies for various fees, bonds, and other miscellaneous receipts.

Richard Hershey was appointed as Chariton County Sheriff by the County Commission in September 2016 to complete the term of former Sheriff Chris Hughes, who resigned from the position effective August 31, 2016. Sheriff Hershey was subsequently elected in November 2016. During the year ended December 31, 2016, former Sheriff Chris Hughes received compensation of \$30,667 and Sheriff Richard Hershey received compensation of \$15,333. The Sheriff's office has 17 full-time and 3 part-time employees.

Appendix A

Chariton County - Sheriff  
Supporting Documentation - Fee Account Undeposited Cash Receipts

Deposit Date	A			A			A		
	Cash Received	Checks Received	Total Receipts	Cash Deposited	Checks Deposited	Total Deposited	Cash Long (Short)	Checks Long (Short)	Total Undeposited
1/4/2016	\$ 1,594	295	1,889	1,536	295	1,831	(58)	0	(58)
1/20/2016	2,569	3,813	6,382	2,452	3,813	6,265	(117)	0	(117)
2/2/2016	1,446	1,230	2,676	1,263	1,230	2,493	(183)	0	(183)
2/17/2016	5,919	3,965	9,884	5,833	3,965	9,798	(86)	0	(86)
3/3/2016	1,256	1,079	2,335	1,069	1,134	2,203	(187)	55	(132)
3/22/2016	2,196	1,124	3,320	2,196	1,124	3,320	0	0	0
4/1/2016	3,272	1,052	4,324	3,272	1,052	4,324	0	0	0
4/11/2016	0	118,500	118,500	0	118,500	118,500	0	0	0
4/25/2016	1,533	1,297	2,830	1,417	1,297	2,714	(116)	0	(116)
5/3/2016	238	357	595	238	357	595	0	0	0
5/3/2016	10,000	0	10,000	10,000	0	10,000	0	0	0
5/13/2016	280	1,067,908	1,068,188	280	1,067,908	1,068,188	0	0	0
6/2/2016	1,853	2,437	4,290	1,853	2,437	4,290	0	0	0
6/16/2016	1,939	876	2,815	1,939	836	2,775	0	(40)	(40)
7/5/2016	1,450	261	1,711	1,450	261	1,711	0	0	0
8/1/2016	3,034	1,826	4,860	3,034	1,826	4,860	0	0	0
9/8/2016	2,336	1,498	3,834	2,336	1,498	3,834	0	0	0
9/26/2016	1,834	811	2,645	1,284	811	2,095	(550)	0	(550)
10/4/2016	1,536	404	1,940	786	404	1,190	(750)	0	(750)
12/19/2016	1,668	4,118	5,786	808	4,118	4,926	(860)	0	(860)
1/10/2017	847	1,651	2,498	247	1,651	1,898	(600)	0	(600)
1/17/2017	5,393	26,655	32,048	162	26,655	26,817	(5,231)	0	(5,231)
2/8/2017	850	2,645	3,495	760	2,645	3,405	(90)	0	(90)
3/8/2017	4,384	703	5,087	2,783	703	3,486	(1,601)	0	(1,601)
5/9/2017	5,092	1,171	6,263	2,155	1,171	3,326	(2,937)	0	(2,937)
5/15/2017	1,437	710	2,147	1,437	710	2,147	0	0	0
<b>Total</b>	<b>\$ 63,956</b>	<b>1,246,386</b>	<b>1,310,342</b>	<b>50,590</b>	<b>1,246,401</b>	<b>1,296,991</b>	<b>(13,366)</b>	<b>15</b>	<b>(13,351)</b>

A The term "check" includes checks, cashier's checks, and money orders.

Appendix B

Chariton County - Sheriff

Supporting Documentation - Inmate Account Undeposited Cash Receipts

Deposit Date	A Method of Payment			Total Receipts	B			A		
	Cash Received	Unknown Received	Checks Received		Cash Deposited	Checks Deposited	Total Deposited	Cash Long (Short)	Checks Long (Short)	Total Undeposited
7/1/2015	\$ 1,307	0	50	1,357	716	100	816	(591)	50	(541)
7/17/2015	1,012	0	40	1,052	1,007	40	1,047	(5)	0	(5)
8/4/2015	1,104	0	10	1,114	914	10	924	(190)	0	(190)
9/3/2015	2,101	0	90	2,191	1,663	90	1,753	(438)	0	(438)
10/5/2015	2,529	0	155	2,684	1,821	155	1,976	(708)	0	(708)
11/4/2015	2,887	0	275	3,162	1,906	260	2,166	(981)	(15)	(996)
12/2/2015	3,223	10	181	3,414	2,003	196	2,199	(1,230)	15	(1,215)
1/7/2016	1,555	0	197	1,752	1,250	197	1,447	(305)	0	(305)
2/3/2016	1,281	0	153	1,434	1,302	153	1,455	21	0	21
3/2/2016	2,659	0	577	3,236	1,221	577	1,798	(1,438)	0	(1,438)
4/4/2016	1,620	0	50	1,670	1,369	50	1,419	(251)	0	(251)
5/3/2016	558	0	155	713	293	155	448	(265)	0	(265)
6/2/2016	819	0	110	929	528	110	638	(291)	0	(291)
7/13/2016	1,176	40	118	1,334	880	118	998	(336)	0	(336)
8/8/2016	1,433	20	195	1,648	787	195	982	(666)	0	(666)
9/13/2016	2,108	0	480	2,588	1,383	480	1,863	(725)	0	(725)
10/4/2016	2,080	0	334	2,414	391	359	750	(1,689)	25	(1,664)
1/17/2017	1,455	0	420	1,875	370	420	790	(1,085)	0	(1,085)
3/7/2017	1,255	0	5	1,260	764	5	769	(491)	0	(491)
5/9/2017	2,988	14	0	3,002	1,665	0	1,665	(1,337)	0	(1,337)
5/23/2017	508	50	0	558	558	0	558	0	0	0
5/26/2017	162	0	0	162	162	0	162	0	0	0
<b>Total</b>	<b>\$ 35,820</b>	<b>134</b>	<b>3,595</b>	<b>39,549</b>	<b>22,953</b>	<b>3,670</b>	<b>26,623</b>	<b>(13,001)</b>	<b>75</b>	<b>(12,926)</b>

A The method of payment was not indicated on 9 receipt slips. These receipts were included with the cash receipts for the analysis of undeposited receipts.

B The term "check" includes checks, cashier's checks, and money orders.