



Office of Missouri State Auditor
Nicole Galloway, CPA

Gasconade County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Gasconade County

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|---|---|
| Sheriff's Office Reserve Fund | The former Sheriff maintained the Sheriff's Office Reserve Fund bank account outside the county treasury. The Sheriff's office did not retain documentation related to the Sheriff's Office Reserve Fund bank account. We could not ensure the disbursements made from this account were a prudent use of taxpayers dollars due to the lack of documentation and several disbursements do not appear to be proper or essential to the administration and operation of the office. In addition, the former Sheriff failed to withhold and report payroll and income taxes on payments to former deputies for time worked at the Gasconade County Fair. Timesheets were not prepared for \$36,480 paid to 26 deputies and \$2,500 paid to the former Sheriff from January 1, 2014, through December 31, 2016, for providing security for the Gasconade County Fair. The county may not have properly compensated some former deputies for overtime in compliance with its overtime policy and the Fair Labor Standards Act. |
| Ex-Officio Recorder of Deeds' Controls and Procedures | The Ex-Officio Recorder of Deeds does not account for the numerical sequence of all transaction numbers. |
| Public Administrator's Controls and Procedures | The Public Administrator does not always file annual settlements timely. The Public Administrator lacked adequate documentation for several gift cards purchased for wards during the year ended December 31, 2017. |
| Electronic Data Security | The County Assessor, County Clerk, County Treasurer, Ex-Officio Recorder of Deeds, Prosecuting Attorney, Public Administrator, and Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Security controls are not in place to lock computers in the offices of the County Assessor and Public Administrator after a specified number of incorrect logon attempts. The Public Administrator does not store data backup files 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 **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.

Gasconade County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Gasconade County

We have audited certain operations of Gasconade County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Gasconade County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

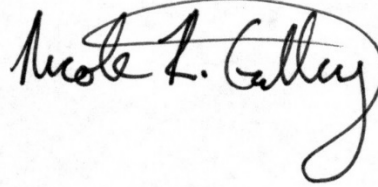
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 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 Gasconade 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: | Wayne T. Kauffman, MBA, CPA, CGAP |
| In-Charge Auditor: | David T. Olson |
| Audit Staff: | Morgan Alexander |
| | Troy Tallman, CFE |
| | Joseph T. Magoffin |

Gasconade County Management Advisory Report State Auditor's Findings

1. Sheriff's Office Reserve Fund

Controls and procedures over a bank account maintained by the former Sheriff outside the county treasury were not adequate. The former Sheriff deposited \$66,115 into this account and disbursed \$71,469 from this account during the 3 years ended December 31, 2016. The account was closed during December 2016.

1.1 Bank account

The former Sheriff maintained the Sheriff's Office Reserve Fund bank account outside the county treasury. According to the former Sheriff and bank records obtained, money deposited into this fund included:

| Receipts by Type | Amount |
|--|------------------|
| Gasconade County fair security | \$ 39,720 |
| Prisoner transport | 13,789 |
| Donations, fundraisers, and miscellaneous | 7,786 |
| Law enforcement services for the City of Bland | 2,500 |
| Sex offender compliance | 1,680 |
| Partition sale commissions | 640 |
| Total | \$ 66,115 |

The former Sheriff indicated he maintained this account to ensure the monies received were used for the benefit of the Sheriff's office.

There is no statutory authority allowing the Sheriff to maintain this account outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion 45-1992 (April 23, 1992) states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

1.2 Disbursements

The Sheriff's office did not retain documentation related to the Sheriff's office Reserve Fund bank account. A budget was not prepared for this account and disbursements were not processed through the normal county disbursement process. Payments and withdrawals totaling \$71,469 were made from January 1, 2014, through December 31, 2016. The former Sheriff indicated the records were left in the Sheriff's office upon leaving office at the end of his term in December 2016. The current Sheriff indicated the records could not be located. The final bank statement for this account was sent to the home of the former Office Manager instead of to the Sheriff's office. This statement was mailed in January 2017, after the current Sheriff took office. The former Sheriff indicated he did not know why that statement was not mailed to the Sheriff's office. The current Sheriff indicated he became aware of the existence of the account upon taking office in January 2017. We could not ensure the disbursements made from this account were a prudent use of taxpayer dollars due to the lack of documentation other than check images obtained from the bank, interviews with the former Sheriff, and discussions



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with select vendors. Several disbursements do not appear to be proper or essential to the administration and operation of the Sheriff's office.

- A cash withdrawal of \$4,550 closed the account in December 2016. The former Sheriff indicated he used this money to pay for a Christmas and retirement party and to provide bonuses to the deputies. The cost of the party totaled \$1,050. We could not determine if the remaining \$3,500 was provided as bonuses. Providing bonuses conflicts with Article III, Section 39 of the Missouri Constitution.
- A payment of \$786 to a gun and pawn shop for a limited edition replica pistol based on the revolver used by the Wyatt Earp character in the movie *Tombstone*. The former Sheriff indicated he did not purchase the item and did not know the item was purchased. The current Sheriff indicated he has not seen this pistol and it is not in the office's inventory.
- Donations totaling \$1,693 to various charitable causes. Providing donations conflicts with Article VI, Sections 23 and 25 of the Missouri Constitution.
- Payments totaling \$6,275 to the former Chief Deputy. The former Sheriff indicated these payments were for purchasing and installing electrical equipment on patrol vehicles.
- Payments totaling \$4,326 to local restaurants and grocery stores. The former Sheriff indicated these payments were for food at meetings and lunches with deputies.
- Payments totaling \$360 to the former Sheriff and \$340 to the former Office Manager. The former Sheriff indicated these payments were to reimburse himself and the former Office Manager for office related expenses.
- Purchases totaling \$1,237 from Walmart and \$268 from a local convenience store.
- Payments totaling (1) \$439 for advertisements at local events and in newspapers, (2) \$460 for a local golf tournament, and (3) \$287 for memberships in various organizations.
- Payments totaling \$303 for flowers and awards and \$202 in license renewal fees.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, indicates all records made or received by officials in the course of their public duties are public property



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and are not to be disposed of except as provided by law. Taxpayers have placed a fiduciary trust in the county to spend public funds in a necessary and prudent manner. Expending monies outside the county's normal budgeting and disbursement process increases the risk of misuse or unnecessary purchases occurring. Providing bonuses conflicts with Article III, Section 39 of the Missouri Constitution, which prohibits granting any extra compensation, fee, or allowance to employees for services already rendered. Article VI, Sections 23 and 25 of the Missouri Constitution, prohibits the granting of public funds to benefit private individuals. To ensure the validity and propriety of disbursements, adequate supporting documentation should be obtained for all vendor payments.

1.3 Timesheets

Timesheets were not prepared for \$36,480 paid to 26 deputies and \$2,500 paid to the former Sheriff from January 1, 2014, through December 31, 2016, for providing security for the Gasconade County Fair. Payments to these individuals were handled through the Sheriff's Office Reserve Fund bank account and not through the county's normal payroll process. As a result, the county could not substantiate compliance with Fair Labor Standards Act (FLSA) requirements for these employees. The current Sheriff indicated he now uses timesheets to track time worked and uses the standard payroll process to compensate deputies for time spent providing security for the Gasconade County Fair.

Detailed timesheets would document hours actually worked and provide information necessary to monitor tasks performed, and are beneficial in demonstrating compliance with the FLSA requirements.

1.4 Overtime, payroll reporting, and withholdings

The county may not have properly compensated some former deputies for overtime in compliance with its overtime policy and the FLSA. In addition, the former Sheriff failed to withhold and report payroll and income taxes on payments to former deputies for time worked at the Gasconade County Fair.

To ensure all employee compensation, including overtime, is properly calculated, reported and taxed, all compensation should be paid through the normal county payroll process. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county. Strict compliance with personnel policies and the FLSA is necessary to ensure employees are treated fairly and are properly compensated.

Recommendations

The County Commission and the Sheriff:

- 1.1 Ensure the Sheriff does not maintain a bank account outside the county treasury and ensure all monies are disbursed to the County Treasurer timely.
- 1.2 Ensure disbursement records are properly retained. Additionally, ensure all disbursements are reasonable, necessary, and a prudent use



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of public funds. Discontinue granting public funds to private organizations and paying bonuses to employees.

- 1.3 Continue to require all Sheriff's employees to prepare complete and accurate timesheets.
- 1.4 Ensure all employee compensation is paid through the county's normal payroll process, properly taxed, and reported to the Internal Revenue Service. In addition, ensure all time worked is used in overtime calculations.

Auditee's Response

The County Commission provided the following response:

We agree and the recommendations have been implemented with the new Sheriff taking office in 2017.

The Sheriff provided the following response:

I agree and have implemented the recommendations. Since taking office, I have not operated the office in this manner.

2. Ex-Officio Recorder of Deeds' Controls and Procedures

Controls and procedures in the office of the Ex-Officio Recorder of Deeds need improvement. The office collected approximately \$155,000 for recording documents such as marriage licenses, deeds, and other miscellaneous receipts during the year ended December 31, 2017.

The Ex-Officio Recorder of Deeds does not account for the numerical sequence of all transaction numbers. The Ex-Officio Recorder of Deeds and office staff can void and delete transaction numbers. We noted 2 missing transaction numbers during our review of 9 deposits selected for review and the related daily transaction reports. We expanded our review to include all transaction numbers issued during the year ended December 31, 2017, and we could not account for approximately 3,100 of 5,200 transactions numbers. For example, transaction number 29,593 was followed by transaction number 30,595, resulting in a gap of more than 1,000 transaction numbers that could not be accounted for. The Ex-Officio Recorder of Deeds and software vendor both indicated any large gaps in transaction numbers were due to software glitches. A documented review of deleted transaction numbers is not performed by the Ex-Officio Recorder of Deeds.

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

Recommendation

The Ex-Officio Recorder of Deeds perform a documented review of accounting records and account for the numerical sequence of all transaction numbers.



Auditee's Response

I agree with the recommendation and am working on implementing the recommendation.

3. 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 28 individuals as of December 31, 2017.

3.1 Annual settlements

The Public Administrator does not always file annual settlements timely. During our review of 10 active cases, we found 6 cases did not have annual settlements filed timely. These 6 settlements were filed from 23 to 96 days after the due date. The Public Administrator records the due dates for the annual settlements in her case management software. In addition, the Circuit Court, Probate Division Clerk sends a notice to the Public Administrator when the annual settlement is 2 weeks past due. Despite these procedures, annual settlements have been filed late.

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.

A similar condition was noted in our prior audit report.

3.2 Disbursements

The Public Administrator lacked adequate documentation for several gift cards purchased for wards during the year ended December 31, 2017. A receipt or other documentation was not obtained indicating wards received gift cards totaling \$205.

To ensure payments are valid and proper and to reduce the risk of loss, theft, or misuse of ward assets, adequate supporting documentation should be maintained for all disbursements, including monies or other items of value provided to a ward.

Recommendations

The Public Administrator:

- 3.1 File annual settlements timely.
- 3.2 Obtain and retain documentation for monies or other items of value provided to wards.

Auditee's Response

3.1 *I will continue to make every effort to file timely settlements. The process involving the 30 day deadline can be challenging.*

3.2 *I agree and have implemented the recommendation.*



4. Electronic Data Security

4.1 Passwords

9Controls 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 Clerk, County Treasurer, Ex-Officio Recorder of Deeds, Prosecuting Attorney, Public Administrator, and Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The employees in these offices are not required to change passwords periodically. In addition, employees' passwords in the offices of the Prosecuting Attorney and Public Administrator are shared and not kept confidential. Also, passwords for employees in the offices of the County Assessor, County Collector, County Treasurer, Ex-Officio Recorder of Deeds, and Public Administrator are not required to have a minimum number of characters.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords in certain offices are not required to be kept confidential and periodically changed, or to contain a minimum number of characters, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential, changed periodically, and contain a minimum number of characters to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

4.2 Security controls

Security controls are not in place to lock computers in the offices of the County Assessor and Public Administrator after a specified number of incorrect logon attempts. In addition, the Public Administrator does not disable the user accounts of employees who no longer work in the office.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls and effective procedures to remove user access, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data including confidential data and other sensitive resources.

4.3 Data backups

The Public Administrator does not store data backup files at an off-site location. In addition, backup files are not tested periodically in the offices of the County Clerk, County Treasurer, Ex-Officio Recorder of Deeds, and Public Administrator.



Gasconade County
Management Advisory Report - State Auditor's Findings

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

Recommendations

The County Commission work with other county officials to:

- 4.1 Require each employee to have a confidential password with a minimum number of characters that is periodically changed.
- 4.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts and ensure user accounts of former employees are promptly disabled.
- 4.3 Ensure backed-up computer data is stored in a secure off-site location and tested on a regular basis.

Auditee's Response

We agree and will work with county officials to implement these recommendations.

Gasconade County

Organization and Statistical Information

Gasconade County is a county-organized, third-class county. The county seat is Hermann.

Gasconade 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 35 full-time employees and 9 part-time employees on December 31, 2017.

In addition, county operations include the Senate Bill 40 Board and the Community Mental Health Services Board.

Elected Officials

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

| Officeholder | 2018 | 2017 |
|--|--------|--------|
| Larry Miskel, Presiding Commissioner | \$ | 29,390 |
| Jim Holland, Associate Commissioner | | 27,390 |
| Jerry D. Lairmore, Associate Commissioner | | 27,390 |
| Pamela R. Greunke, Circuit Clerk and Ex Officio Recorder of Deeds (1) | | |
| Lesa Lietzow, County Clerk | | 41,500 |
| Mary E. Weston, Prosecuting Attorney | | 51,000 |
| John Romanus, Sheriff | | 46,000 |
| Michael Feagan, County Treasurer | | 41,500 |
| Benjamin D. Grosse, County Coroner | | 14,000 |
| Fay Owsley, Public Administrator | | 25,000 |
| Shawn Schlottach, County Collector (2), year ended February 28, | 56,493 | |
| Joseph M. Mundwiller, County Assessor, year ended August 31, | | 41,500 |
| Vincent Klott, County Surveyor (3) | | |

(1) Compensation is paid by the state.

(2) Includes \$14,993 of commissions earned for collecting city property taxes.

(3) Compensation on a fee basis.

Financing Arrangement

The county entered into a line of credit with People's Savings Bank on September 14, 2017, to provide funding for replacing the courthouse roof.



Gasconade County
Organization and Statistical Information

The original line of credit was \$488,000. The line of credit is renewed annually and is planned to be paid off in 2022. Construction was completed in 2018. The remaining principal outstanding at December 31, 2017, was \$488,000. The loan payments are anticipated to be paid from the General Revenue Fund.