

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

Missouri State Auditor

Knox County Sheriff

Report No. 2019-059

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auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Knox County Sheriff

Sheriff's Controls and Procedures

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. The Sheriff's Administrative Assistant does not prepare adequate bank reconciliations for the Sheriff's bank account. The former Sheriff received a grant that was not used and now must be returned.

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.

Knox County Sheriff

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Sheriff of Knox County

We have audited certain operations of the Knox County Sheriff in fulfillment of our duties under Sections 29.200.3 and 29.230, RSMo. In addition, we performed the audit at the request of the Knox County Commission. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2018. The objectives of our audit were to:

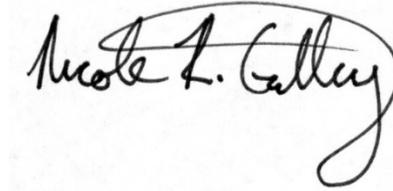
1. Evaluate the Sheriff's internal controls over significant management and financial functions.
2. Evaluate the Sheriff's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of the Sheriff's management practices and procedures, including certain financial transactions.

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 Knox County Sheriff and the county's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no 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 the Sheriff of Knox County.

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

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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|---------------------|-----------------------------------|
| Director of Audits: | Kelly Davis, M.Acct., CPA, CFE |
| Audit Manager: | Travis Owens, MBA, CPA, CFE, CGAP |
| In-Charge Auditor: | James M. Applegate, MBA |

Knox County Sheriff Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office processed receipts for civil paper service fees and mileage, bonds, and other miscellaneous receipts totaling approximately \$23,600 for the year ended December 31, 2018.

1.1 Segregation of duties and supervisory review

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. The Sheriff's Administrative Assistant is responsible for receipting, recording, and depositing monies; making disbursements; and reviewing the monthly bank statements. While the Sheriff documents his review of the monthly bank statements, he does not review other accounting records to ensure monies received have been properly recorded, deposited, and disbursed.

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 monies; making disbursements; and performing bank reconciliations. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits.

1.2 Bank reconciliations

The Sheriff's Administrative Assistant does not prepare adequate bank reconciliations for the Sheriff's bank account. The reconciliation process includes documenting the transactions that have cleared the bank; however, lists of outstanding checks and deposits in transit are not prepared or reviewed. We determined the bank account's reconciled balance was \$5 as of December 31, 2018.

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.

1.3 Sheriff's grant revenues

The former Sheriff received a grant that went unused and now must be returned.

In November 2018, the former Sheriff received a Local Law Enforcement Block Grant (LLEBG) totaling \$3,719 from the Missouri Department of Public Safety (DPS) for the purchase of safety equipment. The County Treasurer deposited this money in the Law Enforcement Fund and separately identified that it must be used for restricted purposes. However, the former Sheriff did not report any purchases to the County Clerk related to this money and the county's accounting system listed no disbursements of it.

The LLEBG award must be expended only for items approved in the budget submitted to and approved by the DPS. The submitted budget indicated the



Knox County Sheriff
Management Advisory Report - State Auditor's Findings

award would be used to purchase body armor, medical kits, and other law enforcement related safety equipment. Due to the prior Sheriff's failure to use this money as required, the current Sheriff must return it to the DPS, according to the terms of the grant. As a result, the Sheriff will have to use other county funds to purchase these items, find other grant funding, or forego making the purchases.

To ensure efficient use of the Sheriff's office resources, grant funding should be used as allowed and closely monitored.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 1.2 Ensure adequate monthly bank reconciliations are prepared, and lists of outstanding checks and deposits in transit are prepared. Any differences between the accounting records and reconciliations should be promptly investigated and resolved.
- 1.3 Ensure future grant monies are monitored and utilized as allowed.

Auditee's Response

- 1.1 *Accounting duties cannot be segregated due to lack of personnel; however, I will begin performing a documented supervisory review of detailed accounting and bank records. I will periodically review receipt slips and compare the receipt slips to deposit records, as well as review monthly bank statements and bank reconciliations.*
- 1.2 *I have worked with my Administrative Assistant to implement this recommendation. She is now performing formal bank reconciliations monthly and comparing the reconciled bank balance to the checkbook balance to ensure agreement. I will ensure the reconciliations continue to be performed monthly.*
- 1.3 *This recommendation addresses the prior Sheriff's failure to properly monitor and utilize grant monies. After my appointment as Sheriff, I was never notified of the status of the grant monies and the grant term expired before I could expend the monies for their intended purpose. I am cooperating with the DPS and intend to repay the monies out of my 2019 budget. I will ensure that any future grant monies are adequately monitored and utilized in accordance with the grant terms and conditions.*

Knox County Sheriff

Organization and Statistical Information

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

Robert Becker was elected Knox County Sheriff in November 2016. As required by a condition of probation for criminal charges, he resigned from office on December 31, 2018. Also, 3 deputies and one clerical employee resigned in December 2018 prior to the former Sheriff's resignation. The County Commission appointed Allen Gudehus as Interim Sheriff effective January 1, 2019, and the county held a special election for Sheriff on February 26, 2019. Allen Gudehus won the special election and is now serving as Sheriff. During the year ended December 31, 2018, former Sheriff Robert Becker received a salary of \$45,790. In addition to the Sheriff, the office employed 1 full-time employee on December 31, 2018.