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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Stoddard County Sheriff



May 2014

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Stoddard County Sheriff

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Sheriff of Stoddard County, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2013-112, *Stoddard County Sheriff*, issued in November 2013, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county and Sheriff about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the Sheriff's office, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation submitted by the Sheriff's office and held a meeting with the Sheriff and some of his staff. Those documents included a report by the Sheriff on the status of recommendations, bank statements and reconciliations from both the Sheriff's general and inmate bank accounts, deposit slips, receipts, check registers, open items lists from each bank account, and various inmate commissary reports. This report is a summary of the results of this follow-up work, which was substantially completed during April 2014.

Thomas A. Schweich
State Auditor

Stoddard County Sheriff

Follow-Up Report on Prior Audit Findings

Status of Findings

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| 1. Missing Monies | Significant weaknesses in internal controls allowed undeposited receipts and missing monies to go undetected. As a result of our audit inquiry, audit staff and Sheriff's office personnel noted discrepancies in the accounting records for inmate monies. In coordination with the Missouri State Highway Patrol, we audited the Sheriff's office records and procedures and determined the office manager did not deposit 321 receipts, totaling \$15,139, which included \$14,867 in missing monies. The office manager was terminated on April 30, 2013, and criminal charges were filed on June 5, 2013. |
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Recommendation	The Sheriff continue to take necessary action to recover the missing monies and work with law enforcement authorities regarding any criminal prosecution.
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Status	Implemented Restitution totaling \$14,091 was paid to Stoddard County and all court-ordered fines and fees have been paid-in-full. On December 4, 2013, the court issued a suspended imposition of sentence and the former office manager was placed on 5 years' supervised probation. This case is considered closed.
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| 2. Accounting Controls and Procedures | Accounting controls and procedures needed improvement. The Sheriff's office maintained two bank accounts, including an inmate account for depositing and tracking inmate monies and commissary purchases, and a general account for depositing and tracking bonds and inspection, permit, and civil fees. |
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| 2.1 Segregation of duties and supervisory review | Receipt and disbursement duties were not adequately segregated, and an adequate supervisory review of the accounting records was not performed. The Sheriff did not document his occasional reviews of bank reconciliations and budget reports. In addition, there was no oversight over receipting, depositing, or disbursement procedures to ensure monies were properly and timely recorded, deposited, and disbursed. |
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Recommendation	The Sheriff adequately segregate accounting duties or ensure an adequate independent or supervisory review of bank and accounting records is performed and documented.
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Status	Implemented Accounting duties are now segregated and various reviews of bank and accounting records are now performed. Dispatchers, the office manager, and the assistant office manager continue to record monies into the various receipt slip books. The office manager and the assistant office manager now share the responsibilities for depositing monies received, entering transactions into the various accounting systems, and disbursing monies to
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the County Collector-Treasurer. The office manager and the assistant office manager review each other's work on a frequent basis. The Sheriff now reviews all deposit records and various accounting records at least monthly. We reviewed the March 2014 month-end folder, which included several documents (i.e. copies of receipt and deposit records, bank reconciliations, etc.) and observed the Sheriff's initials on several of those items indicating his review.

2.2 Receipting and depositing procedures

Receipts were often not deposited intact or timely, and the composition of monies received did not always agree to the composition of deposits. In addition, the method of payment was not always recorded on the receipt slip and did not always agree with other receipt records or to the deposit. Some monies received were not entered into the receipt records or deposited timely, and some receipts were received by dispatchers but not recorded in the dispatch receipt slip book. Further, monies (sales) collected from a soda vending machine were not recorded on receipt records or deposited routinely, and deposits varied significantly in amount. We could not determine if all soda monies collected were deposited.

Recommendation

The Sheriff establish procedures to improve receipting and depositing controls to ensure deposits are made on a timely basis, the method of payment is indicated for all receipts, and the composition of the receipts agrees to the composition of deposits. In addition, the Sheriff should ensure all monies are properly and timely recorded in the accounting records.

Status

Implemented

We reviewed the December 2013 and January 2014 bank statements for both the inmate and general bank accounts and found deposits were made around two to three times per week. All monies received by dispatchers are placed in individual envelopes with a copy of the receipt slip. Both the office manager and the assistant office manager ensure the method of payment of the receipt is correctly marked on the receipt slip and entered into the accounting records. The composition of the receipt records is reconciled to the composition of each deposit. In addition, personnel indicated receipts are entered into the accounting records on a timely basis as part of the office's daily receipt procedures.

2.3 Accounting records

Accounting records for the inmate account were not complete and accurate. In addition, some records provided by the office manager during our audit were fabricated. Our audit of the various accounting records noted the following discrepancies and concerns:

- The office manager provided fabricated manual deposit records to the audit staff for the deposit on October 22, 2012. Records provided to us



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indicated different receipt slip numbers and amounts than the original deposit records or the bank provided records for this deposit.

- Receipts were not always posted to the inmate tracking system (ITI) or the computerized accounting system and discrepancies were noted between the systems. In addition, none of the missing receipts identified in MAR finding number 1 had been posted to the computerized accounting system.
- The Sheriff's office did not perform a reconciliation of information entered into the ITI system with information entered into the computerized accounting system.

Recommendation

The Sheriff ensure receipts are properly reported in the accounting systems. In addition, the Sheriff should reconcile the ITI system to the computerized accounting system for inmate transactions.

Status

Implemented

Personnel indicated inmate monies received are entered into the ITI system by the dispatchers upon receipt, verified as entered correctly by the assistant office manager, and then entered into the accounting system by the office manager. As transactions are posted to the accounting system, the office manager compares them to the ITI. In addition, inmate transactions are added and reconciled between the two systems on a monthly basis. We observed the March 2014 summary records and inmate transactions agreed between the systems.

2.4 Liabilities

A complete list of liabilities was not prepared or reconciled to the available cash balance for either the inmate or general bank accounts.

For the inmate account, the office manager maintained a list of amounts owed to inmates; however, the list was not reconciled to the available cash balance and was incomplete. We prepared a list of liabilities for the inmate account as of April 30, 2013, and noted identified liabilities exceeded the available cash balance by \$11,846. Due to the failure to record some transactions and the lack of reconciliations between accounting systems, it was likely additional unidentified liabilities existed.

For the general account, records indicated liabilities agreed with the available cash balance of \$2,154; however, the list of liabilities was a summary listing and was not itemized (each individual item listed) and the amounts indicated could not be tied to supporting documentation.



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Recommendation

The Sheriff prepare a monthly list of liabilities and reconcile the list to the available cash balance for all bank accounts. Any differences should be promptly investigated and resolved.

Status

In Progress

We observed the March 2014 liabilities list prepared for both the general and inmate bank accounts and noted liabilities listed were adequately supported; however, the available cash balance for each bank account includes some unidentified liabilities. Sheriff's office personnel indicated \$149 in the general bank account and \$3,462 in the inmate bank account have been carried forward since the prior administration and specific liabilities relating to these balances have not been determined. The personnel indicated they are still reviewing records to identify how to distribute this money.

**3.1 Commissary Controls
and Procedures -
Monthly turnover**

Monies collected from commissary purchases, totaling \$11,972, were not turned over to the County Collector-Treasurer for April 2012, September 2012, and November 2012. Monies (sales) from a soda vending machine were not always turned over to the County Collector-Treasurer. Additionally, monies collected from commissary purchases turned over to the County Collector-Treasurer did not always agree with supporting documentation.

Recommendation

The Sheriff ensure all commissary monies collected are turned over to the County Collector-Treasurer on a monthly basis.

Status

Implemented

Monies are now turned over to the County Collector-Treasurer on a monthly basis. We scanned records from the County Collector-Treasurer and determined monies were generally turned over within a few days after the end of each month. We also agreed the December 2013 and January 2014 turnovers to supporting records.