



**Thomas A. Schweich**  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Webster County Procurement Procedures and County Clerk

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November 2014  
Report No. 2014-118



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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
County Clerk of Webster County

We have conducted follow-up work on the audit report findings contained in Report No. 2014-045, *Webster County Procurement Procedures and County Clerk*, issued in June 2014, 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 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 county, 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 met with the County Commission and County Clerk and reviewed supporting documentation provided to us. Documentation reviewed included county policies and procedures, credit card statements, invoices, receipt and transmittal records, month-end reports, and various other county records. This report is a summary of the results of this follow-up work, which was substantially completed during October and November 2014.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

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# Webster County Procurement Procedures and County Clerk Follow-Up Report on Audit Findings

## Status of Findings

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1. **Improper Purchases, Missing Receipts, and Unauthorized/Unapproved Purchases** The former Administrative Assistant to the County Clerk made improper purchases for personal items totaling \$17,676 with county credit cards, county charge accounts, and county checks. This employee also did not transmit \$201 of some monies received in the County Clerk's office to the County Treasurer. Various items totaling \$774 purchased without authorization or approval were found in the County Clerk's office after termination of the Administrative Assistant. Significant weaknesses in internal controls and record-keeping procedures resulted in these misappropriations occurring and going undetected for a significant period of time.

Billy Breitenstein, the County Clerk's Administrative Assistant, was terminated for reasons unrelated to misuse of county credit cards, and personnel in the County Clerk's office determined the Administrative Assistant had fraudulently acquired a county credit card. At the request of the County Commission and County Clerk, the Prosecuting Attorney contacted the Missouri State Highway Patrol (MSHP) to investigate. The County Commission and County Clerk later notified the State Auditor's office (SAO) and provided documentation showing some improper purchases. Audit work by the SAO identified additional improper purchases and missing monies. Billy Breitenstein was charged with felony stealing and fraudulent use of a credit device on June 9, 2014. The MSHP investigation discovered some improperly purchased items located in the Administrative Assistant's residence.

### Recommendation

The County Commission and County Clerk work with law enforcement authorities regarding any criminal prosecution and take necessary action to recover the misappropriated monies.

### Status

#### **Implemented**

Prosecution of the case has been referred to the state Attorney General's office. The next court proceeding is scheduled for December 1, 2014.

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2. **Procurement Controls and Procedures** Significant weaknesses existed in the procurement controls and procedures of the county.

2.1 **Segregation of duties and oversight** The County Commission and County Clerk did not adequately segregate county procurement duties or provide adequate oversight of procurement functions and records. The County Commission and County Clerk did not perform adequate reviews of vendor jackets, credit card statements, invoices, and other supporting documentation.



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**Recommendation**

The County Commission and County Clerk adequately segregate the procurement function to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

**Status**

**Partially Implemented**

The County Clerk updated the county's disbursement policy in an effort to segregate accounting duties. The policy now indicates the accounts payable clerk has no authority to make purchases or incur charges on behalf of Webster County.

The County Commission continues to only document its review of disbursements on the vendor jacket. However, the County Clerk indicated the accounts payable clerk documents her comparison of amounts on the credit card statement to invoices by applying a highlighter mark, and he places a checkmark by the amount on the credit card statement. The use of the highlighter and checkmark does not document when or by whom the records were reviewed and approved.

**2.2 Credit cards**

Controls and procedures over credit cards needed improvement. The County Commission and the County Clerk did not perform adequate reviews of vendor jackets, credit card statements, invoices, and other supporting documentation, and personal purchases made by the Administrative Assistant through use of county credit cards totaling \$16,077 went undetected.

The Administrative Assistant did not always submit credit card statements to the County Commission and County Clerk for their review, created some credit card statements, altered some transactions on credit card statements, and marked some transactions "void" on credit card statements to conceal personal purchases made. The Administrative Assistant duplicated and re-submitted previously paid credit card invoices/supporting documentation to the County Commission, and the county had no supporting documentation for personal purchases made by the Administrative Assistant totaling \$15,124. The Administrative Assistant made personal purchases and the billing and/or shipping address on the invoices was his personal address. The Administrative Assistant made personal purchases on county holidays or weekends.

The County Commission and County Clerk did not have adequate physical controls or written policies to ensure appropriate usage of credit cards. The county paid late fees and finance charges. The Administrative Assistant made personal purchases from the county credit card assigned to him, made personal purchases from a credit card he opened without approval of the County Commission and County Clerk, and made personal purchases from 4 of 5 other county credit cards stored in the County Clerk's vault. The County Commission and County Clerk allowed county officials and



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employees to make personal purchases on county credit cards, and adequate reviews of these purchases and the related reimbursements were not performed.

## Recommendation

The County Commission and County Clerk adopt formal policies and procedures for credit card usage that include criteria for identifying employees that should be assigned a card and limits use to official purposes only, restrict access to shared credit cards, require adequate documentation be maintained and reconciled to billing statements, and require purchases be approved by someone other than the card user. In addition, the County Commission and County Clerk should implement procedures to ensure bills are paid timely to avoid late fees and finance charges.

## Status

### **Partially Implemented**

The County Clerk and County Commission have not changed the existing credit card policy or limited use of county credit cards to official purposes only. Credit card purchases continue to be made on holidays and weekends, and some supporting documentation was not maintained. The 5 shared credit cards are still kept in the County Clerk's vault, and access to those cards is not adequately restricted; however, the County Clerk indicated the accounts payable clerk no longer has charging privileges.

We reviewed credit card statements and the related invoices for July and August 2014, and did not identify any alterations or voided information on the statements, duplicate invoices or payments, personal purchases made, invoices including personal billing and/or shipping addresses, or late fees and finance charges assessed. In addition, someone other than the card user approved all credit card purchases we reviewed.

## 2.3 Charge account and checks

The County Commission and the County Clerk did not perform adequate reviews of Staples charge account statements, county checks, invoices, and other supporting documentation. As a result, the Administrative Assistant made personal purchases totaling \$1,457 using the Staples charge account. There was no indication the County Commission or County Clerk reviewed or approved the vendor jackets or invoices for \$1,139 of these purchases. The Administrative Assistant used Staples reward program coupons earned from county purchases for \$843 of the \$1,457 in purchases made.

In addition, the county issued 2 checks totaling \$142 to vendors for personal purchases of the Administrative Assistant. Our review of payments to Staples identified an overpayment of \$1,000. The vendor jacket generated by the Administrative Assistant reported \$1,114 due to Staples, while the related invoice only showed \$114 due. Staples applied the overpayment to subsequent purchases; however, \$360 is still due to the county.



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Various items that had not been authorized/approved for purchase, totaling \$774, were purchased by the Administrative Assistant through use of the county's Staples charge account. These items were found in the County Clerk's office after termination of the Administrative Assistant.

**Recommendation**

The County Commission and County Clerk require adequate documentation be maintained and reconciled to monthly charge account statements, and require purchases be approved by someone other than the purchaser.

**Status**

**Partially Implemented**

We reviewed July and August 2014 charge account purchases and determined there was adequate documentation maintained, and no personal purchases were identified. Items purchased using the county's Staples charge account without proper authorization or approval (as identified in our June 2014 audit report) are being held in a secure area in the County Clerk's office for possible use in the prosecution of the former Administrative Assistant.

However, the County Clerk and County Commission still only document their approval of these charge account disbursements on the vendor jacket. No reconciliation of charge account invoices to the vendor jacket is documented by the County Commission or County Clerk. There was no evidence that the County Clerk or County Commission had requested or reviewed a complete list of Staples reward program coupons earned and used during July and August 2014. At our request, the County Clerk obtained a list of Staples reward program coupons earned and used, and we were able to account for all activity. The County Clerk indicated the county received monthly statements from Staples for these 2 months; however, they were thrown away. In addition, the County Clerk indicated the county does not receive monthly statements from some vendors with which the county has charge accounts. As a result, the county cannot document it reconciled charge invoices to the monthly statements.

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3. County Clerk Receipts Significant weaknesses existed in receipting and transmittal controls and record-keeping procedures in the County Clerk's office.

3.1 Segregation of duties The County Clerk did not adequately segregate accounting duties or provide adequate oversight of receipts, transmittals, and related records. The County Clerk's Administrative Assistant received monies, recorded transactions, maintained accounting records, transmitted monies to the County Treasurer, and prepared month-end reports. The County Clerk or other office personnel did not perform a comparison of records prepared by the Administrative Assistant to the monies transmitted to the County Treasurer.



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**Recommendation**

The County Clerk adequately segregate receipting and transmittal duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

**Status**

**Not Implemented**

The County Clerk has not adequately segregated accounting duties. All personnel in the County Clerk's office receipted monies during July and August 2014. One clerk in July and another clerk in August, who receipted monies in both months, prepared the month-end reports and transmitted monies to the County Treasurer. The County Clerk did not document his review of the receipt slips, the month-end reports, or the transmittal receipts.

**3.2 Receipting and transmitting**

Controls and procedures over receipting and transmitting monies were not sufficient. As a result, there was no assurance all monies received were transmitted, and, some monies received were not transmitted to the County Treasurer.

The Administrative Assistant and other office personnel did not issue receipt slips for some monies received, and the method of payment was not always recorded on receipt slips. The Administrative Assistant and other office personnel did not always issue receipt slips in numerical sequence. Multiple receipt books were used concurrently. Original copies of some voided and blank receipt slips were not retained, and some receipt slips were skipped and not properly defaced to prevent later use. The Administrative Assistant did not record some monies received on the month-end transmittal report, did not transmit those monies to the County Treasurer, and those monies (\$161) were missing.

**Recommendation**

The County Clerk issue receipt slips for all monies received, with the method of payment documented, reconcile the composition of receipt slips to the composition of transmittals, and transmit receipts intact to the County Treasurer. The County Clerk should also ensure receipt slips are issued in numerical sequence, all copies of voided and blank receipt slips are retained, and the numerical sequence of receipt slips is accounted for properly.

**Status**

**In Progress**

Office personnel in the County Clerk's office issued receipt slips in numerical sequence for all monies received during July and August 2014. All copies of voided receipt slips were retained, and no blank receipt slips were identified during the time period reviewed. However, the method of payment was not always documented on the receipt slips issued, and as a result, the composition of receipt slips could not be reconciled to the composition of transmittals. Most receipts were transmitted intact to the County Treasurer in July and August 2014; however, a cash refund for a check overpayment was identified in August 2014. The County Clerk





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indicated in the future, he would ensure the composition of receipt slips is agreed to the composition of transmittals and cash refunds will be signed for by the recipient.

### 3.3 ATV permits and liquor licenses

The County Clerk or Administrative Assistant did not properly account for the numerical sequence of all-terrain vehicle (ATV) permits and liquor licenses issued, and there was no procedure to reconcile ATV permits and liquor licenses issued to fees collected and amounts transmitted. ATV permits and records indicated 4 ATV permits were issued by the Administrative Assistant (including one to himself); however, receipt slips were not issued for these monies nor were the monies transmitted to the County Treasurer. In addition, during our review of the ATV permit log maintained by the Administrative Assistant, we could not account for 12 of 70 ATV permit numbers used during the period July 1, 2012, to July 26, 2013. As a result, additional monies related to ATV permits could be missing. In addition, 3 liquor license numbers were used twice.

### Recommendation

The County Clerk account for the numerical sequence of permits and licenses, ensure the permit log is complete and accurate, and reconcile permits and licenses issued to fees recorded and transmitted.

### Status

#### **In Progress**

During our review of liquor licenses issued during the period May through August 2014, we were able to account for the numerical sequence of liquor licenses. Since most ATV permits are renewed at the beginning of each calendar year, we were unable to adequately review the handling of ATV permits. However, initial permit numbers are being reused and, as a result, the numerical sequence of ATV permits cannot be accounted for properly. Also, we reviewed the ATV permit log for May through August 2014 activity and noted it was not complete and accurate. For example, ATV permit number 10127 was assigned to 2 different individuals and the permit log only accounted for 1 of the individuals. The County Clerk indicated he is considering a new process for handling ATV permits and liquor licenses that will help him reconcile permits and licenses issued to fees recorded and transmitted.