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Missouri State Auditor

Henry County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Henry County

County Procedures	As noted in two prior audits, county officials failed to ensure that employees properly documented fuel usage and costs and did not engage in a competitive bidding process for some purchases, including costs for prisoner meals. The county did not report to the Internal Revenue Service the use of a county-leased vehicle for personal commuting and transportation expenses provided for the jail administrator. The county also paid temporary salary increases (bonuses) to seven employees in the county assessor's office, but no documentation was retained to support any additional hours worked or duties performed. These bonuses appear to violate the Missouri Constitution, which prohibits additional compensation to public servants for services provided previously.
Sunshine Law	The county commission did not comply with Missouri's Sunshine Law when it discussed topics in closed meetings that should have been discussed during open meetings. The county commission also cited particular reasons for going into closed meetings but then discussed different topics while in the closed meeting. The county commission also lacks a formal policy regarding public access to county records, as required by state law.
Electronic Data Security	County officials have not established adequate protections to ensure the security of electronic data. Employees with access to county computers are not required to change passwords frequently, and county computers do not lock after multiple incorrect logon attempts or after periods of inactivity.
Sheriff's Controls and Procedures	As noted in two prior audits, the sheriff failed to prepare monthly bank reconciliations, prepare lists of liabilities for bank accounts, or maintain accurate accounting records for his fee account. The sheriff has not corrected those weaknesses. Additionally, jail personnel used bond forms and receipt slips that were not prenumbered, creating a risk of loss, theft, or misuse of bond money. The sheriff also lacked procedures to properly receipt, record, and deposit inmate money. The petty cash and drug buy funds are not maintained on an imprest basis and a petty cash ledger or adequate documentation is not maintained for petty cash transactions. A physical inventory of seized property has not been performed and some items have been held for several years.
Public Administrator's Controls and Procedures	The public administrator, who is appointed by the circuit court to represent wards or estates of persons who have died, charged fees to 56 wards/estates in advance of performing services without the circuit judge's approval. The public administrator also charged and collected monthly fees from some estates in error when fees in advance had already been collected. The court has not established procedures to review the accuracy of fees paid to the public administrator and does not perform sufficient reviews of the activity of cases assigned to the public administrator.
County Collector-Treasurer's Controls and Procedures	As noted in two prior audit reports, the county collector-treasurer annual settlements were not accurate. The county collector-treasurer also did not adequately reconcile lists of liabilities with available cash balances, and did not retain documentation to support the calculation of amounts withheld from tax collections for the Assessment Fund.

Prosecuting Attorney's Controls and Procedures	As noted in two prior audit reports, auditors identified weaknesses that remain in the prosecuting attorney's office. The office relies on one legal assistant to enter information into an accounting system and transmit payments relating to bad check complaints and court-ordered restitution. The same employee can make adjustments to defendant accounts without independent approval. Segregation of duties and supervisory review of accounting records is needed to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. Additionally, the office did not issue receipt slips timely for all monies received and some monies were not recorded in the accounting system.
Recorder of Deeds' Controls and Procedures	The recorder of deeds' office does not issue receipt slips and record transactions for copy money received into a computerized accounting system, and does not generate a receipt report indicating the method of payment to ensure the composition of receipts agrees to the composition of deposits. As noted in two prior audits, the office does not prepare a list of liabilities or compare monthly reports to available cash balances.
County Assessor's Controls and Procedures	The county assessor collects tax waiver fees from county citizens, when documentation indicates that no taxes were assessed on their personal property in the prior year. This tax waiver fee is not allowable by state law. Accounting duties are not adequately segregated and supervisory reviews of accounting records are not performed to ensure receipts are properly recorded and transmitted to the county collector-treasurer. Improvement is needed in the receipting and transmitting of money received.
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 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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Henry County

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. County Procedures4
	2. Sunshine Law6
	3. Electronic Data Security.....7
	4. Sheriff's Controls and Procedures8
	5. Public Administrator's Controls and Procedures 13
	6. County Collector-Treasurer's Controls and Procedures 17
	7. Prosecuting Attorney's Controls and Procedures 18
	8. Recorder of Deeds' Controls and Procedures20
	9. County Assessor's Controls and Procedures.....21

Organization and Statistical Information	25
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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Henry County

We have audited certain operations of Henry County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Henry County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

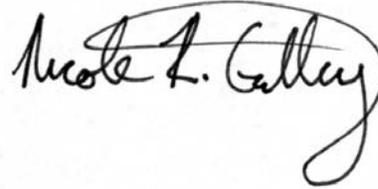
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 contract 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 Henry 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:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Rex Murdock, M.S.Acct.
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	Marian Seevers, M.Acct., CPA

Henry County Management Advisory Report State Auditor's Findings

1. County Procedures

Improvements are needed in the county's procedures over fuel, reporting of personal commuting mileage and expenses, and bidding. In addition, the County Commission paid upon approval from the former County Assessor temporary salary increases (bonuses) in violation of the Missouri Constitution.

1.1 Fuel

The county lacks adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. Accounting records indicated fuel purchases totaled approximately \$37,000 for the road and bridge department and \$73,000 for the Sheriff's office during the year ended December 31, 2014.

County employees did not always properly complete fuel use records or use them to reconcile to fuel billings. County employees prepare multiple records regarding fuel use (fuel and usage logs, and data entered at the pumps when fueling vehicles). We noted instances where employees did not enter odometer readings on fuel and usage logs or at the pump. Also, receipts are not always obtained, and fuel and usage logs maintained by the Sheriff's office are destroyed each month after the Sheriff's review. In addition, employees of the road and bridge department use an unmetered portable fuel tank to fuel equipment; therefore, fuel used from the tank cannot be reconciled to equipment fuel usage.

Without sufficient and accurate information the county cannot evaluate propriety and reasonableness of fuel pumped/used or to reconcile to fuel billings. Failure to account for fuel purchases and fuel usage could result in loss, theft, and misuse going undetected.

1.2 Commuting mileage

The value of personal commuting mileage and transportation expenses paid by the county are not reported on the Jail Administrator's W-2 form as required by Internal Revenue Service (IRS) guidelines. The Jail Administrator commutes 84 miles each day and does not prepare a detailed mileage log of personal and business use.

The Jail Administrator started working for the county in May 2014, and the Sheriff leased a vehicle from July 22, 2014, through September 30, 2014, for the Jail Administrator to commute to work. The county paid \$858 in lease payments for this vehicle and \$238 in fuel costs. The Sheriff then allowed the Jail Administrator to use a county credit card to purchase fuel and also charge car maintenance services to the county for the Jail Administrator's personal vehicle after September 30, 2014, when the Jail Administrator began using his personal vehicle for commuting. From October 2014 through August 2015, the Jail Administrator charged \$1,527 in fuel and \$198 in maintenance services to the county for his personal vehicle. These transportation expenses were not included in an accountable plan or reported in the employees income.



Henry County
Management Advisory Report - State Auditor's Findings

IRS reporting guidelines indicate personal and commuting mileage is a reportable fringe benefit and require the value for all use of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal use. IRS reporting guidelines also indicate transportation expenses, that are not reported under an employer's accountable plan, are to be included in the employee's income. Additionally, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

1.3 Bidding

The Sheriff and County Commission did not solicit bids for prisoner meals costing approximately \$135,000 during the year ended December 31, 2014. In addition, the County Commission did not document reasons for selecting a bid other than the low bid for a used semi-truck purchased for \$39,950 or employee health insurance.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest prices and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

1.4 Temporary salary increase (bonuses)

On December 26, 2014, the county paid \$1,000 as a temporary salary increase (bonuses) to the 7 employees in the County Assessor's office at former County Assessor Brownsberger's request. No documentation was retained to support any additional hours worked or duties performed by these employees.

These temporary salary increases appear to represent additional compensation for services previously rendered and, as such are in violation of Article III, Section 39, the Missouri Constitution, and contrary to Attorney General's Opinion No. 72, from June 14, 1955, which states, ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."

Similar conditions
previously reported

Similar conditions to section 1.1 and 1.3 were noted in our 2 prior audit reports.

Recommendations

The County Commission:

- 1.1 Ensure fuel logs and records are reviewed for accuracy, reconciled to fuel purchases, and any significant discrepancies investigated. The County Commission should also require odometer readings be entered into fuel use logs or at the pump, fuel receipts be obtained



Henry County
Management Advisory Report - State Auditor's Findings

and retained, fuel logs be retained by the Sheriff's office and submitted for review, and ensure the portable fuel tank is metered.

- 1.2 Comply with IRS guidelines for reporting fringe benefits.
- 1.3 And the Sheriff ensure bids are solicited for all applicable purchases of goods and services in accordance with state law, and document reasons for selecting a bid other than the low bid.
- 1.4 Discontinue paying temporary salary increases (bonuses).

Auditee's Response

The County Commission provided the following responses:

- 1.1 *The recommendation will be implemented.*
- 1.2 *The recommendation has already been implemented. Amended IRS reporting documents have been completed, as well as amended W-2 forms.*
- 1.3 *The county will comply with procurement statutes and properly record selections or contract awards in the County Commission minutes.*
- 1.4 *Salary bonuses will not be paid.*

The Sheriff provided the following response:

- 1.3 *The recommendation will be implemented.*

2. Sunshine Law

The County Commission did not always comply with the Sunshine Law. The County Commission held 15 closed meetings during the year ended December 31, 2014.

2.1 Closed meetings

The County Commission discussed some items in closed meetings that are not allowed by state law and sometimes discussed issues other than the specific reason cited in the open minutes for going into a closed meeting. For example, in several closed meetings the County Commission discussed a vehicle being leased by the Sheriff's office, which is not an allowable topic for a closed meeting. In addition, the County Commission discussed personal employee health records in closed meetings; however, the open minutes cited legal issues, and hiring, firing, and disciplining of employee issues as the specific reasons for going into a closed meeting.

Section 610.021, RSMo, allows the County Commission to discuss certain subjects in closed meetings, including litigation, real estate transactions, sealed bids, specific personnel matters, and confidential or privileged communications with auditors. Section 610.022, RSMo, requires a closed



Henry County
Management Advisory Report - State Auditor's Findings

meeting, record, or vote be held only for the specific reasons announced publicly at an open meeting. This section also provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reasons used to justify such meeting, record, or vote.

2.2 Public access policy

The County Commission has not adopted a formal policy regarding public access to county records. A formal policy regarding public access to county records would establish guidelines for the county to make requested records available to the public. A public access policy would provide information to the public to ensure any records requests are handled consistently and in compliance with state law. At a minimum, such a policy should identify a person to contact, provide an address to mail such a request, and establish a cost schedule for providing copies of public records.

Section 610.023, RSMo, lists requirements of making records available to the public, and Section 610.026, RSMo, allows the county to charge fees for providing access to and/or copies of public records and provides requirements related to fees. Section 610.028, RSMo, requires a written policy regarding release of information under the Sunshine Law.

Recommendations

The County Commission:

- 2.1 Ensure issues discussed in closed meetings are allowed by state law, and limit issues discussed in closed meetings to only those specific reasons cited for closing the meeting.
- 2.2 Develop written policies regarding procedures for the public to obtain access to, or copies of, public records.

Auditee's Response

- 2.1 *The recommendation has been implemented.*
- 2.2 *The recommendation will be implemented.*

3. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

3.1 Passwords

The County Clerk, County Collector-Treasurer, County Assessor, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential.



Henry County
Management Advisory Report - State Auditor's Findings

However, since passwords do not have to be periodically changed by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

3.2 Security controls

Security controls are not in place to lock any county computers after a specified number of incorrect logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The County Commission work with other county officials to:

- 3.1 Require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the county's computers and data.
- 3.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.

Auditee's Response

- 3.1 *The recommendation has been implemented.*
- 3.2 *The recommendation will be considered.*

4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. During the year ended December 31, 2014, the Sheriff's office deposited approximately \$569,000 collected for civil and criminal process fees, bonds, and other miscellaneous fees into the fee account. For the same period, deposits into the 2 inmate accounts maintained by the Sheriff's office totaled approximately \$89,000.

4.1 Bank reconciliations

Bank reconciliations and lists of liabilities were not prepared for the Sheriff's fee and inmate bank accounts. In addition, the Sheriff did not distribute the remaining balance of the old inmate account and close the account. In 2014, the Sheriff's office implemented a new computer program to track inmate and commissary monies, and another inmate bank account was opened.



Henry County
Management Advisory Report - State Auditor's Findings

At our request, the Sheriff prepared a list of liabilities for the fee account as of September 30, 2015. This list totaled \$53,475 while the available cash balance was \$50,824, resulting in a shortage of \$2,651.

At our request, the Sheriff prepared a list of liabilities for the new inmate account as of October 29, 2015. This list of inmate balances totaled \$2,625 and commissary sales totaled \$7,237, while the cash balance was \$9,397, resulting in a shortage of \$465.

A list of liabilities was not prepared for the Sheriff's old inmate account. The reconciled bank balance of the Sheriff's old inmate account was \$1,412 as of September 30, 2015, and has not changed since December 31, 2014. The Sheriff indicated he believes these monies were commissary profits and plans to hold them until December 2015 to disburse to the County Collector-Treasurer. No documentation could be provided indicating the remaining balance is commissary profits.

Preparing monthly bank reconciliations is necessary to ensure accounting records are in balance and increase 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. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

4.2 Fee account

The Sheriff does not maintain accurate accounting records for his fee account. As a result, reports generated from the accounting system cannot be relied upon by the Sheriff to reconcile the bank account. In addition, the Sheriff does not have adequate controls over checks and does not make deposits timely.

- Some monies received are not recorded in the accounting system. During 2014, credit card bond payments totaling \$6,740 were direct deposited into the fee account, but were not recorded in the accounting system. In addition, a \$200 inmate social security payment was direct deposited into the fee account in July 2014, but was not receipted in the accounting system.
- The payee and the written amount on checks were manually altered after the checks were printed. Check number 15733 was issued to Clinton Siding Company on October 31, 2014, per the accounting system, but the payee was manually altered to Dallas County Associate Court per the canceled check. The typed amount on check number 15555 issued on August 11, 2014, was not an amount but the words "need information." However, this wording was marked through and the actual amount of \$145 was written in by hand on the check. These



Henry County Management Advisory Report - State Auditor's Findings

alterations were made prior to the checks being mailed or negotiated and the bank image of the check showed the alterations.

- The payee recorded in the accounting system did not agree to the actual check written from the fee account. Check number 15597 was issued to the Henry County Treasurer on September 2, 2014, per the accounting system, but the payee on the canceled check was Henry County Circuit Court.
- Four checks totaling \$868 were issued and cleared the bank without any signatures on the checks.
- The Sheriff did not follow up on and resolve 97 old outstanding checks totaling \$1,179 in the fee account, and 75 of these checks are dated between 1997 and 2009. In addition, the outstanding check list for the March 2015 bank reconciliation was not accurate. For example, check number 13584 was issued on August 31, 2012, for \$250 to the Henry County Circuit Clerk. The Sheriff indicated this check had been voided and reissued, but he had failed to void this check in the accounting system.
- Monies received are not deposited timely. For example, \$5,075 received on September 2, 2014, was not deposited until September 5, 2014.

Complete and accurate accounting records are essential to properly reflect the Sheriff's office financial activity, provide an adequate audit trail, and facilitate reconciliations with bank accounts. Altering checks increases the risk of theft of funds. Issuing new checks, and voiding and retaining the incorrect checks would provide better control. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. Timely depositing procedures are necessary to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, and old outstanding checks should be followed up on timely.

4.3 Bond monies

Bond forms used by jail personnel are not prenumbered, and jail personnel do not issue prenumbered receipts slips for bond monies received.

Bond monies are typically collected by deputies or jailers, who issue bond forms and record bond monies collected into a computerized spreadsheet. Bond monies are transmitted to the Administrative Secretary for processing. Bond monies received are compared to the spreadsheet by the Administrative Secretary and are recorded in the accounting system and then deposited in the fee account.



Henry County
Management Advisory Report - State Auditor's Findings

To reduce the risk of loss, theft, or misuse of bond monies, and to provide assurance all bond monies are accounted for properly, procedures to account for bonds should be improved.

4.4 Inmate account

Receipting, recording, and depositing procedures of inmate monies need improvement.

- The numerical sequence of transaction numbers is not accounted for properly, and the transaction numbers are not included in the receipt reports generated to support deposits of inmate monies received.
- Some inmate monies were not recorded in the inmate computer program. During our review of a deposit made on April 3, 2015, we identified a \$25 cash deposit that was not recorded in the program.
- Monies received are not deposited timely. For example, \$1,358 received in cash from August 29, 2014, through September 2, 2014, was not deposited until September 5, 2014.

To reduce the risk of loss, theft, or misuse of funds and to adequately safeguard receipts, adequate receipting, recording, and depositing procedures are needed.

4.5 Petty cash and drug buy monies

The Sheriff does not maintain the \$400 petty cash fund or the \$1,500 drug buy fund on an imprest basis. A petty cash ledger or adequate documentation is not maintained to support petty cash transactions.

Our count of petty cash on April 6, 2015, totaled \$464 with \$210 cash on hand and \$254 in invoices; resulting in an overage of \$64. The Sheriff later indicated \$44 of invoices were not actual petty cash disbursements, decreasing the overage to \$20. In addition, documentation for meals purchased locally from petty cash funds did not indicate the reason and the individuals provided the meals. During the year ended December 31, 2014, the Sheriff's office received payments totaling \$4,489 to reimburse the petty cash fund.

Our count of drug buy monies on April 6, 2015, totaled \$940 with \$610 recorded on the drug buy ledger as being on hand; resulting in an overage of \$330.

To ensure all receipts are appropriately handled and recorded and disbursements are proper, the Sheriff should maintain the petty cash and drug buy funds on an imprest basis. The Sheriff should also maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements from the fund.



Henry County
Management Advisory Report - State Auditor's Findings

4.6 Seized property

A physical inventory of seized property has not been performed and seized property records indicate several items have been held for years with some items dating back to at least 2008.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property.

Similar conditions previously reported

Similar conditions to sections 4.1 and 4.2 were noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - Henry County*, Report No. 2013-30, issued in April 2013, reported the status, at that point in time, as in progress for section 4.1 and implemented for 4.2; however, this audit indicates the Sheriff has not taken steps to correct these weaknesses.

Recommendations

The Sheriff:

- 4.1 Perform bank reconciliations and prepare monthly lists of liabilities for all accounts and compare to the available cash balances, and promptly investigate and resolve differences. The Sheriff should also close the old inmate bank account.
- 4.2 Ensure all monies received and disbursements are properly recorded in the accounting system, discontinue altering checks, ensure all checks are signed, dispose of old outstanding checks in accordance with state law, and deposit monies timely.
- 4.3 Issue prenumbered receipt slips for bond monies or issue prenumbered bond forms and account for the numerical sequence.
- 4.4 Account for the numerical sequence of transaction numbers, ensure all monies received are recorded in the computer program, and deposit monies timely.
- 4.5 Maintain the petty cash and drug buy funds on an imprest basis and maintain adequate documentation for all petty cash disbursements. A petty cash ledger should also be maintained.
- 4.6 Ensure a periodic inventory is conducted and reconciled to the records, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Auditee's Response

- 4.1 *I will continue to work towards finding a software solution that will accommodate receipting and payment processes and provide*



Henry County
Management Advisory Report - State Auditor's Findings

for complete bank reconciliations. The old inmate account will be closed on December 31, 2015.

- 4.2 *I am in the process of disposing of old outstanding checks. All monies that are direct or electronically deposited and are reported to us on the bank statements are currently being receipted. I will also review disbursement reports to ensure they are accurate, discontinue altering checks, and ensure all checks are signed. Our office will attempt to deposit monies more timely.*
- 4.3 *I will continue to work with the vendor to provide for prenumbered bond receipts/forms from the software, and I will account for the numerical sequence.*
- 4.4 *The current vendor does not issue sequential numbers for receipts but rather a transaction number from their software servers. I will request them to implement a sequential receipt number specific to my county. I will ensure all monies received are recorded in the computer system, and I will attempt to deposit monies more timely.*
- 4.5 *This will be implemented on January 1, 2016.*
- 4.6 *Our office does not have adequate staff to complete a full audit of seized property. I will implement a program where a certain percent of seized property is reconciled on a monthly basis, and I will attempt to dispose of seized property that is no longer needed for criminal prosecution.*

5. 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 154 individuals as of December 31, 2014.

The Public Administrator received fees totaling \$167,978 from these estates for the year ended December 31, 2014, and the Public Administrator reported paying \$88,318 in personnel salaries and office expenses from these fees. The Circuit Court, Probate Division's, compensation order allows the Public Administrator to receive monthly compensation of 5 percent of the expenditures made on behalf of a protectee during that month, or \$60, whichever is greater. The compensation order also provides for an annual \$15 check production fee from each protectee with a checking account; an annual \$25 postage fee from each protectee; an annual settlement preparation and filing fee based upon the size, condition, and complexity of the estate/settlement; and additional fees for any work performed above and beyond the Public



Henry County
Management Advisory Report - State Auditor's Findings

Administrator's normal administrative responsibilities at an hourly rate not to exceed \$40 per hour.

5.1 Fees

The Public Administrator charged 56 estates a fee in advance of services being performed without the approval of the Circuit Judge, Probate Division. In addition to the fee advance, the Public Administrator also charged and collected monthly fees from some of these same estates in error. Additionally, the fee advance amount paid was included in the disbursement total the Public Administrator used when calculating the monthly fee. Therefore, the Public Administrator was charging a 5 percent fee on the fee advance paid.

For example, we reviewed fees taken by the Public Administrator for one ward from January 2014 to December 2014. This ward passed away in August 2014. We noted the following fees were assessed:

- The Public Administrator assessed a fee advance of \$720 (12 months times \$60) in January 2014 for the months of January through December 2014. In June 2014, the Public Administrator assessed another fee advance of \$720.
- The Public Administrator incorrectly assessed a monthly fee for February, April, and December 2014. The amounts included the \$60 monthly fee already assessed in the advance fee and additional small overcharges.
- In November 2014, the Public Administrator assessed the ward \$2,080 for services provided, including moving and packing personal items of the ward. The Public Administrator realized errors and overcharges had been made regarding the fee advances and attempted to correct this problem by reducing her \$2,080 fee by \$911 and only paying herself \$1,169.
- The bank account for the ward had a zero balance on January 8, 2015. In May 2015, the Public Administrator requested and the Circuit Judge, Probate Division approved final settlement fees of \$300. The Public Administrator did not take these fees because of previous errors and overcharges made to the ward's estate and because the bank account had a zero balance.

Additionally, the Circuit Court, Probate Division, has not established procedures to review the accuracy of fees paid to the Public Administrator. The court's compensation order does not indicate that advance payments of fees are allowed, and the Circuit Judge, Probate Division, indicated the court's compensation order implies that advance payments of fees should not be made.



Henry County
Management Advisory Report - State Auditor's Findings

To ensure fees are paid correctly, the Public Administrator should charge fees in accordance with the compensation order approved by the Circuit Judge, Probate Division, and after the services are performed. Failure to adequately review fees paid to the Public Administrator by the Circuit Court, Probate Division, increases the risk that errors or misuse of funds could go undetected.

A similar condition was noted in our prior audit report.

5.2 Annual settlements

The Circuit Court, Probate Division, does not perform sufficient reviews of the activity of cases assigned to the Public Administrator. The court reviews annual settlements submitted, but the review of disbursements is limited to verifying the accuracy of amounts reported by reviewing copies of canceled checks included as part of the bank statements. However, canceled checks were not obtained and reviewed for one estate we reviewed. In addition, the Public Administrator did not file supporting documentation such as invoices with the Circuit Court, Probate Division, when filing annual settlements.

Without such documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting documentation be filed with the court.

Recommendations

- 5.1 The Public Administrator should discontinue the practice of charging fees in advance, and the Circuit Judge, Probate Division, should ensure the division has established procedures to review the accuracy of fees paid to the Public Administrator.
- 5.2 The Circuit Judge, Probate Division, establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as canceled checks and invoices to be filed with the court.

Auditee's Response

The Circuit Judge, Probate Division, provided the following responses:

- 5.1 *The Court agrees with this recommendation. The Court has entered a supplemental order regarding the Public Administrator's compensation and procedures. That supplemental order prohibits advance payment of fees. The Court will work with the Probate Clerk to ensure that the Public Administrator's settlements are adequately reviewed to verify the accuracy of fees paid to the Public Administrator. The Court will require repayment of any fees overcharged to estates.*



Henry County
Management Advisory Report - State Auditor's Findings

- 5.2 *The Court agrees with this recommendation. The Court's supplemental order also requires that all of the Public Administrator's accounts be maintained at a financial institution that will provide canceled checks or an image of those checks with the monthly statements, and requires that those canceled checks be submitted with the annual settlement. The Court will work with the Probate Clerk to ensure that all settlements are thoroughly reviewed.*

The Public Administrator provided the following responses:

- 5.1 *I was paid fees totaling \$167,978 from these estates for the year ended December 31, 2014. These fees covered Henry County Public Administrator salaries, computer systems, and office operating expenses.*

As a result of the current audit, the procedure of prepaid fees has been terminated. In addition, a programming change was implemented in 2015 to ensure fees are not included in the monthly fee calculations.

- 5.2 *The average annual settlement process requires approximately three hours aggregate of my office's staff time. Generally, the more complex the estate, the more time is required to complete the annual report, and the greater the volume of invoices/receipts. Copying and organizing receipts/invoices to include in the annual report would require additional staffing. Additionally, invoice by invoice review by the Probate Clerk and Judge would appear to be an undue burden for that office. The majority of estate disbursements are state-mandated amounts to cover cost of care. However receipts and invoices are retained and are available for review. I will accede to judicial requirement in this matter.*

As banks move to a "paperless" banking environment, it is becoming increasingly difficult to get check images (without cost to the estate) included in the bank statement-in fact; it is a struggle just to get paper statements. I continuously fight to receive paper statements and check images. Thus far, most banks will provide this service. However, there was a bank instigated e-mail statement experiment that did not provide images for every statement. Bank procedures and programming abilities are beyond my control.



6. County Collector-Treasurer's Controls and Procedures

Controls and procedures in the County Collector-Treasurer's office need improvement. The County Collector-Treasurer's office processed tax collections of approximately \$18 million during the year ended February 28, 2015.

6.1 Annual settlements

The County Collector-Treasurer's annual settlements were not accurate.

- Protested taxes totaling \$83,325 received in December 2013 were not reported as protested taxes on the annual settlement for the year ended February 28, 2015, or the annual settlement for the year ended February 28, 2014. Instead, these taxes were reported as delinquent taxes.
- Collections reported on page 2 and page 3 of the annual settlement did not agree to the summary total of collections reported on page 1 for the year ended February 28, 2015. The County Collector-Treasurer indicated collections reported on page 2 and page 3 were overstated by \$11,150 because merchant license receipts were erroneously reported twice.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector-Treasurer file complete and accurate annual settlements.

A similar condition was noted in our 2 prior audit reports.

6.2 Liabilities

Lists of liabilities were not adequately reconciled with the reconciled bank balance of the property tax bank account each month. We prepared a list of liabilities for the property tax bank account as of July 31, 2015, which totaled \$113,660, while the reconciled bank balance was \$115,069, resulting in an overage of \$1,409.

Without regular comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained.

6.3 Assessment withholdings

The County Collector-Treasurer did not retain documentation of the calculation of amounts withheld from tax collections for the Assessment Fund, and as a result, we could not determine the accuracy of amounts distributed to various political subdivisions in December 2014.



Henry County
Management Advisory Report - State Auditor's Findings

Sections 137.720.1 and 137.720.3, RSMo, each provide a percentage to be deducted from property tax collections and deposited into the Assessment Fund (1 percent and 0.5 percent, respectively, for a total of 1.5 percent). However, Section 137.720.3, RSMo, limits the 0.5 percent deduction to \$75,000. After this limit is reached, the percentage reduces to 1 percent. Adequate monitoring and documentation of the calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.

Recommendations

The County Collector:

- 6.1 File complete and accurate annual settlements.
- 6.2 Adequately reconcile the list of liabilities to the reconciled bank balance, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.
- 6.3 Retain documentation of the calculation of Assessment Fund withholdings.

Auditee's Response

- 6.1 *I will change where I list protested taxes and make sure all amounts on the annual settlement are accurate.*
- 6.2 *I am now making a list of liabilities, so that it reconciles to the bank statement along with the outstanding check report. I will also identify any differences and resolve them by February 28, 2016.*
- 6.3 *I will keep a file of how our office calculates the reimbursement to the Assessment Fund so it can be used from year to year.*

7. Prosecuting Attorney's Controls and Procedures

7.1 Segregation of duties

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$138,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2014.

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. Two legal assistants and the Office Manager issue receipt slips for monies received. One of these legal assistants is also responsible for all other duties including entering all information including payments related to bad check complaints and court-ordered restitution in the computerized accounting system and for transmitting these payments and fees to the applicable party. Additionally, this legal assistant also has the ability to record adjustments to defendant accounts in the system without independent approval. Neither the Prosecuting Attorney nor his Office Manager performs a documented supervisory review of the accounting records to



Henry County
Management Advisory Report - State Auditor's Findings

ensure all monies received are properly recorded and transmitted or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement documented independent or supervisory reviews of accounting records, which would include a review of adjustments made.

7.2 Receipting, recording, and transmitting monies

The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, and transmitting monies. During our review of monies received during June 2014, we noted the following concerns:

- The Prosecuting Attorney's office did not issue receipt slips timely for all monies received. In addition, some monies were not recorded in the computerized accounting system. On June 18, 2014, the Henry County Circuit Court issued a \$1,053 check to the Prosecuting Attorney for bond forfeitures related to five different cases. However, office staff did not issue receipt slips for bad check fees totaling \$51. In addition, receipt slips were not prepared for the remaining \$1,002 that was transmitted to the County Collector-Treasurer on June 23, 2014, until June 24, 2014. Additionally, \$100 of the amount received was not recorded in the computerized accounting system.
- Office staff did not issue a receipt slip for \$30 received and recorded in the computerized accounting system on June 4, 2014.

To reduce the risk of loss, theft, or misuse of monies received going undetected, procedures should be established to ensure all monies received are properly receipted, recorded, and transmitted timely.

Similar conditions previously reported

Similar conditions were noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - Henry County*, Report No. 2013-30, issued in April 2013, reported the status, at that point in time, was in progress for Sections 7.1 and 7.2; however, this audit indicates the Prosecuting Attorney has not taken steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 7.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.



Henry County
Management Advisory Report - State Auditor's Findings

Auditee's Response

7.2 Ensure receipt slips are issued for all monies received, and all monies received are recorded in the computerized accounting system.

7.1 *As I have noted in responses to previous audits, I do not have adequate personnel to segregate duties as recommended. I have committed to provide maximum service to the public by being open during the lunch hour which often means there is only one person in the office to perform all of the duties.*

As to the recommendation about supervisory reviews, the field auditor suggested a simple procedure to document the supervisory reviews my office has been doing and either the Prosecuting Attorney or the Office Manager will initial all account adjustments.

7.2 *I believe my office has improved our procedures for receipting monies since the last audit. The problems noted in the report were the product of simple human error and not a result of a procedural weakness.*

8. Recorder of Deeds' Controls and Procedures

8.1 Receipting and depositing

Controls and procedures in the Recorder of Deeds' office need improvement. The Recorder of Deeds' office collected various fees totaling approximately \$155,000 related to recording documents such as marriage licenses and deeds during the year ended December 31, 2014.

The Recorder of Deeds has not established proper controls or procedures for receipting and depositing monies. We noted the following concerns:

- The Recorder of Deeds' office does not issue receipt slips and record copy monies received from abstract companies into the computerized accounting system. Based on notations made on monthly reports, the office received \$17,881 in copy fees from abstract companies for the year ended December 31, 2014.
- The Recorder of Deeds does not generate a receipt report indicating the method of payment to ensure the composition of receipts agrees to the composition of deposits, even though the method of payment is recorded in the computerized accounting system.

To reduce the risk of loss, theft, or misuse of monies received going undetected, procedures should be established to ensure all monies received are properly receipted and recorded. Reconciling the composition of receipts to the composition of deposits is necessary to ensure all monies are properly recorded and deposited intact.



Henry County
Management Advisory Report - State Auditor's Findings

8.2 List of liabilities and unidentified balance

The Recorder of Deeds does not prepare a list of liabilities or compare month-end reports to the available cash balance of the office bank account. We prepared a list of liabilities totaling \$12,703 for the account as of September 30, 2015, which was \$1,020 less than the reconciled bank balance of \$13,723.

Without regular comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book balances have been properly reconciled, and that book balances are accurately stated.

A similar condition was noted in our 2 prior audit reports.

Recommendations

The Recorder of Deeds:

- 8.1 Issue receipt slips for copy monies received, ensure copy monies are recorded in the computerized accounting system, and reconcile the composition of receipts to the composition of deposits.
- 8.2 Prepare a monthly list of liabilities, reconcile the lists to the reconciled bank balances, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.

Auditee's Response

- 8.1 *I will take in consideration the issuance of a receipt for copy monies received from abstract companies and discuss this with the computer software vendor. In July 2015, changes were made to the software, which now enables office staff to reconcile the composition of receipts to composition of deposits.*
- 8.2 *I have put this process in place in the monthly balancing procedures. The unidentified difference will be turned over to the county this month.*

9. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement, and the County Assessor has no authority to charge and collect personal property tax waiver fees. The County Assessor's office collected approximately \$5,200 for maps, plat books, personal property tax waivers, and miscellaneous fees during the year ended December 31, 2014.

James Keck served as County Assessor from January through April 19, 2014. Sandra Brownsberger was appointed as the County Assessor on April 25, 2014, and served through December 31, 2014. The current County Assessor, Scott Largent, was elected in a special election in November 2014 and took office on January 5, 2015.



Henry County
Management Advisory Report - State Auditor's Findings

9.1 Segregation of duties

The County Assessor has not adequately segregated accounting duties or performed supervisory reviews of accounting records. Four clerks are responsible for collecting and receipting monies, and one of these clerks is primarily responsible for preparing a monthly transmittal report and transmitting monies received to the County Collector-Treasurer. The County Assessor does not perform a documented supervisory review of the accounting records to ensure all monies received are properly recorded and transmitted to the County Collector-Treasurer.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the County Assessor should implement documented independent or supervisory reviews of accounting records.

9.2 Receipting and transmitting

The County Assessor has not established proper controls or procedures for receipting and transmitting monies. Receipt slips are not issued for all monies received, the method of payment (cash or check) is not always indicated on the receipt slips, the numerical sequence of receipt slips issued is not accounted for, receipts are not transmitted to the County Collector-Treasurer intact, and some fees collected in the County Assessor's office are used for petty cash type purchases rather than being transmitted to the County Collector-Treasurer for deposit. In addition, transmittal reports prepared by the County Assessor's office are not adequately detailed. The transmittal reports only account for the total amount of monies received for each type of receipt (waivers, maps, copies, plat books, miscellaneous) less any petty cash purchases, instead of listing each individual receipt. The transmittal reports also indicate the composition of monies transmitted. However, this information is not sufficient to reconcile the composition of receipt slips to the composition of monies transmitted to the County Collector-Treasurer and there is less assurance all monies collected are appropriately handled and transmitted.

Our review of receipts collected by former County Assessor Brownsberger in September 2014, and transmitted to the County Collector-Treasurer identified the following concerns:

- Receipts are not transmitted to the County Collector-Treasurer intact. Three receipt slips issued by the County Assessor's office indicated checks totaling \$90 were received, but these checks were not included in the transmittal to the County Collector-Treasurer for that month.
- The County Collector-Treasurer's deposits of the County Assessor's receipts contained 13 unrecorded checks totaling \$414 and unrecorded cash of \$48. These unrecorded monies represented receipts for waivers and plat books.



Henry County
Management Advisory Report - State Auditor's Findings

- The method of payment for 4 receipt slips was recorded incorrectly. The receipt slips indicated cash was received; however, the deposits of the County Collector-Treasurer showed the payments occurred by check.
- The method of payment was not indicated on 25 of 107 receipt slips issued by the County Assessor's office.

To adequately account for receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued for all monies received, and the numerical sequence of receipt slips issued should be accounted for, the method of payment indicated, and the composition or receipts reconciled to the composition of the transmittals. If needed, a separate petty cash fund should be established and maintained on an imprest basis.

9.3 Personal property tax waivers

Personal property tax waiver fees that are not allowable by state law are collected by the County Assessor. According to the current County Assessor, the fee is collected from county citizens that provide documentation that no taxes were assessed on personal property in the prior year. Former County Assessor Keck collected a \$1 fee and former County Assessor Brownsberger collected a \$2 fee, and the current County Assessor is collecting a \$2 fee. During 2014, the County Assessor's office issued 864 waivers. There is no statutory authority allowing the County Assessor to charge and collect a fee for personal property tax waivers.

Recommendations

The County Assessor:

- 9.1 Ensure an independent or supervisory review of accounting records is performed and documented.
- 9.2 Establish procedures to ensure receipt slips are issued for all monies received, the numerical sequence of receipt slips is accounted for, receipts are transmitted intact, and the composition of receipt slips is reconciled to the composition of amounts transmitted. If needed, a petty cash fund should be established and maintained on an imprest basis.
- 9.3 Discontinue charging and collecting personal property tax waiver fees.

Auditee's Response

After consultation with the staff that have been employed in this office for years, I decided to take immediate action. Our office has stopped charging for tax waivers, maps, and reports. I determined that the fees designated to the County Assessor's office from tax assessments were sufficient to cover the cost of those items. The fact that the taxpayer should not have to pay twice for publicly available information that the County Assessor's office



Henry County
Management Advisory Report - State Auditor's Findings

possesses (and is easily and readily available) coupled with the substantial decrease in requests due to the implementation of the free GIS website (www.henrycountymap.com) created the opportunity to stop collecting cash all together.

The elimination of accepting payments over the counter has addressed all items brought forward in the audit report concerning my office on points 9.1, 9.2, and 9.3.

Henry County

Organization and Statistical Information

Henry County is a township-organized, third-class county. The county seat is Clinton.

Henry 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 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. The county employed 81 full-time employees and 10 part-time employees on December 31, 2014. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board.

Elected Officials

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

Officeholder	2015	2014
Jim Stone, Presiding Commissioner	\$	35,394
Daniel L. Doll, Associate Commissioner		33,556
Jim Talley, Associate Commissioner		33,556
Ronda Ake, Recorder of Deeds		48,134
Rick Watson, County Clerk		48,134
Richard Shields, Prosecuting Attorney		124,963
J. Kent Oberkrom, Sheriff		53,471
Dain Sisk, County Coroner		19,975
Kay Holt, Public Administrator (1)		167,978
Maggie Stoddard, County Collector-Treasurer (2), year ended March 31,	67,728	
James Keck, County Assessor (3)		37,079
Sandra Brownsberger, County Assessor year ended August 31, (4)		16,099

- (1) Includes fees from probate cases. The Public Administrator reported paying \$88,318 in personnel salaries and office expenses from these fees.
- (2) Includes \$19,183 of commissions earned for collecting city property taxes.
- (3) Passed away on April 19, 2014.
- (4) Appointed on April 25, 2014.

Other Information

On April 7, 2015, Henry County voters passed a 0.45 percent sales tax for the purpose of providing 911 services. The sales tax will replace the current 15 percent landline tariff, collected from the telephone users in Henry County.