



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Oregon County**

Report No. 2016-035

June 2016

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**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Oregon County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting records. The office also needs to improve controls and procedures over receipting and depositing monies. The Bookkeeper does not prepare monthly lists of liabilities for the bank account, and auditors identified an excess balance of \$303. In addition, the Sheriff improperly directed a donation to the Sheriff's Civil Fund, although the county had established a separate Law Enforcement Donations Fund for any donations received.
County Procedures	Neither the County Commission nor the County Clerk submitted proof of publication of the county's financial statement for the year ended December 31, 2014, to the State Auditor's Office as required by state law. The published financial statements for the year ended December 31, 2015, did not include financial data for the correct year. The county lacks effective monitoring procedures for vehicle and equipment fuel use by the Road and Bridge department and the Sheriff's office, increasing the risk of misuse.
Electronic Data Security	County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in a number of offices were not required to change their passwords periodically, and some passwords were shared by employees.
Sunshine Law	The County Commission failed to post notification or agendas for meetings and did not document specific reasons for closing any of the six closed sessions held in 2015 as required by state law.
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 **Good**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Oregon County

We have audited certain operations of Oregon County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Oregon County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

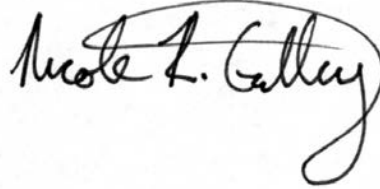
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 Oregon County.

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

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Shannon Spicer, MBA
	Jason M. Huffman, MBA

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# Oregon County Management Advisory Report State Auditor's Findings

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## **1. Sheriff's Controls and Procedures**

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil fees, concealed carry weapon (CCW) permits, jail phone and commissary commissions, bonds, and other miscellaneous receipts totaling approximately \$53,800 for the year ended December 31, 2015.

### 1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting records. The Bookkeeper is responsible for receipting, recording, and depositing monies; making disbursements; and preparing bank reconciliations and the monthly fee report. The Sheriff or the Chief Deputy reviews and initials the monthly fee report prepared by the Bookkeeper, but neither of them review bank reconciliations or other accounting records including detailed receipt and disbursement records.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

### 1.2 Receipting and depositing

Controls and procedures over receipting and depositing monies need improvement.

- Receipt slips are only issued immediately for monies received when the Bookkeeper or Deputy Sheriff are on duty.
- Checks are not always restrictively endorsed immediately upon receipt.
- The numerical sequence of receipt slips is not accounted for properly. Receipt slips were issued without a receipt slip number after July 9, 2015, because the accounting system stopped assigning receipt slip numbers to receipts. The Bookkeeper was unaware of this issue until we discussed it with her.
- The composition of receipts (cash, check, or money order) is not reconciled to the composition of deposits.
- The CCW permit log is not reconciled to deposits to ensure all CCW fees collected were deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds or other errors going undetected, prompt receipting and recording



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of payments received is necessary. In addition, checks should be restrictively endorsed upon receipt, the numerical sequence of receipts should be accounted for, the composition of receipts should be reconciled to the composition of deposits, and the log of CCW permits should be reconciled to deposits.

### 1.3 Liabilities

The Bookkeeper did not prepare monthly lists of liabilities for the bank account; therefore, liabilities are not reconciled to the available cash balance. We identified \$1,398 in liabilities at December 31, 2015. The available cash balance of \$1,701 exceeded the list of liabilities by \$303.

Without regular identification and comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.

### 1.4 Restricted funds

In 2015, the Sheriff improperly directed a donation of \$2,500 from a reality television show investigating a cold case in Oregon County to be deposited to the Sheriff's Civil Fund. The county had previously established a Law Enforcement Donations Fund for any donations received. Funds in the Sheriff's Civil Fund may be expended at the Sheriff's discretion for the furtherance of the sheriff's set duties, while the County Commission controls disbursements of monies in the Law Enforcement Donations Fund. The Sheriff indicated the donation was used to purchase equipment for several deputies.

Section 57.280.3, RSMo, provides that all fees received for service and other process under this section be deposited into the Sheriff's Civil Fund. Donations received for law enforcement purposes should be deposited into the Law Enforcement Donations Fund since this fund was established for that purpose.

### Similar conditions previously reported

Similar conditions to sections 1.1, 1.2, and 1.3 were noted in our prior audit report.

### Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure an adequate independent or supervisory review of accounting and bank records, including detailed receipt and disbursement records, is performed and documented.
- 1.2 Ensure prenumbered receipt slips are issued for all monies when received and the numerical sequence of receipt slips is accounted for properly. Also, the Sheriff should ensure checks are restrictively endorsed upon receipt, the composition of receipts is reconciled to



the composition of deposits, and the CCW permit log is reconciled to deposits.

- 1.3 Prepare a monthly list of liabilities, reconcile it to the available cash balance, and promptly investigate and resolve any differences.
- 1.4 Ensure donations for law enforcement are deposited into the Law Enforcement Donations Fund.

## Auditee's Response

- 1.1 *We will ensure an adequate independent or supervisory review of accounting and bank records, including detailed receipt and disbursement records, is performed and documented.*
- 1.2 *We will require prenumbered receipt slips to be issued for all monies when received and we will account for the numerical sequence of receipt slips. We will restrictively endorse all checks upon receipt, reconcile the composition of receipts to the composition of deposits, and reconcile the CCW permit log to deposits.*
- 1.3 *We will require a monthly list of liabilities to be prepared and reconciled to the available cash balance, and any differences will be promptly investigated and resolved.*
- 1.4 *We will ensure all donations for law enforcement are deposited into the Law Enforcement Donations Fund.*

## 2. County Procedures

Procedures related to financial reporting and fuel use need improvement.

### 2.1 Financial reporting

The county does not comply with state law related to published financial statements.

Proof of publication of financial statements

Neither the County Commission nor the County Clerk submitted proof of publication of the county's financial statement for the year ended December 31, 2014, to the State Auditor's Office as required by state law. The proof of publication was required to be submitted to our office by March 31, 2015. After we brought this matter to the attention of the County Clerk, the 2014 proof of publication and published financial statements were submitted to our office on February 8, 2016.

Published financial statements

Neither the County Commission nor the County Clerk ensured the financial statements were published in accordance with state law. The published financial statements for the year ended December 31, 2015, did not include any 2015 financial data, but instead included the county's financial data for the year ended December 31, 2014, due to the submission of incorrect data





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to the publisher. After we brought this matter to the attention of the County Clerk, a corrected financial statement for 2015 was published in March 2016 at a cost of \$819.

Section 50.810, RSMo, requires filing of proof of publication of the county's financial statements with the State Auditor. In addition, complete and accurate published financial statements are needed to adequately inform the citizens of the county financial activities and show compliance with statutory requirements. Section 50.800, RSMo, provides details regarding what information must be presented in the county's annual published financial statements and specifically requires presentation of receipts, disbursements, and beginning and ending balance information for all county funds.

## 2.2 Fuel use

The county has not established effective monitoring procedures for vehicle and equipment fuel use by the Road and Bridge department and the Sheriff's office. During the year ended December 31, 2015, fuel purchases totaled approximately \$66,000 for the Road and Bridge department and \$21,000 for the Sheriff's office.

The fuel purchased by the Road and Bridge department is stored in bulk fuel tanks at both the North and South Road and Bridge sheds. In addition, one Road and Bridge employee who lives in a remote part of the county has a bulk fuel tank at his home. The fuel purchased by the Sheriff's office is stored in a bulk fuel tank at the North Road and Bridge shed. Mileage and fuel usage logs are maintained by personnel for all equipment and vehicles. The Sheriff or the Chief Deputy review, and document their reviews, of the mileage and fuel usage logs for the Sheriff's vehicles. We noted the following concerns:

- Although mileage and fuel usage logs are maintained for the Road and Bridge department vehicles, there was no documentation to show those logs were reviewed for accuracy.
- A formal reconciliation of fuel use to fuel purchases is not prepared. Logs of fuel dispensed from bulk fuel tanks are maintained by the Road and Bridge department and the Sheriff's office. County officials indicated fuel use is compared to fuel purchases; however, this review is not documented.
- Fuel delivery slips for bulk fuel purchases were not signed by county personnel to indicate receipt of the fuel.
- The county's fuel vendor invoiced the county \$628.43 for a fuel delivery made to a different customer on April 22, 2015. Although the vendor monthly statement of April 30, 2015, charged and also credited the



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amount to the county, the county still paid for this fuel delivery, resulting in an overpayment of \$628.43. County officials were unaware an overpayment had been made until we discussed this matter with them. They indicated a subsequent payment to the fuel vendor was reduced by that amount.

Procedures for reviewing mileage and fuel usage logs and reconciling the information to fuel purchased and related records are necessary to ensure vehicles and equipment are properly utilized; prevent paying vendors for improper amounts; and decrease the risk of loss, theft, or misuse of fuel going undetected.

## Recommendations

The County Commission:

- 2.1 And the County Clerk ensure the proof of publication of the county financial statement is filed with the State Auditor's Office as required by state law. In addition, the County Commission and the County Clerk should ensure the correct financial data is included in the published county financial statements.
- 2.2 Require documented reviews of mileage and fuel use logs for all vehicles and equipment and require reconciliation of those logs and fuel purchases. Any significant differences should be investigated. In addition, complete bulk fuel inventory records should be maintained and delivery receipts for fuel should be signed by a county employee to document proof of delivery.

## Auditee's Response

*The County Commission provided the following responses:*

- 2.1 *We do comply with state law in that accurate county financial statements are created and distributed annually. The years of 2014 and 2015 were the product of oversight and an electronic malfunction. We will continue to work with the County Clerk to ensure financial statements are distributed properly.*
- 2.2 *We have complied and will continue to comply with your recommendations.*

*The County Clerk provided the following response:*

- 2.1 *For the financial statement for the year ended December 31, 2014, the financial statement was compiled and publicly published in accordance with statute. It is in my notes to send a copy of the proof of publication and the published financial statement to the State Auditor's Office. It was an oversight on my part. I have no explanation about the financial statement for the year ending*



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*December 31, 2015. The copy I printed out for my office was correct. The copy I sent to the paper had the correct first paragraph but the rest was 2014's information. Since the copy I printed out was correct, I did not think to check the one I sent through email to the newspaper. I will check for these errors in the future.*

### 3. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. County employees in the offices of the County Clerk, County Collector, and Recorder of Deeds are not required to change passwords periodically and some passwords are shared by employees, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed or kept confidential, 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, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior audit report.

### Recommendation

The County Commission work with county officials to require employees to periodically change passwords and emphasize the importance of keeping passwords confidential to prevent unauthorized access to computers and data.

### Auditee's Response

*The County Commission provided the following response:*

*We will implement procedures to remind county officials to change passwords and protect confidentiality.*

*The County Clerk provided the following response:*

*We will ensure the first computer log-in screen will prompt for a password change periodically. The password log-in screens on our programs prompt for a password change every three months.*

### 4. Sunshine Law

The County Commission did not always comply with the Sunshine Law. The County Commission generally meets twice a week and held 6 closed meetings during the year ended December 31, 2015.

#### 4.1 Agendas

The County Commission did not post notification or agendas for meetings. Section 610.020, RSMo, requires the county to give notice at least 24 hours in advance of the time, date, and place of each meeting, and its tentative



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agenda, in a manner reasonably calculated to advise the public of the matters to be considered.

## 4.2 Closed sessions

Open meeting minutes did not document the specific reasons or section of law allowing the meetings to be closed for any of the 6 closed sessions held in 2015.

Section 610.022, RSMo, of the Sunshine Law, requires public bodies announce the specific reasons allowed by law for going into a closed session and to enter the vote and reason into the minutes. The section also limits discussion topics and actions in closed meetings to only those specifically announced prior to closure.

## Recommendations

The County Commission:

- 4.1 Provide proper notice of meetings and ensure appropriate agendas are posted and retained.
- 4.2 Ensure specific reasons for closing a meeting are documented in the open minutes.

## Auditee's Response

*The County Commission provided the following response:*

*We will continue to observe that proper notice of meetings are posted and will ensure that reasons for closed session meetings are documented.*

*The County Clerk provided the following response:*

*Beginning in May 2016, we implemented posting a detailed agenda within 24 hours of the commission meetings in 2 easily accessible locations. We will add the statutory citation pertaining to any closed sessions.*

# Oregon County

## Organization and Statistical Information

Oregon County is a county-organized, third-class county. The county seat is Alton.

Oregon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 41 full-time employees (including elected officials) and 10 part-time employees on December 31, 2015.

In addition, county operations include the Senate Bill 40 Board and the Senior Citizens' Board.

### Elected Officials

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

Officeholder	2016	2015
Patrick Ledgerwood, Presiding Commissioner	\$	25,760
Johnny D. Wrenfrow, Associate Commissioner		23,760
Edward Casey, Associate Commissioner		23,760
Dawn Holman, Recorder of Deeds		36,000
Tracy J. Bridges, County Clerk		36,000
Jennifer Hyde Crask, Prosecuting Attorney		43,000
George R. Underwood, Sheriff		40,000
Kim Hollis, County Treasurer		36,000
Tom Clary, County Coroner		10,000
Mike Crawford, Public Administrator		36,000
Misty Hower, County Collector (1), year ended February 29,	36,390	
Charles Lon Alford, County Assessor, year ended August 31,		36,000
Scott Simer, County Surveyor (2)		

(1) Includes \$390 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.