



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Henry County

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Henry County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Henry County

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-133, *Henry County* (rated as Poor), issued in December 2015, 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 has no specific plans to implement the recommendation.

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 reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included County Commission meeting minutes, bank statements and reconciliations, monthly settlements, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by June 2016.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

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Status of Findings

1.1 County Procedures - Fuel

The county lacked adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. County employees did not always properly complete fuel use records or use them to reconcile to fuel billings. We noted instances where employees did not enter odometer readings on fuel and usage logs or at the pump. Also, fuel receipts were not always obtained, and fuel and usage logs maintained by the Sheriff's office were destroyed each month after the Sheriff's review. In addition, employees of the road and bridge department used an unmetered portable fuel tank to fuel equipment.

Recommendation

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

Status

Partially Implemented

Fuel logs and records of the road and bridge department from January to April 2016 were reviewed for accuracy and reconciled to fuel purchases by the County Clerk. Records indicated employees properly entered odometer readings on applicable logs or at the pump. The County Clerk indicated he obtains and retains fuel receipts, and the portable fuel tank is now metered. Fuel and usage logs are being retained by the Sheriff, and the County Clerk indicated he does not receive these fuel and usage logs from the Sheriff and does not believe it is necessary because the Sheriff can reconcile his department's fuel.

1.2 County Procedures - Commuting mileage

The value of personal commuting mileage and transportation expenses paid by the county were not reported on the Jail Administrator's W-2 form as required by Internal Revenue Service (IRS) guidelines. The Jail Administrator commuted 84 miles each day and did not prepare a detailed mileage log of personal and business use. From July 2014 through September 2014, the county provided the Jail Administrator a vehicle to commute to work. From October 2014 through August 2015, the Jail Administrator charged fuel and maintenance services to the county for his personal vehicle.

Recommendation

The County Commission comply with IRS guidelines for reporting fringe benefits.

Status

Implemented

The Jail Administrator used his personal car to commute to work during 2015; therefore, the value of personal commuting mileage was not required



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to be reported. The county reported transportation expenses paid by the county during 2015, totaling approximately \$1,800 on the Jail Administrator's W-2 form.

1.3 County Procedures -
Bidding

The Sheriff and County Commission did not solicit bids for prisoner meals during 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 or employee health insurance.

Recommendation

The County Commission 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.

Status

In Progress

The County Commission and Sheriff did not solicit bids for prisoner meals totaling \$222,975 during 2015 and through June 16, 2016. The County Clerk indicated the county plans to solicit bids for prisoner meals next year, but have not determined when it will happen. The County Commission and County Clerk indicated they will document reasons for selecting other than the low bid in the future.

2.1 Sunshine Law - Closed
meetings

The County Commission discussed some items in closed meetings that were 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.

Recommendation

The County Commission 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.

Status

Implemented

Issues discussed in closed meetings held in January, February, and March 2016 were allowed by state law, and limited to the specific reasons cited for closing the meetings.

3. Electronic Data Security Controls over county computers were not sufficient to prevent unauthorized access.

3.1 Passwords

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



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Recommendation

The County Commission work with other county officials to require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the county's computers and data.

Status

Implemented

The County Clerk, County Collector-Treasurer, County Assessor, and Recorder of Deeds each indicated employees in their offices had individual, unique passwords and that computers were set to automatically remind employees to change their passwords periodically.

3.2 Security controls

Security controls were not in place to lock any county computers after a specified number of incorrect logon attempts or after a certain period of inactivity.

Recommendation

The County Commission work with other county officials to 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.

Status

Partially Implemented

The County Assessor, County Collector-Treasurer, Recorder of Deeds Prosecuting Attorney, and Public Administrator indicated these security controls are now in place in their offices. The County Clerk and Sheriff indicated these security controls are not in place in their offices, and they do not have any specific plans to implement this recommendation.

4.1 Sheriff's Controls and Procedures - 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.

Recommendation

The Sheriff 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.

Status

Partially Implemented

The Sheriff now performs bank reconciliations for the fee and inmate accounts monthly. However, a monthly list of liabilities is not prepared for the fee or inmate account and compared to the available cash balances. The old inmate account was closed and the remaining monies turned over to the County Collector-Treasurer in January 2016.



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4.2 Sheriff's Controls and
Procedures - Fee
account

The Sheriff did not maintain accurate accounting records for the fee account. As a result, reports generated from the accounting system could not be relied upon by the Sheriff to reconcile the bank account. Some monies received were not recorded in the accounting system, and the payee and the written amount on checks were manually altered after the checks were printed. The payee recorded in the accounting system did not agree to the actual check written from the fee account, and checks were issued and cleared the bank without any signatures on the checks. The Sheriff did not follow up on and resolve old outstanding checks, and monies received were not deposited timely.

Recommendation

The Sheriff 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.

Status

Partially Implemented

In January 2016, the Sheriff implemented a new computerized accounting system for the fee account. We reviewed February 2016 accounting and bank records for this account. All monies received were recorded in the accounting system, checks were not altered, the payee recorded in the accounting system agreed to actual checks written, all checks issued were signed by the Sheriff, and monies received were deposited timely. The Sheriff had not followed up on and resolved old outstanding checks.

4.4 Sheriff's Controls and
Procedures - Inmate
account

The numerical sequence of transaction numbers was not accounted for properly, and the transaction numbers were 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, and monies received were not deposited timely.

Recommendation

The Sheriff account for the numerical sequence of transaction numbers, ensure all monies received are recorded in the computer program, and deposit monies timely.

Status

Partially Implemented

The Sheriff had not accounted for the numerical sequence of transaction numbers issued and not all monies received were recorded in the accounting records reviewed during February 2016. However, monies received were deposited more timely.

4.6 Sheriff's Controls and
Procedures - Seized
property

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



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Recommendation

The Sheriff 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.

Status

Not Implemented

The Sheriff has not conducted an inventory of seized property on hand and disposition of old seized property has not occurred.

**5. Public Administrator's
Controls and Procedures**

Controls and procedures in the Public Administrator's office needed improvement.

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

Recommendation

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.

Status

Implemented

The Public Administrator indicated she discontinued the practice of charging fees in advance in June 2015. In December 2015, the Circuit Judge, Probate Division, entered a supplemental order regarding the Public Administrator's compensation and procedures, which prohibits advance payment of fees. The Circuit Judge, Probate Division, also established procedures to review the accuracy of fees paid. We reviewed 2 of the 17 annual settlements filed in February 2016, and determined advance payments of fees did not occur and the Probate Clerk had reviewed the accuracy of fees paid.

5.2 Annual Settlements

The Circuit Court, Probate Division, did not perform sufficient reviews of the activity of cases assigned to the Public Administrator. The court reviewed annual settlements submitted, but the review of disbursements was limited to verifying the accuracy of amounts reported by reviewing copies of canceled checks included as part of the bank statements. However,



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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.

Recommendation

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.

Status

Implemented

The Probate Clerk indicated she currently reviews all supporting documentation, such as canceled checks and invoices, when reviewing annual settlements filed by the Public Administrator and utilizes a settlement checklist to review and approve annual settlements filed by the Public Administrator. The Circuit Judge, Probate Division indicated he ensures this review has been performed. Invoices, canceled checks, and bank statements were filed for the 2 annual settlements reviewed, and the settlement checklists reviewed were accurate and complete.

6. County Collector-Treasurer's Controls and Procedures

Controls and procedures in the County Collector-Treasurer's office needed improvement.

6.1 Annual settlements

Protested taxes received were not reported as protested taxes on the annual settlement for the years ended February 28, 2015, and 2014. In addition, collections reported on pages 2 and 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.

Recommendation

The County Collector-Treasurer file complete and accurate annual settlements.

Status

Implemented

The annual settlement for the year ended February 29, 2016, accurately reported protested taxes and collections.

6.2 Liabilities

Lists of liabilities were not adequately reconciled with the reconciled bank balance of the property tax bank account each month.

Recommendation

The County Collector-Treasurer 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.



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Status

Implemented

The County Collector-Treasurer reconciled the list of liabilities to the reconciled bank balance as of March 31, 2016, and no differences were identified.

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.

Recommendation

The County Collector-Treasurer retain documentation of the calculation of Assessment Fund withholdings.

Status

Implemented

The County Collector-Treasurer retained documentation of the calculation of Assessment Fund withholdings for December 2015.

7. Prosecuting Attorney's
Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office needed improvement.

7.1 Segregation of duties

The Prosecuting Attorney had not adequately segregated accounting duties or performed supervisory reviews of accounting records. A legal assistant also had the ability to record adjustments to defendant accounts in the system without independent approval. Neither the Prosecuting Attorney nor his Office Manager performed a documented supervisory review of the accounting records to ensure all monies received were properly recorded and transmitted or disbursed to the appropriate party.

Recommendation

The Prosecuting Attorney 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.

Status

Partially Implemented

The Prosecuting Attorney indicated he does not have adequate personnel to segregate duties as recommended and the Office Manager attempts to review accounting records when available. The Prosecuting Attorney now requires a supervisory review and approval for all accounting adjustments.

7.2 Receipting, recording,
and transmitting monies

The Prosecuting Attorney's office did not issue receipt slips timely for all monies received, some monies were not recorded in the computerized accounting system, and a receipt slip was not issued for a receipt recorded in the computerized accounting system.



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Recommendation The Prosecuting Attorney ensure receipt slips are issued for all monies received, and all monies received are recorded in the computerized accounting system.

Status **Implemented**

For a 2-week period reviewed during April 2016, receipt slips were issued for all monies received and these receipts were recorded in the computerized accounting system.

8. Recorder of Deeds' Controls and Procedures Controls and procedures in the Recorder of Deeds' office needed improvement.

8.1 Receipting and depositing The Recorder of Deeds' office did not issue receipt slips and record copy monies received from abstract companies into the computerized accounting system. In addition, the Recorder of Deeds did not generate a receipt report indicating the method of payment to ensure the composition of receipts agreed to the composition of deposits, even though the method of payment was recorded in the computerized accounting system.

Recommendation The Recorder of Deeds 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.

Status **Implemented**

Receipt slips were issued for copy monies received, copy monies were recorded in the computerized accounting system, and the composition of receipts was reconciled to the composition of the deposit for the 2 weeks reviewed in April 2016.

8.2 List of liabilities and unidentified balance The Recorder of Deeds did not prepare a list of liabilities or compare month-end reports to the available cash balance of the office bank account.

Recommendation The Recorder of Deeds 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.

Status **Partially Implemented**

The Recorder of Deeds did not prepare a monthly list of liabilities and reconcile it to the April 30, 2016, reconciled bank balance of \$460. The Recorder of Deeds indicated this balance was made up of tax liens. She turned over unidentified monies of \$1,020 to the County Collector-Treasurer in December 2015.