



Office of Missouri State Auditor
Nicole Galloway, CPA

McDonald County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of McDonald County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of accounting and bank records. The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. The Check Clerk does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables.
Sheriff's Controls and Procedures	The Sheriff has not established proper controls or procedures for receipting, recording, and depositing monies. The Sheriff's office does not have procedures to ensure all inmate monies are refunded upon release, and adequate documentation was not retained to support cash refunds of some inmate monies. A physical inventory of seized property has not been performed, and the listing of seized property maintained is not accurate.
County Collector's Controls and Procedures	The County Collector did not properly calculate some withholdings related to city taxes for assessment costs for the year ended February 29, 2016, and amounts are due from cities to the county's Assessment Fund.
Electronic Data Security	Some county offices do not have adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in some offices are not required to change passwords periodically or to have a minimum number of characters in passwords. In addition, some officials and employees share user identification and passwords. Periodic testing of backup data is not performed in all county offices.
Fuel	Mileage and fuel logs are not maintained for road and bridge department vehicles and equipment. Fuel use is not reconciled to fuel purchases.
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 **Fair**.*

*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.

All reports are available on our Web site: auditor.mo.gov

McDonald County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County

We have audited certain operations of McDonald County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of McDonald 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:

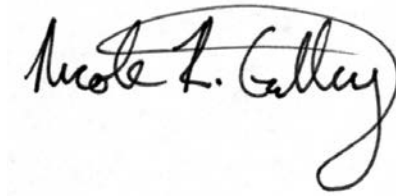
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 McDonald 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:	Keriann Wright, MBA, CPA
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McDonald County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$109,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. One clerk receives, records, and deposits monies received; prepares checks; and reconciles the bank account. As a result, there is little assurance that all monies received are properly recorded, deposited, and disbursed to the appropriate parties.

This clerk also has the ability to record adjustments to the computerized accounting system without obtaining independent approval. A report of adjustments made to the system is not generated and compared to supporting documentation. Reasons for adjustments in 2015 included transferring balances of cases from one computerized accounting system to another, adjusting the amounts paid, and correcting errors. At our request, office personnel generated a report of adjustments made in 2015. The report totaled approximately \$286,000.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, 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 detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and a review of adjustments made to the accounting system.

1.2 Receipting, recording, reconciling, and depositing

The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. We noted the following concerns:

- Manual receipt slips are issued for payments received and these transactions are later entered into the computerized accounting system. However, manual receipt slips are not reconciled with monies posted to the computerized accounting system to ensure all monies received are properly recorded.
- Checks and money orders are not restrictively endorsed.
- Monies received are not recorded in the computerized accounting system at the time of receipt. In addition, the receipt date is backdated in the computerized accounting system to agree to the actual receipt date, making it difficult to ensure all receipt numbers are accounted for



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Management Advisory Report - State Auditor's Findings

adequately. For example, receipt number 1379 was backdated to October 12, 2015, in the computerized accounting system, while receipt numbers 1378 and 1380 were dated October 14, 2015, in the system.

- Receipts are not deposited intact and timely. For example, an April 18, 2016, cash count and review of subsequent deposits determined 2 checks totaling \$97 received on April 12 and 18, 2016, were held and not deposited until April 27, 2016. The checks were held for 9 to 15 days, while other monies received from April 7 through April 18, 2016, were deposited on April 19, 2016. We also noted instances during 2015 where receipts were not deposited intact and timely.

Failure to implement adequate receipting, recording, reconciling, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

1.3 Accounts receivable

The Check Clerk does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables. As a result, the amount of unpaid receivables is unknown and the need for follow up on specific cases may not be identified timely. Improvement is needed to better monitor and pursue collection of receivables.

A complete and accurate list of unpaid bad checks and restitution would allow the Prosecuting Attorney's office to more easily review amounts due and take appropriate steps to ensure amounts owed are collected.

Similar conditions previously reported

Similar conditions to sections 1.1 and 1.2 were noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - McDonald County*, Report No. 2013-044 (sections 1.1 and 1.2), issued in May 2013, reported the status, at that time, as implemented for sections 1.1 and 1.2. The current Prosecuting Attorney who took office in 2015 (subsequent to both the prior audit and follow up review) needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments made to the accounting system.
- 1.2 Reconcile manual receipt slips issued to the computerized accounting system, restrictively endorse checks and money orders upon receipt, timely record all monies received in the computerized accounting system, and deposit all monies intact and timely.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

1.3 Maintain an accounts receivables record and establish procedures to monitor and collect accounts receivable.

1.1 *The office of the Prosecuting Attorney will implement procedures to ensure supervisory reviews of accounting and bank records are completed by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk. All records will be reduced to printed form and reviews will be performed and documented on a daily basis, with verification and date of the approval so noted.*

Since, due to the lack of personnel, complete segregation of duties cannot be achieved, supervisory reviews of daily receipt activity as compared to deposits will be documented and approved on a daily basis by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk.

Adjustment reports will be generated on a monthly basis and reviewed and approved by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk, with verification and date of approval so noted.

1.2 *All manual receipt slips issued will be reconciled with monies posted to the accounting systems to ensure that all monies are properly recorded. This will be done on a daily basis. Review of this reconciliation will be conducted by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk. Verification of the approval and date of the approval will be so noted.*

The office will implement the use of a proper stamp with which to restrictively endorse all checks and money orders received.

All monies received by the Check Clerk will be recorded in the electronic accounting system contemporaneously with recording in the one-write receipts ledger thereby avoiding discrepancies in the actual receipt date as they appear in the computerized accounting system.

Deposits will be made within five (5) days of receipt into the office.

1.3 *The Check Clerk will maintain an accounts receivables record and implement procedures to actively monitor and collect receivables.*



2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office processed civil and criminal process fees, concealed carry weapon (CCW) permits, bonds, inmate monies, and other miscellaneous receipts totaling approximately \$348,000 for the year ended December 31, 2015.

2.1 Receipting, recording, and depositing

The Sheriff has not established proper controls or procedures for receipting, recording, and depositing monies. We noted the following concerns:

- The method of payment is not always recorded on the receipt slips issued for CCW permits.
- Voided inmate receipt slips are not always retained.
- Bond forms are not prenumbered.
- Receipts are not deposited intact and timely. For example, an April 19, 2016, cash count and review of subsequent deposits determined cash of \$4,300 received for bonds on April 12 and 13, 2016, was not deposited until April 19, 2016. In addition, a \$100 check collected on April 8, 2016, for a CCW permit was held and not deposited until April 19, 2016, while other CCW permit monies collected on April 12, 2016, were deposited on April 13, 2016.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

2.2 Inmate monies

The Sheriff's office does not have procedures to ensure all inmate monies are refunded upon release, and adequate documentation is not always retained to support cash refunds of some inmate monies. At December 31, 2015, the Sheriff's office was holding \$1,458 for 68 inmates that had been released from jail.

Upon incarceration any monies in the custody of an inmate are receipted for deposit into the inmate account. However, inmates who are released prior to deposit of these monies are given a cash refund, and office personnel did not always retain adequate documentation to support the refunds. During November 2015, office personnel disbursed cash refunds to inmates totaling \$1,245 without adequate supporting documentation.

Establishing procedures to refund all inmate monies upon release will allow the Sheriff to more adequately safeguard any monies being held and reduce the risk of loss, theft, or misuse of funds. In addition, to facilitate the reconciliation of receipt slips issued to amounts deposited and to ensure all monies are properly accounted for, adequate supporting documentation should be obtained for all cash refunds.



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Management Advisory Report - State Auditor's Findings

2.3 Seized property

A physical inventory of seized property has not been performed, and the listing of seized property maintained is not accurate. For example, the listing indicated \$3,000 of seized cash was on hand related to 3 cases; however, the cash could not be located at the time of our review. The Sheriff subsequently provided documentation indicating the seized cash should not have been on hand or included in the seized property listing because the cases had been resolved and any seized cash was properly handled. In addition, some seized property has been held for years with some items dating back to at least 2001.

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 the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

Similar conditions previously reported

A similar condition to section 2.3 was noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - McDonald County*, Report No. 2013-044 (section 2.6), issued in May 2013, reported the status, at that time, as in progress for 2.3. The current Sheriff who took office in 2013 (subsequent to the prior audit and just prior to the follow up review) needs to take steps to correct this weakness.

Recommendations

The Sheriff:

- 2.1 Ensure the method of payment is recorded on receipt slips, retain voided receipt slips, issue prenumbered bond forms and account for their numerical sequence, and deposit monies intact and timely.
- 2.2 Refund all inmate monies to inmates upon release and attempt to resolve unclaimed balances of released inmates. If the payee cannot be located, the amount should be disbursed in accordance with state law. In addition, the Sheriff should obtain adequate supporting documentation for any refunds not made by check.
- 2.3 Ensure a periodic physical inventory is conducted and reconciled to the list of seized property, and investigate any differences. The Sheriff should also maintain an accurate seized property listing, and make timely and appropriate dispositions of seized property.

Auditee's Response

- 2.1 *We were not putting the word "cash" on all the CCW permit receipts that paid in cash and have started doing that.*



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Management Advisory Report - State Auditor's Findings

Voided inmate receipt slips were not always retained because the binding was inadequate and we have changed providers for the receipt books.

Bond forms were not prenumbered and we will be changing the cash bonds to reflect the receipt number given to the individual that bonds the person to be the bond number on the bond form. This way the cash bond forms can be reconciled with receipt numbers from the receipt book.

Receipts were not deposited in a timely manner. We are trying to do deposits in a timelier manner, but it is not always possible if someone is out or on vacation. All monies received though are locked into the drop safe until taken out by 2 personnel that have access to opening it and then deposits are done. In the future, we will try to deposit monies in sequence.

- 2.2 *We are working on getting a procedure set up to mail a check out to inmates when they are released and do not come back to get their money.*

We are no longer giving cash back to inmates once they are booked into the jail and are given a receipt. All monies are being dropped into the drop safe and a refund check will be written.

We have turned over unclaimed property over to the State Treasurer's Office, Unclaimed Property Section.

- 2.3 *The physical inventory is being reviewed and we are trying to get property that has been held for years disposed of as we get the orders and availability.*

The property list is not accurate because the old seized property records used would allow deputies to enter items as evidence and it would be evidence of a crime, but the items would not actually come into the evidence room. The evidence listed then would not have been pulled out of the system by the deputy and would still show up.

The cash talked about was documented in the narrative of the reports about being turned over to another agency or the victim.

The new system asks the deputy if they want to actually place the evidence into the evidence room. We will be working on getting the older evidence that is still in the old system disposed of and anything still relevant will be moved to the new system.



3. Assessment Withholdings

The County Collector did not properly calculate some withholdings related to city taxes for assessment costs for the year ended February 29, 2016.

- The County Collector incorrectly withheld a 1 percent assessment withholding from city taxes when state law indicates a 1.5 percent withholding shall be deducted. As a result, \$1,190 was under withheld from city collections and is owed to the Assessment Fund.
- The County Collector did not withhold the 1.5 percent assessment withholding on railroad and utility tax collections related to city taxes as required by state law. As a result, \$381 was under withheld from city collections and is owed to the Assessment Fund.

Section 137.720.1, RSMo, requires a one percent withholding on all ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent withholding, but limits the amount deducted to \$75,000.

Recommendation

The County Collector recalculate tax withholdings distributed, and correct distributions. The County Collector should also ensure future commission and withholding calculations are accurate.

Auditee's Response

In response to our recent audit, I will be replacing the incorrect 1 percent assessment withholdings for city collections and railroad and utility collections with the correct 1.5 percent assessment withholdings. I will disburse the amount of \$1,190 and \$381 to the Assessment Fund. I have contacted our software company, and the company will correct the percentage in our system. I will ensure that all future assessment withholdings are calculated correctly. I will contact the cities to let them know that I will be correcting the percentage and withholding the amounts that are due to the Assessment Fund.

4. Electronic Data Security

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

4.1 Passwords

The Recorder of Deeds, Prosecuting Attorney, Public Administrator, County Assessor, and County Commission have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the Prosecuting Attorney and Public Administrator's offices are not required to change passwords periodically. Employees in the Recorder of Deeds and County Assessor's offices are not required to have a minimum number of characters in the passwords. In addition, officials and employees share user identification (ID) and passwords in the Recorder of Deeds' office and 2 County Commissioners share a user ID and password.



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Management Advisory Report - State Auditor's Findings

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed or contain a minimum number of characters in certain offices and are shared by employees in certain 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.

4.2 Data backup

The Sheriff, Public Administrator, and County Assessor do not perform periodic testing of backup data. To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be backed up periodically with the backup data tested on a regular basis.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require unique passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed to prevent unauthorized access to county's computers and data.
- 4.2 Ensure backup data is tested on a regular, predefined basis.

Auditee's Response

- 4.1 *We will recommend to other county officials to ensure their passwords are kept confidential, contain the minimum number of characters, and are periodically changed. We have implemented procedures to keep our passwords confidential, contain a minimum number of characters, and are changed periodically.*
- 4.2 *We will recommend to the Sheriff, Public Administrator, and County Assessor to comply with the recommendation of the State Auditor.*

5. Fuel

The county lacks adequate procedures to account for bulk fuel use by the road and bridge department. The county has 2 bulk diesel fuel tanks located at the road and bridge department buildings and 6 bulk diesel fuel tanks located at employee residences. The county utilizes a mobile tank to haul fuel from the tanks at the road and bridge department buildings to the tanks located at employee residences. The county purchases unleaded fuel for the road and bridge department from local gas stations. The road and bridge department maintains 25 vehicles and 28 pieces of equipment. Fuel purchases totaled approximately \$97,500 during the year ended December 31, 2015.



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Management Advisory Report - State Auditor's Findings

Mileage and fuel logs are not maintained for road and bridge department vehicles and equipment. While logs of fuel pumped from the tanks located at the road and bridge department buildings are maintained, logs of fuel pumped and used from tanks located at employee residences are not maintained. As a result, fuel use is not reconciled to fuel purchases.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Without sufficient information the county cannot evaluate the propriety and reasonableness of fuel pumped/used or reconcile amounts used to fuel billings. Failure to account for fuel purchases and fuel usage could result in loss, theft or misuse going undetected.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission require mileage and fuel logs be maintained and ensure fuel logs are reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

We have installed meters on all of the fuel tanks and established fuel logs for all the fuel tanks, vehicles, and equipment. We will reconcile fuel usage to purchases monthly and investigate and document any differences.

McDonald County

Organization and Statistical Information

McDonald County is a county-organized, third-class county. The county seat is Pineville.

McDonald 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 92 full-time employees (including elected officials) and 13 part-time employees on December 31, 2015.

Elected Officials

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

Officeholder	2016	2015
Keith Lindquist, Presiding Commissioner	\$	30,380
John Bunch, Associate Commissioner		28,380
David Holloway, Associate Commissioner		28,380
Kenny Underwood, Recorder of Deeds		43,000
Kimberly Bell, County Clerk		43,000
Bill Dobbs, Prosecuting Attorney		135,059
Mike Hall, Sheriff		48,000
Joye Helm, County Treasurer		43,000
B.J. Goodwin III, County Coroner		15,000
Donna Underwood, Public Administrator		43,000
Jennifer Weber, County Collector, year ended February 29,	43,000	
Laura Pope, County Assessor, year ended August 31,		43,000
Travis Green, County Surveyor (1)		

(1) Compensation on a fee basis.