



Office of Missouri State Auditor
Nicole Galloway, CPA

Vernon County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Vernon County

Sheriff's Controls and Procedures	The Sheriff's office does not adequately pursue collection of or track amounts due for prisoner board bills or civil process fees and mileage. Outstanding board bill invoices totaled \$30,800 as of March 2016, including one bill totaling \$24,990 due from a neighboring county. Additionally, the office does not maintain a complete summary control log documenting all seized property on hand and has not conducted a physical inventory of all seized property. The office also does not prepare monthly lists of liabilities for the evidence and commissary bank accounts.
Electronic Data Security	As noted in a previous audit, multiple county offices lack adequate password controls to reduce the risk of unauthorized access to computers and data. Most county offices also do not have security controls in place to ensure computers lock after a specified number of incorrect logon attempts or after a certain period of inactivity. In the Sheriff's office, backup data is not tested periodically and is not stored at an off-site location.
Administrative Service Fee Transfers	The county made transfers exceeding allowed amounts by \$52,185 for administrative service fees from the Special Road and Bridge Fund to the General Revenue Fund.
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.

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

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County

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

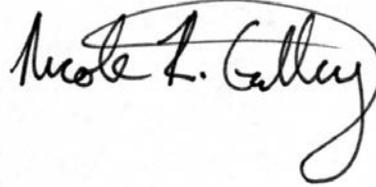
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 a legal provision, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Vernon 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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Vernon County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected approximately \$1.3 million in civil and criminal process fees, bonds, prisoner board, and other miscellaneous fees during the year ended December 31, 2015.

1.1 Accrued costs

The Sheriff's office does not adequately pursue collection of or track amounts due to the office for prisoner board bills or civil process fees and mileage. The Sheriff's office bills other entities for boarding prisoners and also bills civil process fees and mileage (for serving subpoenas or other papers), but does not adequately follow-up to ensure all payments are received.

Prisoner board bills are tracked by keeping copies of outstanding invoices in a file folder in the office. However, it is unclear if all outstanding board bill invoices are included in this folder since Sheriff's office personnel indicated the invoices in the folder are not reviewed to ensure accuracy and completeness. Outstanding board bill invoices in the folder totaled \$30,800 as of March 2016. One of these invoices dated April 3, 2014, totaled \$24,990 and was due from a neighboring county. After we discussed this issue with the Office Manager, she contacted the county and was told the invoice had not been received and it would be paid if resent. The Office Manager indicated the office does not maintain a list of civil process fees billed, collected, or owed, or otherwise track billed amounts to ensure payment is received.

Adequate procedures to bill and collect board of prisoner costs and civil process fees and mileage are necessary to ensure amounts owed are collected. Proper records and follow-up procedures are also necessary to safeguard against possible theft or misuse of funds going undetected.

1.2 Seized property

The Sheriff's office does not maintain a complete summary control log documenting all seized property on hand. In addition, the Sheriff's office has not conducted a physical inventory of all seized property.

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 items. Summary inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, along with the performance of periodic physical inventories, are necessary to ensure items are accounted for properly.

1.3 Liabilities

The Sheriff's office does not prepare monthly lists of liabilities for the evidence and commissary accounts, and consequently, liabilities are not compared to the reconciled bank balance for these accounts.



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Management Advisory Report - State Auditor's Findings

At our request, the Office Manager prepared a list of liabilities totaling \$85,462 for the evidence account at December 31, 2015, which agreed to the reconciled bank balance at that date. However, the Office Manager was unable to prepare a list of liabilities from the commissary account for December 31, 2015. The reconciled bank balance for the commissary account at December 31, 2015, was \$15,685.

Monthly lists of liabilities should be prepared and reconciled to the available cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Any differences should be promptly investigated and resolved, and any unidentified monies should be disposed of in accordance with state law.

Recommendations

The Sheriff:

- 1.1 Implement procedures to track and pursue collection of amounts owed for board of prisoners and civil process fees and mileage.
- 1.2 Ensure a complete seized property inventory control log is maintained and a periodic physical inventory is conducted and reconciled to the log.
- 1.3 Ensure monthly lists of liabilities are prepared and reconciled to the cash balances monthly. Any differences should be promptly investigated and resolved. Any unidentified monies should be disposed of in accordance with state law.

Auditee's Response

- 1.1 *We have implemented this recommendation.*
- 1.2 *The vast majority of the evidence is in our current system, but we have some evidence that pre-dates our system. We will perform an inventory of the older evidence items to add them to the current system. We will perform a periodic inventory and compare it to the system once we have a complete evidence list.*
- 1.3 *We will implement this recommendation.*

2. 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.

2.1 Passwords

The County Collector-Treasurer, County Assessor, Prosecuting Attorney, Public Administrator, Recorder of Deeds, and Sheriff 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



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passwords periodically to help ensure passwords remain known only to the assigned user. In addition, passwords used in the offices of the County Collector-Treasurer, County Assessor, and Recorder of Deeds are known by other employees and not kept confidential, 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 do not have to be periodically changed by employees and some passwords are known by other employees, 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.

2.2 Security controls

Security controls are not in place to lock computers in most county offices 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.

2.3 Backup data

The Sheriff does not perform periodic testing of backup data and does not store backups at an off-site location. Failure to store computer backup data at a secure off-site location results in the data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backups should be tested on a periodic basis and stored at a secure off-site location.

Recommendations

The County Commission:

- 2.1 Work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.



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Management Advisory Report - State Auditor's Findings

- 2.2 Work with other county officials to require each county computer to have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.
- 2.3 Ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Auditee's Response

The County Commission will periodically send reminder emails to all county elected officials to reiterate the recommended proper data security controls. We will strive to do this quarterly. All elected officials will relay the message to the employees in their respective offices.

3. Administrative Service Fee Transfers

Administrative service fee transfers from the Special Road and Bridge (SRB) Fund to the General Revenue (GR) Fund were excessive. During the years ended December 31, 2015, and 2014, the county budgeted and made administrative service fee transfers of \$106,462 and \$118,998, respectively, from the SRB Fund to the GR Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRB Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for related administrative services to the SRB Fund, and shall not exceed 5 percent of the SRB Fund budget.

Although the administrative service fee transfers were less than 5 percent of SRB Fund budgeted disbursements, the transfers exceeded 5 percent of actual disbursements for the years ended December 31, 2015, and 2014, by a total of \$52,185. This situation resulted from budgeted bridge construction that was not completed.

Recommendation

The County Commission base administrative service fee transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund. In addition, the County Commission should transfer \$52,185 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of excessive transfers.

Auditee's Response

We will review actual disbursements in the 4th quarter to ensure transfer amounts are based on actual incurred expenses, not budgeted amounts. In future years' budgets, we will consider the prior year's actual disbursements when determining current year's budgeted transfer amounts. We will attempt to repay the \$52,185 to the Special Road and Bridge Fund as our future budgets allow.

Vernon County

Organization and Statistical Information

Vernon County is a township-organized, third-class county. The county seat is Nevada.

Vernon 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 74 full-time employees (including elected officials) and 6 part-time employees on December 31, 2015. The townships maintain county roads.

Elected Officials

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

Officeholder	2016	2015
Joe Hardin, Presiding Commissioner	\$	32,758
Neal F. Gerster, Associate Commissioner		30,528
Everett Wolfe, Associate Commissioner		30,528
Doug Shupe, Recorder of Deeds		46,255
Sean M. Buehler, County Clerk		46,255
Brandi McInroy, Prosecuting Attorney		135,059
Jason M. Mosher, Sheriff		51,271
David L. Ferry, County Coroner		15,604
Tammy Bond, Public Administrator		46,255
Phil Couch, County Collector-Treasurer (1), year ended March 31,	69,746	
Cherie K. Roberts, County Assessor (2), year ended August 31,		48,187
County Surveyor (3)		

- (1) Includes \$23,209 of commissions earned for collecting city property taxes.
- (2) Includes \$2,400 received from the City of Nevada for assessment of property within the city.
- (3) Vacant during 2015. Compensation for the position is on a fee basis.