

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Greene County

Sheriff

Report No. 2021-029

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auditor.mo.gov



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Greene County Sheriff

Cash and Receipting Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not ensure supervisory reviews of detailed accounting and bank records are performed for the Jail Administration Division. The Sheriff needs to improve receipting, recording, reconciling, transmitting, and depositing procedures.
Bank Reconciliations and Liabilities	The Sheriff has not established adequate procedures for reconciling the civil process, inmate trust fund, commissary, and property room bank accounts, and procedures to follow up on old outstanding checks and reconciling items identified in the bank reconciliations need improvement. Monthly lists of liabilities are not prepared to reconcile to the available cash balances.
Purchasing and Disbursement Procedures	The Sheriff does not ensure compliance with the county's purchasing guide regarding requirements for electronic quotes and requisitions for purchases exceeding \$500. The Sheriff does not always work with the county's Purchasing department to ensure that purchase orders are completed when required by the purchasing guide and that bids are obtained when purchases with a single vendor exceed \$6,000 within a 90 day period. The Sheriff does not limit petty cash purchases to \$25 as stated in the county's purchasing guide and several petty cash purchases included sales tax.
Other Procedures	The Sheriff does not charge or collect sales tax on commissary sales, and no sales taxes are remitted to the Department of Revenue. The Sheriff does not have adequate procedures to ensure inmates receive their remaining account balance upon release and has not disbursed the money owed to some former inmates.

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

Sheriff
Greene County, Missouri

The State Auditor was requested under Section 50.057, RSMo, to audit Greene County. We have audited certain operations of the Greene County Sheriff in fulfillment of our duties. The county engaged KPM CPA & Advisors to audit the county's financial statements for the years ended December 31, 2019, and 2018. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2019. The objectives of our audit were to:

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

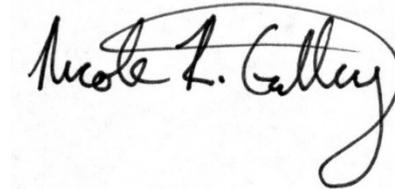
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design, implementation, and operating effectiveness of such internal control to the extent necessary to address our audit objectives. 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 applicable contract, grant agreement, 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 Sheriff and was not subjected to the procedures applied in our audit of the Sheriff.

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 the Greene County Sheriff.

An additional report, No. 2020-050, *Greene County*, was issued in August 2020. Additional work related to the operations of the County Commission is still in process, and any additional findings and recommendations will be included in a subsequent report.

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:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
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Greene County

Sheriff

Management Advisory Report - State Auditor's Findings

1. Cash and Receipting Controls and Procedures

Cash and receipting controls and procedures need improvement. The office collected money from inmates, paper service fees, concealed carry weapon permit fees, bonds, prisoner board, and other miscellaneous receipts totaling approximately \$11,200,000 and \$8,800,000 during the 2 years ended December 31, 2019, and 2018, respectively.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not ensure supervisory reviews of detailed accounting and bank records are performed for the Jail Administration Division. The Accounts Payable Coordinator is responsible for the inmate trust fund bank account, including recording and depositing money received that is not processed through the kiosk machines; preparing and generally signing checks; and preparing the bank reconciliations. The Accounts Payable Coordinator is also responsible for the recording, depositing, disbursing, and reconciling duties involving the commissary bank account. The Sheriff or other supervisory personnel do not perform a documented independent review of the accounting and bank records to ensure all money received is properly recorded, deposited, and disbursed.

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 recording, depositing, disbursing, and reconciling money received. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential.

1.2 Receipting, recording, reconciling, transmitting, and depositing

The Sheriff needs to improve receipting, recording, reconciling, transmitting, and depositing procedures. We reviewed the procedures of the various divisions of the Sheriff's office and identified the following concerns.

Jail Administration Division

The Jail Administration Division clerks do not always issue receipt slips for money collected. In addition, the Accounts Payable Coordinator does not account for the numeral sequence of receipt slips, and does not reconcile receipt slips written to the money transmitted to the County Treasurer for deposit. The Jail Administration Division collects only cash receipts. Our review of cash receipts collected and transmitted from October 2018 through March 2019, determined receipt slips were not issued for 64 of 319 payments collected (20 percent). In addition, a cash count performed on February 20, 2020, identified receipt slips were not issued for 7 payments collected.

Civil Division

The Civil Division clerks do not account for the numerical sequence of receipt numbers, and money received is not always deposited intact. For example, we noted 88 receipts were entered into the computer system on September 20, 2019, and these receipts were included in deposits made on September 20, 23, and 25, 2019. However, these receipts were not deposited in sequence, because 9 receipts entered into the computer system before



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10:00 a.m. on September 20, 2019, were not deposited until September 25, 2019, while 44 receipts entered into the computer system after 10:00 a.m. on September 20, 2019, were deposited on September 23, 2019.

In addition, checks are not restrictively endorsed immediately upon receipt. The endorsement is applied at the time of deposit. A cash count performed on February 20, 2020, identified 39 checks on hand that had not been restrictively endorsed.

Records Division

The Records Division clerks do not issue prenumbered receipt slips for money collected. Instead, invoices are prepared when records are requested and printed from the computer system and then also used as receipt slips. These invoices are not sequentially numbered. In addition, the method of payment (cash or check) is not always recorded on these invoices and the Records Division Supervisor does not reconcile the composition of receipts to the composition of transmittals to the County Treasurer.

Also, checks are not restrictively endorsed immediately upon receipt. The endorsement is applied at the time the monthly transmittal is prepared. A cash count performed on February 20, 2020, identified 16 checks on hand that had not been restrictively endorsed.

Conclusion

Failure to implement adequate receipting, recording, reconciling, transmitting, and depositing procedures increases the risk that loss, theft, or misuse of money could occur and go undetected.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 1.2 Issue prenumbered receipt slips for all money received, indicate the method of payment on all receipt slips, account for the numerical sequence of receipt slips, reconcile the composition of receipts to the composition of transmittals, and deposit all payments received intact. Also, ensure all checks are restrictively endorsed upon receipt.

Auditee's Response

- 1.1 *We are working to ensure independent review and documentation of accounting and bank records. For budget year 2022, we will be requesting additional full-time staff to reach these goals. In the meantime, we will continue working closely with the County Auditor who will provide direct oversight.*
- 1.2 *We have already implemented these recommendations which were revealed to us during the audit process. We are working to ensure*



that pertinent staff remain trained and follow process improvements that have been implemented.

2. Bank Reconciliations and Liabilities

The Sheriff has not established adequate procedures for reconciling the civil process, inmate trust fund, commissary, and property room bank accounts, and procedures to follow up on old outstanding checks and reconciling items identified in the bank reconciliations need improvement. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balances.

Civil process bank account

The Civil Sergeant does not prepare adequate bank reconciliations for the civil process bank account, a cumulative book balance is not maintained, and a monthly list of liabilities is not prepared to reconcile to the available cash balance.

Civil Division personnel do not maintain a cumulative book balance to reconcile to the bank balance; instead, spreadsheets are maintained to document monthly deposit activity and checks issued to ensure all money deposited is disbursed. At December 31, 2019, the bank statement balance totaled \$58,802. After deducting the disbursement of December 2019 collections totaling \$33,279, the remaining balance was \$25,523. Sheriff's office personnel provided a written response indicating this balance was money provided by the County Treasurer to open the account and to provide a starting balance. In October 2020, we requested documentation to support the account's opening balance; however, as of March 2021, no information had been provided.

Inmate trust fund bank account

The Accounts Payable Coordinator does not prepare adequate bank reconciliations for the inmate trust fund bank account. Old outstanding checks and other reconciling items are not resolved timely. At December 31, 2019, the inmate trust fund bank account had 233 outstanding checks totaling \$2,861, 9 deposit reconciling items totaling \$430, and 4 disbursement reconciling items totaling \$946, that have been outstanding for more than one year, with some outstanding checks dating back to 2013 and some reconciling items dating back to 2014. Sheriff's office personnel indicated they have attempted to resolve the old reconciling items with the software vendor but have not been successful.

As of December 31, 2019, the book balance of \$188,568 exceeded the reconciled bank balance of \$188,525, resulting in a shortage of \$43. Sheriff's office personnel indicated they cannot identify this difference. Also, a monthly list of liabilities is not prepared to reconcile to the available cash balance. At our request, Sheriff's office personnel provided documentation identifying liabilities totaling \$165,037, consisting of active inmate balances (\$39,871), released inmate balances (\$14,652), and amounts due to the commissary bank account for December 2019 inmate commissary purchases



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(\$110,514), leaving an unidentified balance of \$23,488. No documentation was provided to identify what was included in this remaining balance.

Commissary bank account The Accounts Payable Coordinator does not prepare adequate bank reconciliations for the commissary bank account. Old reconciling items are not resolved timely. At December 31, 2019, the commissary bank account had 12 deposit reconciling items totaling \$549 and 6 disbursement reconciling items totaling \$216, that have not been resolved and dated back to at least 2016. Sheriff's office personnel indicated they have attempted to resolve the old reconciling items with the software vendor but have not been successful. In addition, a monthly list of liabilities is not prepared to reconcile to the available cash balance. The reconciled bank balance was \$11,714 at December 31, 2019. No documentation was provided to identify what was included in this balance.

Property room bank account The Administration Clerk does not prepare adequate bank reconciliations for the property room bank account because differences are not resolved timely. At December 31, 2019, the bank balance of \$80,521 exceeded the book balance of \$80,416 by \$105. Sheriff's office personnel indicated this difference existed at the end of 2018, and they contacted the County Auditor's office for assistance with the reconciliation. After we inquired about the difference, the County Auditor provided a spreadsheet of account activity in August 2020, which identified the difference as an outstanding check for \$152 from March 2018 and a duplicate entry of \$47 for interest earned on the account in July 2018.

In addition, a monthly list of liabilities is not prepared to reconcile to the available cash balance. Liabilities of this account include seized cash and interest amounts earned on the bank balance. Approximately \$9,400 in this account is accumulated interest since 2004.

Conclusion Performing adequate monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified and corrected timely. In addition, procedures to routinely follow up on reconciling items are necessary to prevent the accumulation of money in the accounts, ensure accounting records are accurate, and ensure money is appropriately disbursed to the payee or as otherwise provided by state law.

Also, regular identification and comparison of liabilities to the available cash balances is necessary to ensure records are in balance, sufficient cash is available for the payment of amounts due, and all money in the bank can be identified. Prompt follow up on discrepancies is necessary to resolve errors. The Sheriff should also determine how interest earned on the property room bank account should be handled, and disburse interest earnings accordingly.



Recommendation

The Sheriff establish procedures to ensure adequate monthly bank reconciliations are performed and to routinely investigate outstanding checks and other reconciling items. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the money should be disbursed in accordance with state law. In addition, monthly lists of liabilities should be prepared and reconciled to available cash balances. Any differences should be promptly investigated and resolved. The Sheriff should also determine how the interest earned on the property room bank account should be disbursed.

Auditee's Response

Procedures are now in place to ensure adequate bank reconciliations are performed. We will ensure the investigation of outstanding checks and other reconciling items, and will reconcile the available cash balance to a list of liabilities. We have ensured the return of unclaimed monies in accordance with state law. Although not cited in the report, the Sheriff's office has not been made aware of any fraud, misuse or loss of county assets. The unidentified money from the civil process and inmate trust fund bank accounts have now been transferred to the County Treasurer. The remaining balance in the commissary bank account is being utilized for cash flow and purchases. It is reviewed on a monthly basis. Unless otherwise directed by the court, interest from the property room bank account is used to maintain the property room. These funds will be utilized for equipment, facility maintenance, and supplies related to evidence storage.

3. Purchasing and Disbursement Procedures

Controls and procedures over purchasing and disbursements need improvement.

The purchasing guide for Greene County indicates the county Purchasing department is responsible for the centralized coordination of county purchasing; the procurement of supplies, equipment, services; and the construction for all county departments. The Purchasing department's responsibilities include issuing bids, request for proposals, and contracts. Purchases of goods or services totaling \$500 or less from a single vendor may be initiated by a county office or department without prior approval from the Purchasing department. The requesting office or department is supposed to check with the Purchasing department to verify purchases with a single vendor have not totaled \$6,000 or more within a 90 day period. For purchases that exceed \$500, but are less than \$6,000, 3 electronic quotes are to be obtained and a requisition completed by the county office or department requesting the purchase. The Purchasing department and the County Auditor will review the requisition and a purchase order will be prepared by the Purchasing department. For purchases totaling \$6,000 or more, the Purchasing department will coordinate with the requesting county office or department to ensure bids are obtained as required by state law.



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Management Advisory Report - State Auditor's Findings

3.1 Purchasing procedures

The Sheriff does not ensure compliance with the county's purchasing guide regarding requirements for electronic quotes and requisitions for purchases exceeding \$500. Also, the Sheriff does not always work with the county's Purchasing department to ensure that purchase orders are completed when required by the purchasing guide and that bids are obtained when purchases with a single vendor exceed \$6,000 within a 90 day period.

For 18 disbursements reviewed (exceeding \$500 but less than \$6,000), documentation was not provided to indicate electronic quotes had been obtained for 6 disbursements (33 percent).

For 29 disbursements reviewed (exceeding \$500) requiring requisitions and purchase orders, documentation was not provided to indicate these items were completed for 5 disbursements (17 percent).

For 1 disbursement reviewed when purchases to the same vendor totaled more than \$6,000 in a 90 day period, bids were not obtained.

Section 50.660, RSMo, requires competitive bidding when county contracts and purchases with a single vendor exceed \$6,000 within 90 days.

To reduce the risk of loss, theft, or misuse of funds and ensure compliance with state law and county policies, the Sheriff should obtain electronic quotes and prepare requisitions when required by the county's purchasing guide, and work with the county's Purchasing department to verify that purchase orders are completed when required and purchases with a single vendor do not require competitive bidding.

3.2 Petty cash purchases

The Sheriff does not limit petty cash purchases to \$25 as stated in the county's purchasing guide. In addition, several petty cash purchases included sales tax. Documentation of petty cash purchases by employees for the Sheriff's office and the jail are forwarded to the County Treasurer for reimbursement.

During our review of 4 monthly petty cash reimbursements, we noted 15 petty cash purchases, totaling \$870, exceeding the \$25 limit. These purchases included office supplies, repair and maintenance costs, investigative costs, fuel reimbursements, kitchen supplies, and other supplies. Because these purchases were reimbursed using petty cash, they did not go through the normal county procurement process. In addition, sales tax was paid on 14 of 37 (38 percent) of these purchases because employees did not ensure the vendor received documentation of the county's sales tax exemption status.

To reduce the risk of loss, theft, or misuse of funds, the Sheriff should ensure all petty cash purchases comply with the limit set in the county's purchasing guide. Petty cash systems are established to handle only low cost purchases where it would not be practical or efficient to use an organization's normal



purchasing and disbursement process, but the systems are not intended to bypass those processes. In addition, sales tax should not be paid on purchases because the county is a tax exempt entity.

Recommendations

The Sheriff:

- 3.1 Obtain electronic quotes and prepare requisitions when required by the county's purchasing guide and work with the county's Purchasing department to verify that purchase orders are completed when required and purchases with a single vendor do not require competitive bidding.
- 3.2 Ensure petty cash purchases do not exceed the \$25 limit as stated in the county's purchasing guide and ensure sales tax is not paid on purchases.

Auditee's Response

- 3.1 *We have now established additional procedures and oversight to ensure compliance with the Greene County purchasing policies.*
- 3.2 *We have provided the necessary policy training to the pertinent staff and we are in compliance with the county's petty cash policies. We will continue to work with vendors and suppliers to ensure that we are not paying sales tax on purchases.*

4. Other Procedures

The Sheriff does not charge or collect sales tax on commissary sales, and does not have adequate procedures to ensure an inmate's remaining balance is refunded upon release. Commissary sales totaled approximately \$1,100,000 during each of the years ended December 31, 2019, and 2018.

4.1 Sales tax

The Sheriff does not charge or collect sales tax on commissary sales, and no sales taxes are remitted to the Department of Revenue (DOR). Pursuant to 12 CSR 10-110.955(3)(B), sales by the state of Missouri and its political subdivisions are subject to tax.

To ensure sales taxes are properly handled, the Sheriff should contact the DOR for guidance on establishing procedures for charging and collecting sales tax on commissary sales, and ensure all future sales tax collections are remitted to the DOR.

4.2 Inactive inmate account balances

The Sheriff does not have adequate procedures to ensure inmates receive their remaining account balance upon release and has not disbursed the money owed to some former inmates. As of December 31, 2019, the Sheriff's office was holding \$14,652 for 1,105 former inmates in the inmate trust fund bank account. Of this amount, nearly all of it relates to inmates released prior to 2015, with the oldest balance dating back to 1998.



Greene County
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Management Advisory Report - State Auditor's Findings

Follow up on inactive accounts is necessary to ensure money is appropriately disbursed to former inmates or as otherwise provided by state law. In addition, establishing procedures to timely return remaining balances to former inmates will allow the Sheriff to more adequately safeguard any money being held and reduce the risk of its loss, theft, or misuse.

Recommendations

The Sheriff:

- 4.1 Contact the DOR for guidance on establishing procedures for charging and collecting sales tax on commissary sales, and ensure future sales tax collections are remitted to the DOR.
- 4.2 Return inmates their remaining account balance upon release. In addition, the Sheriff should attempt to return unclaimed balances to the former inmates. If the payee cannot be located, the amount should be disbursed in accordance with state law.

Auditee's Response

- 4.1 *We will work with the Missouri Department of Revenue to seek guidance on the taxation of commissary items.*
- 4.2 *Inmates are currently receiving their account balances upon release. Historical, unclaimed balances that predate the current Sheriff have now been transferred to the County Treasurer to be disbursed in accordance with state law.*

Greene County Sheriff Organization and Statistical Information

The Sheriff is the chief law enforcement officer of the county. The Sheriff's duties are defined in state law, and include keeping the county jail, transporting prisoners to state penitentiaries, and serving various legal papers and processes. The Sheriff's office collects payments for various fees, bonds, and other miscellaneous receipts.

Jim Arnott currently serves as the Greene County Sheriff. He was first elected to this position in 2008, and has served in this capacity since January 2009. The Sheriff oversees the daily operation of the Sheriff's office and county jail, and employed approximately 400 full-time employees on December 31, 2019.

Other Information

In November 2017, voters approved a 1/2-cent sales tax for the purpose of general revenue. The county issued \$64,470,000 in Certificates of Participation (COPS) in September 2018 to provide funding for several capital projects including an expansion of the Greene County Justice Center, renovations to the Judicial Courts Facility, and a new Operations Center to house the Building Operations and General Services departments. The new sales tax revenues, which are accounted for in the General Revenue II Fund, are used to make the payments on the COPS. The COPS are scheduled to be paid off in 2038. The remaining principal and interest due at December 31, 2019, was \$61,350,000 and \$26,356,875, respectively.