



Thomas A. Schweich

Missouri State Auditor

Osage County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Osage County

Questionable Purchases and Misuse of County Assets

On August 7, 2014, a Road and Bridge foreman resigned his position after being confronted with allegations of questionable purchases and misuse of county assets. The county provided information to the Prosecuting Attorney, and as of November 30, 2014, no charges had been filed as the Prosecuting Attorney has requested additional information which has not yet been provided. The county did not always follow procedures over rock purchases, and Road and Bridge department controls and procedures identified 21 unusual and questionable rock purchases totaling \$641. Various county officials and employees are authorized to purchase items from the Missouri State Agency for Surplus Property, but the county cannot locate several of the items purchased, most or all of which were purchased by the former foreman.

Payroll Records, Policies, and Procedures

Despite prior audit recommendations back to at least 1989, a recent legal settlement with a former employee, and the implementation of a standard county-wide timesheet, county payroll records and policies and procedures still need significant improvement. The County Clerk does not maintain centralized records of vacation, sick leave, and compensatory time or monitor balances for compliance with county policies and/or the Fair Labor Standards Act of 1938 (FLSA). We identified several errors in employee leave and compensatory time accruals which could have been detected by the County Clerk's office if centralized records and oversight procedures were in place. The FLSA and county policy require overtime be paid or compensatory time awarded at a rate of time and one-half, but the county awards compensatory time as straight time off. County policy does not distinguish between law enforcement employees and other employees for compensatory time/overtime purposes, as allowed by the FLSA. The county includes non-working time when calculating employee overtime, but the FLSA indicates it should not be used in the calculation of overtime. The county's vacation policy is not clear, and some Sheriff's department employees are awarded sick leave in excess of the county policy.

Review of Property Taxes

Neither the County Clerk nor the County Commission adequately review the financial activities of the County Collector. The County Clerk's account book is not accurate, does not track the taxes charged to the County Collector, and does not agree to the annual settlements submitted by the County Collector.

Sheriff Procedures

As noted in our 3 prior audit reports, the Sheriff's bookkeeper does not timely deposit monies received. The Sheriff's department does not account for the numerical sequence of bond forms issued or maintain a log of bond forms issued, does not always maintain copies of bond forms issued, and was unable to locate 8 bond forms. The Sheriff's department does not maintain a master listing of all seized property and does not conduct periodic inventories of seized property. The Sheriff spent approximately \$6,000 on department renovations but did not maintain records supporting donations received and maintained the donations outside the county.

treasury. In addition, renovation project purchases were not made through the normal county procurement and budget process.

911/Emergency Management Department Receipts	The 911/Emergency Management department does not issue receipt slips for most monies received, utilized generic receipt slips, did not issue receipt slips sequentially, and did not always record the method of payment on receipt slips.
Capital Assets and Fuel Usage	County capital asset records are not complete and up to date. The County Clerk did not request annual inventories and inventory reports from various county officials and none of the county offices conducted inventories or submitted inventory information to the County Clerk during 2013. The Road and Bridge fuel tanks are not metered, and fuel usage is not reconciled to fuel purchases.
Computer Controls	Several offices lack adequate computer password controls. Neither the County Collector nor the County Assessor have security controls in place to lock computers after a specified number of incorrect logon attempts, county offices do not periodically test backup data, and the County Treasurer does not store backups at an off-site location.
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 **Poor**.*

*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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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Osage County

We have audited certain operations of Osage County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Osage County for the 2 years ended December 31, 2013. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2013. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, 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 Osage County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Osage County Management Advisory Report State Auditor's Findings

1. Questionable Purchases and Misuse of County Assets

The county received concerns of questionable purchases and misuse of county assets, and further investigation of these concerns is needed. In addition, the county did not always follow procedures over rock purchases and lacks controls and procedures over surplus property purchases.

1.1 Former Road and Bridge department foreman concerns

During 2014, the county received concerns from Road and Bridge department personnel regarding possible misuse of county funds and property by the former Road and Bridge foreman. Items of concern included several loads of rock purchased by the former foreman with county funds at a local rock quarry and hauled by the former foreman in a county dump truck to a residence; and several items purchased by the former foreman with county funds that could not be located at the county, including a chainsaw and weed eater and several items purchased from the Missouri State Agency for Surplus Property (SASP). The County Commission addressed the allegations with the former foreman and he resigned his position on August 7, 2014. At that time, he returned several items to the Road and Bridge department, including a weed eater, a work light stand, a stool, and a staple gun. The County Commission provided certain information to the Prosecuting Attorney; and as of November 30, 2014, no charges had been filed as the Prosecuting Attorney has requested additional information which has not yet been provided.

Based on these concerns, we reviewed the county's procedures over rock and surplus property purchases, and tested some related purchases. We determined the county has controls over rock purchases; and while certain procedures were not followed for some purchases, the county's controls detected questionable rock purchases. We also determined the county's lack of adequate controls and procedures over surplus property purchases could result in untimely detection of improper purchases or misuse of county assets. As noted at section 1.3, we identified some additional missing surplus property items during the audit.

To identify any additional questionable purchases, the county should review records of rock, surplus property, and other Road and Bridge department disbursements and account for items purchased. The County Commission should continue to work with the Prosecuting Attorney to identify and follow up on the questionable rock purchases, improper use of a county truck, and missing property items, and seek criminal prosecution and/or restitution if appropriate.

1.2 Rock purchases

The county did not always follow procedures over rock purchases.

Rock is purchased at 4 quarries within the county and hauled to county roads by county employees in county dump trucks. Each employee is responsible for obtaining a delivery ticket from the rock quarry, signing the



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ticket and documenting the delivery location, and submitting the ticket to the Road and Bridge department bookkeeper. The bookkeeper matches the individual delivery tickets to the monthly quarry invoices, attaches the tickets to the invoices, and submits the documentation to the County Clerk's office for payment. The County Clerk and the County Commission indicated they rely on the bookkeeper's procedures to verify accuracy and appropriateness of rock purchases. Rock purchases totaled approximately \$51,000 during the year ended December 31, 2013, and approximately \$41,000 during the period January 1 to August 31, 2014.

Road and Bridge department controls and procedures over rock purchases identified 21 questionable rock purchases during March, June, and July 2014, totaling \$641. Concerns were communicated by Road and Bridge department personnel to the County Commission who investigated the 16 questionable rock purchases made in July 2014, and could not account for any of those rock purchases totaling \$494. The Road and Bridge department bookkeeper indicated the rock purchases were questioned because they were made by the former foreman whose job duties typically did not include the purchasing or hauling of rock, and the rock was hauled in the county's small dump truck, which is not typically used for hauling rock. During its investigation, the County Commission inspected the county roads identified on the rock delivery tickets and determined rock had not been recently applied to those roads. The County Commission provided the rock invoices and tickets supporting the March, June, and July 2014 rock purchases to the Prosecuting Attorney for review; however, as of September 2014, no further investigation or review of other rock purchases had been performed.

Our review of the county's controls and procedures over rock purchases and testing of several related purchases, noted several instances where rock tickets lacked an employee signature and/or documentation of where the rock was delivered. Also, the rock tickets from one quarry for two March 2013 invoices were not attached to the invoices.

To ensure the validity and propriety for rock purchases, county employees should follow established documentation and monitoring procedures.

1.3 Surplus property purchases

The county lacks controls and procedures over items purchased from the SASP, and some items could not be located.

Various county officials and employees are authorized to purchase items from the SASP. During the period January 1, 2013, to August 31, 2014, they made 53 trips to purchase numerous surplus property items costing approximately \$19,200. Examples of items purchased in recent years include 2 trucks, a welder, power tools, hand tools, cabinets, medical supplies, and shop supplies. While most of these items cost less than \$50, the 2 trucks purchased cost \$12,900 (2013) and \$6,500 (2011).



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Approximately half of the purchases in recent years were made by the former Road and Bridge foreman.

Due to concerns of missing property, including surplus property items purchased by the former foreman, the County Commission worked with Road and Bridge department employees to develop a list of surplus property and other items missing from the department. According to the County Clerk, county officials believe all items on the list were purchased by the former Road and Bridge foreman. This list was provided to the Prosecuting Attorney for further follow up; however, as of September 2014, no further investigation of missing items had been performed.

Prior to receiving concerns from Road and Bridge department personnel, the county had performed no procedures to monitor surplus property purchases. The County Commission approved surplus property invoices listing items purchased, but did not perform procedures to account for the items purchased. Due to the nature of surplus property items, most items purchased were not required to be tracked in county capital assets records. Our review of 25 surplus property items purchased by Road and Bridge department personnel during 2011, 2013, and 2014 noted 9 of the items could not be located by Road and Bridge department employees. These missing items included 4 tool bins, 2 pair of goggles, a cart, a fan, and a cargo cover. Most of these items were identified on the County Commission's list of missing items.

Section 102-37.450, Federal Management Regulation, requires that surplus property be used only for its approved purpose, placed in use within 1 year, and used for at least 1 year by the eligible donee. To ensure the validity and propriety of surplus property purchases and compliance with federal regulations, and to decrease the risk of theft or misuse of county assets occurring without detection, procedures should be established to monitor and account for items purchased.

Recommendations

The County Commission:

- 1.1 Review records of rock, surplus property, and other Road and Bridge department disbursements, account for items purchased, and identify any additional questionable purchases. The county should continue to work with the Prosecuting Attorney to investigate the questionable rock purchases, improper use of a county truck, and missing property items, and seek criminal prosecution and/or restitution if appropriate.
- 1.2 Ensure established controls and procedures are followed for all rock purchases. If questionable or unreasonable rock purchases are



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noted, the county should promptly and properly follow up on these purchases.

- 1.3 Establish controls and procedures to monitor and account for items purchased from the SASP and comply with federal regulations.

Auditee's Response

The County Commission provided the following written responses:

- 1.1 *The county is actively reviewing records for any additional questionable purchases. The county will continue to work with the Prosecuting Attorney to investigate questionable rock purchases, improper use of a county vehicle, and missing property items. The county will seek criminal prosecution or restitution if appropriate.*
- 1.2 *The county will work to see that established controls and procedures for rock purchases are followed for all rock purchases, including listing of roads on rock tickets and driver signature. Questionable or unreasonable purchases will be promptly investigated.*
- 1.3 *The county will establish controls and procedures to monitor and account for items purchased from the SASP. Items will be added to the shop inventory and will be tagged. Staff will comply with federal regulations for surplus property.*

2. Payroll Records, Policies, and Procedures

2.1 Timesheets

Despite a recent legal settlement with a former employee, and the implementation of a standard county-wide timesheet, county payroll records and policies and procedures still need significant improvement.

The county incurred legal settlement costs in February 2013 due to the lack of time records maintained by the Sheriff's department and the county in prior years. Our audit reports dating back to at least 1989 have addressed concerns related to the lack of timesheets. In March 2013, the county implemented a standard county-wide timesheet on which employees are to record time worked (top half of the form) and various leave and compensatory/overtime information (bottom half of the form). However, the county lacks adequate procedures to monitor information recorded to ensure the accuracy of the timesheets.

Most county offices and departments continue to maintain separate time records for their employees. Employees record time worked on records that suit the needs of the office or department (e.g., Road and Bridge department project time records, 911/Emergency Management department time clock) and a supervisor reviews these records. Designated personnel enter information from the records into the standard county-wide timesheet and



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print and submit the timesheets to the County Clerk's office for payroll processing. Some offices and departments do not maintain separate time records and simply utilize the standard county-wide timesheet.

Overtime settlement

In February 2013, the county entered into a legal settlement for \$60,000 with a former Sheriff's deputy for unpaid overtime (\$7,500 paid by the county and \$52,500 paid by the county's insurance company). According to the County Clerk, neither the county nor the Sheriff's department maintained timesheets or leave records for the Sheriff's department during the period covered by the lawsuit (2009 through March 2011), and the overtime was reported on a personal record the former deputy maintained. Without time or leave records, the county could not confirm or dispute the accuracy of the overtime claimed.

Review procedures

Timesheets prepared by department bookkeepers for employees of the Sheriff and Road and Bridge departments are not always reviewed before submission to the County Clerk. Our review identified several instances where timesheets submitted to the County Clerk for Sheriff's department employees differed from department time records. For example, a deputy's timesheet shows he worked 10 hours on March 27, 2013, although he was on vacation that day according to department leave records.

Signatures

Our review identified numerous timesheets lacking the required employee and/or supervisor signatures. Personnel from the Sheriff, Road and Bridge, and 911/Emergency Management departments indicated the timesheets for their employees often lack these required signatures because there is not enough time for employees and supervisors to review the timesheets before submission to the County Clerk's office. In addition, the 911/Emergency Management Director indicated the department ensures the internal time cards are signed by the employee and supervisor.

To ensure proper control over payroll and the accuracy of time recorded, leave taken, and overtime paid, and to prevent disputes over these amounts, timesheets submitted to the County Clerk's office should be reviewed and signed by the employee and the employee's supervisor.

2.2 Leave and compensatory time records

The County Clerk does not maintain centralized records of vacation, sick leave, and compensatory time, or monitor balances for compliance with county policies and/or the Fair Labor Standards Act of 1938 (FLSA).

The new standard timesheet provides for the recording of leave and compensatory time information (accruals, usage, and balances). However, the information recorded on timesheets is not always accurate or complete and does not always agree to office or department records. Timesheets are submitted to the County Clerk's office and approved by the County Commission, but the County Clerk does not review leave and compensatory



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time information for accuracy and compliance with county policy or use the information to maintain leave and compensatory time records. As a result, the county lacks an accurate and reliable centralized record of employee leave and compensatory time.

Current county policy requires officials and department directors to maintain records of leave and compensatory time balances for their employees. However, some offices and departments do not maintain these records, or monitor balances. For example, the Health Department Director indicated sick leave and vacation balances are not maintained and monitored for department employees because she believed this task was performed by the County Clerk's office.

We identified several errors in employee leave and compensatory time accruals. A Sheriff's deputy incorrectly received his vacation leave accrual 3 months prior to his employment anniversary date because his original hire date was not correctly recorded in the Sheriff's department's leave records. A Road and Bridge department employee received both paid overtime and compensatory time for the same 2 hours of overtime worked. In addition, a Health Department employee received 4 hours of compensatory time for 1/2 hour of overtime worked. These errors could have been detected by the County Clerk's office if centralized records and proper oversight procedures were in place. Without adequate review procedures, the county has no assurance of the accuracy of county employee leave and compensatory time balances and compliance with county policies.

As the county's payroll officer, the County Clerk should maintain centralized leave and compensatory time records to help ensure accuracy and compliance with county policies and/or the FLSA. Leave and compensatory time balances can represent significant liabilities to the county and centralized records allow the balances and compliance with county policy to be monitored more effectively. Also, these records should serve as the official county leave and compensatory time records, and are needed in the event disputes arise.

2.3 Policies and procedures

The county's compensatory time/overtime and leave policies need improvement.

Compensatory time/overtime

Employees who work more than the county's normal 40-hour work period receive overtime pay at a rate of time and one-half or earn compensatory time as straight time off. County policy and the FLSA require overtime to be paid or compensatory time awarded at a rate of time and one-half. In addition, the county policy does not distinguish between law enforcement employees and other employees for compensatory time/overtime purposes, and law enforcement employees receive this compensation when they work more than 40 hours during a work week. The FLSA provides the county the option of computing overtime for law enforcement employees based on a



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work period of 7 to 28 days, and overtime pay is required when the number of hours worked exceeds 171 hours in a 28-day period, or similar proportion for shorter work periods (e.g., 86 hours in a 14-day period or 43 hours in a 7-day period). Compensating law enforcement employees based on a 40-hour week instead of 171 hours in a 28-day period would result in higher payroll costs.

Additionally, the county includes non-working time (vacation, sick leave, compensatory time taken, and holidays) when calculating employee overtime. As a result, the county sometimes awards more overtime pay/compensatory time than required. For example, during a week in August 2013, a Sheriff's department employee was awarded 10 hours of compensatory time during a week he worked 30 hours and used 20 hours of vacation. In addition, during a week in April 2013, a 911/Emergency Management department employee worked 44 hours and used 4 hours of sick leave, but was paid for 8 hours of overtime at a rate of time and one-half. The FLSA indicates nonworking time should not be used in the calculation of overtime worked and compensatory time earned.

Vacation leave

The county's vacation policy does not adequately address the number of vacation hours earned. The policy provides that full-time employees earn a certain number of vacation days at each employment anniversary date. Employees work different number of hours in a day, and as a result, some employees earned more vacation leave than others with the same amount of time employed with the county. For example, the vacation policy provides employees 5 days of vacation after 1 year of service, which equals 40 hours for an employee who works an 8-hour workday. However, Sheriff's department road deputies are awarded 50 hours because they work 10-hour shifts and jailers are awarded 60 hours because they work 12-hour shifts.

Sick leave

Some Sheriff's department employees are awarded sick leave at rates above amounts provided by county policy. The sick leave policy states full-time employees employed over 6 months shall accrue sick leave at a rate of 8 hours per month. However, Sheriff's road deputies are awarded 10 hours of sick leave per month, and jailers are awarded 12 hours per month. Sheriff's department personnel indicated employees are awarded the same number of hours as their daily shift.

Policies and procedures

Unclear personnel policies and noncompliance with policies may result in unnecessary costs to the county and inequitable treatment of employees. To ensure employees are treated equitably and properly compensated, personnel policies should be updated to reflect the county's intended practices and comply with FLSA requirements, and strict compliance with the policies is necessary. In addition, to reduce payroll costs, the county should consider revising the compensatory time/overtime policy for law enforcement employees in accordance with the FLSA.



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Similar conditions
previously reported

Similar conditions to sections 2.1 and 2.2 were noted in our prior audit report.

Recommendations

The County Commission:

- 2.1 Ensure timesheets submitted to the County Clerk are reviewed for accuracy. The County Commission should work with the County Clerk to ensure timesheets are reviewed and signed by the employee and the employee's supervisor.
- 2.2 Ensure centralized leave and compensatory time records are maintained by the County Clerk's office and monitored for compliance with the FLSA and county policies.
- 2.3 Revise personnel policies as needed, adopt overtime and compensatory time policies that comply with the FLSA, and consider revising the compensatory/overtime policy for law enforcement employees in accordance with the FLSA.

Auditee's Response

The County Commission provided the following written responses:

- 2.1 *The county will ensure that timesheets submitted to the County Clerk are reviewed for accuracy. The County Commission will work with the County Clerk to see that all timesheets are reviewed and signed by the employee and employee's supervisor prior to submission for processing.*
- 2.2 *During the audit, the County Clerk and County Commission established centralized monitoring of leave, compensatory time, and sick leave records by the County Clerk. These records will be monitored for compliance with FLSA and county policies for all employees.*
- 2.3 *A draft personnel policy manual has been prepared and will be updated to adopt overtime and compensatory time policies that are consistent with the FLSA for all employees.*

3. Review of Property Taxes

Neither the County Clerk nor the County Commission adequately review the financial activities of the County Collector, who processed property tax monies of approximately \$9.4 million during the year ended February 28, 2014. The account book maintained by the County Clerk is not accurate, does not track the taxes charged to the County Collector, and does not agree to the annual settlements submitted by the County Collector. County Commissioners indicated they rely on the County Clerk's review of the annual settlements before they approve the annual settlements. However, since the account book is inaccurate, it is not possible for the County Clerk to adequately review the annual settlements. Without adequate review



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procedures, there is an increased risk of loss, theft, or misuse of property tax monies going undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that accurately summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Recommendation

The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Auditee's Response

The County Commission and the County Clerk provided the following written response:

During the audit, the County Clerk implemented a complete and accurate account book on the County Collector. The County Clerk and County Commission will use this account book to review the accuracy and completeness of the County Collector's annual settlements.

4. Sheriff Procedures

Procedures over the Sheriff's deposits, bond forms, and seized property need improvement. In addition, the Sheriff's department lacked adequate controls and procedures over receipts and disbursements related to the department renovation project.

During the year ended December 31, 2013, Sheriff's department personnel deposited approximately \$92,000 collected for conceal and carry permits, civil and criminal process fees, bonds, and other miscellaneous fees into the Sheriff's fee account.

4.1 Deposits

As noted in our 3 previous audit reports, the Sheriff's bookkeeper is not depositing monies received into the fee account timely. For example, \$4,293 (including \$225 in cash) received from November 1 through 5, 2013, was not deposited until November 15, 2013; and \$525 (including \$489 in cash) received from November 18 through 20, 2013, was not deposited until November 27, 2013.

Timely depositing procedures are necessary to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.



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4.2 Bonds

The Sheriff's department lacks adequate controls over bonds and associated monies, and was unable to locate some bond forms. Bonds (cash and nonmonetary) are typically collected by jailers, who issue prenumbered bond forms. These forms and monies are transmitted to the bookkeeper for processing.

The Sheriff's department does not account for the numerical sequence of bond forms issued or maintain a log of bond forms issued, and does not always maintain copies of bond forms issued. We determined the numeric range of bond forms apparently utilized during November and December 2013, and attempted to account for the disposition of these 39 bond forms. We identified 8 missing bond forms. Upon review of office records and follow up with the court, Sheriff's department personnel could not locate these bond forms or determine whether the forms had been utilized. Sheriff's department personnel indicated since there were no deposits of monies associated with these missing forms, the forms were probably (1) not utilized and misplaced, (2) voided and not retained, or (3) used for nonmonetary bonds and not retained. In addition, we noted 1 instance where a bond form was not issued for a nonmonetary bond.

To reduce the risk of loss, theft, or misuse of bond monies received, and to provide assurance bond monies are accounted for properly, department personnel should complete bond forms for all bonds and bond monies received, maintain a log of bond forms and account for the numerical sequence of bond forms. In addition, department personnel should record voided bond forms on the bond log and retain all copies of defaced bonds.

4.3 Seized property

The Sheriff's department has not established adequate controls over seized property. A master listing of all seized property is not maintained; rather evidence tickets including seized property are prepared and stored in each case file. In addition, the Sheriff's department does not conduct periodic inventories of 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 stored items. Inventory control records should be maintained and periodic physical inventories performed and the results compared to the inventory records to ensure seized property and evidence are accounted for properly.

4.4 Department renovation

The Sheriff's department lacked adequate controls and records for monies donated to the department and used for renovations.

The Sheriff made various department renovations, including remodeling of ceilings and walls totaling approximately \$6,000. The county paid approximately \$2,200 toward the project; and the Sheriff received donations



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for the remainder, primarily from one donor. The Sheriff indicated he received donations totaling approximately \$5,200, and spent approximately \$3,800 of these monies on the project.

The Sheriff kept no records supporting the donations received and maintained the donations outside the county treasury. The Sheriff indicated he paid the donations into an account at the local hardware store where he purchased the remodeling supplies. In addition, the Sheriff did not handle project purchases through the normal county procurement and budget process. The Sheriff indicated approximately \$1,400 of the donations went unspent and after the hardware store refunded the money he returned it to the donor. However, there are no records to support the explanations provided by the Sheriff.

There is no statutory authority allowing the Sheriff to hold county monies outside the county treasury. Section 50.370, RSMo, requires every official of third and fourth class counties who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. The failure to record and account for receipts and expending monies through unauthorized accounts outside the county's normal budgeting and disbursement process increases the risk of misuse or possibility of unnecessary purchases.

Recommendations

The Sheriff:

- 4.1 Timely deposit all monies.
- 4.2 Prepare bond forms for all bonds received and establish procedures to account for all bond forms and any associated monies.
- 4.3 Maintain inventory records of all items in the evidence room, perform periodic physical inventories, and compare the results to the inventory records.
- 4.4 Turn all donations over to the County Treasurer, ensure records of donations received are maintained, and ensure all purchases are made through the normal county procurement and budget process.

Auditee's Response

The Sheriff provided the following written responses:

- 4.1 *Although I recognize the need to make deposits in an expedient manner, I am also met with extremely limited staffing for the Sheriff's department including having one secretarial employee. We will strive to make more than one deposit a week while also balancing the need to keep the Sheriff's department open for*



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business. The Sheriff's department secretary has increased the number of deposits she makes in a week.

- 4.2 *There were no previous policies in place from the preceding administration regarding bond form handling. However this is a policy we have developed recently and have established procedures to account for all bonds, including a log and proper control procedures for all bonds and bond monies. This process has been implemented and has been very effective.*
- 4.3 *When I took office I was not provided any property or evidence log. The previous administration had more than 20 years of undocumented evidence and property. The very tedious and complex task of accounting for 20 years of property and evidence seems to have been an insurmountable task. Approximately 1 year ago, during the budget process, we requested funds to implement a computerized records management process; however, the County Commission and/or the County Clerk eliminated the requested funding from our proposed budget. We expect within the next year to accomplish the project. The Sheriff's department does record evidence in each narrative report and property/evidence seized is also documented on a property/evidence intake form which is included in the investigative case file. However, at this time a master listing of evidence/property does not, and to my knowledge has not existed in the history of the Osage County Sheriff's department. I recognized the need for a master log and have been working to accomplish this task which continues to take an extensive amount of time. Once this is accomplished, we will conduct routine inventories of property and evidence.*
- 4.4 *The physical Sheriff's department was inherited from the previous administration in a state of extreme physical hazard and disarray. After trying to be a good steward of the office I inherited, it was clear that the County Commission was responsible for failing to maintain its facilities and building. The Sheriff's department had community members, other elected officials, inmates, and Sheriff's department employees and their family members volunteer their time, tools, resources, and finances to help provide necessary working conditions to serve the people. The financial donation that was received in the form of a money order made out to the local hardware store was delivered to the Presiding Commissioner and two Associate Commissioners in an open session meeting. During that meeting, I was given the money order back and instructed to take the money order to the hardware store by the Presiding Commissioner and apply to the project's balance. The county could not deposit the citizen's donation as it was made out in money order form to the hardware store. I was simply abiding by the Presiding*



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Commissioner's directive. I will ensure future donations are turned over to the County Treasurer, that records of donations are maintained by the County Commission and/or County Clerk, and all purchases are made through the county purchasing and budgeting process.

The County Commission provided the following written responses:

- 4.1 The County Commission will ask to see deposit records for all monies received per the Sheriff's department monthly report to track timely deposits.*
- 4.2 The county will ensure that the Sheriff's department prepares bond forms for all bonds and bond monies received and establishes procedures to account for all bond forms.*
- 4.3 The county will ensure that the Sheriff's department maintains accurate inventory records of all items in the evidence room, and performs periodic physical inventories comparing results with the inventory records.*
- 4.4 The county will ensure that the Sheriff's department turns all donations over to the County Treasurer, ensure that records of donations received are maintained, and ensure all purchases are made through the normal county procurement and budget process.*

5. 911/Emergency Management Department Receipts

The 911/Emergency Management department receipting procedures are not adequate. The 911/Emergency Management department receives monies for maps, CPR classes, road signs, scrap metal, donations, and other miscellaneous items, and transmitted \$4,378 to the County Treasurer during the year ended December 31, 2013.

The 911/Emergency Management department does not issue receipt slips for most monies received. Department staff issued only 7 receipt slips totaling \$125 for the \$4,378 transmitted to the County Treasurer during 2013. The 911/Emergency Management Director indicated staff only issue receipt slips when requested by the payor. In addition, the department issued generic receipt slips, and staff did not issue receipt slips sequentially or always document the method of payment on the receipt slips.

Without complete receipt records, and a detailed reconciliation of these records to transmittals, there is no assurance all monies have been transmitted to the County Treasurer. To reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are properly receipted and transmitted to the County Treasurer.



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Recommendation

The County Commission work with the 911/Emergency Management Director to ensure official receipt slips are issued for all monies received, receipt slips are issued in sequential order, the method of payment is indicated on all receipt slips, and the composition of receipts is reconciled to the composition of transmittals.

Auditee's Response

The County Commission provided the following written response:

The County Commission will work with the 911/Emergency Management Director to ensure that official receipt slips are issued for all monies received, in sequential order, with the method of payment indicated on all receipt slips; and the record of receipts is reconciled to the records of transmittals.

The 911/Emergency Management Director provided the following response:

As of May 2014, this recommendation has been implemented.

6. Capital Assets and Fuel Usage

Procedures related to capital assets and Road and Bridge department fuel usage need improvement.

6.1 Capital assets

Procedures and records to account for county property are not adequate. In addition, the county does not have adequate procedures in place to identify and record capital asset purchases and dispositions throughout the year. As a result, the county's capital asset records are not complete and up to date. The County Clerk did not request annual inventories and inventory reports from various county officials and no county officials conducted inventories or submitted inventory information to the County Clerk during 2013. In addition, county assets are not tagged or properly identified as county property.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year, along with periodic physical inventories and comparisons of the results to overall county capital asset records are necessary to evaluate the accuracy of the records, and deter and detect theft. Proper tagging of capital assets is necessary to facilitate the record-keeping process. Section 49.093, RSMo, requires third and fourth class counties to account for personal property costing \$1,000 or more, assigns responsibilities to the officer or applicable designee of each county department, and describes details to be provided in the inventory records.

6.2 Road and Bridge department fuel usage

The fuel tanks for the Road and Bridge department are not metered, and fuel usage is not reconciled to fuel purchases. The Road and Bridge department maintains 6 diesel tanks and a gasoline tank for fueling 23 vehicles and



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equipment and spent approximately \$129,000 on fuel during the year ended December 31, 2013.

Procedures for reviewing fuel use and reconciling use to purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Metered fuel tanks are necessary to identify fuel usage for these reviews and reconciliations.

Similar conditions
previously reported
Recommendations

Similar conditions were noted in our prior audit report.

The County Commission:

- 6.1 Work with the County Clerk and other county officials to ensure complete and accurate inventory records are maintained, purchases and dispositions of assets are tracked, annual physical inventories are conducted, and assets are tagged as county property.
- 6.2 Require fuel meters for all bulk fuel tanks, ensure fuel purchases are reconciled to fuel usage, and investigate any significant discrepancies.

Auditee's Response

The County Commission provided the following written responses:

- 6.1 *The County Commission, through the County Clerk, will work with other county officials to maintain complete and accurate inventory records, and perform physical inventories on an annual basis. Purchases and dispositions of assets will be tracked, and assets of the county will be tagged as county property.*
- 6.2 *The County Commission will establish procedures to track purchase and use of fuel with the Road and Bridge department. The county will periodically obtain and review vehicle and equipment logs that track mileage, hours of use, and fuel dispensed; and compare the logs to fuel purchases to better identify any discrepancies. At this time it is not possible to meter the bulk fuel tanks.*

7. Computer Controls

Controls over county computers are not sufficient to prevent unauthorized access by requiring password changes and restricting logon attempts or to restore key systems in the event of a disaster or system failure. As a result, county records are not adequately protected and are susceptible to unauthorized access or damage.

7.1 Password controls

The Recorder of Deeds, County Clerk, Prosecuting Attorney, County Treasurer, County Collector, County Assessor, and the 911/Emergency



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Management Director have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees are not required to change passwords on a periodic basis, and the County Collector's office employees share passwords.

Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping passwords confidential. However, since passwords do not have to be periodically changed and are shared, 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.

7.2 Security controls

The County Collector and County Assessor do not have security controls in place to lock a computer after a specified number of incorrect logon attempts. In addition, the computers in the offices of the Recorder of Deeds, County Clerk, Prosecuting Attorney, County Treasurer, County Collector, and County Assessor do not lock 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.

7.3 Backup data

Periodic testing of backup data is not performed for any county offices. Additionally, the County Treasurer does not store backups at an off-site location. Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure all essential county 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 work with other county officials to:

- 7.1 Require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the county's computers and data.



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-
- 7.2 Require each county computer to have security controls in place to lock the computer after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 7.3 Ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Auditee's Response

The County Commission provided the following written responses:

- 7.1 *The county will include a requirement for separate confidential passwords for each employee that are to be changed every 90 days in our revised procedures manual.*
- 7.2 *The county will ensure that 3 incorrect logons will require that employee to contact their supervisor to reset the password to enable access to the server, and that the computers will lock after a certain period of inactivity.*
- 7.3 *The county will ensure that backup data is regularly tested and storage will be off-site and secure.*

Osage County

Organization and Statistical Information

Osage County is a county-organized, third-class county. The county seat is Linn.

Osage 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 43 full-time employees and 16 part-time employees on December 31, 2013.

In addition, county operations include the Senate Bill 40 Board.

Elected Officials

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

Officeholder	2014	2013
Dave Dudenhoeffer, Presiding Commissioner	\$	26,354
John Glavin, Associate Commissioner		24,354
Larry Kliethermes, Associate Commissioner		24,354
Cindy Hoffman, Recorder of Deeds		36,900
Patrick Steele, County Clerk		36,900
Amanda L. Grellner, Prosecuting Attorney		44,000
Michael Dixon, Sheriff		40,500
Tim G. Neuner, County Treasurer		36,900
Lois Jaegers, County Coroner		11,700
Paul G. Stratman, Public Administrator		22,500
Doris J. Keilholz, County Collector (1), year ended February 28,	39,034	
Ross Seals, County Assessor, year ended August 31,		36,900
Ralph P. Kliethermes, County Surveyor (2)		5,000

(1) Includes \$1,367 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

Financing Arrangements

The county entered into a lease purchase agreement with First Bank of Missouri in 2009. Certificates of participation totaling \$1,910,000 were issued by First Bank of Missouri on behalf of the county and the proceeds of those certificates used to renovate the county courthouse. Payments are made from the proceeds of the half-cent sales tax passed by the voters in



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Organization and Statistical Information

August 2007. The lease-purchase agreement is scheduled to be paid off in 2027. The remaining principal outstanding at December 31, 2013, was \$1,590,000. Interest remaining to be paid over the life of the agreement totaled \$629,206.

The county entered into a lease-purchase agreement with Legends Bank in 2009 for the purpose of purchasing and renovating the county annex building. The lease-purchase agreement is for \$1,665,000 and is scheduled to be paid off in 2018. Payments are made from the proceeds of the quarter-cent sales tax passed by the voters in August 2007. The remaining principal outstanding at December 31, 2013, was \$845,580. Interest remaining to be paid over the life of the agreement totaled \$90,599.

The county entered into a lease-purchase agreement with Legends Bank in 2013, for the purpose of purchasing six law enforcement vehicles for the Sheriff's department. The lease-purchase agreement is scheduled to be paid off in June 2017. The remaining principal outstanding at December 31, 2013, was \$115,538. Interest remaining to be paid over the life of the agreement totaled \$6,669.