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Missouri State Auditor

Douglas County

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CITIZENS SUMMARY

Findings in the audit of Douglas County

<p>County Procedures</p>	<p>As noted in previous audit reports, the road and bridge department does not maintain mileage and fuel logs for its vehicles and equipment. Although the sheriff's office maintains fuel logs, employees do not always enter odometer readings or reconcile logs to fuel purchases. Additionally, county personnel policies need improvement. Two non-supervisory employees of the road and bridge department accrued excessive leave balances because the county considered them emergency personnel; however, the Fair Labor Standards Act (FLSA) does not define those employees as emergency personnel. One employee accrued significantly more hours than allowed by the FLSA even for emergency personnel, and the amount of accrued leave for both employees violated county policy. The road and bridge department supervisor directly oversees his son, a full-time department employee, and county policy does not address employment of related individuals. County policy also does not comply with the Family and Medical Leave Act. Although the Act provides 12 weeks of job protected, unpaid leave for eligible employees due to pregnancy, prenatal care, child birth or care of a child after birth or adoption, county policy indicates expectant mothers can have 6 weeks of unpaid leave and can also use accrued vacation and sick leave.</p>
<p>Electronic Data Security</p>	<p>The county collector, county assessor, county clerk, recorder of deeds and sheriff have inadequate password controls to reduce the risk of unauthorized access to computers and data. These offices do not require employees to change their passwords periodically. Some county offices also do not have controls in place to lock computers after incorrect logon attempts or after periods of inactivity.</p>
<p>Prosecuting Attorney's Controls and Procedures</p>	<p>As noted in previous audit reports, the prosecuting attorney does not segregate accounting duties adequately or perform supervisory reviews of accounting records maintained by his legal assistant. The assistant is solely responsible for receiving, recording, and depositing money and can make adjustments in the accounting system without independent approval. The office does not deposit money timely or disburse restitution payments to victims timely. Restitution payments often are held until a significant amount of money is received for a victim; as a result, some money has been held since 2011 and 2012. The prosecuting attorney also does not adequately reconcile liabilities to the reconciled bank balance, resulting in \$1,465 in unidentified money in an account.</p>
<p>Public Administrator's Controls and Procedures</p>	<p>Some annual settlements filed by the public administrator lack adequate detail; for example, the source for money received is not always accurately documented, and supporting records like bank statements are not always filed with the settlement. Some settlements are filed late, and the court does not always notify the public administrator of the deadlines, as required by law. In one case, the public administrator had still not filed a settlement more than 8 months after the deadline. As noted in a prior audit, the public administrator does not adequately document the disbursements of gift cards. For one ward living in Florida, the administrator did not maintain receipts indicating the ward received gift cards worth \$1,355, a \$250 check, or a phone.</p>

Sheriff's Controls and Procedures	As noted previously, the sheriff's office does not prepare monthly bank account reconciliations or a list of liabilities for its civil fee bank account, and \$718 of unidentified monies were in the account. The office does not deposit money timely, increasing the risk of loss, theft or misuse of funds. Additionally, the sheriff's office does not perform a physical inventory of seized property and has held onto some property for years, with some items dating back to at least 2006.
County Collector's Receipts and Deposits	The collector's office does not always accurately record the method of payments received (cash, check, money order or credit card), and auditors identified instances where deposits for types of payments did not agree to receipts. The office also does not always make timely deposits.
Recorder of Deeds' Controls and Procedures	The recorder of deeds had not prepared bank reconciliations or lists of liabilities since October 2013. The recorder does not deposit money timely and does not account for the numerical sequence of transaction numbers in the accounting system. Fifteen numbers were missing and later determined to have been voided.
County Clerk's Deposits	The county clerk does not deposit money timely, increasing the risk of loss, theft or misuse of funds.
County Assessor's Controls and Procedures	The assessor has not adequately segregated accounting duties of the two employees who collect, record and transmit money to the county treasurer. The assessor also does not perform a documented supervisory review of accounting records to ensure accuracy. Auditors identified a number of concerns when reviewing transactions, including \$38 in overpayments that had been held since 2012, a payment for \$19 in February 2015 for which a receipt slip was not issued until June 2015, and a \$5 shortage for cash on hand.
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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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Douglas County

We have audited certain operations of Douglas County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Douglas County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

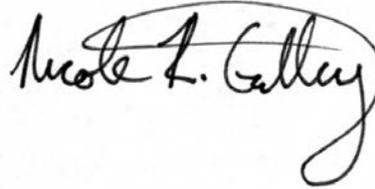
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Douglas 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:

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Douglas County

Management Advisory Report

State Auditor's Findings

1. County Procedures Controls and procedures over fuel use and personnel policies need improvement.

1.1 Fuel use The county lacks adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. Accounting records indicated fuel purchases totaled approximately \$112,000 for the road and bridge department and \$36,000 for the Sheriff's office during the year ended December 31, 2014.

Mileage and fuel logs are not maintained for the road and bridge department's 13 vehicles and 18 pieces of equipment. In addition, none of the 7 portable tanks used by department employees to fuel vehicles and equipment are metered. Also, while Sheriff's office employees maintained fuel logs, they did not always enter the odometer reading on the logs or use them to reconcile to fuel purchases.

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

A similar condition was noted in our 2 prior audit reports.

1.2 Personnel policies The County Commission has not adopted formal policies regarding compensatory time for all employees to ensure policies are in accordance with the Fair Labor Standards Act (FLSA), and the employment and supervision of related employees. In addition, the maternity leave section of the county's personnel policy differs from the requirement of the Family and Medical Leave Act (FMLA).

- The county's personnel policy does not address the maximum amount of compensatory time emergency personnel are allowed to accrue and does not define which employees are considered emergency personnel.
- Two road and bridge employees have accrued excessive compensatory balances. These employees had compensatory balances of 568 hours and 359.75 hours respectively, as of May 31, 2015. The County Clerk indicated the county considered road and bridge employees to be "emergency" personnel. However, the FLSA does not indicate that road and bridge employees are emergency personnel. The FLSA allows emergency personnel to accrue 480 hours of compensatory time while 240 hours of compensatory time can be accrued for non-emergency personnel. Additionally, the county's policy limits compensatory time for non-emergency personnel to 40 hours. Thus, the compensatory



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hours accrued are above the limits of both the county and FLSA policies. Neither of these employees served in a supervisory position, other road and bridge employees have not accrued such large amounts of compensatory time, and it is not clear why only these 2 employees accrued significant compensatory time or why road and bridge employees would be considered emergency personnel by the county.

- The road and bridge supervisor directly supervises his son, who is a full-time employee in the road and bridge department, and the county's personnel policy does not address employment of related individuals. The supervision of a related employee could compromise a supervisor's objectivity when assigning duties or evaluating performance.
- The county's personnel policy is not in compliance with the FMLA. The county's personnel policy indicates an expectant mother can have up to 6 weeks leave without pay for maternity leave and can also use accrued vacation and sick leave, but does not refer to the FMLA or address the 12 weeks of job protected leave required by the FMLA. The FMLA requires covered employers to provide up to 12 weeks of unpaid, job protected leave to eligible employees for incapacity due to pregnancy, prenatal medical care or child birth, or to care for the employee's child after birth, or placement for adoption or foster care. The FMLA also provides for the substitution of paid leave for unpaid leave, if employers require use of accrued leave while taking FMLA leave.

Complete and up-to-date personnel policies are necessary to ensure compliance and equitable treatment of employees and should address pertinent issues such as compensatory time and employment of related employees. Policies should also comply with applicable state or federal requirements.

Recommendations

The County Commission:

- 1.1 Require mileage and fuel logs be maintained for road and bridge department vehicles and equipment. The County Commission should work with the Sheriff to ensure odometer readings are entered on the fuel logs, and these logs are reviewed for accuracy and reconciled to fuel purchases.
- 1.2 Revise the personnel policies to adequately address compensatory time, related employees, and maternity leave.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *We had implemented some fuel logs after the last audit, but we were not investigating and explaining differences in our fuel reconciliations. We are working on implementing additional*



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mileage and fuel logs to be maintained for the road and bridge department vehicles and equipment. The County Commission will work with the Sheriff to ensure odometer readings are entered on the fuel logs and fuel use is reconciled to fuel purchases.

1.2 *We are going to update the personnel policy to address compensatory time and maternity leave. In regard to the related employees, we oversee the road and bridge department employees and will assign duties and evaluate employee performance.*

The Sheriff provided the following responses:

1.1 *My office does log the vehicle, mileage, and odometer reading on vehicles at the time of fueling. There is however one vehicle that we are unable to write down the mileage because the odometer is out and it would cost a substantial amount to fix. My office's fuel tank is metered and the meter reading is logged at each fueling to ensure no fuel is stolen. In the future I will reconcile monthly fuel used to fuel purchases.*

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, County Assessor, County Clerk, 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 passwords periodically to help ensure passwords remain known only to the assigned user.

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 in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

2.2 Security controls

Security controls are not in place to lock computers in some 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



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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.

Recommendations

The County Commission work with other county officials to:

- 2.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 2.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts or after a certain period of inactivity.

Auditee's Response

- 2.1 *We have implemented this. Computers are currently password protected. The County Commission will require that passwords be kept confidential and changed periodically.*
- 2.2 *We will consider this recommendation.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$85,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2014.

3.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. One legal assistant receives, records, and deposits monies received; prepares checks for disbursement; and reconciles the bank account. Additionally, the legal assistant also has the ability to record adjustments to defendant accounts in the computerized accounting system without independent approval. The Prosecuting Attorney does not perform a documented supervisory review of the accounting records to ensure all monies received are properly recorded and deposited or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement documented independent or supervisory reviews of accounting records, which would include a review of adjustments made.



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3.2 Deposits

Monies received are not deposited timely. For example, \$839 received from June 3, 2015, through June 26, 2015, was not deposited until June 30, 2015.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

3.3 Liabilities

The Prosecuting Attorney does not reconcile the list of liabilities to the reconciled bank balance, and has not investigated and resolved any differences. The reconciled bank balance as of June 30, 2015, was \$13,030, while the list of liabilities totaled \$11,565, resulting in \$1,465 in unidentified monies in the account.

Monthly lists of liabilities should be reconciled to the available cash balance to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Differences must be investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

3.4 Disbursement of restitution

Restitution is not always timely disbursed to victims. The legal assistant indicated restitution payments are held and not disbursed to victims until a significant amount of restitution is received for each victim. For example, during our review of 15 of the 36 cases indicated on the June 30, 2015, list of liabilities, we identified approximately \$5,200 being held for 11 cases that had been held since at least December 31, 2014, with some of the monies being held since 2011 and 2012.

To reduce the risk of loss, theft, or misuse of funds, restitution monies received should be disbursed timely to the victims.

Similar conditions previously reported

Similar conditions to sections 3.1 and 3.2 were noted in our prior 2 audit reports, and a similar condition to section 3.4 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Douglas County*, Report No. 2012-27, issued in April 2012 (sections 8.1 and 8.2), reported the status, at that point in time, as implemented for section 3.1 and in progress for section 3.2. The current Prosecuting Attorney needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 3.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
- 3.2 Ensure receipts are deposited timely.



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Auditee's Response

- 3.3 Reconcile the list of liabilities to the reconciled bank balance, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.
- 3.4 Ensure timely disbursement of restitution monies.
- 3.1 *Accounting duties cannot be segregated between the staff because there is only one staff person who is an actual employee of Douglas County. The other two members of the staff are paid with grant money that specifically defines their responsibilities. I open and review the bank statement each month, initializing and dating all the papers. No cash is accepted. I will follow the recommendation.*
- 3.2 *In June 2015, the deposit was overlooked because of a jury trial and caseload that month. I will implement a policy so that this doesn't happen again.*
- 3.3 *This error has existed for approximately 5 years. Any recent discrepancies have been minor errors. I will review this monthly. I believe this amount is extremely small compared to other counties.*
- 3.4 *This recommendation is not always practical because the office gets extremely small payments on occasion. Additionally, funds are occasionally held at a victims request because they do not live locally, do not trust the postal system, or are on vacation. We have never had a victim complain about not getting a small payment for a month. The victims we have dealt with prefer a larger payment.*

4. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division, and was responsible for the financial activity of 60 individuals as of June 25, 2015.

4.1 Annual settlements

Some annual settlements prepared by the Public Administrator's office were not adequately detailed. In addition, the Circuit Court, Probate Division does not perform sufficient reviews of the activity of cases assigned to the Public Administrator. During our review of 5 annual settlements, we noted the following concerns:

- The source of receipts was not adequately or accurately documented for 3 annual settlements. These annual settlements indicated "direct deposit" as the source of receipts for receipts totaling approximately \$69,000.



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- The payee for several disbursements was not adequately documented for 2 annual settlements reviewed. The check number was indicated as the payee for 7 of 11 disbursements included on one of the annual settlements and the payee was not indicated for either of the 2 disbursements on another annual settlement.
- Bank statements and canceled checks were not filed with the court for some annual settlements reviewed and approved by the Circuit Court, Probate Division.
- The Public Administrator did not file supporting documentation, such as invoices with the Circuit Court, Probate Division, when filing annual settlements.

To ensure the financial activity of the estates is adequately reported to the Circuit Court, Probate Division, all receipts and disbursements should be adequately detailed and recorded on the annual settlements. In addition, without receiving and comparing the bank information to the annual settlements and obtaining documentation of disbursements, the Circuit Court, Probate Division, cannot be assured that the balances reported on the annual settlements are correct, verify the accuracy of the receipts and disbursements recorded on the annual settlement, or assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring supporting documentation be filed with the court.

4.2 Filing of annual settlements

The Public Administrator did not always file annual settlements timely. The annual settlement for one ward for the year ended June 4, 2014, was not filed until September 29, 2014. The annual settlement for another ward for the year ended April 16, 2015, had not been filed as of January 7, 2016. In addition, the clerk of the Circuit Court, Probate Division, did not notify the Public Administrator of the deadline for the annual settlement until January 6, 2016.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. In addition, while Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement, these sections do not excuse the Public Administrator from making the settlement at the time required by law. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

4.3 Disbursements

The Public Administrator's handling of transactions involving a ward living in Florida need improvement.



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- The Public Administrator lacked adequate documentation showing the ward or others accepting payment on behalf of the ward received gift cards, a phone, and a \$250 check. A receipt or other documentation was not obtained indicating the ward received 3 gift cards totaling \$1,355 and a phone costing \$107. The Public Administrator also issued a \$250 check to a friend of the ward. The Public Administrator indicated the ward did not have a way to cash the check, and the ward's friend was to cash the check and give the ward \$150 and the rest to another individual. The Public Administrator lacked adequate documentation supporting this explanation.
- The Public Administrator indicated she mailed these gift and phone cards and the phone to the ward through standard mail. Mailing items of value increases the risk they could be stolen and misused.

To adequately safeguard and reduce the risk of loss, theft, or misuse of ward assets, documentation indicating monies or other items of value provided to a ward should be obtained and retained. If such items have to be sent to a ward, using a method that will track delivery of the items would help provide this documentation.

Similar condition
previously reported

A similar condition to section 4.3 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Douglas County*, Report No. 2012-27, issued in April 2012 (section 7.1), reported the status, at that point in time, as in progress for section 4.3; however this audit indicates the Public Administrator has not taken steps to correct this weakness.

Recommendations

The Public Administrator:

- 4.1 Prepare annual settlements that adequately detail and report all receipts and disbursements. In addition, the Circuit Judge, Probate Division, should establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as bank statements, canceled checks, and invoices to be filed with the court.
- 4.2 Ensure annual settlements are timely filed. In addition, the Circuit Court, Probate Division, should timely notify the Public Administrator of annual settlement deadlines and follow up on annual settlements that are not filed by the required date.
- 4.3 Obtain and retain documentation supporting monies or other items of value provided to a ward. If such items have to be sent to a ward, using a method that will track delivery of the items should be considered.



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Auditee's Response

The Public Administrator indicated she did not wish to provide a response.

The Circuit Judge, Probate Division, provided the following responses:

- 4.1 *The Court agrees with this recommendation. The Court will work with the Probate Clerk to ensure that all settlements are thoroughly reviewed.*

The Public Administrator bank accounts are maintained at a financial institution that will provide canceled checks or an image of those checks with the monthly statements. The Probate Court has instructed the Public Administrator to include the payee information on the annual settlement even though the check is included. Bank statements were filed with every annual settlement filed by the Public Administrator. The Public Administrator filed the originals, which were returned as a courtesy after the Probate Clerk and Court's audit of them. This was the practice for years because the Public Administrator did not have a copy machine and wanted the originals returned. Electronic filing was implemented in Douglas County in October 2015. The Forty-Fourth Circuit Court rules now require that the Public Administrator documents, including bank statements and canceled checks be filed and scanned electronically for the probate file. Original copies are filed with the Clerk to assist in the auditing process and are then returned to the Public Administrator after the audit. This rule was implemented by the Court en banc concerning all settlements, not just those of the Public Administrator, because some electronic copies of records from all settlement providers are illegible in the electronic system.

- 4.2 *The Court agrees with this recommendation. The Court issues citations to the Public Administrator and sets a court date for an appearance when annual settlements are not timely filed. The Court will continue to work with the Probate Clerk to ensure that notices for annual settlements are timely sent to the Public Administrator. The Probate Clerk will continue to work with the Office of State Courts Administrator (OSCA) to determine why the OSCA Milestone system does not always generate timely notices to the Clerk.*

- 4.3 *The Court agrees with this recommendation. The ward who disappeared and was located in a homeless camp in Florida presented particular challenges. The Public Administrator was able to locate the ward by becoming the payee on his social security through court order when it was discovered his original guardian and conservator had passed away and the ward has disappeared. She was able to provide his housing, money and a means to*



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communicate with her. However, the Probate Court does believe that gift cards should be used sparingly and that a signed receipt from the ward or from an administrative personnel at a ward's facility should be obtained.

5. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office deposited approximately \$175,000 collected for civil and criminal process fees, bonds, and other miscellaneous fees into the general and civil fee accounts during the year ended December 31, 2014.

5.1 Bank reconciliations and liabilities

Sheriff's office personnel had not prepared monthly bank reconciliations or a list of liabilities for the civil fee bank account when we started the audit. In addition, a list of liabilities was not prepared and reconciled to the general fee account bank reconciliation.

At our request, Sheriff's office personnel prepared a bank reconciliation and a list of liabilities for the civil fee account as of June 30, 2015. The list totaled \$1,049, while the reconciled bank balance was \$1,767, resulting in an unidentified difference in the account of \$718. Also, the reconciled bank balance of the general fee account as of April 30, 2015, was \$129, but a list of liabilities was not prepared.

Preparing monthly bank reconciliations and lists of liabilities is necessary to ensure accounting records are in balance and increase the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

5.2 Deposits

Monies received are not deposited timely. Deposits were typically made weekly into the general and civil fee bank accounts. For example, \$1,750 received from September 26, 2014, through October 4, 2014, was not deposited in the general fee account until October 8, 2014.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

5.3 Seized property

A physical inventory of seized property has not been performed, and seized property records include all seized property and does not document what property items are currently on hand, have been returned to owners, or destroyed. In addition, some seized property has been held for years with some items dating back to at least 2006.



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Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of unclaimed property.

Similar conditions previously reported

A similar condition to section 5.1 was noted in our prior audit report and a similar condition to section 5.2 was noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - Douglas County*, Report No. 2012-27 (sections 6.2 and 6.3), issued in April 2012, reported the status, at that point in time, as implemented for sections 5.1 and 5.2; however this audit indicates the Sheriff has not taken steps to correct these weaknesses.

Recommendations

The Sheriff:

- 5.1 Perform monthly bank reconciliations and prepare monthly lists of liabilities for all accounts and compare lists of liabilities to the available cash balances, and promptly investigate and resolve differences.
- 5.2 Ensure receipts are deposited timely.
- 5.3 Ensure a periodic inventory is conducted and reconciled to the seized property records, and investigate any differences. The Sheriff should also maintain seized property records that document the seized property on hand and the disposition of any seized property, and make timely and appropriate dispositions of seized property.

Auditee's Response

- 5.1 *Prior to the audit, the civil account was reconciled with our Quick Books program and not necessarily with the checkbook register. Since the time of the audit, it is now reconciled with both. It was noted that in the civil account, we were holding \$718 more than what the reconciliation shows. We are investigating this now to determine if a refund was not returned to an account. It was noted that in the general account, we were holding \$129 more than what the reconciliation shows. This is being investigated to determine if someone is due a refund or if this needs to be turned over to the County Treasurer. Since the audit, a monthly reconciliation is being performed not only to the register but the Quick Books program as well.*
- 5.2 *In response to deposits being made in a timely fashion, you have specifically noted that there are times deposits are not made in a*



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timely fashion. In the future if the Clerk is on extended vacation, I as Sheriff will make the deposits to alleviate this problem.

- 5.3 *My office has already been working closely with the newly elected Prosecuting Attorney to begin evidence disposal. My office has numerous items still in evidence from the previous Sheriff on cases that were prosecuted by the Attorney General's Office. Evidence destruction orders from that office has not been very forth coming. My office will work with the seized property record system vendor to develop a report that will only show evidence on hand, and an inventory will be conducted to compare with this report.*

The Douglas County Sheriff's Office will and has begun the process to become compliant with the suggestions on this audit.

6. County Collector's Receipts and Deposits

Procedures for receipts and deposits need improvement. The County Collector's office processed tax collections and other monies of approximately \$5.3 million during the year ended February 28, 2015.

- County Collector's office personnel do not always record the method of payment (cash, check, money order, or credit card) accurately in the property tax system, and the composition of receipts is not reconciled to the composition of deposits. We identified numerous instances where the composition of receipts did not agree to the composition of deposits.

We reviewed supporting documentation for selected deposits and determined some differences were due to data entry errors. In addition, the property tax system reduces the total cash amount collected on the collection reports for overpayments and subsequent refunds. Since the cash amount is reduced, the total cash amount received does not agree to the total cash amount deposited. The County Collector did not identify or explain on the collection reports when these situations occurred.

- The County Collector does not deposit monies timely. For example, \$3,068 received on October 7 and 8, 2014, was not deposited until October 14, 2014. We noted other instances where monies received were not deposited timely. Deposits were generally only made weekly for some months.

To adequately account for collections and reduce the risk that loss, theft, or misuse of monies, the method of payment should be correctly recorded, the composition of receipts should be reconciled to the composition of deposits, and deposits made timely.



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Recommendation

The County Collector accurately record the method of payment, reconcile the composition of receipts to the composition of deposits, and deposit monies intact and timely. The County Collector should also consider working with the tax system programmer to implement changes to the system that will allow overpayments and refunds to be properly recorded in the property tax system.

Auditee's Response

In the course of helping sometimes hundreds of customers a day, our office does make mistakes. Although we do continually work to improve our attention to detail and understanding of our computer system, errors do occur. We have spoken to our programmer about making improvements to help streamline the process and tailor the system to fit our needs, but there is a limit to the changes that can be made. There are multiple scenarios that cause the incorrect payment information to be entered from connectivity issues with our system, to customers simply changing their minds in the middle of a transaction. Regardless of the situation we do go to great lengths to reconcile the composition of receipts at the end of every business day and this will be thoroughly documented in the future. We match the amount of cash, checks, and credit card payments to the tax receipts and deposit these amounts as they are received. When we have sufficient transactions to justify making a deposit, we always try to make one. In the instance mentioned in this report, the deposit was taken to the bank on Friday, October 10, at the end of the work day. As Monday, October 13, was Columbus Day, the bank did not post the deposit until Tuesday, October 14, the next business day after the deposit was made.

7. Recorder of Deeds' Controls and Procedures

Controls and procedures in the Recorder of Deeds' office need improvement. The office collected various fees totaling approximately \$85,000 related to recording documents, such as marriage licenses and deeds, during the year ended December 31, 2014.

7.1 Bank reconciliations and liabilities

Bank reconciliations and lists of liabilities have not been prepared for office bank accounts since October 2013. The Recorder of Deeds maintains a fee account for the deposit of all monies received, except for federal and state tax liens, which are deposited in a separate bank account.

We prepared a bank reconciliation for the fee account as of April 30, 2015, and compared it to the April 2015 collection report. The reconciled cash balance was \$8,789, while the collection report totaled \$8,834, resulting in \$45 not accounted for in the collection report. In addition, deposits were not recorded in the check register and a running balance was not maintained.

We prepared a bank reconciliation and a list of liabilities for the federal and state tax lien account as of June 30, 2015. The reconciled cash balance was \$483, while the list of liabilities totaled \$505, resulting in a \$22 shortage that was caused by a disbursement error. In addition, the Recorder of Deeds



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had not disbursed any of the monies collected since December 31, 2013, and does not maintain a check register for this account.

Preparing monthly bank reconciliations and lists of liabilities and also maintaining running book balances in check registers are necessary to ensure accounting records are in balance and increase the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained. In addition, Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to file a monthly report with the county and pay such monies to the County Treasurer.

7.2 Deposits

Monies received are not deposited timely. For example, \$1,921 received from April 9, 2015, through April 16, 2015, was not deposited in the fee account until April 20, 2015. We noted numerous other instances where monies received were not deposited timely.

To safeguard receipts and to reduce the risk that loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

7.3 Transaction numbers

The Recorder of Deeds does not account for the numerical sequence of transaction numbers assigned by the computerized accounting system. During April 2015, 15 transaction numbers were missing from the collection reports and not accounted for. These transaction numbers were later determined to have been voided.

To properly account for monies received and reduce the risk of loss, theft, or misuse of funds, the Recorder of Deeds should account for the numerical sequence of transaction numbers.

Recommendations

The Recorder of Deeds:

- 7.1 Perform monthly bank reconciliations and prepare monthly lists of liabilities for all accounts, and compare the list of liabilities to available cash balances, and promptly investigate and resolve differences. The Recorder of Deeds should also turn over federal and state tax lien fees to the County Treasurer.
- 7.2 Ensure receipts are deposited timely.
- 7.3 Account for the numerical sequence of all transaction numbers.



Auditee's Response

- 7.1 *I will maintain bank reconciliations of the fee checking account and make sure all deposits and checks are accounted for. I have closed out the second account that I had the state and federal tax liens deposited into. All the monies received are now deposited into the fee account. The federal tax liens I have received are paid out to the County Treasurer. I will be working with the state on the state tax liens to find out which ones have been paid on and then they will also be paid out to the County Treasurer.*
- 7.2 *I will make timely deposits in my office.*
- 7.3 *I will try my best to account for the voided transactions daily. I will try my best to be in the right cashier system so a transaction doesn't have to be deleted or make sure everything is right before I start a transaction so it doesn't have to be deleted.*

8. County Clerk's Deposits

Monies received are not deposited timely. The County Clerk's office collected approximately \$7,200 in liquor licenses, ATV permits, notary service and commissions, and other miscellaneous fees during the year ended December 31, 2014.

Receipts totaling \$1,968 received from June 1, 2015, through June 11, 2015, were not deposited until June 12, 2015, and \$1,005 received from June 15, 2015, through June 30, 2015, was not deposited until June 30, 2015.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

Recommendation

The County Clerk ensure monies received are deposited timely.

Auditee's Response

I will ensure that deposits are made timely.

9. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The County Assessor's office collected approximately \$5,700 for maps, plat books, and miscellaneous fees during the year ended December 31, 2014.

9.1 Segregation of duties

The County Assessor has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The County Assessor and 2 employees are responsible for collecting and receipting monies, and one of these employees is primarily responsible for preparing the monthly transmittal report and transmitting monies received to the County Treasurer. The County Assessor does not perform a documented supervisory review of



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the accounting records to ensure all monies received are properly recorded and transmitted to the County Treasurer.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the County Assessor should implement a documented independent or supervisory review of accounting records.

9.2 Receipting and transmitting

The County Assessor has not established proper controls or procedures for receipting and transmitting monies. A June 23, 2015, cash count and review of the subsequent transmittal to the County Treasurer identified the following concerns:

- The County Assessor was holding \$45 in cash overpayments received from 3 individuals. The County Assessor indicated 2 of the overpayments totaling \$38 had been held since 2012, and the remaining \$7 overpayment had been held from 6 months to a year. The County Assessor indicated she planned to refund the overpayments to these individuals the next time they come into her office.
- A \$19 check, dated February 6, 2015, was held by the County Assessor without a receipt slip being issued until June 11, 2015. The County Assessor indicated she was holding the check until her office performed the related services. In addition, the amount recorded as being received was altered from \$19 to \$14 on the receipt slip copy which also indicated "ck was for \$19, but gave \$3 credit."
- Cash on hand totaled \$158, while receipt slips and information provided by the County Assessor indicated cash on hand should have been \$163, indicating a \$5 cash shortage.
- Transmittal reports do not itemize each receipt; only accounting for the total amount of monies received by each type of receipt (maps, plat books, miscellaneous) and the composition of monies transmitted. As a result, the composition of receipt slips cannot be reconciled to the composition of monies transmitted to the County Treasurer.

To account for receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be transmitted intact to the County Treasurer monthly and overpayments refunded, receipt slips should not be altered, the method of payment should be indicated on the receipt slips, the composition of receipts should be reconciled to the composition of transmittals, and the transmittal reports should list each receipt.



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Recommendations

The County Assessor:

- 9.1 Segregate accounting duties or ensure an independent or supervisory review of accounting records is performed and documented.
- 9.2 Ensure all monies received are transmitted intact monthly, overpayment refunds are made timely, and receipt slips are not altered and indicate the method of payment, and reconcile the composition of receipt slips to the composition of monies transmitted.

Auditee's Response

- 9.1 *I will perform a monthly documented review of the accounting records to ensure all monies received are properly recorded and transmitted to the County Treasurer.*
- 9.2 *I will do my best to make sure all monies received are transmitted intact monthly. If any overpayments are made they will be refunded timely, and I have advised all clients that my office does not accept "credit" money to keep on hold. If office personnel make a mistake on a receipt slip, that receipt slip will be voided, and a new receipt slip will be issued to ensure that nothing is being "altered." Office personnel will indicate the method of payment on the receipt slips and reconcile the composition of receipts slips to the composition of monies transmitted.*

Douglas County

Organization and Statistical Information

Douglas County is a county-organized, third-class county. The county seat is Ava.

Douglas 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 47 full-time employees (including elected officials) and 14 part-time employees on December 31, 2014.

In addition, county operations include the Support the Handicapped Board.

Elected Officials

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

Officeholder	2015	2014
Larry Pueppke, Presiding Commissioner	\$	28,400
Craig Cunningham, Associate Commissioner		26,400
Leon Potter, Associate Commissioner		26,400
Jacinda Sheppard, Recorder of Deeds		40,000
Karry Davis, County Clerk		40,000
Roger Wall, Prosecuting Attorney		125,287
Chris Degase, Sheriff		44,000
Theresa Miller, County Treasurer		40,000
Rick Miller, County Coroner		12,000
Linda Coonts, Public Administrator		40,000
Laura Stillings, County Collector, year ended February 28,	40,000	
Alicia Miller-Degase, County Assessor, year ended August 31,		40,000