

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

Nicole Galloway, CPA

Missouri State Auditor

Douglas County

Report No. 2020-071

September 2020

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Douglas County

Personnel Policies	The County Commission has not established clear policies regarding leave usage for county employees. In addition, the County Commission and Sheriff disagree on the required number of working hours for deputies within the Sheriff's office.
Sheriff's Controls and Procedures	Sheriff's office personnel do not reconcile the list of liabilities for the civil account to the available cash balance. The Sheriff's office has not established adequate controls and procedures over seized property. The Sheriff's office has not established procedures to routinely follow up on outstanding checks in the civil account.
Recorder of Deeds' Bank Reconciliations	The Recorder of Deeds does not maintain a check register balance or prepare adequate bank reconciliations.
Public Administrator's Bank Reconciliations	The Public Administrator does not prepare bank reconciliations for all wards.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

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. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2019. The objectives of our audit were to:

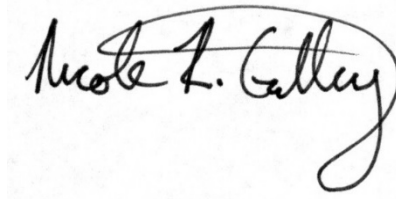
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the 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:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Marian Rader, M.Acct., CPA, CFE, CGFM
Audit Staff:	Jacqueline E. Brown, MBA
	Ryan Patterson, M.Acct., CPA

Douglas County Management Advisory Report State Auditor's Findings

1. Personnel Policies

The County Commission has not established clear policies regarding leave usage for county employees. In addition, the County Commission and Sheriff disagree on the required number of working hours for deputies within the Sheriff's office.

The county's personnel policy manual states the required work period for Sheriff's office employees is 171 hours in a 28-day period. Any hours worked beyond 171 hours in the 28-day period allow the employee to be eligible for compensatory time in accordance with the Fair Labor Standards Act. The county's policies do not address whether leave usage (sick leave, vacation leave, and compensatory time) can be used to satisfy the 171-hour requirement.

The county processes payroll for all county employees every 2 weeks. The county expects deputies in the Sheriff's office to work at least 80 hours every 2 weeks, although the county policy requires 171 hours over 28 days. The 2-week pay period reduces the scheduling flexibility allowed within the 171 hours over 28 days. This also results in deputies sometimes accumulating more than 171 total hours (work hours plus leave usage) in a 28-day schedule. For example, hours recorded by one deputy during a 28-day work period in 2019 are documented in the table below.

	First Pay Period	Second Pay Period	Total Work Period
Regular hours	49.5	97.0	146.5
Holiday hours	0.0	16.0	16.0
Sick leave hours	32.0	0.0	32.0
Total hours	81.5	113.0	194.5
Required hours			171.0
Over/(Under) required hours			23.5

As a result, the deputy used 23.5 more hours of sick leave than would have been required if the initial sick leave usage counted towards the 171-hour requirement. The county's practice is to not count the leave usage towards the 171-hour requirement. However, the county's personnel policies do not address this issue.

The County Commission and the Sheriff disagree regarding the required work hours of law enforcement employees. The county indicated that deputies are to work a minimum of 171 hours. On January 1, 2020, the Sheriff enacted a policy that establishes the work period for deputies at 160 hours in a 28-day period. According to this policy, deputies are to receive straight compensatory time for hours worked over 160 hours and up to 171 hours (commonly referred to as "gap hours"). In addition, deputies are to receive compensatory



Douglas County
Management Advisory Report - State Auditor's Findings

time at a rate of one and a half times the hours worked for any hours over 171 in a 28-day period.

Written personnel policies that clearly document required working hours, leave usage, and compensation, if any, for "gap hours" and strict compliance with those policies is necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated.

Recommendation

The County Commission work with the Sheriff to establish policies that clearly document required working hours for deputies, including whether leave hours will count toward the required number of working hours and how compensatory time will be calculated.

Auditee's Response

We will review the personnel policy and make any necessary changes to the policy.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. Office personnel collected monies for civil paper service, prisoner transportation reimbursement, commissary commissions, and other miscellaneous receipts totaling approximately \$124,000 during the year ended December 31, 2019.

2.1 Civil account liabilities

Sheriff's office personnel do not reconcile the list of liabilities for the civil account to the available cash balance. The December 31, 2019, reconciled bank balance totaled \$3,381. After subtracting the liabilities amount of \$1,213 from the reconciled balance, the account contains an unidentified balance of \$2,168.

Regular identification and comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained.

2.2 Seized property

The Sheriff's office has not established adequate controls and procedures over seized property. A physical inventory of seized property has not been performed. In addition, the Sheriff does not periodically review cases and dispose of related seized property items. Some seized property has been held for several years.

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. Complete and accurate inventory control records should be maintained, and periodic physical inventories performed with the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.



Douglas County
Management Advisory Report - State Auditor's Findings

2.3 Outstanding checks

The Sheriff's office has not established procedures to routinely follow up on outstanding checks in the civil account. As of December 31, 2019, 31 checks totaling \$909 had been outstanding for over one year, with 4 checks dating back to 2012.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of monies in the account and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

Similar conditions previously reported

A similar condition to section 2.1 was noted in our prior 2 audit reports and a similar condition to section 2.2 was noted in our prior audit report. In addition, Report No. 2016-130, *Follow-Up Report on Audit Findings - Douglas County*, issued in November 2016, reported the statuses, at that time, as partially implemented and in progress, respectively.

Recommendations

The Sheriff:

- 2.1 Reconcile monthly lists of liabilities for the civil account to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 2.2 Ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property in accordance with state law.
- 2.3 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the monies should be disposed of in accordance with state law.

Auditee's Response

- 2.1 *I am in the process of hiring an accountant, which will resolve this issue.*
- 2.2 *We will continue to work on this as time is available by the evidence officer and the court. I believe our new record management system will alleviate this issue. It is just a matter of getting everything caught up to date from the items we inherited from the prior administration.*
- 2.3 *This will be resolved with the hiring of an accountant.*

3. Recorder of Deeds' Bank Reconciliations

The Recorder of Deeds does not maintain a check register balance or prepare adequate bank reconciliations. The Recorder of Deeds collected various fees totaling approximately \$94,000 related to recording documents, such as marriage licenses and deeds, during the year ended December 31, 2019.



Douglas County
Management Advisory Report - State Auditor's Findings

The Recorder of Deeds does not maintain a check register balance. At the end of each month the Recorder of Deeds subtracts the total amount of outstanding checks from the bank statement balance to obtain a book balance. However, since a balance in the check register is not maintained, the reconciled balance cannot be compared to the book balance. As a result, adequate bank reconciliations cannot be performed because deposits in transit and outstanding checks are not identified individually, and any differences between a check register balance and the reconciled bank balance cannot be investigated and resolved.

Maintaining a check register balance and performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded.

A similar condition was noted in our prior audit report. In addition, Report No. 2016-130, *Follow-Up Report on Audit Findings - Douglas County*, issued in November 2016, reported the status, at that time, as partially implemented.

Recommendation

The Recorder of Deeds maintain a check register balance, ensure monthly bank reconciliations are adequately performed, and promptly investigate and resolve differences between the check register balance and the bank reconciliations.

Auditee's Response

I agree and plan to properly update the check register balance and to perform adequate bank reconciliations.

**4. Public
Administrator's
Bank
Reconciliations**

The Public Administrator does not prepare bank reconciliations for all wards. The Public Administrator's office was responsible for the financial activity of 70 wards and estates as of December 31, 2019.

We reviewed 7 active cases and noted no bank reconciliations were documented for 3 wards. Performing monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded.

Recommendation

The Public Administrator perform monthly bank reconciliations.

Auditee's Response

I agree and will implement the recommendation.

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. In addition to elected officials, the county employed 40 full-time employees and 8 part-time employees on December 31, 2019.

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	2020	2019
Lance Stillings, Presiding Commissioner	\$	28,400
Craig Cunningham, Associate Commissioner		26,400
Lawson Curtis, Associate Commissioner		26,400
Jacinda Sheppard, Recorder of Deeds		40,000
Karry Davis, County Clerk		40,000
Christopher Wade, Prosecuting Attorney		140,667
Chris Degase, Sheriff		44,000
Theresa Miller, County Treasurer		40,000
Rick Miller, County Coroner		12,000
Shelia Miller, Public Administrator		40,000
Laura Stillings, County Collector, year ended February 29,	40,000	
Alicia Degase, County Assessor, year ended August 31,		40,000
W. Andrew Daniel, County Surveyor (1)		

(1) Compensation on a fee basis.

Certificates of Participation

The County issued Certificates of Participation (COPS) totaling \$5,840,000 in February 2019, for the purpose of paying the costs of construction for the county's new jail and Sheriff's office. The jail and Sheriff's office moved into the new building on February 25, 2020. The payments are made from the Law Enforcement Sales Tax Fund. The COPS are scheduled to be paid off in December 2045. The remaining principal and interest due at December 31, 2019, was \$5,730,000 and \$3,631,381, respectively.