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Missouri State Auditor

Clay County

Sheriff

Report No. 2021-032

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auditor.mo.gov



CITIZENS SUMMARY

Findings in the audit of the Clay County Sheriff

Receipting and Depositing Procedures	Sheriff's office personnel do not always deposit civil paper service fees timely and intact. In addition, they do not refund some civil service fees timely, issue the refunds by check, or document the disposition of the refunds. The Sheriff's office does not properly account for the numerical sequence of manual receipt slips issued for fees received in the office.
Inmate Accounts	Sheriff's office personnel do not prepare adequate bank reconciliations for the commissary account. The Sheriff does not timely disburse commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. The Sheriff does not have adequate procedures to ensure an inmate's remaining account balance is refunded upon release.
Prisoner Boarding	The Sheriff has not entered into current written agreements with counties and cities for boarding prisoners that detail the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.

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

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

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

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Sheriff
Clay County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Clay County. We have audited certain operations of the Clay County Sheriff in fulfillment of our duties. The county engaged Cochran Head Vick & Co., P.C., to audit the county's financial statements for the year ended December 31, 2018. To minimize duplication of effort, we reviewed the firm's audit report for the year ended December 31, 2018. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2018. The objectives of our audit were to:

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

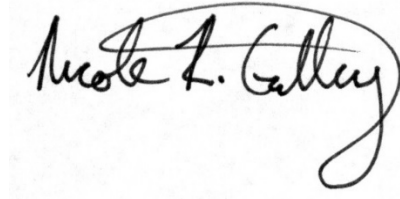
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit 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 applicable 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 Sheriff's office personnel and was not subjected to the procedures applied in our audit of the Sheriff.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Clay County Sheriff.

An additional overall audit report of Clay County is still in process, and any additional findings and recommendations will be included in that report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Clay County
Sheriff

Management Advisory Report - State Auditor's Findings

**1. Receipting and
Depositing
Procedures**

Sheriff's office procedures for receipting and depositing need improvement. During the year ended December 31, 2020, the Sheriff's office collected fees for civil paper service process totaling approximately \$153,000, and fees for concealed weapons permits, records requests, and other items totaling approximately \$207,000.

Civil paper service fees

Sheriff's office personnel do not always deposit civil paper service fees timely and intact. In addition, they do not refund some civil service fees timely, issue the refunds by check, or document the disposition of the refund. Office personnel indicated civil paper service fees are held until service documents are received. If the court does not request document service for a case, the Sheriff's office will refund/return the payment in the manner received. However, records documenting refunds made are not maintained and untimely follow-up on whether document service was requested has resulted in refunds not being issued timely.

During a cash count of civil paper service fees on January 14, 2020, we noted 4 receipts (3 cash and one check payment), each for \$50, received on September 19, 2019, October 15, 2019, December 19, 2019, and January 6, 2020. Records showed office personnel deposited the January 6, 2020, cash payment on January 14, 2020. Office personnel indicated, as of December 2020, the check payment was returned to the payer by mail, and one cash payment was returned in-person after notification of the refund, and the other cash payment had not been returned despite the Sheriff's office notifying the payer. The Sheriff's office did not maintain records documenting these refunds.

Manual receipt slips

The Sheriff's office does not properly account for the numerical sequence of manual receipt slips issued for fees received in the office. One copy of the receipt slip is provided to the payer and the other copy is transmitted with the payment to office personnel who further process the receipt and later attach it to deposit reports. No one accounts for the numerical sequence of the manual receipt slips and some receipt slips are excluded from the deposit reports.

Conclusion

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of money received will go undetected. Procedures should be established to ensure receipts are deposited timely and intact, all refunds are issued by check, and receipt slips issued are properly accounted for. In addition, procedures to routinely follow up on civil service paper fees are necessary to ensure they are appropriately refunded to the payer, disbursed to the county, or disposed of as otherwise provided by state law.

Recommendation

The Sheriff deposit receipts timely and intact, issue checks for all refunds in a timely manner, and account for the numerical sequence of manual receipt



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Sheriff
Management Advisory Report - State Auditor's Findings

slips issued. In addition, any unclaimed refunds should be disposed of in accordance with state law.

Auditee's Response

Sheriff Akin provided the following response:

The Sheriff's office will update current practices to ensure deposits and checks for refunds are made in a timelier manner, and manual receipts issued are accounted for in their proper numerical sequence. The Sheriff's office has begun the process to identify unclaimed funds and will be disposing of them in accordance with state law.

2. Inmate Accounts

The Sheriff's office handling of inmate account bank reconciliations, net proceeds, and inactive inmate accounts need improvement.

The office provides a commissary to inmates and maintains an inmate commissary bank account for bonds, inmate accounts, telephone and commissary commissions, and payments to the commissary vendor. Deposits to this account for the year ended December 31, 2020, totaled approximately \$1.3 million including approximately \$200,000 in telephone and commissary commissions.

2.1 Bank reconciliations

Sheriff's office personnel do not prepare adequate bank reconciliations for the commissary account.

The reconciliation process includes documenting the transactions that have cleared the bank; however, the commissary account cash balance is not reconciled to the bank balance, and reports of outstanding checks are not complete. Sheriff's office personnel generate a monthly balance sheet from the commissary system balancing the checking account cash balance and other assets with liabilities, but a reconciled bank balance is not prepared and compared to the cash balance. For example at December 31, 2020, the bank balance, \$467,950, exceeded the cash balance, \$418,087, by \$49,863 and the outstanding check list provided by Sheriff's office personnel totaled \$19,672, resulting in an unreconciled difference of \$30,191 between the bank and cash balances. Upon reviewing bank statements, records of checks issued, and outstanding check lists from previous months, we identified 34 additional checks totaling \$24,458 outstanding at December 31, 2020. After taking these checks into account, there is a remaining unreconciled difference of \$5,733 between the bank and cash balances.

Performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely.

2.2 Inmate Prisoner Detainee Security Fund

The Sheriff does not timely disburse commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. All net



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proceeds from commissary sales, and commissions received from commissary vendors for purchases made by inmates are retained with the inmate monies in the commissary bank account, until current cash flow needs and operating expenses have been adequately met and/or there is a budgetary need identified by Sheriff's office personnel. During the 3 years ended December 31, 2020, only 2 transfers occurred - one in April 2018 for \$300,000 and another in July 2020 for \$200,000. The inmate commissary account cash balance at December 31, 2020, included approximately \$370,000 in undisbursed net proceeds from commissary sales.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) of the commissary account into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

2.3 Inactive account balances The Sheriff does not have adequate procedures to ensure an inmate's remaining account balance is refunded upon release. As of December 31, 2020, the Sheriff's office was holding \$44,821 for 2,613 former inmates in the commissary bank account. These inmates were released from the county jail, but did not claim their commissary account balance upon release.

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

Recommendations

The Sheriff:

- 2.1 Ensure adequate monthly bank reconciliations are prepared, and complete lists of outstanding checks and other reconciling items are maintained. Any differences should be promptly investigated and resolved.
- 2.2 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 2.3 Refund inmates their remaining balance upon release. In addition, the Sheriff should attempt to return unclaimed balances to the former inmates. If the payee cannot be located, the amount should be disbursed in accordance with state law.



Clay County
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Management Advisory Report - State Auditor's Findings

Auditee's Response

Sheriff Akin provided the following responses:

- 2.1 *The Sheriff's office will update current reconciliation practices and training for personnel in this area. The Sheriff's office will work closely with the Clay County Auditor's office to ensure practices are updated, consistent, and aligned with proper reconciliation practices. Differences will be quickly investigated and resolved.*
- 2.2 *The Sheriff's office will identify proper thresholds to ensure commissary net proceeds in excess of current operating expenses or cash flow needs are deposited in the Inmate Prisoner Detainee Security Fund.*
- 2.3 *The Sheriff's office is currently exploring options to streamline the process of refunding remaining balances to an inmate upon their release. The Sheriff's office will attempt to contact former inmates to return current unclaimed balances. If the payee cannot be located, the unclaimed balance will be disbursed in accordance with state law.*

3. Prisoner Boarding

The Sheriff has not entered into current written agreements with counties and cities for boarding prisoners that detail the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations. Sheriff's office personnel indicated verbal agreements allow Clay County to house prisoners at other county jails without paying if Clay County will also house prisoners for that county at no cost. The Sheriff has not performed an analysis to determine if such an arrangement is cost effective. In addition, Sheriff's office personnel could not provide a cost analysis to support the rates charged to cities and written agreements with cities executed in 2009 and 2010 have not been updated for billing rates modified by the County Commission in 2018.

The county jail houses 350 inmates and the Sheriff provides inmate housing for cities and surrounding counties. The Sheriff receipted \$77,715 for the year ended December 31, 2020, from cities.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, the county should periodically analyze incarceration costs to ensure the county is billing at a rate that adequately recovers all costs and ensure agreements with surrounding counties to not bill for housing prisoners is cost effective.



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Recommendation

The Sheriff work with the County Commission to obtain or update written agreements with counties and cities for boarding prisoners. In addition, the Sheriff should work with the County Commission to periodically review the costs of boarding prisoners to ensure boarding rates are sufficient to recover costs, and boarding some prisoners at no charge is cost effective.

Auditee's Response

Sheriff Akin provided the following response:

The Sheriff's office will work with county and municipal partners to ensure written agreements for boarding prisoners are updated and periodically determine boarding rates are sufficient as well as determine the cost effectiveness for boarding some inmates at no charge.

Former Sheriff Vescovo provided the following response:

During the audit period and through the end of my final term, the Sheriff's office had legal disputes with the former County Commission on other matters that made it impossible to address issues that required cooperative efforts with the former County Commission.

Clay County

Sheriff

Organization and Statistical Information

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

Paul Vescovo served four 4-year terms as Clay County Sheriff from 2001 through 2008 and again from 2013 through 2020. Upon his retirement, William K. Akin was elected Clay County Sheriff in November 2020 for a 4-year term beginning in 2021.

Former Sheriff Vescovo received a salary of \$85,475 in 2018. In 2018 the Sheriff's office employed 1 Lieutenant Colonel, 4 Division and Unit Commanders, 3 Captains, 3 Lieutenants, 6 Sergeants, 10 Corporals, 21 Unit Supervisors, 11 Investigators, 68 Deputies, 15 Detention Officers, and 54 administrative staff.