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FOLLOW-UP REPORT ON AUDIT FINDINGS

Osage County



May 2015

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Osage County

Follow-Up Report on Audit Findings

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*Includes selected findings



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To the County Commission
and
Officeholders of Osage County

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-125, *Osage County* (rated as Poor), issued in December 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation submitted by county officials and held discussions with county officials. Documentation included the County Clerk's account book, bank statements, receipt and deposit records, payroll records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during March and April 2015.

Nicole R. Galloway, CPA
State Auditor

Osage County

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Status of Findings

1. Questionable Purchases and Misuse of County Assets	The county received concerns of questionable purchases and misuse of county assets, and further investigation of these concerns was needed. In addition, the county did not always follow procedures over rock purchases and lacked controls and procedures over surplus property purchases.
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1.1 Former Road and Bridge department foreman concerns	<p>During 2014, the county received concerns from Road and Bridge department personnel regarding possible misuse of county funds and property by the former Road and Bridge foreman. Items of concern included several loads of rock purchased by the former foreman with county funds at a local rock quarry and hauled by the former foreman in a county dump truck to a residence; and several items purchased by the former foreman with county funds that could not be located at the county, including several items purchased from the Missouri State Agency for Surplus Property (SASP). The County Commission addressed the allegations with the former foreman and he resigned his position on August 7, 2014. At that time, he returned several items to the Road and Bridge department. The County Commission provided certain information to the Prosecuting Attorney; and as of November 30, 2014, no charges had been filed. The Prosecuting Attorney requested additional information that had not been provided.</p>
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Based on these concerns, we reviewed the county's procedures over rock and surplus property purchases, and tested some related purchases. We determined the county had controls over rock purchases; and while certain procedures were not followed for some purchases, the county's controls detected some questionable rock purchases. We also determined the county's lack of adequate controls and procedures over surplus property purchases could have resulted in untimely detection of improper purchases or misuse of county assets. We identified some additional missing surplus property items during the audit.

Recommendation

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

Status

In Progress

The County Commission reviewed Road and Bridge department disbursements and did not identify any additional questionable purchases. The Sheriff's department is conducting an investigation of the concerns regarding the former Road and Bridge foreman. Results of the investigation will be provided to the County Commission and the Prosecuting Attorney.



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1.2 Rock purchases

The county did not always follow established procedures for rock purchases.

Road and Bridge department controls and procedures for rock purchases identified 21 questionable rock purchases during March, June, and July 2014, totaling \$641. The Road and Bridge department bookkeeper indicated the rock purchases were questioned because they were made by the former foreman whose job duties typically did not include the purchasing or hauling of rock. The County Commission provided the questionable rock invoices and tickets to the Prosecuting Attorney for review. As of September 2014, no further investigation or review of other rock purchases had been performed.

Our review of the county's controls and procedures over rock purchases and testing of several related purchases, noted several instances where delivery tickets from the rock quarry lacked an employee signature and/or documentation of where the rock was delivered. Also, the rock tickets from one quarry for 2 invoices were not attached to the invoices.

Recommendation

The County Commission ensure established controls and procedures are followed for all rock purchases. If questionable or unreasonable rock purchases are noted, the county should promptly and properly follow up on these purchases.

Status

Implemented

The Road and Bridge department strengthened controls over rock purchases by maintaining a spreadsheet of all rock purchases and providing weekly reports of rock applied to county roads to the County Commission. Road and Bridge department personnel indicated they ensure established controls and procedures are followed; and as of March 2015, no questionable rock purchases have been identified since the audit. The County Commission and the County Clerk indicated they review each rock purchase for required documentation. We reviewed two January 2015 rock invoices, noting each purchase was supported by a delivery ticket signed by the Road and Bridge employee and the delivery ticket and/or the 2015 rock spreadsheet documented the county road where the rock was applied.

1.3 Surplus property purchases

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

Due to concerns of missing property, the County Commission worked with Road and Bridge department employees to develop a list of missing items. County officials believed all items on the list were purchased by the former Road and Bridge foreman. This list was provided to the Prosecuting Attorney for further follow up. As of September 2014, no further investigation of missing items had been performed.



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Prior to receiving concerns from Road and Bridge department personnel, the county had performed no procedures to monitor surplus property purchases. Our review of 25 surplus property items purchased by Road and Bridge department personnel during 2011, 2013, and 2014 noted 9 of the items could not be located by Road and Bridge department employees. Most of these items were identified on the County Commission's list of missing items.

Recommendation

The County Commission establish controls and procedures to monitor and account for items purchased from the SASP and comply with federal regulations.

Status

In Progress

The County Commission implemented a procedure to limit purchases from the SASP. Only one purchase had been made by the Road and Bridge department since the audit. All SASP purchases are reviewed by the County Commission and the County Clerk. Road and Bridge department personnel are developing inventory records and plan to tag applicable property items.

**2. Payroll Records,
Policies, and Procedures**

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

2.1 Timesheets

In February 2013, the county entered into a legal settlement for \$60,000 with a former Sheriff's deputy for unpaid overtime. Neither the county nor the Sheriff's department maintained timesheets or leave records for department employees during the period covered by the lawsuit. Without these records, the county could not confirm or dispute the accuracy of the overtime claimed. In March 2013, the county implemented a standard county-wide timesheet on which employees are to record time worked and various leave and compensatory/overtime information. However, the county lacked adequate procedures to monitor information recorded to ensure the accuracy of the timesheets.

Timesheets prepared by department bookkeepers for employees of the Sheriff and Road and Bridge departments were not always reviewed before submission to the County Clerk. In addition, numerous timesheets from the Sheriff, Road and Bridge, and 911/Emergency Management departments lacked the required employee and/or supervisor signatures.

Recommendation

The County Commission ensure timesheets submitted to the County Clerk are reviewed for accuracy. The County Commission should work with the County Clerk to ensure timesheets are reviewed and signed by the employee and the employee's supervisor.



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Status

Partially Implemented

The County Commission, the County Clerk, the Road and Bridge department foreman, and the Sheriff's department bookkeeper indicated they implemented procedures to ensure the accuracy of timesheets. However, our review of 12 timesheets for the month of February 2015, noted compensatory time earned was incorrectly calculated on all 5 timesheets for employees in these departments who earned compensatory time that month. Neither department personnel, the County Clerk, or the County Commission had identified or corrected these errors.

The County Commission and the County Clerk indicated they ensure all timesheets include proper signatures. However, our review of the 12 timesheets noted some were not properly signed. One timesheet was signed by the County Assessor on behalf of the employee. Two other timesheets reviewed were corrected and reprinted, but were not signed. The County Clerk indicated the timesheets were corrected for errors; however, the employee and supervisor were not asked to sign the corrected timesheet. The newly revised county employee manual, effective in May 2015, requires all timesheets to be signed by the employee and a supervisor.

2.2 Leave and
compensatory time
records

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

The new standard timesheet provided for the recording of leave and compensatory time information. However, the information recorded on timesheets was not always accurate or complete and did not always agree to office or department records. Timesheets were submitted to the County Clerk's office and approved by the County Commission, but the County Clerk did not review leave and compensatory time information for accuracy and compliance with county policy or use the information to maintain leave and compensatory time records. As a result, the county lacked an accurate and reliable centralized record of employee leave and compensatory time.

County policy at the time of the audit required officials and department directors to maintain records of leave and compensatory time balances for their employees. However, some offices and departments did not maintain these records, or monitor balances. We identified several errors in employee leave and compensatory time accruals.

Recommendation

The County Commission ensure centralized leave and compensatory time records are maintained by the County Clerk's office and monitored for compliance with the FLSA and county policies.



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Status

In Progress

The County Clerk implemented centralized records of vacation and sick leave, and compensatory time for all county employees. The County Clerk provides a monthly computerized report of leave balances and activities to each department, and departments are responsible for reviewing the balances of each of their employees for accuracy. The County Clerk monitors the monthly report for compliance with the FLSA and county policies. Our review of 12 timesheets for the month of February 2015, noted leave activities per each timesheet matched the related monthly leave report; and related leave balances complied with the FLSA and county policies, except for the compensatory time errors noted in section 2.1.

2.3 Policies and procedures

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

Employees who worked more than the county's normal 40-hour work period received overtime pay at a rate of time and one-half or earned compensatory time as straight time off. County policy and the FLSA require overtime to be paid or compensatory time awarded at a rate of time and one-half. In addition, the county overtime policy was the same for law enforcement employees as it was for other employees. However, the FLSA provides the county the option of computing overtime for law enforcement employees based on a work period of 7 to 28 days, and overtime pay is required when the number of hours worked exceeds 171 hours in a 28-day period, or similar proportion for shorter work periods. Compensating law enforcement employees based on a 40-hour week instead of 171 hours in a 28-day period resulted in higher payroll costs. Additionally, the county included non-working time (vacation, sick leave, compensatory time taken, and holidays) when calculating employee overtime, even though the FLSA indicates it should not be included.

The county's vacation policy did not adequately address the number of vacation hours earned. The policy provided that full-time employees earned a certain number of vacation days at each employment anniversary date. Because employees work different number of hours in a day, some employees earned more vacation leave than others with the same amount of time employed with the county. Also, some Sheriff's department employees earned sick leave hours at rates higher than provided by county policy.

Recommendation

The County Commission revise personnel policies as needed, adopt overtime and compensatory time policies that comply with the FLSA, and consider revising the compensatory/overtime policy for law enforcement employees in accordance with the FLSA.



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Status

Implemented

County officials revised the county's employee manual, effective in May 2015. The revised manual includes overtime and compensatory time policies complying with the FLSA. In addition, the revised manual awards employees a set number of hours of vacation each year, based on their years of service.

3. Review of Property Taxes

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The account book maintained by the County Clerk was not accurate, did not track the taxes charged to the County Collector, and did not agree to the annual settlements submitted by the County Collector. County Commissioners indicated they relied on the County Clerk's review of the annual settlements before they approved the annual settlements. However, since the account book was inaccurate, it was not possible for the County Clerk to adequately review the annual settlements.

Recommendation

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

Status

Implemented

The County Clerk implemented an accurate and complete account book, effective the year ended February 28, 2015. We reviewed the account book, noting amounts agreed to the County Collector's annual settlement for the year ended February 28, 2015.

4.1 Sheriff Procedures - Deposits

As noted in our 3 previous audit reports, the Sheriff's bookkeeper did not deposit monies received into the fee account timely.

Recommendation

The Sheriff timely deposit all monies.

Status

Not Implemented

The Sheriff's department continues to make deposits infrequently. Our review of deposits noted only 3 deposits occurred in January 2015 and 4 deposits occurred in February 2015. A review of February 2015 receipt slips and deposits noted each deposit exceeded \$1,000 and included cash held by the Sheriff's department up to 8 days.

4.2 Sheriff Procedures - Bonds

The Sheriff's department did not account for the numerical sequence of bond forms issued or maintain a log of bond forms issued, and did not always maintain copies of bond forms issued. Our review identified 8 missing bond



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forms. Upon review of office records and follow up with the court, Sheriff's department personnel could not locate these bond forms or determine whether the forms had been utilized.

Recommendation

The Sheriff prepare bond forms for all bonds received and establish procedures to account for all bond forms and any associated monies.

Status

Implemented

The Sheriff implemented a log to account for all bond forms. The Jail Administrator ensures each form and related monies are recorded on the log and submitted to the bookkeeper. The bookkeeper matches bond monies received to the bond forms and maintains a file of all forms. The Sheriff indicated he periodically spot checks the forms to the log. Our review of the log and 15 bond forms issued during March 2015 indicated each form was accounted for and properly recorded.

**6.1 Capital Assets and Fuel
Usage - Capital assets**

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

Recommendation

The County Commission work with the County Clerk and other county officials to ensure complete and accurate inventory records are maintained, purchases and dispositions of assets are tracked, annual physical inventories are conducted, and assets are tagged as county property.

Status

In Progress

The County Clerk began an inventory process in March 2015. Each official and department was requested to perform physical inventories and submit inventory reports to the County Clerk to be maintained as the county's capital asset records. The County Clerk plans to purchase inventory tags for tracking applicable inventory items. The County Clerk indicated this inventory process will be conducted on an annual basis and department heads will be responsible for updating their inventory records as purchases or dispositions occur.