

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, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Clay County

Public Administrator

Report No. 2020-032

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auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Clay County - Public Administrator

Cash Disbursements

The Public Administrator's office did not maintain sufficient documentation to support some cash disbursements.

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.

Clay County Public Administrator Table of Contents

| | |
|------------------------|---|
| State Auditor's Report | 2 |
|------------------------|---|

| | |
|--|---------------------------|
| Management Advisory Report - State Auditor's Finding | Cash Disbursements4 |
|--|---------------------------|

| | |
|---|---|
| Organization and Statistical Information | 7 |
|---|---|



NICOLE GALLOWAY, CPA

Missouri State Auditor

Public Administrator
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 Public Administrator in fulfillment of our duties. The county engaged RSM US LLP 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, 2017, since the report for the year ended December 31, 2018, had not been completed. 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 Public Administrator's internal controls over certain management and financial functions.
2. Evaluate the Public Administrator's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

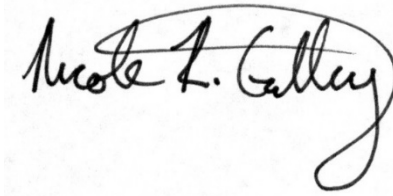
Our methodology included reviewing policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 the Public Administrator and was not subjected to the procedures applied in our audit of the Public Administrator.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant 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 Public Administrator.

Additional audit reports of various elected officials and Clay County as a whole are still in process, and any additional findings and recommendations will be included in subsequent reports.

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:

| | |
|---------------------|--|
| Director of Audits: | Kelly Davis, M.Acct., CPA, CFE |
| Audit Managers: | Pamela Allison, CPA, CFE John Lieser, CPA |
| In-Charge Auditor: | Robert McArthur II, CFE |
| Senior Auditor: | Joy Stevens, MAcc, CFE, CGAP |
| Audit Staff: | Zach Andrews |

Clay County
Public Administrator
Management Advisory Report - State Auditor's Finding

Cash Disbursements

The Public Administrator's office did not maintain sufficient documentation to support some cash disbursements.

Public Administrator's office personnel withdraw cash from ward bank accounts. The cash is provided to the ward or one of the Public Administrator's deputy case managers to purchase items for the ward. To initiate this, the ward's case manager sends an email requesting the Deputy Financial Officer write a check from the ward's bank account that is then cashed by the Deputy Financial Auditor. The cash is placed in an envelope in a locked box in the office safe until it is picked up by the ward or case manager.

The recipient of the cash (case manager or ward) is noted by the recipient's signature on a cash receipt form that also indicates the date, amount, and intended purchase. When the case manager is the recipient, the case manager is required to obtain vendor receipt slips that are maintained in the ward case file. In addition, the case manager is required to return any unspent cash to the Deputy Financial Officer for redeposit into the ward's bank account, or obtain a signed cash receipt form if the remaining cash is given to the ward for spending money. During the year ended December 31, 2018, Public Administrator's office personnel made 159 cash disbursements, totaling approximately \$31,000, from 78 ward bank accounts.

We reviewed 31 cash disbursements made from July 2017 to January 2020 from 15 ward bank accounts totaling \$11,860 and identified the following disbursements that did not have the necessary documentation to support the payments made:

- The case manager did not prepare a cash receipt form for \$117 cash provided to a ward. Notations on the original cash receipt form for \$450, signed only by the case manager, indicated \$117 cash was given to the ward, after the case manager used \$333 to purchase a television and wall mount for the ward. The Public Administrator provided the vendor receipt slip for the television and wall mount, but the case manager did not prepare a cash receipt form to be signed by the ward for the remaining \$117.
- Neither the case manager nor the ward signed the cash receipt form for \$50 cash provided to a ward. According to the Public Administrator, the case manager provided the cash to the Director of Nursing at the nursing facility where the ward resided. The Director of Nursing signed the form and provided the cash to the ward, but the case manager did not obtain a receipt slip from the nursing facility to support this.
- The case manager did not obtain the ward's signature on a cash receipt form for \$50 provided as a personal spending allowance. Instead the form



Clay County
Public Administrator
Management Advisory Report - State Auditor's Findings

was only signed by the case manager and the case manager's email to request the funds indicated the disbursement was a reimbursement for \$50 in spending money he provided the ward.

- The recipient section was blank on one cash receipt form for \$400. The email prepared by the case manager requesting the cash indicated she intended to shop for the ward. The Public Administrator provided vendor receipt slips for groceries totaling \$284 and a deposit receipt slip showing the remaining \$116 was redeposited in the ward's bank account.
- A cash receipt form was not maintained for a \$40 cash disbursement. The Public Administrator indicated the case manager received the cash. The Public Administrator provided a vendor receipt slip for \$33 and deposit receipt slip showing the remaining \$7 was redeposited in the ward's bank account.

Without obtaining, reviewing, and maintaining adequate documentation, the Public Administrator cannot ensure the validity and propriety of all cash disbursements. To ensure payments are valid and proper and to reduce the risk of loss, theft, or misuse of ward assets, adequate supporting documentation should be maintained for all cash disbursements.

Recommendation

The Public Administrator ensure proper documentation is maintained for cash disbursed from ward bank accounts.

Auditee's Response

The Public Administrator's office thanks the State Auditor's Office for their work investigating the concerns of Clay County's citizens. We appreciate their recommendation for increased improvement, and will continue, as always, to find ways to improve the Public Administrator's office and better serve our wards. From July 1, 2017, to December 31, 2019, the Public Administrator's office made over \$16.3 million in financial disbursements on behalf of our wards and estates. The overwhelming majority of disbursements are conducted via check to ensure the highest-level of financial security possible for our wards and estates.

Before 2017, the Public Administrator's office was operating under the auditing and documentation guidelines of the Social Security Administration (SSA), from which almost all of our wards receive income. The Public Administrator's staff was trained by SSA that SSA policies require a signature on a cash receipt form or receipt slips from the purchases, not both. Since the Public Administrator took office in January 2017, improvements have been made gradually, including the tightening of cash-handling procedures to increase accountability. The Public Administrator's office has instituted a regular training that all staff members handling cash or working with finances must attend to reduce the chance of employee error. The Public Administrator's office has also developed new cash-handling receipt slips to



Clay County
Public Administrator
Management Advisory Report - State Auditor's Findings

reduce the chance of employee error and ensure all necessary signatures and receipt slips are documented. The Public Administrator has worked with the court to allow the office to utilize more electronic transactions to further reduce instances of cash transactions.

Concerning the staff reimbursement, the Public Administrator's office works with real people with serious mental health diagnoses such that we often work in extraordinary or unusual circumstances. The Public Administrator's office also must comply with the various policies and regulations of several state and federal agencies, including, but not limited to, the 7th Judicial Circuit of Clay County, Missouri, the SSA, the Veteran's Administration, and the Missouri Department of Social Services. Our work requires a flexibility that is not always apparent from an auditing perspective. This need for flexibility is most apparent when we must timely act in response to the immediate and pressing needs of a ward, especially when health and safety is a concern.

In regards to the Director of Nursing signing a cash receipt form, our policy is that it is preferred for our wards to sign for cash, but there are allowances for attending facility or agency staff to sign. We have some wards that are unable to sign their name. Furthermore, we are required to have a high-level of trust in the facilities and agencies that care for our wards. That trust also extends to a ward's finances. Almost all the facilities and agencies do some sort of shopping for our wards, hold their personal spending money, or take our wards shopping and assist them. These homes must report to the Public Administrator's office, Missouri state agencies, and the SSA. Per the State Auditor's recommendation, in the future, we will ensure that we receive a receipt slip for any cash signed by a facility or agency employee.

As to the final point, in the past, a cash receipt form was only created if the cash is brought back to the office. Most likely, the same employee that withdrew the cash also did the shopping for which the cash was withdrawn. Although this complies with the previous practices of the office, it would now be handled differently under the new procedures of the Public Administrator's office.

Clay County

Public Administrator

Organization and Statistical Information

The Public Administrator serves as the court appointed personal representative for decedents' estates and as guardian and/or conservator for individuals who are unable to care for themselves or their property when there is no one else to serve. The Public Administrator is responsible for the financial activity of approximately 316 wards with assets totaling approximately \$5.8 million as of December 31, 2018. The Public Administrator is required to file annual settlements with the Circuit Court, Probate Division, for each appointed ward or estate reflecting the financial activity for the year.

Sarah Mills was elected Clay County Public Administrator in November 2016 and is serving a 4-year term. She received a salary of \$77,106 for the year ended December 31, 2018. The Public Administrator's office employed an Assistant Public Administrator, 9 deputies, and 1 part-time employee as of December 31, 2018.