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Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Douglas County



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# Douglas County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Douglas County  
Ava, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-45, *Douglas County*, issued in August 2011. 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 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 reports summarizing the status of our recommendations and supporting documentation submitted by county officials. We also held meetings with county officials to seek clarification and review additional documentation. Documentation provided by county officials included the 2012 budget, County Commission meeting minutes, contracts, various accounting records, and bank statements. This report is a summary of the results of this follow-up work, which was substantially completed during March 2011.

Thomas A. Schweich  
State Auditor

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# Douglas County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Financial Condition

The financial condition of the General Revenue and Special Road and Bridge Funds declined as a result of decreasing revenues, increasing costs, and poor planning, and according to the 2011 budget projections, the cash balances of these funds were expected to decrease even more significantly by December 31, 2011.

Declining receipts of these funds made it difficult for the county to prepare a balanced budget. In addition, the County Commission transferred approximately \$42,000 annually from the General Revenue Fund to support the Assessment Fund. Disbursements were expected to increase during 2011 due to changes in elected official salaries, additional hiring of employees, a projected bridge project, and some equipment purchases. The Prosecuting Attorney's salary increased approximately \$69,000 annually starting in 2011, as a result of county voters approving a full-time position. Also, based on legal advice, other elected officials' salaries were increased to 100 percent of statutory amounts.

#### Recommendation

The County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Special Road and Bridge Funds. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.

#### Status

##### **In Progress**

The County Commission is monitoring receipts and disbursements each month by utilizing a monthly budget to actual financial report. The General Revenue Fund cash balance at December 31, 2011, was \$133,803 and the projected ending cash balance for this fund at December 31, 2012, is \$5,640. The Special Road and Bridge Fund cash balance at December 31, 2011, was \$267,901 and the projected ending cash balance for this fund at December 31, 2012, is \$44,465. No long-term plans have been developed.

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#### 2.1 Judicial Center Project Planning

The county entered into debt and disbursed county resources without adequate project planning and without a funding source in place for the possible construction of a judicial center.

In January 2009, the county purchased land and buildings costing \$120,229 to use as a site for a future judicial center, and entered into a loan agreement for the purchase. During the 2 years ended December 31, 2010, the county spent additional monies to repair the roof and install a heating and cooling system in one building located on this property. The county also paid an engineering firm for expenses and to prepare plans for a judicial center.

The county proposed two 1/2 cent sales taxes, a capital improvement sales tax under Section 67.700, RSMo, to be used for loan repayment and construction, and a general sales tax under Section 67.547, RSMo, to be



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used for operating costs of the judicial center after completion. However, both sales tax issues failed in the November 2010 general election, and the county was unable to fund any additional work on the project. In addition, had the general sales tax issue passed, the county would have imposed a levy above the statutory maximum allowed by Section 67.547, RSMo.

**Recommendation**

The County Commission develop plans for the property purchased and ensure associated costs are considered. In addition, for future proposed sales tax issues, the County Commission should review the overall sales taxes being levied, consult with legal counsel, and ensure they are in accordance with state statutes.

**Status**

**In Progress**

The County Commission indicated it will consult with its legal counsel before any future property purchases are considered and will make sure an appraisal is performed in the future. While the County Commission has not formally documented its plans, the County Commission indicated it is considering selling a portion of the property purchased because there is a lack of funding to develop the property.

**4. Emergency  
Management**

Controls and procedures over emergency management receipts and disbursements needed improvement.

**4.1 Contracts and Expense  
Reimbursements**

As a result of no formal written contracts and a lack of controls and procedures for monitoring the disbursements made by the former Emergency Management (EM) Director and former EM Assistant Director, multiple questionable disbursements were made. These payments included EMT class services and expense reimbursements including mileage, equipment, supplies, training, lodging, and meals.

**Recommendation**

The County Commission enter into written agreements for EM services, which detail the duties to be performed, compensation to be paid, and the documentation required for payments of services and expenses. The County Commission should ensure non-wage payments are reported on 1099 forms, and amended 1099 forms should be filed for payments made in 2010 and 2009. The County Commission should ensure control procedures are in place to review reimbursement requests for accuracy and detect questionable or altered invoices and discontinue the practice of unsupported cash advances.

**Status**

**In Progress**

The County Commission has developed a contract with the EM Director outlining his duties and compensation; however, the contract does not appear to cover all required areas. The county issued a form 1099 to the EM



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Director for 2011. The County Commission indicated it is reviewing all requests for payments to ensure original invoices are received and no cash advances are paid.

#### 4.2 EMT Classes

Improvement was needed over EMT class records and receipting procedures. Accounting records such as receipt slips, attendance reports, grant applications and awards, and invoices were not retained for two of the three EMT classes. Additionally, accounting records were not complete for the third EMT class. Receipt slips were not always issued for class and testing fees received from students; receipt slips were not always issued in numerical order or accounted for properly; the method of payment was not always recorded on the receipt slips; and the composition of receipts was not reconciled to the composition of transmittals to the County Treasurer.

#### Recommendation

The County Commission retain all accounting records, require receipt slips be issued in numerical sequence for all monies received and the numerical sequence of receipt slips be accounted for properly, and reconcile the composition of receipts to amounts transmitted to the County Treasurer.

#### Status

##### **Implemented**

The County Commission indicated EMT classes will no longer be held after completion of the last class in December 2011.

#### 5. Meeting Minutes

Open meeting minutes did not document the specific reasons for closing a meeting. The County Commission held eight closed session meetings during the 2 years ended December 31, 2010.

#### Recommendation

The County Commission ensure the specific reasons for closing a meeting are documented.

#### Status

##### **Implemented**

The County Commission had one closed meeting since the issuance of the audit report and that meeting was documented in accordance with the Sunshine Law, Chapter 610, RSMo.

#### 6. Sheriff Controls and Procedures

Weaknesses existed in accounting controls and procedures in the Sheriff's office.

##### 6.1 Segregation of Duties

The duties of receiving, recording, depositing, and disbursing monies and reconciling the Sheriff's bank accounts were not adequately segregated. A lieutenant performed all of these duties, and a documented supervisory review of the accounting records was not performed.



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Recommendation

The Sheriff adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

Status

**Implemented**

The Sheriff indicated since the audit in 2011, the Lieutenant no longer performs these duties, and a clerk was hired to perform these tasks. The Sheriff indicated he reviews and signs all checks, end of the month reports, and bank statements and reconciliations.

6.2 Bank Reconciliations  
and Liabilities

The Sheriff's office maintained two current bank accounts (general and civil fee). The former Sheriff maintained three bank accounts (general, civil fee, and donation). While bank reconciliations and lists of liabilities were prepared monthly for the Sheriff's two current bank accounts (general and civil fee), liabilities were not reconciled with cash balances. Due to inadequate monitoring of liabilities and lack of bank reconciliations on the three old bank accounts, disbursements were incorrectly made from the old and new bank accounts, and the errors were not determined in a timely manner.

Recommendation

The Sheriff reconcile bank balances to liabilities monthly, ensure any differences between accounting records and reconciliations are investigated and resolved, and close old inactive bank accounts.

Status

**Implemented**

The Sheriff indicated the addition of a clerk has allowed the county to place more emphasis on this area. The monies that were deposited into the wrong accounts have been rectified with the County Treasurer. Each month bank balances are reconciled to liabilities and old inactive accounts were closed.

6.3 Receipting and  
Depositing Procedures

The method of payment was not always recorded on the bond receipt slips, and the composition of receipts was not reconciled to the composition of deposits. Receipt slips were not always issued in numerical order or accounted for properly. Receipts were not deposited timely and intact. Checks and money orders were not restrictively endorsed until a deposit was prepared.

Recommendation

The Sheriff require the method of payment be recorded on all receipt slips and reconcile the composition of receipts to deposits. Receipt slips should be issued in numerical sequence, and the numerical sequence of receipt slips accounted for properly. The Sheriff should also ensure all monies are deposited intact and in a timely manner, and checks and money orders are restrictively endorsed upon receipt.

Status

**Implemented**



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The Sheriff indicated his office only accepts money orders for bonds. The composition is recorded in the new electronic accounting system and is reconciled with deposits. Receipts slips are issued and deposited in numerical sequence, deposits are made as monies are received, and money orders are restrictively endorsed when received.

7. Public Administrator  
Controls and Procedures

Controls and procedures for monitoring receipts and disbursements of wards needed improvement.

7.1 Gift Cards

The Public Administrator indicated some gift cards were purchased to spend down wards' cash balances so assets remained below Medicaid eligibility funds. At least 23 gift cards were purchased from ward funds by the Public Administrator during the 2 years ended December 31, 2010. Of the gift cards purchased, 14 gift cards were not used timely for the ward.

The Public Administrator did not adequately or properly account for gift cards purchased. The Public Administrator provided a list of all gift cards purchased; however, the list was not accurate. Additionally, gift cards, which were on hand at the time an annual settlement was filed, were not included on the annual settlements as an asset of the ward. A receipt slip was not obtained or retained for some gift cards distributed to wards or to wards' facilities, and as a result, there was no assurance the wards received their gift cards.

Recommendation

The Public Administrator reconsider the necessity of purchasing gift cards for wards. If gift cards are necessary, establish records to properly account for gift cards, and obtain and retain receipts for distributed gift cards. In addition, the Public Administrator should discontinue the practice of unnecessarily spending down a ward's cash balance so assets remain below Medicaid eligibility funds, and contact the Missouri Department of Social Services, Family Support Division, to determine whether any monies are due to the state.

Status

**In Progress**

The Public Administrator indicated she has three gift cards for two wards, which she maintains in each ward's checkbook. She also indicated a nursing home maintains a \$100 gift card for another ward. The Public Administrator indicated she checked the value of these gift cards with Wal-mart on February 21, 2012, and the values noted above remain unspent. The Public Administrator indicated she plans to give the three gift cards she maintains to the facility where the wards reside and request receipts. The Public Administrator also indicated there have been no new purchases of gift cards.

7.2 Bank Reconciliations

The Public Administrator maintained bank accounts for most of her wards and maintained a fee account, where fees received from wards were





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deposited and disbursed to the county. An accurate running check register balance of the bank accounts for each estate and the fee account was not maintained. As a result, the Public Administrator did not properly perform reconciliations on the ward's bank accounts or her fee account and bank account records and cash balances were not accurate and in agreement.

**Recommendation**

The Public Administrator maintain running book balances and reconcile bank balances monthly.

**Status**

**Implemented**

The Public Administrator started maintaining running check book balances and reconciling bank balances monthly in July 2011.

**8.1 Prosecuting Attorney  
Segregation of Duties**

The duties of receiving, recording, depositing, and disbursing monies, and reconciling the Prosecuting Attorney's bank account were not adequately segregated. One clerk performed all of these duties, and a documented supervisory review was not performed.

**Recommendation**

The Prosecuting Attorney adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

**Status**

**Implemented**

The Prosecuting Attorney indicated there is only one county employee in the office so there can be no real segregation of duties. The Prosecuting Attorney indicated he reviews the bank statement when it comes in the mail and reviews the end of the month report.

**8.2 Prosecuting Attorney  
Depositing and Posting  
Procedures**

Receipts were not deposited timely. Deposits were normally made every 2 weeks. In addition, amounts recorded on manual receipt slips were not reconciled to the Prosecuting Attorney's bad check accounting system and deposits.

**Recommendation**

The Prosecuting Attorney deposit receipts on a timely basis and reconcile manual receipt slips to amounts recorded on the bad check accounting system and deposits.

**Status**

**In Progress**

Deposits are now made on a weekly basis, and receipt numbers are now recorded on the deposit slips.