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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Ray County



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Ray County

Follow-Up Report on Audit Findings

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of Ray County

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. 2011-49, *Ray County*, issued in September, 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 discussed the status of significant findings with relevant county officials and discussed any corrective action taken regarding our audit findings. Supporting documentation was reviewed when appropriate and necessary. This report is a summary of the results of this follow-up work, which was substantially completed during March 2012.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Ray County

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Public Administrator Significant control deficiencies were identified, including a lack of supporting documentation for disbursements, inadequate oversight of disbursements, and signing checks in advance.

1.1 Oversight The Public Administrator did not adequately review all supporting documentation for disbursements and annual settlements. As a result, \$26,561 was disbursed from a ward's account without adequate documentation. The Public Administrator established a petty cash fund for miscellaneous disbursements on behalf of the ward. An external company provided in home care for the ward, and an employee of the company managed the disbursements of the petty cash fund. The Public Administrator disbursed \$27,530 during the 3 years ended December 31, 2010, in checks made payable to the employee of the contracted company for the stated purpose of replenishing the petty cash fund and for other miscellaneous expenses such as groceries and travel expenses. Checks for disbursements for this ward were prepared by the Deputy Public Administrator. Based on our review, only \$969 in expenses were supported by receipts.

The Public Administrator also said it was his deputy's responsibility to obtain and review supporting documentation for disbursements, and he did not have sufficient time to review supporting documentation for disbursements while signing checks. The Deputy Public Administrator was terminated on June 13, 2011, when criminal charges for theft and forgery were filed against her. In addition, while the Public Administrator stated he reviews approximately 95 percent of the annual settlements, he did not review the annual settlements of the two wards with the most assets, which included the ward discussed above.

Recommendation The Public Administrator review and approve all disbursements and ensure they are supported by adequate documentation to verify the authenticity and necessity of disbursements. In addition, the Public Administrator should review all annual settlements and document all reviews.

Status **Implemented**

The Public Administrator indicated he is now reviewing all expenditures of all wards assigned to him. The expenditures of the ward in the finding are now tracked and receipts are kept by the home health agency and then reimbursed by the Public Administrator. Supporting documentation is now required for all disbursements.

1.2 Blank Checks The Public Administrator indicated there were occasions when blank checks were signed in advance. If a blank check was signed in advance, the Deputy Public Administrator was trusted to complete the check.

Recommendation The Public Administrator discontinue the practice of signing checks in advance.



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Status

Implemented

The Public Administrator indicated that although it makes it difficult to serve his wards on occasion, the practice of signing blank checks is no longer in use.

2.1 Sheriff Annex

The Sheriff's annex and public resources appeared to have been utilized for personal purposes. Based on anonymous tips stating the Sheriff had been living in the annex, auditors requested to see the inside of the facility. After being initially denied, auditors were allowed access to the facility where they observed a significant number of personal items. In addition, auditors verified the annex received satellite television service, including premium programming. The Sheriff denied living in the annex and said he was only storing personal items to be given away and used the annex as a place to sleep during inclement weather. The Sheriff also stated the satellite television service was to receive news and weather. Auditors observed some Sheriff's records and a limited amount of evidence being stored in the annex. The Sheriff also said he used the annex to conduct training and meetings, as a backup 911 dispatch center, and a place where deputies could eat lunch.

Recommendation

The Sheriff use the annex and other county resources for official county business only.

Status

Implemented

The annex continues to be in the same condition it was when auditors observed it during the audit. The Sheriff contends he was never living in the annex. However, to eliminate any potential issues, rent for the annex and satellite dish bills are no longer paid out of county funds, but are paid from the Sheriff's personal funds. During the follow-up visit, auditors verified with the County Treasurer that the county was no longer making payments for rent or the satellite dish.

2.2 Sheriff Receipts and Deposits

The Sheriff had not developed adequate controls and procedures to ensure the accuracy of deposits and accounting records.

- The Sheriff did not issue receipt slips for most inmate monies. As a result, a reconciliation of the composition of receipts to deposits could not be performed.
- Inmate monies were recorded on an inmate log and an inmate account record. If an inmate was released from jail prior to their monies being deposited, the Sheriff did not document the return of these monies. Therefore, during our review of cash on hand, the Sheriff could not demonstrate the amount that should have been on hand.



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- Deposits of inmate monies were not always made intact. A February 17, 2011, cash count identified \$813 on hand that should have been deposited with the previous deposit. The Sheriff's office only deposited checks, not cash, in the previous deposit.
- Change funds were not maintained at an established level.

Recommendation

The Sheriff issue pre-numbered receipt slips for all inmate monies received, reconcile the composition of receipts to deposits, deposit all monies intact, and document all monies returned to inmates. The Sheriff should also maintain change funds at an established level.

Status

Partially implemented

Receipt books are now in use and all prisoner monies are receipted, including composition, and deposited timely. On our follow-up visit receipt slips were observed and compared to cash on hand. A deposit had been made the previous business day and receipt slips had been properly completed for all monies received. However, the Sheriff's clerk was not reconciling the composition of the receipts to the deposit. Monies returned to inmates prior to deposit are now documented on the receipt slip, and a change fund is no longer maintained.

3. Financial Condition and Budgets

The General Revenue Fund was in poor financial condition. Also, budgets were not approved timely and expenses were incurred prior to a final approved budget.

3.1 Financial Condition

The General Revenue Fund was in poor financial condition. While General Revenue Fund receipts increased annually from 2008 to 2010, and were anticipated to increase in 2011, disbursements exceeded revenues by \$228,649 from 2008 to 2010, resulting in a decline in the General Revenue Fund balance.

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 Fund. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.

Status

In progress

The county ended 2011 with a General Revenue Fund balance of approximately \$87,000, which is \$45,000 higher than the original budget estimate. The commission has taken action to reduce expenditures in 2012. Although the budgeted 2012 ending General Revenue Fund balance reflects a slight increase from the actual 2011 ending balance, total estimated revenues are down approximately \$160,000 (4 percent), and budgeted



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expenditures were reduced by approximately \$110,000 (2.8 percent) from 2011 levels. The County Commission and the County Clerk have also implemented additional budget monitoring procedures to help monitor the budget status on an ongoing basis.

3.2 County Budgets

County budgets were not approved in a timely manner and expenses were incurred without an approved budget in place.

Recommendation

The County Commission approve budgets prior to approving expenditures other than payroll.

Status

Not implemented

The 2012 county budget was approved on March 19, 2012, and the county continued to make non-payroll expenditures despite not having an approved budget. The County Clerk and the commission indicated the budget process was improved over prior years, and the 2012 budget would have been completed sooner if not for a late correction which required additional cuts to be made. The County Clerk and the County Commission are confident they can improve the timeliness of the budget in future periods.

5.1 County Compensatory Time

The County Clerk's office did not maintain centralized compensatory time records. Each department maintained its own records of compensatory time earned and used. This condition was also reported in our prior report; however, no corrective action was taken. As a result of a complaint from a former law enforcement employee, the United States Department of Labor, Wage and Hour Division, conducted an investigation in April 2011 of payroll procedures for law enforcement employees and found the Sheriff's office did not have sufficient compensatory time records. The Wage and Hour Division ordered the county to pay \$9,905 in back wages to 31 Sheriff's office employees who were employed from January 1, 2009, through March 31, 2011.

Recommendation

The County Commission and the County Clerk maintain centralized compensatory time records for all employees.

Status

Implemented

The County Clerk indicated that compensatory time records for all county employees are now being reported to, and tracked by, the County Clerk's office.