



# Thomas A. Schweich

Missouri State Auditor

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## Douglas County



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August 2011  
Report No. 2011-45

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Douglas County

Financial Condition	As noted in our prior audit, the financial condition of the General Revenue and Special Road and Bridge Funds has declined, and, although revenues continue to decline, spending is expected to increase. The County Commission needs to reduce spending as much as possible, put controls in place to use county resources efficiently, and maximize revenues.
Real Estate Purchase	The county did not adequately plan the judicial center project. The county agreed to purchase land and buildings for \$120,229 before securing a funding source. Both proposed county sales tax ballot measures failed. The county did not require an inspection of the properties for needed repairs or asbestos removal to be performed as part of the real estate contract. Additionally, the county did not estimate the costs to demolish and dispose of two vacant houses still on the property. Moreover, the county did not obtain an appraisal prior to purchasing the property to ensure it was paying a reasonable price.
Disbursements, Vehicle Procedures, and Personnel Policy	The county needs to improve controls and procedures related to bidding, fuel use, vehicle maintenance, and payroll disbursements. The county does not always solicit bids or retain sufficient bid documentation. As noted in our prior audit, fuel use is not reconciled to fuel purchases, and mileage and fuel use logs are not maintained to document the appropriate use of county vehicles and equipment. The Sheriff's office does not maintain maintenance records for its vehicles, and road and bridge employees are compensated for their lunch breaks, but other county employees are not.
Emergency Management	The county needs to improve its controls and procedures over emergency management receipts and disbursements. The county did not have written contracts with the former Emergency Management Director, former Assistant Director, or Emergency Medical Technician Instructor. The former Director and Assistant Director, who are husband and wife, received payments for a number of questionable expenses. The former Director was reimbursed for equipment without adequate supporting documentation, he and the former Assistant Director were reimbursed for mileage at inflated rates, and the former Assistant Director failed to account for all advanced monies, submitted duplicate and altered receipts for meal expense reimbursements, and claimed reimbursement for excessive miles. The EMT class records and receipting procedures are also insufficient.
Meeting Minutes	The County Commission held eight closed session meetings during the audit period but did not document the specific reasons for closing the meetings, as required by the Sunshine Laws.

Sheriff Controls and Procedures	Accounting duties are not adequately segregated, and a documented supervisory review is not conducted. The Sheriff's office does not reconcile the list of liabilities to the cash balances of its two bank accounts, and several errors were not detected. Receipting and depositing procedures need improvement.
Public Administrator Controls and Procedures	The Public Administrator purchases gift cards from ward funds, but the procedures for tracking and documenting such purchases need to be improved. Moreover, it appears she makes such purchases in an attempt to keep wards' cash balances below Medicaid eligibility levels, which is unlawful. The Public Administrator needs to improve her bank reconciliation procedures.
Prosecuting Attorney Controls and Procedures	As noted in our prior audit report, accounting duties are not adequately segregated and no supervisory review is conducted, and receipts are not deposited timely. The Prosecuting Attorney needs to establish adequate procedures for tracking, monitoring, and collecting court ordered restitution. Currently, restitution is manually recorded, and no system has been established to alert the clerk when payments are due or probation is about to end. Defendants are not required to sign restitution payment agreements, and restitution payments are not timely disbursed.
Support the Handicapped Board	The Support the Handicapped Board's contract with the local sheltered workshop does not require the sheltered workshop to obtain bids, and the Board processed some payments to the sheltered workshop without adequate supporting documentation.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	Douglas County received a \$17,379 Byrne Memorial Justice Assistance Grant during the audit period: \$16,079 funded a law enforcement position for 6 months, and \$1,300 paid for equipment.
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\*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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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Douglas County

We have audited certain operations of Douglas County in fulfillment of our duties under Section 29.230, RSMo. In addition, Davis, Lynn & Moots, P.C., Certified Public Accountants, was engaged to audit the financial statements of Douglas County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; 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 contract or other 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 county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Douglas County.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

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Audit Manager:	Pamela Allison Tillery, CPA
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# Douglas County Management Advisory Report State Auditor's Findings

**1. Financial Condition** The financial condition of the General Revenue and Special Road and Bridge Funds has 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 are expected to decrease even more significantly by December 31, 2011. The following table reflects the ending cash balances for the 3 years ended December 31, 2010, as well as the anticipated ending cash balance for the year ended December 31, 2011:

Fund	Projected Ending Cash Balance, December 31, 2011**	Ending Cash Balance, December 31,		
		2010*	2009*	2008*
General Revenue	\$ 8,708	179,507	215,462	244,841
Special Road and Bridge	51,911	177,177	110,302	253,169

\* Information was obtained from the county's independent audit report.

\*\* Information was obtained from the county's budget.

Declining receipts of these funds have made it difficult for the county to prepare a balanced budget. In addition, the County Commission has had to transfer approximately \$42,000 annually from the General Revenue Fund to support the Assessment Fund. Disbursements are 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 is increasing approximately \$69,000 per year 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. In addition, debt and funding issues and future project costs (see MAR finding number 2) have had and will likely continue to have a negative impact on the county's financial condition.

It is essential the County Commission address the county's financial condition both in the immediate- and long-term future. To improve the county's financial condition, the County Commission should reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue.

A similar condition was noted in our prior audit report.

## 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



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

## Auditee's Response

*The County Commission provided the following written response:*

*The County Commission is monitoring receipts and disbursements. The County Commission will continue to monitor the county's financial condition.*

## 2. Judicial Center Project

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 an additional \$8,650 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 \$5,787 for expenses and to prepare plans for a judicial center.

### 2.1 Planning

The county did not effectively plan this project.

- 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 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 is currently unable to fund any additional work on the project.
- The county entered into debt without securing a funding source to pay for the purchase of this property. The county made a down payment of \$30,056 in January 2009 for the property, and entered into a loan agreement with its depository bank for the remaining balance of \$90,173 due in January 2010. In January 2010, the county made a \$30,000 principal payment and entered into another loan agreement for \$60,173 due in January 2011. In January 2011, the county made another \$30,000 principal payment and entered into another loan agreement for \$30,173 due in January 2012. The county plans to pay off this loan in January 2012. The interest rate charged on these loans was approximately 6 percent, and the county will incur interest costs totaling \$10,132 related to these loan agreements for this purchase.
- The county did not require an inspection of the properties for needed repairs or asbestos removal to be performed as part of the real estate contract. The county planned to utilize a building located on the



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property for an emergency management office; however, the county did not estimate the costs to repair the roof or install a new heating and cooling system prior to the purchase.

- The county planned to demolish two houses located on the property; however, it did not estimate the costs to demolish and dispose of the houses, and the two vacant houses have yet to be demolished.

Had the general sales tax issue referred to above passed, the county would have imposed a levy above the statutory maximum allowed by Section 67.547, RSMo. Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds one half of one percent under Section 67.547, RSMo. When proposing sales tax issues to voters, the county needs to review the various sales taxes being proposed to ensure they are valid and also ensure the purpose as described by the ballot is consistent with the authorizing statute.

Proper long-term planning prior to beginning a project is necessary to ensure the successful completion of the project. A cost analysis of the project considering all costs involved including the purchase of property, construction, and subsequent maintenance and operations is necessary to determine the amount of funding necessary. Ensuring adequate funding will be available for costs related to the project and including subsequent maintenance and operations is necessary to determine whether the project is feasible.

## 2.2 Independent appraisal

The county did not obtain an appraisal prior to purchasing the property to ensure \$120,229 was a reasonable price. While the County Commission believes the amount paid was reasonable, a written appraisal from an independent appraisal company should have been obtained prior to the purchase and used to provide the basis for negotiations.

## Recommendations

The County Commission:

- 2.1 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.
- 2.2 Ensure independent appraisals are obtained for all future real estate purchases.

## Auditee's Response

*The County Commission provided the following written responses:*

- 2.1 *The county is currently utilizing two buildings on the property for county use. The County Commission will look into utilizing the*



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*property as financing becomes available. In the future, the County Commission will consider all aspects of property purchase before purchasing. The County Commission will consult with legal counsel for any future proposed sales tax issues.*

2.2 *The County Commission will obtain an independent appraisal for any future real estate purchases.*

### **3. Disbursements, Vehicle Procedures, and Personnel Policy**

Controls and procedures over bidding, fuel use, vehicle maintenance, and payroll disbursements need improvement.

#### **3.1 Bidding**

The county did not always solicit bids or retain sufficient bid documentation. For example, the county did not solicit bids for road and bridge department equipment repairs totaling \$107,859, and drug court tracking services totaling \$20,090 during the 2 years ending December 31, 2010.

The county did not retain sufficient bid documentation to show compliance with state law for the purchase of four patrol cars for the Sheriff's office totaling \$77,400 and inmate meals totaling \$32,649 during the 2 years ending December 31, 2010.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

#### **3.2 Fuel use**

Improvement is needed in the controls and procedures over county fuel. Accounting records indicated fuel purchases totaling approximately \$160,000, \$44,000, and \$2,400 were made by the road and bridge department, Sheriff's office, and Assessor's office, respectively, during the 2 years ended December 31, 2010.

- The county does not have adequate records and monitoring procedures over road and bridge department fuel use. Fuel logs are not maintained for department equipment and vehicles. In addition, bulk fuel records are not maintained by Road District Number 2 to show fuel delivered and dispensed into vehicles and equipment. Of the four bulk fuel tanks



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located at road and bridge buildings in Road District Number 2, only two are metered. Also, while bulk fuel records are maintained by Road District Number 1 to show fuel dispensed into vehicles and equipment, these fuel records are not used to reconcile fuel use to fuel purchases.

- While mileage and fuel logs are maintained for Sheriff's office vehicles, the logs are not used to reconcile fuel use to fuel purchases. In addition, the logs are not always accurate and complete, and the amount of fuel purchased was not always recorded on the logs.
- Mileage and fuel logs are not maintained for the Assessor's office vehicle, and as a result, fuel use is not reconciled to fuel purchases.

Procedures for reviewing fuel use and reconciling use to fuel purchased and on hand are necessary to ensure the reasonableness and propriety of fuel use and disbursements. In addition, mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.

A similar condition was noted in our prior audit report.

### 3.3 Sheriff's office vehicle maintenance

The Sheriff's office does not maintain maintenance records for its vehicles. Maintenance items, such as oil, filters, antifreeze, etc., are purchased through the county by Sheriff's office employees, and the employees perform the maintenance procedures for their assigned vehicles. The county spent approximately \$11,300 for maintenance supplies for the Sheriff's office during the 2 years ended December 31, 2010.

Vehicle maintenance records should be maintained to ensure regularly scheduled preventive maintenance is performed to reduce the cost of repairs. In addition, the maintenance records should be reconciled to maintenance purchases to prevent the loss, theft, or misuse of maintenance supplies.

### 3.4 Personnel policy

The county personnel policy does not address whether employees are compensated for their lunch break, and as a result, some employees are paid for their lunch break and others are not. Those employees (road and bridge department employees) who are paid for their lunch break are compensated up to an additional 93 hours per year. The county has paid road and bridge department employees for at least 1,700 hours or \$17,000 annually for their half hour lunch breaks; thus paying for time not worked, increasing the county's financial burden, and resulting in inconsistency among county employees. Detailed written policies are necessary to provide guidance to county employees, provide a basis for proper compensation, ensure equitable treatment among employees, and avoid misunderstandings.



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## Recommendations

The County Commission:

- 3.1 Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- 3.2 And Sheriff and Assessor require fuel use logs be maintained, and these logs be reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.
- 3.3 Require maintenance records be maintained, and these records be reconciled to maintenance purchases.
- 3.4 Review and revise the personnel policy to adequately address lunch breaks, avoid unnecessary costs, and ensure equitable treatment among all county employees.

## Auditee's Response

*The County Commission provided the following written responses:*

- 3.1 *The County Commission will get bids on major purchases and will document the decisions made.*
- 3.2 *The County Commission is currently maintaining a fuel log for the road and bridge department. They will reconcile fuel usage to fuel purchased. The County Commission will request that the Sheriff and Assessor maintain accurate logs and reconcile fuel use.*
- 3.3 *The County Commission will request that the Sheriff maintain a maintenance log on the vehicles and reconcile to the maintenance purchases.*
- 3.4 *The County Commission is looking into updating the personnel policy. Road district number 2 works ten hours each day with a half hour for lunch, and district number 1 has implemented the same work schedule.*

*The Assessor provided the following written response:*

- 3.2 *I have been operating under the same procedures as the previous Assessor. From now on, we will maintain a log to the best of our ability.*

*The Sheriff provided the following written response:*

- 3.2&3 *I currently have a fuel log system in place; however, I am looking into implementing a different vehicle log system to include other maintenance items.*



## 4. Emergency Management

Controls and procedures over emergency management (EM) receipts and disbursements need improvement. The Emergency Management Fund receipts and disbursements totaled approximately \$96,000 and \$93,000, respectively, during the 2 years ended December 31, 2010.

The county operates an EM program to develop disaster preparedness plans and offer Emergency Medical Technician (EMT) classes to assist individuals in becoming certified EMTs. The former Presiding Commissioner appointed the EM Director and Assistant Director in January 2007, and rescinded those appointments in December 2010. The former EM Director and former Assistant Director are husband and wife. The former EM Director, former Assistant Director, and EMT Instructor were paid \$4,174, \$13,761, and \$3,500, respectively, during the 2 years ended December 31, 2010.

### 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 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. The County Commission expected the former EM Director and former EM Assistant Director to follow the county's travel and reimbursement policies. The following concerns were noted regarding these payments:

- The county did not enter into formal written contracts with the former EM Director, former EM Assistant Director, and EMT Instructor, who all served as contract workers. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts, signed by the parties involved, should specify the services to be rendered, the manner and amount of compensation to be paid, and the documentation required for payments of salary and expenses. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.
- Billing statements or other records documenting services performed for the EMT classes, or how the amounts paid were determined, were not prepared and submitted to the county by these contract workers. The former EM Director, former EM Assistant Director, and EMT Instructor were paid \$2500, \$1900, and \$3500, respectively, for providing EMT classes. In addition, the county did not issue Internal Revenue Service Forms 1099 to these individuals. Sections 6041 to 6051 of the Internal Revenue Code require non-wage payments of at least \$600 in one year to an individual be reported to the federal government on Form 1099.



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- Adequate supporting documentation was not obtained or retained for some reimbursement requests. For example, the only documentation provided for four reimbursement requests for equipment totaling \$880 were invoices prepared by the former Director from his personal Quicken software, instead of the actual paid receipts or vendor provided invoices. The equipment purchases were for radios, a power supply, and a canopy. All reimbursement requests should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.
- The former Assistant Director was advanced \$910 in October 2010 for EMT student testing fees from the EM Fund held by the County Treasurer. The former Assistant Director indicated she deposited these testing fees into her personal account and held them until 4 months later when she paid the testing fees in February 2011 (after her appointment as Assistant Director had been rescinded). No documentation was available at the county to support this advance; however, the Assistant Director provided documentation of payment of these testing fees upon our request. This payment should have been disbursed through the county's normal disbursement process and paid directly to the entity by the County Treasurer. In addition, cash advances not supported by documentation could be improper disbursements of public monies; therefore, all cash advances should have documentation to support the nature and reasonableness of the costs.
- The former EM Director and former Assistant Director were reimbursed for mileage; however, the rate paid per mile did not agree with the county mileage rate of 45 cents per mile. The former EM Director and former Assistant Director were reimbursed at 47.5, 50, and 52 cents per mile totaling \$6,240 during the 2 years ended December 31, 2010. As a result, the county paid approximately \$410 more for mileage reimbursements than provided by county policy.
- The number of miles claimed by the former Assistant Director to various locations was excessive, and as a result, the former Assistant Director was overpaid at least \$344. For example, the former Assistant Director claimed reimbursement of 394 miles to travel to Jefferson City for training. Jefferson City is 144 miles away (one way) or 288 miles round trip from Ava. Mileage reimbursement claims should include only those miles actually incurred for county business and as allowed by county policy.
- The mileage reimbursement forms submitted by the former Director and former Assistant Director were also not always complete. The purpose of travel and odometer readings were not always documented. The



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county's travel and travel reimbursement policy requires records of mileage driven (by odometer) be submitted. Thorough review procedures are necessary to ensure mileage reimbursements are reasonable and accurate, and represent valid disbursements.

- Duplicate and altered invoices for meal expense reimbursements were paid by the county. The county reimbursed the former Assistant Director for at least eight meals totaling \$126 that were supported by duplicate and altered invoices. These invoices were physically altered to delete dates, times of service, and the server. Several other meal invoices totaling \$101 were not adequate and appeared to be prepared by the former Assistant Director. In addition, one of the duplicated and altered invoices submitted for reimbursement (noted above) included meals for the former Assistant Director's sister, who had no involvement with the EM program according to the County Clerk.

The county's meal reimbursement policy requires original receipts or invoices be submitted with reimbursement requests. Allowing altered receipts or invoices to be processed and not questioned indicates weaknesses in the review process and control procedures.

- During the 2 years ended December 31, 2010, the county provided the former Assistant Director 12 cash advances totaling \$2,984, not including the \$910 advance noted above. The Assistant Director did not always provide documentation to the county of how the full amount of the advance was spent, and she did not return unused advance monies to the county. Requiring documentation to support expenses from advances is necessary to ensure the county pays only reasonable and necessary costs.

## 4.2 EMT Classes

Improvement is needed over EMT class records and receipting procedures. The EM office held three EMT classes and, according to the County Treasurer's general ledger reports, collected approximately \$22,200 for classes during the 2 years ended December 31, 2010. The following concerns were noted related to these classes:

- 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. As a result, the county has little assurance monies collected and disbursed for the EMT classes were accounted for properly. Accounting records should be retained to ensure the validity of transactions and provide an audit trail to account for all monies received.



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- 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. Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies received will go undetected.

## Recommendations

The County Commission:

- 4.1 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.
- 4.2 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.

## Auditee's Response

*The County Commission provided the following written responses:*

- 4.1 *There is now a written agreement that establishes the duties of the EM Director. The agreement is signed by the Presiding Commissioner and the EM Director. The 1099s will be amended for 2009 and 2010. The County Commission has implemented a policy that requires original invoices and receipts before any payment is issued. There will be no cash advances given.*
- 4.2 *The County Commission is in the process of forming a contract for the EMT classes. This will require accounting of all the monies collected for the classes and reconciliation of monies collected to what is transmitted to the County Treasurer.*

## 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. The Sunshine Law, Chapter 610, RSMo, requires public governmental bodies to vote in open session to close a meeting and to announce publicly the reasons for going into closed session.



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## Recommendation

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

## Auditee's Response

*The County Commission provided the following written response:*

*The County Commission will ensure they document the reason for closed meetings.*

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## 6. Sheriff Controls and Procedures

Weaknesses exist in accounting controls and procedures in the Sheriff's office. The Sheriff's office collected approximately \$145,000 and \$483,000 during the years ended December 31, 2010 and 2009, respectively.

### 6.1 Segregation of duties

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

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review to ensure the bank records are in agreement with the accounting records.

### 6.2 Bank reconciliations and liabilities

Significant weaknesses were identified with the Sheriff's reconciliation procedures. The Sheriff's office maintains two current bank accounts (general and civil fee). The former Sheriff maintained three bank accounts (general, civil fee, and donation). The current Sheriff took office in January 2009. During our review of bank reconciliations and lists of liabilities, we noted the following concerns:

- While bank reconciliations and lists of liabilities are prepared monthly for the Sheriff's two current bank accounts (general and civil fee), liabilities are not reconciled with cash balances. We compared the list of liabilities to cash balances as of December 31, 2010, for the general account, and the list of liabilities totaled \$307,728, while the cash balance was only \$306,808, resulting in liabilities exceeding the available cash balance by \$920. We also compared the list of liabilities to cash balances as of December 31, 2010, for the civil fee account, and the list of liabilities totaled \$1,220, while the cash balance was only \$724, resulting in liabilities exceeding the available cash balance by \$496.

At our request, the Sheriff investigated these discrepancies and determined he overpaid the County Treasurer \$920 in June and July 2010, from his general account. The Sheriff also indicated several accounting errors were made in the handling of his civil fee account



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such as paying civil fees totaling \$302 from his civil fee account when the civil fees were deposited into the prior Sheriff's civil fee account. The Sheriff has not corrected these errors. Without regular comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished.

- Due to inadequate monitoring of liabilities and lack of bank reconciliations on three old bank accounts of the former Sheriff, disbursements were incorrectly made from the old and new bank accounts and the errors were not determined in a timely manner. The balance of the former Sheriff's general, civil fee, and donation accounts as of December 31, 2010, were \$3, \$617, and \$61, respectively.

The Sheriff should continue to attempt to identify the monies held in these accounts and properly dispose of all unidentified monies and close the accounts.

### 6.3 Receipting and depositing procedures

Receipting and depositing procedures need improvement. During cash counts conducted in January 2011, we noted the following concerns:

- The method of payment is not always recorded on the bond receipt slips, and the composition of receipts is not reconciled to the composition of deposits.
- Receipt slips are not always issued in numerical order or accounted for properly.
- Receipts are not deposited timely and intact. For example, two \$30 checks receipted on January 13, 2011, were held and not deposited until January 31, 2011. Other receipts collected on January 13, 2011, were deposited on January 18, 2011. Several other instances were noted where receipts were not deposited intact and timely.
- Checks and money orders are not restrictively endorsed until a deposit is prepared.

Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies received will go undetected.

A similar condition was noted in our prior audit report.

## Recommendations

The Sheriff:

- 6.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.



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- 6.2 Reconcile bank balances to liabilities monthly, ensure any differences between accounting records and reconciliations are investigated and resolved, and close old inactive bank accounts.
- 6.3 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.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 6.1 *These were areas of concern to me when I first took office in 2009 and requested an audit and assistance from your office in January 2009 and was advised to document, document, document, and an audit would be performed in 2011. Once it was explained, regarding segregation of duties and more than one person involved in the accounting process, it made sense. I was attempting to hold one person responsible for the accounting procedures to minimize the opportunity for theft. However, after your process was explained to me, I see a side of the accounting that I was unaware of, and steps have been taken to rectify this.*
- 6.2 *Once again, this was an area that I requested assistance and recommendations in when I took office in 2009, and was advised that an audit would be performed in 2011. I had papers and documents that were to be carried over from the previous administration "old" accounts. I inquired to your office about how to deal with these forms and virtually received no assistance. I was told to document, document, document, which is what I did; however, upon your audit we found where refunds had been paid out of the "old" account. Upon inspecting the discrepancies you have noted, I would like to point out that all money is accounted for; however, it was either paid out or paid into the wrong account (within the county funds). Discrepancies in the Sheriff's general account have been rectified. I will continue to identify who the money belongs to in the previous Sheriff's accounts and close the accounts. We are still in the process of identifying who the monies belong to and if this cannot be determined it will be turned over to the County Treasurer as you recommended.*
- 6.3 *Once again, I could only follow what was done by the prior bookkeeper, as no assistance or recommendations were provided by your office in 2009. All areas of discrepancies have been corrected. We are still in the process of identifying who the monies belong to*



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*and if this cannot be determined it will be turned over to the County Treasurer as you recommended.*

*The overall audit was very beneficial and a learning experience for everyone involved. The Sheriff's office is a small office with limited staff. Supervisory staff is required to do many of the accounting procedures as well as taking care of law enforcement situations.*

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## 7. Public Administrator Controls and Procedures

Controls and procedures for monitoring receipts and disbursements of wards need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and is responsible for the financial activity of 42 individuals. We reviewed three cases with estate balances totaling approximately \$129,800, which represents approximately 47 percent of the total cash balances from all cases at December 31, 2010. We also reviewed one additional case that was closed in 2009.

### 7.1 Gift cards

Improvement is needed in the Public Administrator's handling of gift cards purchased from ward funds. The Public Administrator indicated some gift cards were purchased to spend down wards' cash balances so assets remained below Medicaid eligibility funds. Intentionally spending down ward assets on unnecessary items to maintain a specific level of Medicaid eligibility is not allowed. At least 23 gift cards totaling \$2,625 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. For example, three gift cards totaling \$350 were purchased in December 2009 and February 2010, and were still on hand in May 2011. We also noted the following concerns:

- The Public Administrator does not adequately or properly account for gift cards purchased. At our request, the Public Administrator provided a list of all gift cards purchased in 2009 and 2010; however, the list was not accurate. The list did not include all gift cards, included gift card purchases that were actually cash disbursements (not gift cards), and some of the dates gift cards were purchased and spent or distributed were incorrect. Additionally, gift cards, which are on hand at the time an annual settlement is filed, are not included on the annual settlements as an asset of the ward.

The Public Administrator indicated a \$200 gift card purchased in December 2009, had been mailed to a nursing facility; however, at our request the Public Administrator contacted the nursing facility and the local vendor where the gift card was purchased in May 2011, and determined the gift card was lost and the balance of the card had been unspent. The local vendor reissued the lost gift card and it is currently held by the Public Administrator.



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- A receipt slip was not obtained or retained for 10 of 19 gift cards distributed to wards or to wards' facilities, and as a result, there is no assurance the wards received their gift cards. According to the Public Administrator, it is her policy to have the ward or the ward's facility sign a receipt indicating the gift card was received.

To adequately safeguard gift cards, reduce the risk of loss, theft, or misuse of gift cards, and ensure wards receive gift cards purchased with their funds, records should be established to adequately account for and track gift card purchases, and a receipt indicating the gift card was received should be obtained and retained. Additionally, given that many of the wards did not receive gift cards in a timely manner and some gift cards were lost and not accounted for properly, the Public Administrator should reconsider the necessity of purchasing gift cards for her wards.

Section 208.210.1, RSMo, requires recipients to notify county welfare offices if they possess property which affects their right to receive benefits. Further, Section 208.210.2, RSMo, provides that if it is found that a recipient or spouse possessed income in excess of the amount reported that would affect his right to receive benefits, the amount of benefits may be recovered as a debt due the state.

## 7.2 Bank reconciliations

The Public Administrator's bank reconciliation procedures need improvement. The Public Administrator maintains bank accounts for most of her wards and maintains a fee account, where fees received from wards are deposited and disbursed to the county. During our review, we noted that an accurate running check register balance of the bank accounts for each estate and the Public Administrator's fee account was not maintained by the Public Administrator. As a result, the Public Administrator does not properly perform reconciliations on the ward's bank accounts or her fee account and bank account records and cash balances are not accurate and in agreement.

Maintaining running book balances in check registers and performing adequate bank reconciliations helps ensure accurate records are kept and there is less likelihood errors will be identified and the ability to both identify and resolve errors is diminished.

## Similar conditions previously reported

A condition similar to point 7.2 was noted in our prior audit report.

## Recommendations

The Public Administrator:

- 7.1 Reconsider the necessity of purchasing gift cards for wards. If gift cards are necessary, establish records to properly account for gift



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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.

- 7.2 Maintain running book balances and reconcile bank balances monthly.

## Auditee's Response

*The Public Administrator provided the following written responses:*

- 7.1 *As Public Administrator, appointed to be guardian-conservator for my wards, I work with Division of Family Services on a daily basis. To meet eligibility for Medicaid they cannot have more than \$999. The money they have does not come from said division and must be spent on the ward. The money they have in their personal account is not owed to the state and would not be refunded to the state until they were deceased. For example, if a ward had \$1,299 in an account, I would need to purchase clothing, TV, etc. Sometimes they don't need clothing, so I might buy a \$200 and a \$100 gift card, which cannot be redeemed for cash, but could purchase clothing later or for Christmas as they need it. I believe I accounted for every gift card purchased in 2009-2010. I have a form for the ward or the administrator to sign. In the case of one ward which lives with his mother, she signs. I do have one ward who lives independently that cannot write, so I give him a card for \$50. If the auditor would have asked, I would have given them the contact number for any or all wards who received gift cards. When the auditor requested a list of gift cards purchased, I understood that they only wanted 2010. I listed one as a gift card sent to the ward, but when I asked the facility for a receipt they showed it to be cash. I sent the copy of the receipt to the State Auditor's Office. There was a gift card I mailed to a ward at Christmas 2010 which was lost. I don't know if I would have detected the card lost or not but when the ward requested clothing I would have. The card was canceled and a new card was issued. The ward now has the new card. The gift cards are purchased solely for the wards. They love receiving them and doing their own shopping. The gift cards I still had in my office totaling \$825 were in their personal check books. I produced every original ticket with the check stapled to it for the auditor. I will follow the recommendation of the auditor and will not purchase any gift cards in future.*
- 7.2 *I always balance my ward's check books monthly and do a reconciliation on the back of the statement. As for the running*



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*balance, until I receive the statement from the bank to check all automatic deposits, it would not be accurate. My account for fees paid to the county, are paid at the end of the month. One month out of twenty four I had a small balance. I will follow the auditors recommendations.*

## **8. Prosecuting Attorney Controls and Procedures**

Weaknesses exist in accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected approximately \$87,000 and \$101,000 during the years ended December 31, 2010 and 2009, respectively.

### **8.1 Segregation of duties**

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

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review to ensure the bank records are in agreement with the accounting records.

### **8.2 Depositing and posting procedures**

Receipts are not deposited timely. Deposits are normally made every 2 weeks. In addition, amounts recorded on manual receipt slips are not reconciled to the Prosecuting Attorney's bad check accounting system and deposits. As a result, the Prosecuting Attorney's clerk did not record a receipt, received on January 5, 2011, and deposited on January 14, 2011, into the bad check accounting system until January 26, 2011, after we brought it to her attention. Failure to implement adequate depositing and posting procedures increases the risk that loss or misuse of monies received will go undetected.

### **8.3 Collection of court ordered restitution**

The Prosecuting Attorney has not established adequate procedures to properly track, monitor and collect court ordered restitution due from defendants. Currently, restitution payments are manually recorded on a sheet which is attached to the individual's case file and filed in a cabinet; however, the Prosecuting Attorney does not have any type of system set up to alert office personnel when restitution payments are due or a defendant's probationary period is nearing completion. For example, on May 13, 2010, the court ordered restitution totaling \$1,249 be paid by a defendant by March 13, 2011. The Prosecuting Attorney's clerk was not aware that \$1,149 of the restitution was still due until we brought it to her attention on March 14, 2011. The Prosecuting Attorney's office subsequently collected the full amount of restitution on May 4, 2011. Adequate procedures for tracking and follow up of delinquent accounts is necessary to facilitate monitoring amounts due, provide information to the judge, and improve



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accountability. Failure to implement procedures to adequately track and monitor restitution may result in lost revenue.

#### 8.4 Payment agreements

Defendants are not required to sign a payment agreement for bad check restitution to document the amounts owed and establish a subsequent payment schedule. A payment agreement signed by the defendant could aid in collection of amounts owed.

#### 8.5 Disbursement of restitution

Restitution is not always disbursed to victims in a timely manner. The Prosecuting Attorney's secretary indicated bad check restitution payments are held until the full amount owed is received before disbursing to the victim. She also indicated the Prosecuting Attorney's office holds court ordered restitution payments until a significant amount is received before disbursing to the victim. For example, court-ordered restitution payments received in 2008 and 2009 totaling \$80 are still held by the Prosecuting Attorney and have not been disbursed to the victim. In addition, the defendant in this case still owes \$220, but was released from probation in May 2009, and the Prosecuting Attorney's secretary indicated she has been unable to locate the defendant to collect additional amounts owed. Several other instances were noted where restitution payments were held for long periods of time before disbursement to the victims. Procedures should be established to ensure restitution is disbursed to the victims in a timely manner.

#### Similar conditions previously reported

Conditions similar to points 8.1 and 8.2 were noted in our prior audit report.

#### Recommendations

The Prosecuting Attorney:

- 8.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 8.2 Deposit receipts on a timely basis and reconcile manual receipt slips to amounts recorded on the bad check accounting system and deposits.
- 8.3 Develop procedures to adequately track and monitor unpaid restitution and take steps to maximize collections.
- 8.4 Establish payment plans and require signed agreements for cases with outstanding receivables.
- 8.5 Disburse restitution to victims in a timely manner.



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## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 8.1 *I currently do review the bank statements and checkbook on a regular basis to ensure the propriety and also check amounts against open items. We have one person who does only child support on a grant and one who only does victim advocate grant.*
- 8.2 *Deposits are now being made in a timely manner. Receipt numbers are now being added to the deposit slips.*
- 8.3 *There is currently a procedure in place to track restitutions. That procedure is Outlook Express-Task Manager, which does set an alert 1-month prior to the probation expiring. In addition, once a year we will have a file review for every "open case" in the office.*
- 8.4 *We do not require the defendant to sign payment agreements for bad checks, as we oftentimes receive checks from different merchants on different dates for the same defendant. We can and will develop a restitution-tracking sheet for both the Prosecuting Attorney and defendant to sign.*
- 8.5 *We will continue to disburse restitution in a prompt manner. Occasionally, money is held temporarily until 1 victim can be paid or 1 whole check can be paid.*

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## 9. Support the Handicapped Board

The Support the Handicapped Board processed some payments to the local sheltered workshop without obtaining adequate supporting documentation as required by the contract. For example, a \$6,000 payment made in November 2010, to the sheltered workshop was not supported by invoices as required by the contract. The payment was for a forklift and a loading ramp. Additionally, the contract with the workshop does not require bids be obtained and the sheltered workshop did not obtain bids for ceiling repairs totaling \$5,100 disbursed in December 2010.

All disbursements should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds. To ensure the workshop receives the best and lowest price and all interested parties are given an equal opportunity to participate, the Board should include bid requirements in the contract.

A similar condition was noted in our prior audit report.

## Recommendation

The Support the Handicapped Board ensure adequate supporting documentation is obtained and retained for all disbursements as required by the contract. In addition, the Board should revise the contract to require bids



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be solicited on large purchases and documentation of bids be submitted when required.

## Auditee's Response

*The Support the Handicapped Board provided the following written response:*

*The Support the Handicapped Board agrees that all funds approved by the Board shall be paid only when the request for disbursement is supported by documentation to ensure the sheltered workshop receives the best and lowest price for all large purchases using public funds and that all interested parties are given an equal opportunity to participate, as required by Section 50.660, RSMo.*

*The Board further agrees to review the 2007 contract between the Board and the sheltered workshop to consider revision to require bids be solicited on large purchases using public funds as required in Section 50.660, RSMo, and documentation of bids be submitted with requests for disbursement.*

*The Board agrees that all disbursements shall be supported by paid receipts or vendor invoices, and this documentation should be retained as evidence the obligations were actually incurred, and the disbursements represent appropriate use of public funds.*

# Douglas County

## Organization and Statistical Information

Douglas County is a county-organized, third-class county. The county seat is Ava.

Douglas County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 70 full-time employees and 13 part-time employees on December 31, 2010.

In addition, county operations include the Support the Handicapped Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
James D. (Butch) Linder, Presiding Commissioner	\$	24,572
Richard Mitchell, Associate Commissioner		25,080
Danny Dry, Associate Commissioner		25,080
Tina Boyd, Recorder of Deeds		38,000
Karry Davis, County Clerk		34,200
Christopher D. Wade, Prosecuting Attorney		40,500
Chris Degase, Sheriff		42,000
Kathy Potter, County Treasurer		34,200
Rick Miller, County Coroner (1)		3,667
Mark Pearson, County Coroner (1)		5,500
Linda Coonts, Public Administrator		38,000
Laura Stillings, County Collector year ended February 28 (29),	34,200	
Alicia Miller-Degase, County Assessor , year ended August 31, (2)		10,292
Danny Gray, County Assessor , year ended August 31, (2)		23,750
Ray Riggs, County Surveyor (3)		N/A

- (1) Rick Miller was appointed in September 2010, to replace Mark Pearson who resigned in June 2010.
- (2) Alicia Miller-Degase was appointed in May 2010, to replace Danny Gray who resigned in April 2010.
- (3) Compensation on a fee basis.



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American Recovery and  
Reinvestment Act of 2009  
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A \$17,379 Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice for payroll costs for a law enforcement position for 6 months and law enforcement and prosecution equipment. During the 2 years ended December 31, 2010, \$17,379 was expended and received by the county related to this grant. The county spent \$16,079 for payroll and \$1,300 for equipment. After grant funds were utilized, the county continued to fund the law enforcement position.