



Office of Missouri State Auditor
Nicole Galloway, CPA

New Madrid County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of New Madrid County

Property Tax System	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not prepare or verify the accuracy of the delinquent tax books and the county has not adequately restricted property tax system access.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Office Manager does not issue receipt slips for some monies received, reconcile receipt slips issued to the deposits and the monthly fee reports, or prepare a monthly list of liabilities and reconcile the list to available cash balances. Also, the Sheriff does not have proper controls and procedures in place to ensure collection of amounts billed for inmate transportation reimbursement or transmittal of amounts received, and his 2 signature stamps and blank checks are not adequately controlled.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The Prosecuting Attorney's office does not reconcile receipts to fees transmitted.
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 **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

New Madrid County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of New Madrid County

We have audited certain operations of New Madrid County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beussink, Hey, Roe & Stroder, LLC, Certified Public Accountants, has been engaged by the county to audit the financial statements of New Madrid County for the year ended December 31, 2016. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

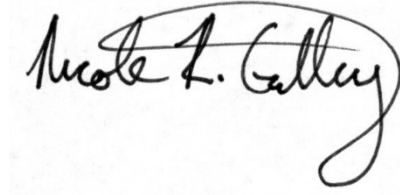
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 applicable contract, grant agreement, 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 New Madrid County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Shannon Spicer, MBA
Audit Staff:	Sherrye Lesmes
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New Madrid County Management Advisory Report State Auditor's Findings

1. Property Tax System

The property tax system controls and procedures need improvement. The County Collector's office processed tax collections and other revenues of approximately \$21.4 million during the year ended February 28, 2017.

1.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatement, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector. Such procedures are intended to establish checks and balances related to the collection of property taxes.

1.2 Tax books

The County Clerk does not prepare or verify the accuracy of the delinquent tax books. The delinquent tax book is prepared by the County Collector. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A documented review of delinquent tax books should include recalculating tax book totals and charges. Failure to perform adequate and documented reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Section 140.050, RSMo, requires the County Clerk to extend the delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

1.3 Tax system access

The county has not adequately restricted property tax system access. The County Collector and a deputy collector have access rights in the property tax



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system allowing changes to be made to individual tax records. Because the County Collector is responsible for collecting tax payments, good internal controls require the County Collector and other office staff not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

Without adequate segregation of incompatible duties, there is an increased risk of loss, theft, misuse, or errors occurring and going undetected. In addition, due to the lack of oversight of the County Collector's office activities (as explained in section 1.1), any erroneous or improper changes made in the system by the County Collector could go undetected.

Similar conditions previously reported Recommendations

Similar conditions to sections 1.1 and 1.3 were noted in our prior audit report.

- 1.1 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 1.2 The County Clerk prepare the delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.
- 1.3 The County Collector work with the County Commission to ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.

Auditee's Response

- 1.1 *The Auditor's finding states that a similar finding was noted in the previous audit pertaining to the County Clerk not maintaining an account book to summarize taxes charged to the County Collector. However, the finding fails to report the fact that an account book had been implemented by the County Clerk after the previous audit as recommended. When the County Collector's office purchased new tax collection software in 2015, the account book was discontinued during the implementation of the new software. The account book was discussed with the onsite audit team during the initial stages of the current audit and was subsequently reinstated in June 2017. For tax year 2017 and going forward the County Clerk and County Commission will utilize the account book to review the accuracy of the County Collector's annual settlements.*
- 1.2 *The County Clerk had not been preparing recent delinquent tax books due to the implementation of the new tax collection software reported in response 1.1. Going forward the County Clerk will prepare the*



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delinquent tax books, utilizing the aforementioned account book to verify accuracy.

- 1.3 *The County Collector will work with the County Clerk and County Commission to determine the areas of the tax collection software that the County Collector will have authorized access to perform required duties. Usernames and passwords will be implemented in the software for access by the County Collector, County Clerk, and County Assessor.*

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected approximately \$181,000 for civil and criminal process fees, bonds, transportation reimbursements, and other miscellaneous fees during the year ended December 31, 2016.

2.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Office Manager is primarily responsible for receipting, recording, and depositing monies; preparing disbursements, bank reconciliations, and the monthly fee report; and billing, receiving, and transmitting monies for inmate transportation reimbursement claims. The Sheriff's reviews do not include a review of detailed receipt and disbursement records. As a result, the recording errors discussed in section 2.2 were not identified during these reviews.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

2.2 Receipting, recording, and reconciling

The Sheriff has not established proper controls or procedures for receipting, recording, and reconciling monies. We noted the following concerns:

- The Office Manager does not issue receipt slips for payments received for inmate transportation reimbursements. These monies are transmitted to the County Treasurer without being receipted or recorded.
- Receipt slips issued are not reconciled to the deposits or to receipts recorded on the monthly fee report used to prepare month-end disbursements. Our review of receipt slips and the monthly fee reports for 2016 identified 3 receipt slips totaling \$150.30 improperly recorded on the monthly fee reports as \$90. As a result, \$60.30 was not disbursed to the County Treasurer.



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Failure to implement adequate receipting, recording, and reconciling procedures increases the risk that loss, theft, or misuse of monies could occur and go undetected. Reconciling receipt slips amounts to the deposits and the monthly fee report is necessary to ensure all receipts are handled and accounted for properly.

2.3 Liabilities

The Office Manager does not prepare a monthly list of liabilities and reconcile the list to available cash balances. We identified \$65 in liabilities at December 31, 2016, which consisted of undistributed receipts (\$60) from 2016 (see section 2.2) and interest earned (\$5) during 2015 and 2016. The Office Manager indicated she has not distributed interest since she was hired in 2013. The available cash balance was only \$56, resulting in a cash shortage of at least \$9.

Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure accounting records are in balance, all amounts received are disbursed, and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained.

2.4 Inmate transportation reimbursement

The Sheriff does not have proper controls and procedures in place to ensure collection of amounts billed for inmate transportation reimbursement or transmittal of amounts received. The County Treasurer's records indicate amounts received for inmate transportation reimbursement claims during 2016 totaled \$22,361.

The Office Manager submits inmate transportation reimbursement claims to the Department of Corrections and files copies of these claims in a folder. As noted in section 2.2, the Office Manager does not record receipt of these payments, but immediately transmits them to the County Treasurer. The Office Manager does not obtain documentation for these transmittals even though the County Treasurer's staff prepare receipt slips, and records are not maintained to determine the status of submitted claims. As a result, the Sheriff or persons independent of the billing and receipting process are unable to determine the amounts collected or otherwise monitor the billed amounts to ensure payments are received and transmitted to the County Treasurer.

Procedures such as independent reconciliations of inmate transportation reimbursements billing records to payments received should be established to ensure reimbursement claims are properly billed, collected, and transmitted to the County Treasurer. Proper records and follow up procedures are also necessary to safeguard against possible loss, theft, or misuse of funds going undetected.

2.5 Signature stamps

The Sheriff's 2 signature stamps and blank checks are not adequately controlled. The Office Manager and the Office Clerk are allowed to apply the stamps to office documents related to bonds and warrants, but the Sheriff does



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not subsequently review use of the stamps. The signatures observed on the 12 monthly fee reports for 2016 were applied with one of the stamps and were not accompanied by the user's initials. In addition, the Office Manager has access to both blank checks and the stamps, and only one signature is required on the checks.

To safeguard against possible loss, theft, or misuse of funds and to ensure disbursements are properly handled, the Sheriff should establish controls over the use of and access to the signature stamps and blank checks. If the Sheriff is unavailable to sign documents, he should subsequently document his review of documents where his signature stamps were used.

Similar conditions previously reported

Similar conditions to sections 2.1, 2.2, and 2.5 were noted in our prior audit report, *New Madrid County Sheriff*, Report No. 2013-113. Additionally, the follow-up report on that audit, *Follow-Up Report on Audit Findings - New Madrid County Sheriff*, Report No. 2014-054, (sections 2.1, 2.2, and 2.6) issued in August 2014, reported the status, at that time, as partially implemented for sections 2.1 and 2.2, and in progress for section 2.6.

Recommendations

The Sheriff:

- 2.1 Segregate accounting duties or ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 2.2 Ensure receipt slips are issued for all monies received and reconciled to deposits and the monthly fee reports.
- 2.3 Prepare a monthly list of liabilities and reconcile the listing to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 2.4 Establish procedures to ensure collection of inmate transportation reimbursement and transmittal of payments received.
- 2.5 Establish controls over the use of and restrict access to the signature stamps and blank checks.

Auditee's Response

- 2.1 *Accounting duties have been segregated between the Office Manager and Deputy Clerk.*
- 2.2 *Receipt slips are now issued for all monies received and reconciled to deposits and monthly fee reports.*



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- 2.3 *A monthly list of liabilities is now prepared and reconciled to available cash balances. Any discrepancies are promptly investigated and resolved.*
- 2.4 *Procedures are being implemented to ensure inmate reimbursements are being received and transmitted.*
- 2.5 *The Sheriff's signature stamps are now controlled by the Deputy Clerk and are kept separate from the blank checks, which are controlled by the Office Manager. There are also new procedures in place requiring the user's signature under the stamped signature and a copy of the stamped document is provided to the Sheriff for subsequent review.*

3. Prosecuting Attorney's Controls and Procedures

3.1 Segregation of duties

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$127,500 in bad check and court ordered restitution and fees during the year ended December 31, 2016.

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The Office Manager is primarily responsible for receipting, recording, and transmitting monies to victims and the County Treasurer. Additionally, both the Office Manager and Child Support Clerk have the ability to issue receipt slips and record adjustments to defendant accounts in the computerized accounting system without independent approval. During the year ended December 31, 2016, office staff made 19 adjustments totaling \$5,607. Neither the Prosecuting Attorney nor other clerks perform documented supervisory or independent reviews of accounting records to ensure all monies received are properly recorded and transmitted or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting records are essential and should include comparing daily receipt activity to transmittals and a review of adjustments made to the accounting system.

A similar condition was noted in our prior audit report. Additionally, our follow-up report on that audit, *Follow-Up Report on Audit Findings - New Madrid County*, Report No. 2014-066, (section 6.1), issued in August 2014, reported the status, at that time, as not implemented.



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3.2 Reconciling and transmitting

The Prosecuting Attorney's office does not reconcile receipts to fees transmitted. The Office Manager records court-ordered restitution payments in a manual receipt slip book and bad check restitution payments in a computerized system. These records are not used to reconcile to the transmittal report prepared for fees transmitted to the County Treasurer. In addition, office personnel do not account for the numerical sequence of receipt slip numbers.

Failure to implement adequate reconciling and transmitting procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Procedures should be established to ensure receipts are reconciled to transmittals and to properly account for the numerical sequence of receipts.

Recommendations

The Prosecuting Attorney:

- 3.1 Segregate accounting duties or ensure an adequate independent or supervisory review of accounting records is performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
- 3.2 Reconcile receipts to transmittals and account for the numerical sequence of receipts.

Auditee's Response

- 3.1 *Because the segregation of accounting duties suggested by the Auditor is unobtainable in an office of this size, the Prosecuting Attorney will perform documented supervisory reviews of all accounting records to ensure all monies received are properly recorded and transmitted or disbursed to the appropriate party.*
- 3.2 *The Prosecuting Attorney will review the report for fees transmitted to the County Treasurer and compare it to the receipt slips issued and the receipt slip that is in turn provided by the County Treasurer. Furthermore, from now on the numerical sequence of receipt slip numbers will be accounted for.*

New Madrid County

Organization and Statistical Information

New Madrid County is a county-organized, third-class county. The county seat is New Madrid.

New Madrid 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. In addition to elected officials, the county employed 72 full-time employees and 19 part-time employees on December 31, 2016.

In addition, county operations include the Senate Bill 40 Board.

Elected Officials

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

Officeholder	2017	2016
Mark Baker, Presiding Commissioner	\$	42,026
Tom Bradley, Associate Commissioner (1)		6,671
Bobby Aycock Jr., Associate Commissioner (1)		33,355
Don Day, Associate Commissioner		40,026
Kim St. Mary Hall, Recorder of Deeds		60,645
Clement Cravens, County Clerk		60,645
Andrew Lawson, Prosecuting Attorney		135,731
Terry M. Stevens, Sheriff		67,384
Steve Riley, County Treasurer		60,645
George DeLisle, County Coroner		21,563
Paula Scobey, Public Administrator		60,645
Dewayne Nowlin, County Collector (2), year ended February 28,	78,652	
Ronnie Simmons, County Assessor, year ended August 31,		59,323

- (1) Tom Bradley served as Associate Commissioner until February 2, 2016. Bobby Aycock, Jr. was appointed Associate Commissioner and sworn into office on February 29, 2016.
- (2) Includes \$17,703 of commissions earned for collecting city and drainage district property taxes.