



Scott Fitzpatrick
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CITIZENS SUMMARY

Findings in the audit of the Dunklin County Sewer District

<p>Missing and/or Misappropriated Money and Sewer Services</p>	<p>From January 1, 2017, through March 5, 2021, money and sewer services totaling at least \$62,579 were missing and/or misappropriated from the district and an estimated additional \$98,096 was not deposited and is likely missing from the district. Payroll overpayments totaling \$54,049 were made to the Bookkeeper; unsupported payments totaling \$4,567 were made to the Board President and the Bookkeeper; sewer services totaling \$3,063 were not paid by the Board President and Bookkeeper; and estimated and actual sewer security deposits and sewer receipts totaling \$98,996 were not deposited by the Bookkeeper.</p>
<p>Nepotism</p>	<p>In violation of the Missouri Constitution, the Board President hired and paid his wife to serve as the Bookkeeper from August 2008 to March 5, 2021. In addition, from March 2020 until March 2021, 14 checks issued to the Bookkeeper, totaling \$23,743, were signed by the Board President. Timesheets or other records of work performed were not prepared or retained to support these payments.</p>
<p>Financial Condition</p>	<p>The sewer district was in poor financial condition as its short-term liabilities significantly exceeded its available cash. The Board failed to monitor the district's cash balances and evaluate whether sewer rates were sufficient to meet district costs. As a result, the district was placed in receivership.</p>
<p>Oversight, Annual Audits, and Bonding</p>	<p>At least 2 vacant Board positions were not filled for more than 4 years leaving the citizens of the district without adequate leadership, representation, and accountability; the existing Board members did not establish adequate oversight over district operations; and only 1 Board member's signature was required on district checks. Also, Board members that signed checks from January 2017 to February 2020, indicated in sworn testimony they signed blank checks in advance and signed other checks without reviewing the related invoices, and the Board President signed most checks from March 2020 until March 2021, including checks issued to himself and his wife. The Board also did not obtain annual audits as required by state law and United States Department of Agriculture (USDA) bond agreements, and did not obtain bond coverage for district officials responsible for receipts and disbursements.</p>
<p>Payroll and Related Matters</p>	<p>The Bookkeeper did not ensure payroll tax forms were filed and payroll taxes were remitted timely to the IRS. As a result the sewer district was assessed \$756 in penalties, \$287 in interest, and \$1,881 in additional taxes. Also, as of July 8, 2022, at least \$10,252 was still due to the IRS and significant interest and penalties were still accruing. Additionally, the Bookkeeper did not prepare timesheets or documentation of work performed to support payments made; the district did not maintain/retain personnel policies and personnel files; and the Bookkeeper issued herself pay advances on numerous occasions in violation of the Missouri Constitution.</p>

Accounting Controls and
Procedures

The district's procedures for receipting, recording, and depositing money were poor. The Bookkeeper did not prepare bank reconciliations for any of the district's bank accounts, maintain a checkbook register or book balances, always issue checks in numerical order, or prepare a list of bills or monthly financial reports for Board review. The Board and the Bookkeeper failed to monitor the sewer district's cash balances and incurred almost \$1,700 in overdraft and minimum balance fees. Additionally, the Bookkeeper did not maintain a listing of refundable customer security deposits held in the Deposit account and made \$10,200 of improper transfers from these restricted funds. We estimated a shortage of \$21,987 in customer security deposits in that account. The Bookkeeper and Board also did not make required bond payments, did not fund bond accounts in accordance with bond agreements, and did not maintain/retain district records.

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

*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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RECOMMENDATION SUMMARY

Recommendations in the audit of the Dunklin County Sewer District

Missing and/or Misappropriated Money and Sewer Services	The Malden City Council continue to work with law enforcement officials regarding criminal prosecution of missing and/or misappropriated money and non-payment of sewer services, and take the necessary actions to obtain restitution.
Payroll and Related Matters	5.1 The Malden City Council ensure district payroll tax returns are filed and district payroll taxes are remitted to the Internal Revenue Service (IRS) timely, and take immediate action to pay amounts due. In addition, the Bookkeeper's W-2 forms should be amended as appropriate.