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Missouri State Auditor

New Madrid County



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of New Madrid County

Public Administrator Controls and Procedures	<p>Numerous problems were noted with the former Public Administrator's procedures and records. The Public Administrator withdrew \$2,178 from the Trust Fund bank account, closed the account and claimed these were his personal funds, but he could not prove that \$602 of this money was his, and these monies are owed to various wards/estates. He also owes the county \$240 because he requested reimbursement for the same expenses twice. The Public Administrator did not timely distribute some funds to wards/estates, and lacked adequate supporting documentation for \$2,034 of indigent expenses. Concerns were noted with the purchases of gift cards, a television, and alcoholic beverages, and providing cash to wards. The Public Administrator did not assess and collect fees from the accounts of some wards/estates, and the Associate Circuit Court does not adequately monitor the activity of cases assigned to the Public Administrator. The Public Administrator cannot account for 249 checks and lacked adequate supporting documentation for some disbursements from ward bank accounts.</p>
Personnel Policies and Procedures	<p>The county does not compensate some employees for overtime in compliance with its overtime policy and the Fair Labor Standards Act of 1938 (FLSA) requirements. The county has not followed its own personnel policies regarding employee leave, some policies and practices conflict with other payroll records and personnel policies, and policies do not adequately address holidays. Employees accrued more compensatory time and carried forward more vacation and leave hours than allowed by county policy. Three Sheriff's office deputies were allowed to accrue compensatory time in excess of 480 hours, in violation of the FLSA. Employee timesheets leave and compensatory time records, and other payroll records were not adequately reviewed, and the County Commission does not require several salaried employees to prepare and submit timesheets.</p>
Disbursements and Budget Amendments	<p>The County Commission is not obtaining information needed to properly monitor the costs and benefits of the county airport. In addition, the County Commission has not solicited bids for airport management services for 10 years and did not justify reasons for considering this a sole source contract. The County Commission has not solicited proposals for health insurance since 2007, and County Commissioner Baker made the motion and voted to approve purchasing health insurance from a broker who is his brother-in-law and County Clerk Cravens' brother. The broker was paid \$14,190 during 2012. The County Commission has not solicited bids for 10 years and did not document justifications for sole source procurements for two service contracts; one for computer systems maintenance with a company owned by the former County Clerk, and the other for repairs and maintenance with a company owned by the former County Highway Engineer. The county does not track days worked by the repairs and maintenance vendor and does not require detailed invoices. During 2012, the county provided 6 not-for-profit organizations a total of \$28,000, but these entities are not contractually obligated to provide documentation on how these funds were spent. Budget amendments contained insufficient information, were not timely completed, and were not filed with the State Auditor's office.</p>

Recorder of Deeds Controls and Procedures	The Recorder of Deeds did not investigate overages in her account, and an overage of \$8,875 exists in this account as of May 31, 2013. The Recorder of Deeds does not prepare monthly bank reconciliations or lists of liabilities, timely record deposits, or maintain a running cash balance, and disburses amounts charged throughout the month even though these amounts have not been collected yet. The Recorder of Deeds does not reconcile the amount and composition of recorded receipts to deposits and does not always deposit receipts intact.
Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector. The County Clerk does not maintain an account book summarizing property tax charges, transactions, and changes, and there is no evidence that procedures are performed to verify the accuracy and completeness of the County Collector's annual settlement. The County Collector and his deputies have unlimited access rights to the property tax system, which could result in the deletion or alteration of data files and programs. The County Clerk does not compare changes initiated by the County Assessor's office to the actual changes made in the property tax system by the County Collector's office. The County Commission and County Clerk do not review and approve court orders in a timely manner, and documentation supporting the removal of old unpaid personal and real estate property tax amounts is not provided to the County Commission for its review.
Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed a supervisory review of accounting records. Receipt slips are not issued for some monies received. The Prosecuting Attorney lacks adequate procedures to properly track, monitor, and collect court-ordered restitution due from defendants and to account for and monitor the disposition of all bad checks submitted for collection.
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**.*

*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 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, was engaged to audit the financial statements of New Madrid County for the year ended December 31, 2012. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. 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 New Madrid County.

An additional report, No. 2013-113, *New Madrid County Sheriff*, was issued in November 2013.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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New Madrid County Management Advisory Report State Auditor's Findings

1. Public Administrator Controls and Procedures

Former Public Administrator Bock withdrew \$2,178 from the Trust Fund bank account in January 2013 and claimed these were his personal funds; however, we determined \$602 of these monies is owed to various wards/estates. He also requested county reimbursement of the same indigent expenses twice and as a result, owes the county \$240. Problems were also noted in the handling of the Trust Fund bank account, fees, annual settlements, and disbursements and checks.

During the year ended December 31, 2012, the Public Administrator served as the court appointed personal representative for 43 individuals (wards) and decedent estates of the Associate Circuit Court, Probate Division. He maintained bank accounts for most wards, but also established a Trust Fund bank account to manage the financial activity of wards and estates that did not have a separate bank account and had minimal ongoing financial activity. The Public Administrator also used the Trust Fund to pay indigent wards' expenses that were subsequently reimbursed by the county.

Unless otherwise specified, references to Public Administrator relate to the former Public Administrator whose term ended December 31, 2012. The current Public Administrator took office in January 2013. Recommendations are directed to the current Public Administrator since she is in a position to work with the Associate Circuit Court and implement changes.

1.1 Trust Fund bank account

The Public Administrator withdrew \$2,178 from the Trust Fund bank account in January 2013, closed the account, and claimed these were his personal funds. However, he could not provide documentation to support that \$602 of the \$2,178 withdrawn were personal funds. The \$602 is owed to various wards/estates.

The Public Administrator deposited both personal funds and county indigent expense reimbursements in the Trust Fund bank account to pay for indigent expenses incurred throughout the year. The County Commission budgets for indigent expenses to be paid from the General Revenue Fund each year, and as a result, it may not have been necessary for the Public Administrator to deposit personal funds into the Trust Fund bank account to pay these expenses.

The Public Administrator also held funds belonging to 5 wards in the Trust Fund bank account for more than one year, which could have been distributed to the ward/estate in a more timely manner. One ward was deceased and the estate was closed in 2011, and amounts held for 3 other wards could have been distributed to accounts maintained by residential facilities. The Public Administrator had no explanation for not distributing funds to these wards timely. Some of these monies were distributed to the current Public Administrator, are being held in her Trust Fund bank account,



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and have not been distributed. These funds are the property of the wards and should be distributed to the ward/estate in a timely manner.

Additionally, the Public Administrator did not provide adequate supporting documentation for any of the \$4,998 of indigent expenses requested for reimbursement from the county during the 2 years ended December 31, 2012. The Public Administrator provided the county with a summary of indigent expenses requested for reimbursement, not actual supporting documentation (paid receipts, invoices, or other detailed documentation). At our request, the Public Administrator provided supporting documentation for \$2,964 of the \$4,998 reimbursed; but did not have supporting documentation, other than cancelled checks, for the remaining \$2,034.

Our review of the supporting documentation provided, reimbursement requests, and activity of the Trust Fund bank account noted the following additional concerns:

- The Public Administrator did not properly account for 21 gift cards purchased totaling \$525 during the 2 years ended December 31, 2012, and did not obtain documentation from wards or wards' residential facilities verifying receipt of the gift cards. As a result, there is no assurance the wards received the gift cards.
- The Public Administrator did not document which ward received a television costing \$128 and did not include the television in any ward's inventory. We were unable to determine who received the television.
- The county reimbursed the Public Administrator \$240 for the same expenses included on two separate reimbursement requests.
- The Public Administrator requested reimbursement from the county's indigent funds for alcoholic beverages purchased on behalf of a ward on at least 3 documented occasions. The Public Administrator indicated he purchased alcoholic beverages and requested reimbursement from these indigent funds on more than just these 3 occasions. While documented amounts total only \$25, these purchases appear unnecessary and the County Clerk indicated indigent funds were not to be used to purchase alcoholic beverages.
- The Public Administrator did not always obtain documentation from the wards or wards' residential facilities verifying the receipt of cash. As a result, there is no assurance the wards received the cash. The Public Administrator cashed 3 Trust Fund checks payable to himself or the bank totaling \$100 to provide personal spending monies for individual wards.



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Further, the Associate Circuit Court does not review the activity of the Trust Fund bank account. While the Public Administrator listed the bank balance of this account along with ward bank accounts at the end of each calendar year, the Associate Circuit Court did not review the receipts and disbursements of this account.

Monies used by the county to reimburse the Public Administrator for indigent expenses represent public funds and officials have a fiduciary responsibility to ensure disbursements are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation, the county cannot determine the validity and propriety of the disbursements and prevent duplicate payments. Because the financial activity of the Trust Fund bank account was not submitted for review, the court had no assurance financial activity of the Trust Fund was proper.

1.2 Fees

The Public Administrator did not assess and collect fees from the accounts of some wards and estates. Section 473.742, RSMo, provides all fees collected by a Public Administrator who elects to be salaried are to be deposited into the county treasury. In 2012, the Public Administrator turned over \$960 in fees to the county. These fees were applicable to just one ward.

The Public Administrator indicated he did not typically petition the court for fees/expenses because the wards/estates lacked adequate funds to pay the fees/expenses. However, it appeared adequate funds were available for some wards/estates. Seventeen of the 43 wards/estates had assets valued between \$500 and \$67,500 at December 31, 2012.

To ensure fees are properly assessed against the accounts of the wards and estates and remitted to the county treasury, the Public Administrator should work with the Associate Circuit Judge to establish a policy for fees to be assessed.

1.3 Annual settlements

The Associate Circuit Court does not perform sufficient reviews of the activity of cases assigned to the Public Administrator. The court reviews annual settlements submitted, but the review of disbursements is limited to verifying the accuracy of amounts reported by reviewing cancelled checks. The Public Administrator did not file supporting documentation such as invoices with the Associate Circuit Court when filing annual settlements.

Without such documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring such supporting documentation be filed with the court.



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1.4 Disbursements and checks

The Public Administrator did not obtain adequate supporting documentation for some disbursements from individual ward bank accounts. In addition, the Public Administrator did not always issue checks in numerical sequence and properly deface and retain voided checks.

Adequate supporting documentation was not retained for the following disbursements from various wards bank accounts during 2012:

- Checks totaling \$3,884 were issued to a caregiver for household expenses. No supporting documentation, other than cancelled checks, was obtained from the caregiver to support the expenses.
- Checks totaling \$3,900 were issued to various wards and a ward's caregiver for personal expenses and birthday monies; however, the wards and caregiver did not sign a receipt indicating monies had been received from the Public Administrator.
- The Public Administrator bought a used wheelchair from an individual for \$275 using funds from a ward's bank account, but no invoice or supporting documentation, other than a cancelled check, was retained and the wheelchair was not added to the ward's inventory.

Additionally, checks were not issued in numerical sequence for three ward bank accounts reviewed, and in one instance the Public Administrator was using two checkbooks simultaneously for one ward.

Further, the Public Administrator cannot account for 213 checks (which were not listed on annual settlements and are unaccounted for) from 13 individual ward bank accounts during the 2 years ended December 31, 2012. In addition, 36 checks from the Trust Fund bank account for the period October 2008 to December 2012 were skipped and are unaccounted for. According to the Public Administrator, all of these checks (ward and trust accounts) had been voided, were torn and thrown away, and were not retained in case files.

To ensure payments are valid and proper, the Public Administrator should maintain adequate supporting documentation for disbursements. To properly account for all disbursements, checks should be issued in numerical sequence and recorded in numerical sequence on check registers, and voided checks should be properly defaced and retained.

Recommendations

- 1.1 The Public Administrator work with the Associate Circuit Judge and County Commission to seek reimbursement of amounts owed from the former Public Administrator. The County Commission should require adequate supporting documentation be submitted for indigent expense reimbursement requests. The Public Administrator



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should establish procedures for the proper handling of the Trust Fund bank account, and the Associate Circuit Judge should require the Public Administrator to submit documentation of the Trust Fund bank account activity.

- 1.2 The Public Administrator work with the Associate Circuit Judge to ensure fees are appropriately assessed and paid to the county.
- 1.3 The Associate Circuit Judge establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as invoices to be filed with the court.
- 1.4 The Public Administrator ensure disbursements are supported by adequate documentation, checks are issued in numerical sequence and recorded in numerical sequence in the check registers, and all voided checks are properly defaced and retained.

Auditee's Response

The current Public Administrator provided the following written responses:

- 1.1 *The former Public Administrator has reimbursed the County the amounts owed and has reimbursed this Public Administrator with amounts owed.*

Personal funds will no longer be deposited into the Public Administrator Trust account for indigent individuals. This Public Administrator will request advancements, from time to time, for funds from the County to come out of the indigent line item as approved on the county budget. Once the advancement is getting close to being spent, this Public Administrator will provide proof to the County of the expenditures made from said funds and request another advancement. This will start as of October 28, 2013.

The former Public Administrator distributed to the current Public Administrator funds held in his trust account for six wards and the balance of restitution payments received by his office but not yet distributed. This Public Administrator determined how to distribute these restitution payments and these payments have since been distributed. This Public Administrator has also distributed money belonging to three of the six wards already. A Petition is now pending to distribute the fourth. As to the other two, it is very complicated, and this Public Administrator has not ignored the problem and has researched trying to find a solution and steps will be taken to dispose of these two accounts if at all possible.



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All receipts will be obtained by this Public Administrator. If personal property is purchased for a ward out of indigent funds, this Public Administrator will supply not only the cancelled check and receipt, but a receipt from ward or facility that the ward did in fact receive said property.

It is the opinion of this Public Administrator that the Associate Circuit Court did not audit the trust account since it was not an estate account and felt it had no authority to do so. The private auditors were notified of this every year. This Public Administrator will supply to the Court, at any time, a settlement and/or anything the Court may request as to the Trust account. It should be noted that all activity in the Trust account, which concerned an estate was reported to the Court on the annual status report filed with the Court yearly.

- 1.2 *This Public Administrator will petition the Court for fees. If the estate lacks the funds necessary to pay said fee, this Public Administrator will so advise the Court to leave fee bill outstanding and will further notify the Court when funds become available to satisfy the bill.*
- 1.3 *It is the opinion of this Public Administrator that the Court did perform sufficient review of the settlements. Per Section 473.543, RSMo, "...Each expenditure of more than seventy-five dollars for which a personal representative claims credit in any settlement shall be supported by vouchers executed by the person to whom the disbursement was made or other documentation, such as an electronic copy of a check or a bank statement..." All checks and bank statements were filed with the settlement and if the Court needed further documentation, it was supplied. Having said this, this Public Administrator has no problem with not only supplying the Court with the cancelled checks and bank statements but with all receipts that were obtained and has, in fact, done so since taking office.*
- 1.4 *Supporting documentation will be obtained for all disbursements, checks will be written and recorded in numerical order, and any voided checks will be defaced and kept in the file.*

The Associate Circuit Judge provided the following written responses:

- 1.1 *The Court has been advised that the former Public Administrator has paid a sufficient amount of funds to resolve this issue.*



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In the event the Public Administrator purchases personal property for a ward (T.V., Gift Card, Clothes, etc.), the Public Administrator will be asked to secure a signed receipt from the ward or from administrative personnel at the ward's facility. The Court will suggest an in Chamber conference with the Public Administrator bi-annually to review the Trust Account activity. The Court would ask that the Public Administrator provide the Trust Account bank statements, her internal check ledger, and invoices or receipts for respective purchases for review. In the event the Court is not satisfied with certain disbursements, the Court will request further written documentation to support the same.

1.2 *The Court will request the Public Administrator to submit request for fees in all estates unless the Court otherwise orders. The respective fee bills will be satisfied as allowed. In the event funds are not sufficient to satisfy the fee bills, the Court will leave the fee bills outstanding should the ward's estate realize future assets.*

1.3 *Henceforth, the Associate Circuit Court will require the Public Administrator to attach to her annual settlements all receipts, invoices, or other written verification in support of her disbursements. The Court will also request the Public Administrator to note any void or lost checks on the annual settlements so as to avoid confusion and insure that there are no unaccounted for outstanding disbursements.*

The County Commission provided the following written response:

1.1 *The County has received reimbursement from the former Public Administrator for indigent expenses that were reimbursed twice. Going forward the County will require supporting documentation for all reimbursement requests.*

2. Personnel Policies and Procedures

2.1 Personnel policies

Controls and procedures over payroll disbursements need improvement.

The county does not compensate some employees for overtime in compliance with its overtime policy and the Fair Labor Standards Act of 1938 (FLSA) requirements. In addition, the county has not always followed its own personnel policies regarding employee leave, personnel policies do not adequately address holidays, and various policies provide conflicting guidance and do not match overtime handling per payroll records.

- Nonworking time (vacation, sick leave, compensatory time taken, and holidays) is included in total hours worked for some employees



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when determining the amount of overtime earned by employees, which is not allowed by county policies and not required by the FLSA. As a result, the county is allowing employees to accrue more compensatory time than required. For example, a road and bridge department employee was paid 10 hours of overtime during a week he had taken 10 hours of sick leave, reported a 10-hour holiday, and reported 30 hours worked on his timesheet.

- According to county leave records, 3 Sheriff's office deputies accrued compensatory time in excess of the maximum balance allowed by the FLSA. As of January 1, 2013, these deputies had compensatory time balances of 495 hours, 572 hours, and 567 hours. The FLSA restricts the accumulation of compensatory time for law enforcement personnel to a maximum of 480 hours; hours exceeding this amount must be paid in wages on the next pay date. In addition, county policy indicates compensatory time cannot be carried over from year to year, unless approved by the officeholder.
- Six employees carried forward vacation hours ranging from 262 to 651 hours from December 2012 to January 2013 when the maximum allowed by county policy is 240 hours.
- Two employees carried forward sick leave hours of 908 and 938 hours from December 2012 to January 2013 when the maximum allowed by county policy is 900 hours.
- The county and Sheriff's office personnel policies do not adequately address holiday leave. Personnel policies indicate an employee will receive an additional day off to accommodate for working on a holiday. However, some county employees work 7.5-hour days, while others work 10 and 12-hour days. Employees who work 12-hour days receive 12 hours of holiday leave, and employees who work 10-hour days receive 10 hours of holiday leave, while those who work 7.5-hour days receive 7.5 hours of holiday leave. As a result, those employees who work 12 and 10-hour days receive up to 32 more hours of holiday leave each year than other county employees.
- Payroll records and the Sheriff's office and county's personnel policies do not consistently address how overtime will be calculated. Both the county and Sheriff's office personnel policies indicate overtime is to be paid at time and one-half for any hours over 40 hours in a work week, and the county pays overtime in this manner. However, a separate section of the Sheriff's office policy manual states that time will be computed on the basis of 171 hours per month. The County Clerk's salary schedule for all county employees indicates commissioned officers annual salaries are based upon 171 hours in a 28-day pay



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period, even though the county pays on a monthly pay period. Further, the Sheriff indicated he believed his deputies were supposed to be compensated for overtime hours worked in excess of 171 hours in a 28-day period.

- Dispatchers work schedules are based on a payroll workweek beginning on Sunday and ending on Saturday, while the personnel policy and county's payment practice is based on a payroll workweek of Monday through Sunday at midnight.

Unclear policies and allowing employees to carry leave or compensatory balances in excess of county policy or the FLSA may result in unnecessary costs to the county and inequitable treatment of employees.

To ensure employees are treated equitably and are properly compensated, strict compliance with personnel policies and the FLSA requirements is necessary, and personnel policies and related payroll records should be updated to reflect the county's intended and actual practices.

2.2 Reviews

The County Clerk's office and other supervisory officials do not perform adequate reviews of employee timesheets, leave and compensatory time records, and other payroll records, increasing the potential for errors to go undetected. For example, according to payroll records submitted by a Sheriff's office deputy, 194.5 hours of overtime was worked during the period December 16, 2011, through February 15, 2013. The overtime was paid by the county using drug task force grant funds at the time it was worked and was also reported on county timesheets, resulting in 291.75 (194.5 hours at time and one-half) additional hours of compensatory time being accrued. In addition to potentially preventing or identifying this problem, more thorough reviews should have detected the various problems addressed in section 2.1.

Adequate reviews by the County Clerk's office and supervisory officials are necessary to ensure the accuracy of timesheets and leave records.

2.3 Timesheets

The County Commission does not require the Emergency Management Director, 911 Administrator, Flood Plain Administrator, Assistant Coroner, and Search and Rescue Director to prepare and submit timesheets or other records documenting work performed. These are salaried employees who are essentially on call on a 24-hour basis and do not have established work schedules or set number of hours required to work each pay period.

Detailed time sheets would document hours actually worked, provide information necessary to monitor tasks performed, and are beneficial in demonstrating compliance with the county personnel policy and FLSA requirements.



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Recommendations

The County Commission:

- 2.1 Ensure compliance with county overtime and leave policies and the FLSA. The County Commission should also revise personnel policies as needed.
- 2.2 Ensure adequate reviews of timesheets, leave records, and other payroll records are performed and adjust compensatory time records for duplicate hours reported.
- 2.3 Ensure all county employees prepare and submit a timesheet or other documentation of work performed.

Auditee's Response

The County Commission provided the following written responses:

- 2.1 *The County Clerk's office is establishing procedures to monitor overtime and leave policies. The personnel policy will be revised to address the issues concerning holiday leave and the calculation of overtime for Sheriff's office employees.*
- 2.2 *The County Clerk's office will review all timesheets, leave records, and other payroll records for accuracy prior to processing payroll each month, and adjust compensatory time records for duplicate hours reported.*
- 2.3 *The County considers the salaries paid to the Emergency Management Director, 911 Administrator, Floodplain Administrator, Assistant Coroner, and Search and Rescue Director as minimal stipends for the services performed in these positions due to the random nature of the duties of these positions. The Commission is confident that the individuals serving in these positions perform their duties exceptionally for the salaries they receive and do not feel that timesheets are needed.*

Auditor's Comment

- 2.3 Without timesheets, the county has no assurance the amount paid and time worked is reasonable and appropriate, and cannot ensure compliance with FLSA.

3. Disbursements and Budget Amendments

Controls and procedures related to county disbursements and budget amendments are in need of improvement.

3.1 County airport

The County Commission is not obtaining information needed to properly monitor the costs and benefits of maintaining the county airport.



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Additionally, the County Commission has not solicited bids for these services in the past 10 years and indicated it was a sole source contract. However, the County Commission did not document their justification for sole source procurement.

The county pays a vendor \$15,600 annually to manage the county airport and disbursed another \$60,505 for airport repairs and upkeep during the year ended December 31, 2012. According to the 2013 budget document, the county anticipated receiving an aviation grant totaling \$542,000 and planned to spend \$603,500 for airport improvements during the year ended December 31, 2013.

The contract with this vendor provides for the vendor to retain all airport hangar rental income and fuel and oil concessions, but does not require this income be reported to the county, and the county does not obtain this information from the vendor. Without such information, the county cannot monitor the costs and benefits or reasonableness of the contract. The contract also requires the county to furnish the necessary equipment, supplies, and chemicals for upkeep of the airport. The county has remained in this long-term arrangement without sufficient information that would help in periodically evaluating the contract.

To effectively monitor the costs and benefits of operating the county airport, hangar rental income and fuel and oil concession information should be obtained from the vendor. Soliciting proposals for services is a good business practice, helps provide a range of possible choices, and allows the county to make better-informed decisions to ensure necessary services are obtained from the best qualified provider taking expertise, experience, and cost into consideration. To help ensure county funds are spent wisely and in the best interest of taxpayers, a cost-benefit analysis of the county airport should be performed.

3.2 Health insurance

The county has not solicited proposals for health insurance since 2007, and paid approximately \$821,000 for employee health insurance for the year ended December 31, 2012. The insurance broker received \$14,190 of this amount for his services.

The health insurance broker is County Clerk Cravens' brother and County Commissioner Baker's brother-in-law. Commissioner Baker made the motion and voted to approve purchasing the health insurance from this vendor/broker according to the November 17, 2011, and December 13, 2012, meeting minutes.

As elected officials, County Commissioner Baker and County Clerk Cravens serve in a fiduciary capacity and have an obligation to the public to avoid the appearance of impropriety. The Commission should ensure its



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members abstain from any decision to contract with a related party and ensure that action is fully documented in the meeting minutes. In addition, to help prevent actual or the appearance of conflicts of interest, discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented. Soliciting bids or proposals helps ensure the county receives fair value for the monies spent on services, and Section 67.150, RSMo, requires competitive bidding at least every 3 years for health insurance.

3.3 Bidding and monitoring of contracts

The County Commission had not solicited bids in the last 10 years and did not document their justification for sole source procurement for two service contracts. One of these contracts is for maintenance of the county's financial, assessment, and property tax system. The company providing this service is owned by the former County Clerk, and \$27,431 was paid to this company during 2012. The other contract is for general repair and maintenance of county buildings and grounds. The company providing this service is owned by the former County Highway Engineer and \$15,000 was paid to this company during 2012. Additionally, the county's contract with the repair and maintenance vendor requires the vendor to work a minimum of 156 days of the year on county repair and maintenance projects; however, the county does not track how many days of the year the vendor works, does not maintain a list of repair and maintenance projects, and monthly vendor invoices request payment of 1/12 of the \$15,000 contract amount only and do not detail what work was performed.

Written contracts with various not-for-profit organizations do not require the organizations to provide documentation of how county funds were spent. During 2012, the county provided funds totaling \$28,000 to 6 not-for-profit organizations. Without obtaining and properly reviewing adequate supporting documentation, the county cannot determine the validity and propriety of the disbursements made to the NFP organizations and ensure monies are spent as intended by the county.

Section 50.660, RSMo, provides bidding requirements. 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. Contract monitoring and documentation of compliance with contractual requirements are necessary to ensure county funds are used for necessary, reasonable, and appropriate purposes and to ensure compliance with contract terms.

3.4 Budget amendments

Budget amendments were not filed with the State Auditor's office, budget amendment documents prepared by the County Commission were not



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completed in a timely manner, and the information contained in the budget amendment documents was not sufficient.

Budget amendments were not made until December 27, 2012. The county's procedure is to prepare an amendment near the end of each year to adjust budgeted receipts and disbursements to actual (for only the funds needing amendments). The amendment amounts are sometimes significant. For example, the County Commission amended the budgeted disbursements for the Recorder Special Fund by \$13,051 and Prosecuting Attorney Check Collection Fund by \$18,675, for the year ended December 31, 2012. Prior to the amendments, disbursements had exceeded the original budgeted amounts.

In addition, budget amendment documents prepared by the County Commission included only the fund, account number, and the amended amount, and did not report the original amount budgeted. Also, 2012 budgeted amounts reported on the 2013 budget were inaccurate; the original 2012 budgeted amounts and not the amended amounts were reported.

Timely and complete budget amendments result in a more accurate budget and more effective planning tool, and help ensure compliance with state law. The County Commission should properly monitor actual disbursements compared to budgeted amounts and formally amend the budget before incurring the related disbursements.

Recommendations

The County Commission:

- 3.1 Periodically solicit proposals for airport management services and ensure adequate documentation is maintained to support the evaluation and selection process. In addition, the county should ensure the contract includes appropriate criteria which provides a means to monitor contractor performance and requires pertinent financial information be provided to the county.
- 3.2 Refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law and the selection process is documented.
- 3.3 Ensure bids are solicited for all applicable purchases of goods or services in accordance with state law, and obtain adequate supporting documentation to allow monitoring and oversight of contract requirements and expenditures.
- 3.4 Ensure formal budget amendments are filed with the State Auditor's office and are made prior to incurring related expenditures and budgeted amounts reported for prior years are accurate.



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Auditee's Response

The County Commission provided the following written responses:

- 3.1 *The County Commission will solicit proposals for airport management services at the end of each three year contract period and will maintain documentation to support the evaluation and selection process. Future contracts will require submission of financial information by the contractor relating to hanger rentals and fuel sales. The current contract, which expires in March 2015, will be amended to require submission of the aforementioned financial information.*
- 3.2 *The County Commission will solicit proposals for health insurance every three years as required, beginning with the 2014 renewal, and will maintain documentation to support the selection process. In regards to the health insurance broker being related to a County Commissioner and County Clerk, the broker was providing the County's health insurance prior to the Commissioner and County Clerk becoming office holders, and has been retained as broker in subsequent renewals. In the future, any Commissioner with a conflict of interest will abstain from discussions, motions and voting.*
- 3.3 *The County Commission will solicit bids for the purchase of goods and services as provided in Section 50.660, RSMo, and obtain adequate documentation to allow monitoring and oversight of contract requirements and expenditures.*
- 3.4 *Budget amendments will be made prior to incurring related expenditures and amendments will be filed with the State Auditor's office. Also, budgeted amounts reported for prior years will include amended amounts.*

4. Recorder of Deeds Controls and Procedures

The Recorder of Deeds' month-end reconciliation, distribution of fees, and depositing procedures need improvement. The Recorder of Deeds processed approximately \$131,000 during the year ended December 31, 2012.

4.1 Overages, bank reconciliations, and disbursements

The Recorder of Deeds did not investigate overages in her bank account or properly dispose of those monies. An overage of \$8,875 exists in this account as of May 31, 2013. Based on our last audit for the 2 years ended December 31, 1999, and representations made by the Recorder of Deeds, overages have accumulated in this account over several years and have not been resolved.



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Various controls and procedural weaknesses in the office contributed to the unidentified overage in the account. Monthly bank reconciliations and lists of liabilities are not prepared for the Recorder of Deeds' bank account. Deposits are not recorded timely and a running balance is not maintained in the check register. At each month end, the Recorder of Deeds disburses amounts related to charges made throughout the month by various individuals and institutions even though amounts charged have not yet been collected.

Recording deposits timely, maintaining running book balances in check registers, and performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance, is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Prompt follow up on any differences is necessary to ensure reasons can be determined and corrections made. Good business practice requires fees to be collected before making related disbursements to avoid shortages in the account. Further, various statutory provisions provide for the disposition of unidentified monies.

4.2 Deposits

The Recorder of Deeds office does not reconcile the amount and composition of recorded receipts to deposits. In addition, the Recorder of Deeds withholds cash from deposits to maintain a change fund; however, the change fund is not maintained at a constant amount and the amount of the change fund is not tracked.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the composition of receipts should be reconciled to the composition of deposits and all receipts should be deposited intact. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

Recommendations

The Recorder of Deeds:

- 4.1 Dispose of the unidentified overage in accordance with state law, post deposits timely, and maintain running balances in the check register, perform bank reconciliations, and reconcile bank balances to liabilities monthly. Any differences between accounting records and reconciliations should be investigated and resolved. In addition, the Recorder of Deeds should not disburse fees until the related monies are collected.
- 4.2 Reconcile the composition of receipts to the composition of deposits and deposit all receipts intact. If a change fund is needed, it should be maintained at an established amount.



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Auditee's Response

The Recorder of Deeds provided the following written responses:

- 4.1 *I will turn over the overage amount to the county with the understanding the money will be distributed in a prorated manner based upon September 2013 activity. I am posting deposits daily and will begin to run book balances in the checkbook register, perform bank reconciliations, and reconcile bank balances to liabilities monthly. I will not disburse fees until they are collected. On November 1, 2013, I will open a new bank account per auditor instruction.*
- 4.2 *I am checking cash and check composition of receipts to deposits and will deposit all monies on a daily basis. I will keep \$200 of overage to establish a change fund.*

5. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement.

5.1 Review of annual settlements

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector, who processed property tax collections of approximately \$20.3 million during the year ended February 28, 2013. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures are performed 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.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, 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 County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

5.2 Computer access

The county has not adequately restricted property tax system access. The County Collector and his deputies have unlimited access rights in the property tax system, which allows changes to be made to individual tax records throughout the tax year. Because the County Collector and his



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deputies are responsible for collecting tax monies, good internal controls require they not have unlimited system access rights to be able to alter or delete tax rates, assessed values, and property tax billings.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

5.3 Additions and abatements The County Clerk does not perform a comparison of changes initiated by the County Assessor's office to the actual changes made in the property tax system by the County Collector's office. In addition, the County Collector does not submit court orders timely to the County Commission and County Clerk for review and approval. While the County Collector and his deputies post additions and abatements throughout the tax year to the property tax system, the County Collector submits a court order annually summarizing additions and abatements (by year/type) to the County Commission and County Clerk for review. Further, adequate supporting documentation for the removal of old unpaid personal and real estate property tax amounts from the property tax system performed annually by the County Collector is not provided to the County Commission for review and approval.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders (including supporting documentation of the change), along with a comparison of approved additions and abatements to actual changes made to the property tax system, would help ensure changes are proper.

Recommendations

- 5.1 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 settlement.
- 5.2 The County Commission ensure property tax system access is limited to only what is needed for the users to perform their job duties and responsibilities.
- 5.3 The County Clerk and the County Commission ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed, review and approve additions and abatements in a timely manner, and ensure supporting documentation is obtained to support changes for old unpaid property taxes.



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Auditee's Response

The County Clerk and County Commission provided the following written responses:

- 5.1 *The County Clerk will maintain an account book with the County Collector and utilize the account book with the County Commission to review the accuracy of the Collector's annual settlement.*
- 5.2 *After the installation of the new property tax system software, the County will determine the level of access to the system that should be allowed for the Collector's office employees.*
- 5.3 *The County Clerk and County Commission will compare additions and abatements to actual changes in the property tax system to ensure accuracy, review and approve additions and abatements in a timely manner, and ensure supporting documentation is obtained to support changes made.*

6. Prosecuting Attorney Controls and Procedures

Accounting duties are not adequately segregated and supervisory reviews are not performed. Receipting and monitoring procedures are not adequate.

The Prosecuting Attorney's office processed bad check restitution and victim fees, bad check fees, and court-ordered restitution totaling approximately \$52,000, \$22,000, and \$31,000, respectively, during the year ended December 31, 2012.

6.1 Segregation of duties and waivers

The Prosecuting Attorney has not adequately segregated accounting duties or performed a supervisory review of accounting records. The Prosecuting Attorney's secretary is primarily responsible for receipting, recording, and transmitting monies received for bad checks and court-ordered restitution. In addition, the secretary waived bad check fees without the documented approval of the Prosecuting Attorney and did not retain adequate documentation of the reasons for such waivers.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement and document an independent or supervisory review of accounting records. In addition, to ensure all fee waivers are valid, someone independent of the receipting and recording functions should review and approve all waivers, and proper supporting documentation should be maintained for such waivers.

6.2 Receipting

Receipt slips are not issued for some monies received. Manual receipt slips are only issued for court-ordered restitution monies. Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse of monies received will go undetected.



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6.3 Tracking procedures

The Prosecuting Attorney has not established adequate procedures to properly track, monitor, and collect court-ordered restitution due from defendants and does not have adequate procedures in place to account for and monitor the disposition of all bad checks submitted to the office for collection.

Court-ordered restitution payments are manually recorded in the defendant's case file; however, the total restitution amount ordered is not always clearly documented in the case file. Additionally, the Prosecuting Attorney does not have a system set up to alert office personnel when restitution payments are due or a defendant's probationary period is nearing completion. The Prosecuting Attorney's office indicated it is the probation officer's responsibility to ensure restitution is paid.

Bad check complaint forms submitted by merchants when bad checks are turned over to the Prosecuting Attorney for collection are not assigned a sequential tracking number and complaint forms are filed by the date of the 10-day letter. Additionally, the Prosecuting Attorney's office only uses the computerized bad check system to generate letters notifying the bad check writers they have 10 days to pay before charges are filed. While the bad check complaint and disposition information is entered into the computerized bad check system, the system is not utilized to track the collection and disposition of each bad check complaint. The office maintains a manual ledger of bad check complaints (by date the complaint was filed) for purposes of filing charges, however, this manual ledger does not allow for compilation of amounts collected by date.

Adequate procedures for tracking court-ordered restitution is necessary to facilitate monitoring amounts due, provide information to the court, and improve accountability. To ensure bad check complaints are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and the collection and disposition of each bad check should be tracked.

Recommendations

The Prosecuting Attorney:

- 6.1 Adequately segregate accounting duties or ensure an independent or supervisory review of accounting records is performed and documented, and require someone independent of the accounting system to review and approve all waivers and ensure adequate documentation is retained to support such waivers.
- 6.2 Require receipt slips be issued for all monies received.



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- 6.3 Develop procedures and records to adequately track court-ordered restitution and the receipt and disposition of all bad check complaints.

Auditee's Response

The Prosecuting Attorney provided the following written response:

I agree with all recommendations and plan to implement procedures to comply with same.

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 changed classification from a third to second class county effective January 1, 1999, and a county auditor was appointed August 28, 1999, following the repeal of Section 55.041, RSMo, which gave counties becoming second class after September 28, 1987, the option of not establishing the office of county auditor. New Madrid County was reclassified to a third class county again on January 1, 2011, in accordance with Section 48.030, RSMo, which sets forth when counties can change classification based on the changes in assessed valuation. The State Auditor did not have an audit responsibility for New Madrid County or its elected officials from 1999 through 2010.

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. The county employed 72 full-time employees and 12 part-time employees on December 31, 2012.

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	2013	2012
Clyde M. Hawes, Presiding Commissioner	\$	37,263
Mark Baker, Associate Commissioner		35,263
Don Day, Associate Commissioner		35,263
Kim St. Mary Hall, Recorder of Deeds		48,937
Clement Cravens, County Clerk		53,429
Lewis H. Recker, Prosecuting Attorney		113,112
Terry M. Stevens, Sheriff		59,366
Tom Bradley, County Treasurer		53,429
Jimmy McSpadden, County Coroner		17,997
Riley Bock, Public Administrator		51,873
Dewayne Nowlin, County Collector (1), year ended February 28,	74,339	
Ronnie Simmons, County Assessor, year ended August 31,		53,080

(1) Includes \$20,553 of commissions earned for collecting city property taxes.