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Missouri State Auditor

Marion County

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CITIZENS SUMMARY

Findings in the audit of Marion County

Senate Bill 40 Board's Expenditures

The Marion County Services for the Developmentally Disabled (MCSDD) operates a day program and 4 independent supported living homes. The MCSDD has multiple credit cards that are used by employees to purchase fuel, supplies, equipment, and various other items without board approval, and, at times, without appropriate documentation. The MCSDD Board has not adopted formal policies and procedures documenting who should be assigned a credit card or required documentation to support credit card purchases, which is necessary to provide guidance to employees. The MCSDD did not maintain documentation of or solicit bids for durable medical equipment. It also issued checks for cash to transfer money between funds, to get cash for purchases, and to provide spending money for clients. The executive director's signature is the only signature required on checks issued for less than \$2,500 including checks written to the executive director. The MCSDD issues payroll loans to its employees and awards gifts to employees, both in violation of the Missouri Constitution. Late fees were incurred due to untimely bill payment, and the MCSDD has incurred overdraft charges on its bank accounts.

Senate Bill 40 Board's Controls and Procedures

Some checks received in the mail were not recorded in the mail log. The MCSDD does not issue receipt slips for cash donations, and money is not always promptly recorded. There is no documented reconciliation of receipt logs to amounts entered into the accounting system, and checks were not restrictively endorsed immediately upon receipt. The bank reconciliation for the payroll account was not properly prepared and a list of outstanding checks was not prepared, which provides little assurance that receipts and disbursements have been properly handled. The MCSDD Board has not established procedures to follow up on outstanding checks, which is necessary to prevent the accumulation of these checks. The MCSDD Board discussed issues in closed meetings that are not allowable under the Sunshine Law and open meeting minutes did not cite the specific statute and subsection allowing closed sessions. The MCSDD Board did not post notification or agendas for meetings, in violation of the Sunshine Law, and did not publicize financial statements.

Sheriff's Controls and Procedures

The sheriff maintains proceeds from commissary sales in the commissary account and uses the money to purchase items for jail operations and the sheriff's office. The sheriff did not solicit bids for items purchased with commissary net proceeds and sales tax was paid on several purchases. The sheriff has not adequately segregated accounting duties, does not review accounting records, and does not document his review of the commissary bank reconciliations. Receipt slips are not always issued when money is received, deposits are not made timely, and checks are not restrictively endorsed immediately when received.

County Assessor's Controls and Procedures

The county assessor's office does not issue receipt slips for money received in the mail, and cash receipts are not transmitted to the county treasurer.

Electronic Data Security	The county collector, prosecuting attorney, sheriff, recorder of deeds, county assessor, public administrator, and the MCSDD have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The county coordinator does not back up computer data and the prosecuting attorney does not store backup files at an offsite location leaving these offices at risk if data is lost or destroyed. The county collector, prosecuting attorney, recorder of deeds, county assessor, public administrator, and county coordinator do not have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.
County Policies and Procedures	Mileage logs are not maintained to track personal commuting use of county vehicles by the road and bridge supervisor and the county coordinator. Timecards are not prepared and submitted to the county clerk's office and leave is not granted for salaried employees in compliance with county policy. The county does not reconcile fuel usage to fuel purchases, which is necessary to ensure the reasonableness and propriety of fuel use. The county used the same provider to serve as both financial advisor and underwriter for lease participation certificates issued, which creates an inherent conflict of interest because an underwriter's incentive is to have a higher interest rate on bonds to make them more attractive to investors, while the advisor should strive to keep the interest rate low to minimize borrowing costs. Although two of the county commissioners received hockey game tickets from the bond underwriter, they stated the tickets did not influence any of their decisions made in regards to the refinancing of the debt.
County Collector's Controls and Procedures	The county collector's office does not always use the actual date of receipt when recording payments and does not account for the numerical sequence of receipt numbers assigned by the computerized property tax system, which is necessary to reduce the risk of loss, theft, or misuse of funds.
Other Notes	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 **Fair**.*

*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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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Marion County

We have audited certain operations of Marion County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer & Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Marion County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

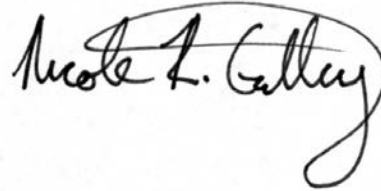
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 Marion County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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Marion County Management Advisory Report State Auditor's Findings

1. Senate Bill 40 Board's Expenditures

Sections 205.968 through 205.972, RSMo, allow counties to establish a Senate Bill 40 (SB40) Board and related tax levy to operate a sheltered workshop, residence facility, or related services for the care and/or employment of persons with a disability. The SB40 Board for Marion County is known as the Marion County Services for the Developmentally Disabled (MCSDD). The MCSDD had 71 employees as of December 31, 2014, and operates a day program and 4 independent supported living (ISL) homes. Revenues from property taxes, reimbursements for housing clients in ISL homes, state reimbursements for targeted case management, fundraisers, and donations were approximately \$3 million for the year ended June 30, 2015, and expenditures were also approximately \$3 million. The MCSDD Board is appointed by the Marion County Commission.

Significant improvement is needed over the MCSDD Board's controls over expenditures. Without procedures, controls and adequate documentation pertaining to expenditures, there is no assurance all monies are expended appropriately.

1.1 Credit cards

Controls over credit cards need improvement. The MCSDD has multiple credit cards that are used by employees to purchase fuel, supplies, equipment, and various other items. During the year ended June 30, 2015, credit card purchases totaled \$156,599 on the American Express credit card, \$17,633 on the Walmart credit card, and \$27,698 on fuel credit cards. We identified various problems as follows.

- The MCSDD Board has not adopted formal policies and procedures documenting who should be assigned a credit card, appropriate usage for the credit cards, and required documentation to support credit card purchases.

Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees. The MCSDD should develop policies that indicate who should be assigned a credit card and appropriate usage of credit cards and require all invoices to be submitted prior to payment of credit card statements.

- The MCSDD did not maintain documentation of or solicit bids for 79 pieces of durable medical equipment totaling \$237,536 purchased using the American Express credit card from January 1, 2014, through June 30, 2015. Items purchased included sleep safe beds, special needs strollers, and balance bikes. Prices of the equipment ranged from a few hundred dollars per item to about \$9,000 for certain sleep safe beds. Although MCSDD personnel indicated they conducted Internet searches for the best prices, no documentation was maintained of these price comparisons.



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

- Documentation was not maintained to indicate durable medical equipment was delivered to an appropriate MCSDD client who had demonstrated a need for the equipment. Documentation maintained by MCSDD included authorization for the purchase from the Executive Director, the vendor invoice, and a thank you note from the client receiving the equipment.

To ensure payments are valid and proper and reduce the risk of loss, theft, or misuse of funds, the MCSDD Board should ensure adequate supporting documentation is maintained indicating the client received the equipment.

- The MCSDD Board does not approve purchases made using credit cards. The Executive Director indicated approval of the Board Treasurer is required for expenditures exceeding \$3,000; however, there is no documented Board approval for purchases made using credit cards. Purchases made using credit cards are bypassing this step of the approval process.

To ensure expenditures are an appropriate use of MCSDD funds, the Board should ensure an adequate review of purchases exceeding \$3,000 is performed prior to usage of the credit card.

- The MCSDD did not have documentation to support who received gift cards. Fifty-nine gift cards totaling \$1,709 were purchased during the year ended June 30, 2015, using the Walmart credit card. Some cards may have been given to MCSDD clients and others may have been given to MCSDD employees as staff incentives.

To adequately safeguard gift cards, reduce the risk of their loss, theft, or misuse, and ensure they are received by those intended, records should be established to adequately account for purchased cards, and a receipt obtained supporting who received the card.

Improvement is needed in the MCSDD's handling of credit cards and items purchased with credit cards to ensure all purchases are proper and to reduce the risk of unauthorized purchases occurring.



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 Management Advisory Report - State Auditor's Findings

1.2 Checks issued for cash

The MCSDD issued numerous checks for cash. Checks are issued for cash to transfer monies between funds, to obtain cash to make various purchases, and to provide spending cash to clients. From January 2014 through July 2015, the MCSDD issued 439 checks for cash totaling \$204,270 from the following funds.

	Number of Checks	Amount
General Fund	156	\$ 154,023
Paris ISL	76	15,390
Wildrose ISL	74	10,077
Wyaconda ISL	62	11,180
Sunburst ISL	71	13,600
Total	439	\$ 204,270

Checks were issued for cash from the General Fund to transfer monies to the 4 ISL homes. We verified these monies were deposited into the ISL bank accounts. Checks were also issued from the General Fund to obtain cash to make various purchases and to provide spending cash for various programs. The table below summarizes the checks issued for cash from the MCSDD's General Fund.

	Number of Checks	Amount
Paris ISL	35	\$ 45,354
Wildrose ISL	23	34,791
Wyaconda ISL	24	35,732
Sunburst ISL	24	33,645
Bridges Day Program	30	1,444
Service Coordination	7	220
Other	13	2,837
Total	156	\$ 154,023

The 4 ISL homes operated by MCSDD issued checks for cash to withdraw cash to purchase groceries for the homes and provide spending cash to clients as follows:

	Paris	Wildrose	Wyaconda	Sunburst	Total
Groceries	\$ 12,540	7,980	9,030	10,920	40,470
Clients	2,850	2,097	2,150	2,680	9,777
Total	\$ 15,390	10,077	11,180	13,600	50,247



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Our review of the checks issued for cash noted the following concerns:

- We noted at least 7 instances where checks were issued for cash to make purchases, but there was no accounting of cash remaining after the purchase. Receipts for cash purchases and any excess cash are supposed to be returned to the Finance Manager. However, in some cases the receipts retained by the Finance Manager did not total the amount of the cash and there was no documentation of what happened to the remainder of the cash.
- There is no documentation that clients received spending money totaling \$9,777, because the clients were not required to sign for the cash.
- There is no documentation that gift cards purchased by MCSDD were received by the intended recipients. The MCSDD purchased 6 gift cards totaling \$980 with cash during the year ended June 30, 2015; however, clients were not required to sign for the gift cards to indicate receipt.
- We noted a \$1,300 check written to cash to purchase Christmas gifts for a family in need in November 2014. The cash was maintained by the Finance Manager until all purchases were made and a spreadsheet was kept to document the use of these monies. Expenditures totaled \$1,222, and \$30 was removed from this Christmas gift cash fund and kept with various other donation money. The remaining \$48 was deposited back into the savings account. Documentation was not maintained to show if this family in need was associated with an MCSDD client or that these monies were spent on an MCSDD client.
- There is no documentation of the prizes awarded or the disposition of change funds after fundraisers are completed. When fundraisers are held, checks are written for cash to establish change funds and to award prizes. The MCSDD has several fundraisers each year to benefit MCSDD clients. Various other fundraisers are held by the employee retention committee to benefit the employees of the MCSDD. For example, we noted a check was issued for cash for \$650 in September 2014 to establish a \$150 change fund for golf tournament entry fees and to award a \$500 cash prize to a raffle winner. However, there was no documentation of who won the raffle and received the \$500 cash prize and there was no documentation that the \$150 was deposited back into the savings account following the tournament.

To ensure payments are valid and proper and reduce the risk of loss, theft, or misuse of funds, the MCSDD Board should discontinue writing checks for cash, obtain documentation for monies and gift cards provided to clients



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and employees, and maintain adequate supporting documentation for all disbursements.

1.3 Signing checks

The Executive Director's signature is the only signature required on MCSDD checks issued for less than \$2,500 including checks where the Executive Director is also the payee. When the Executive Director is unavailable, her facsimile signature stamp is applied to checks, but there is no documentation of who used the signature stamp or subsequent approval by the Executive Director.

The current procedure of allowing the Executive Director to sign checks where she is also the payee jeopardizes the system of independent checks and balances needed for good internal control. Dual signatures would help provide assurance checks are written only for appropriate disbursements. In addition, if a facsimile stamp is used, the MCSDD should ensure the initials of the person who used the stamp are documented and the Executive Director documents her review and approval of the use of the stamp to ensure disbursements are appropriate and properly authorized.

1.4 Payroll advances

The MCSDD issues payroll loans to employees in violation of the Missouri Constitution. The MCSDD made payroll advances to 11 employees totaling \$8,312 and collected reimbursements totaling \$5,484 from January 2014 through June 2015, leaving an outstanding balance of \$2,828 as of June 30, 2015. MCSDD employees may request salary advances from the Executive Director by indicating the amount needed. If the Executive Director approves the advance, the Payroll Manager will prepare a payroll advance agreement and have the employee sign it, and a check will be processed through the payroll account.

The Payroll Manager tracks payroll advances and the related repayments without any documented review of her work. She notifies the payroll vendor of the amount to withhold from each employee's paycheck and the period for which the withholdings should be made. Payroll advances are reimbursed by withholding part of future payroll checks over time periods as long as 24 months and no interest is charged. The Payroll Manager also participated in the payroll advance program and received advances of \$2,400 from January 2014 through June 2015 with a remaining balance of \$650 as of June 30, 2015, and payments of \$100 a month. Although the Executive Director authorized the advances made to the Payroll Manager, an independent review was not performed to ensure advances made were of the approved amount and repaid in accordance with the payroll advance agreement.

Advance payments of employee compensation are loans of the MCSDD's funds. The Board has no statutory authority to make loans and Article VI, Section 23, Missouri Constitution, specifically prohibits counties, cities, or



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other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

1.5 Mileage reimbursement

Mileage reimbursements made to the Executive Director are not approved and are not in compliance with MCSDD policy. MCSDD policy indicates requests for meals and mileage costs must be submitted on an employee voucher approved by the immediate supervisor and the Executive Director before payment is made. There is no provision in the policy for approving the Executive Director's reimbursement.

We noted an instance where the Executive Director's mileage reimbursement was calculated as \$1,087, however the check was issued for \$1,807, resulting in an overpayment of \$720. There is no review of the Executive Director's mileage reimbursement requests.

Additionally, the MCSDD Board's policy indicates "employees scheduled to travel more than 150 miles round trip shall use the agency gasoline credit card and shall receive reimbursement for the use of their automobile at the rate of \$.19 per mile." We reviewed 3 mileage reimbursements made to the Executive Director and noted 19 trips in excess of 150 miles were reimbursed at the rate of \$.46 per mile. Of these 19 trips, 2 were to conferences in Raleigh, North Carolina. The miles reimbursed for each of these trips totaled 2,026, or \$932 per trip. The Executive Director did not use the MCSDD credit card to purchase fuel for these trips or any other trips exceeding 150 miles as required by policy, and as a result, the cost to the MCSDD to reimburse her mileage was higher than if the policy had been followed.

To ensure MCSDD funds are spent efficiently, the Board should provide oversight of the Executive Director's mileage reimbursements and ensure the Board's policy is followed regarding mileage reimbursements.

1.6 Staff incentives

The MCSDD awards gifts to employees in violation of the Missouri Constitution. During the year ended June 30, 2015, the MCSDD purchased 46 gift cards totaling \$1,420 and provided small gifts and cash payments totaling \$420 to various employees to show appreciation.

These gifts represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72, from June 14, 1955, which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

A similar condition was noted in our prior audit report.



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1.7 Late fees, finance charges, and overdraft fees

Late fees and/or finance charges were incurred due to untimely bill payment and the MCSDD has incurred overdraft charges on its bank accounts.

- Overdraft charges of \$661 were incurred during the year ended June 30, 2015, for the General Fund bank account as a result of negative balances occurring several times during the year. The balance of the General Fund bank account was (\$32,958) on June 22, 2015. Also, additional overdraft fees of \$525 on the General Fund bank account were waived by the bank and overdraft charges of \$27 were incurred on the Payroll Account during the year ended June 30, 2015.
- Late fees and finance charges totaling \$49 were paid to a credit card company during the period July 2014 to July 2015.
- A late charge of \$5 was assessed on the December 2014 cell phone bill.

To prevent unnecessary fees and finance charges, procedures should be in place to ensure bills are paid timely. In addition, to prevent bank account overdraft charges, the MCSDD should more closely monitor bank account balances.

Recommendations

The MCSDD Board:

- 1.1 Establish complete and detailed written credit card policies and procedures, comply with bidding requirements, maintain adequate supporting documentation for all disbursements, ensure credit card purchases are properly approved, and properly account for gift cards.
- 1.2 Discontinue the practice of writing checks for cash and maintain documentation to support all expenditures and distribution of client monies for individual spending.
- 1.3 Require dual signatures on all checks and ensure the signor is not the payee. In addition, the MCSDD Board should establish appropriate controls over the use of the facsimile signature stamp.
- 1.4 Discontinue the policy of allowing payroll advances to employees. In addition, the MCSDD Board should ensure there is proper documented segregation of duties of this program until all remaining loans have been repaid.
- 1.5 Provide oversight for all reimbursements made to the Executive Director, ensure compliance with the mileage reimbursement policy, and obtain repayment for all overpayments.



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- 1.6 Discontinue the practice of giving gift cards and cash as employee incentives and ensure all employee compensation is properly taxed and reported to the Internal Revenue Service.
- 1.7 Implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.

Auditee's Response

- 1.1 *MCSDD does have policies, a risk management plan and a corporate compliance plan that identify procedures and recommendations about the discipline of risk management. Of course separate and amended policies have been reviewed to improve oversight of such transactions. The Board Treasurer always reviewed bank statements, transactions and supporting documentation on a monthly basis. In addition, there are always invoices to support purchases but we know that additional supporting documents are needed to clarify "need," etc. Gift cards did have a receipt to verify its purchase but did not always include what the gift cards were used to purchase.*

A detailed credit card policy and procedures was reviewed and approved on October 13, 2015, by the Board of Directors. This policy will ensure additional oversight of credit card purchases.

- Any charges over \$3,000 will be presented to the Board for approval before purchase.*
- The Board Treasurer reviews all purchases, credit card statements, and other related supporting documentation on a monthly basis and prior to the monthly board meeting.*
- The Board Treasurer then signs off that he has reviewed all items related to credit card purchases.*
- It has always been the practice for the Board Treasurer to review all bank statements and any supported or related documentation.*

An amended "Bid Policy" was reviewed and approved on October 13, 2015, by the Board of Directors. The policy notes that it will refer to the Missouri Revised Statute (Section 50.660, RSMo).

- Three bids are required for all bids over stated dollar amount.*
- If three bids cannot be obtained a waiver request is submitted in writing to the Board President for approval and signature. This will be documented in Board minutes.*
- The following items are needed and attached to final purchase:*
 - Written request from recipient (or case manager) for durable goods or requested item. This includes the proof of "need" which in relation to an individual would be an updated Individual Support Plan or similar and supporting*



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documentation if the item is reimbursable through client's waiver program or other funding source and using Marion County Services as a third party.

- *Three bids to meet the competitive procurement process for major purchases.*
- *Invoice to document purchase of item.*
- *"Acknowledgement of Receipt" signed by the recipient of the item(s).*
- *Marion County Services no longer purchases gift cards. This practice has been discontinued.*

1.2 *Marion County Services could always verify what checks for "cash" were written for but understands this is not a practice that should be continued.*

Starting September 2015 Marion County Services discontinued writing checks for "cash" with the following exception for the General Fund Account:

- *The clients attending Day Habilitation Program submit checks written to Marion County Services to provide them with activity money.*
- *In turn MCSDD cuts a check for cash and secures it in a fireproof/locked location.*
 - *Transactions are logged and supporting documentation is provided.*
 - *This is a minimal amount and fulfills the client's request to have money available for their required outings while attending day program.*

In reference to the Independent Support Living Home's accounts please see the following:

- *Checks written out of the separate ISL accounts still need to be written for cash when it is for grocery and personal spending dollars. The following procedures have always been followed:*
 - *Each month checks are written out for "Cash" for the exact groceries for the clients who reside in the homes.*
 1. *A book for each home is kept with a log of how the grocery dollars have been spent.*
 2. *A running balance is kept for each home.*
 3. *Receipts are obtained for all purchases.*
 4. *At the end of each month the Home Manager turns in the book with the logs, receipts and any remaining money to the administration office.*
 5. *The logs, receipts, and remaining money are audited to confirm accuracy and to detect if there are any discrepancies that need to be investigated.*



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6. *The books are then returned to the Home Manager after a thorough check of funds.*
- *Each month checks are written for "Cash" for the approved amount in each client's account for personal spending.*
 1. *A book for each home is kept with a log of how the personal dollars have been spent.*
 2. *A running balance is kept for each home.*
 3. *Receipts are obtained for all purchases.*
 4. *At the end of each month the Home Manager turns in the book with the logs, receipts and any remaining money to the administration office.*
 5. *The logs, receipts, and remaining money are audited to confirm accuracy and to detect if there are any discrepancies that would need investigated.*
 6. *The books are then returned to the Home Manager after this process is successfully completed.*

1.3 *All reimbursements to the payee, if in fact it was the signor, are reviewed and approved by the Board of Directors. Marion County Services understands this process could be questioned and therefore has changed its procedures as stated below.*

Marion County Services has always required two signatures for checks of \$2,500 or more. The Board discussed and agreed to keep this procedure in place.

The Executive Director will sign all necessary check(s) physically except deemed necessary in her absence in which the stamp will be used. If the stamp is deemed necessary its use will be initialed by the designated personnel using the signature stamp.

For all checks that the Executive Director is the payee, the Board Treasurer signs.

1.4 *Marion County Services discontinued employee advances as of August 2015. All loans have been paid in full with the exception of two. One loan will be paid in full on April 18, 2016. The remaining loan will be paid in full on August 12, 2016.*

1.5 *The Executive Director has always made the Board aware for review and approval of trainings, etc. that was necessary for her position during monthly board meetings. The two trainings in Raleigh were related to trainings sponsored by CARF Accreditation Surveys. In addition, the Payroll Manager did review Executive Director's reimbursement vouchers.*



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Executive Director's reimbursement expenses are reviewed and approved by the Board Treasurer.

The Board Treasurer now signs all Executive Director's expense reimbursement checks.

Repayment of the error in mileage reimbursement was immediately reimbursed when Executive Director was verbally made aware of it by a State Auditor representative in August 2015. The error was due to two numbers being transposed. This was an oversight by both the staff reviewing expense reimbursement voucher and the Executive Director.

- 1.6 *Marion County Services no longer provides a staff incentive program. The program was discontinued in August 2015.*

The Board of Directors will discuss the option of legal counsel opinion in relation to IRS reporting.

- 1.7 *Due to limited transfers allowed per month within banking accounts and unpredicted expenses that occurred in those months this has occurred. Unfortunately these are not expenses that Marion County Services intentionally prefers but at times could not be avoided. Better planning and tracking systems have been put in place.*

Procedures have been implemented to review all accounts weekly to avoid unnecessary late fees/charges. The review includes vendors, credit card institutions, and bank accounts.

Auditor's Comment

- 1.2 Our review noted that in some instances, the receipts retained by the Finance Manager did not total the amount of the cash and there was no documentation of what happened to the remainder of the cash. Making purchases with cash is not the best procedure to use. The MCSDD should consider making purchases with checks, credit cards, or store credit.

2. Senate Bill 40 Board's Controls and Procedures

Marion County Services for the Developmentally Disabled (MCSDD)'s controls and procedures need improvement.

2.1 Receipts and deposits

Controls and procedures over receipting and depositing monies for the MCSDD are not sufficient. Manual receipt slips are issued for cash and checks received for clients' activities. In addition, a log is maintained for checks received in the mail; however, we noted several instances where



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checks were not recorded in the mail log, including checks received from employees to reimburse the MCSDD for a staff event. The MCSDD also does not issue receipt slips for cash donations received.

In addition, monies are not promptly recorded in the software system. Receipts are entered into the MCSDD's software system when deposits are prepared. For example, \$7,309 recorded on the receipts log on April 17, 2015, was not entered into the software system or deposited until May 7, 2015. There is no documented reconciliation of the receipt logs to the amount receipted into the software system before deposits are made. Additionally, checks were not restrictively endorsed immediately upon receipt.

To ensure all monies received are properly handled and deposited, and reduce the risk of loss, theft, or misuse of funds, adequate receipting and depositing procedures are needed.

2.2 Bank reconciliations

The June 30, 2015, bank reconciliation for the payroll account was not prepared properly and a list of outstanding checks was not prepared.

By not preparing adequate bank reconciliations including an outstanding check listing, there is little assurance receipts and disbursements have been properly handled and bank balances reconcile to book balances. In addition, accounting and bank errors may not be detected and corrected timely.

2.3 Outstanding checks

The MCSDD Board has not established procedures to routinely follow up on outstanding checks. As a result, at June 30, 2015, 14 checks, totaling \$528, had been outstanding for over a year in the General Fund bank account and 8 of those checks have been outstanding for over 2 years.

Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law.

2.4 Closed meetings

The MCSDD Board discussed issues in closed meetings such as the job description and hiring process of a Deputy Director that are not allowable under the Sunshine Law. Additionally, for closed meetings held, open meeting minutes did not cite the specific statute and subsection allowing the closure.

The Sunshine Law, Chapter 610, RSMo, requires the question of holding the closed meeting and the reason for the closed meeting to be voted on at an open meeting. Additionally, the Sunshine Law also limits discussion topics and actions in closed meetings to only those specifically allowed by state law.



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2.5 Posting meeting notifications and agendas

The MCSDD Board did not post notification or agendas for meetings. Posting meeting notifications and agendas demonstrate compliance with the Sunshine Law.

The Sunshine Law, Section 610.020, RSMo, requires notice be given at least 24 hours in advance of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered.

2.6 Budgets

The MCSDD Board did not file formal budgets with the State Auditor's Office for the years ended June 30, 2015, and 2014. In addition, the budgets approved by the MCSDD Board did not include other required information including beginning and projected ending cash balances or comparative statements of actual receipts and disbursements for the prior 2 years.

To be of maximum assistance as a planning tool and to adequately inform the public, budgets should include all beginning available resources and actual receipts and disbursements of the prior 2 years. Section 50.590, RSMo, requires budgets to include detailed budget estimates, showing the recommendations of the budget officer compared with the figures for the last completed fiscal year and the estimates for the current fiscal year, and Section 50.740, RSMo, requires budgets to be submitted to the State Auditor's Office.

2.7 Financial statements

The MCSDD Board did not publish its financial statements for the years ended June 30, 2015, and 2014. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the Board's financial activities and show compliance with statutory requirements.

Recommendations

The MCSDD Board:

- 2.1 Develop one centralized receipting system and ensure prenumbered receipt slips are issued for all monies immediately upon receipt. In addition, receipts should be deposited timely, and all checks should be restrictively endorsed upon receipt.
- 2.2 Ensure monthly bank reconciliations are properly performed and listings of outstanding checks are prepared to support the bank reconciliations. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 2.3 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees



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that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.

- 2.4 Ensure open meeting minutes document the specific statutory reason for entering closed meetings and ensure items discussed in closed meetings comply with the Sunshine Law.
- 2.5 Provide proper notice of meetings and ensure appropriate agendas are posted and retained.
- 2.6 Ensure accurate and complete budgets are prepared and submitted to the State Auditor's Office as required by state law.
- 2.7 Publish financial statements annually as required by state law.

Auditee's Response

- 2.1 *Marion County Services updated its receipt procedures to centralize the receipting system and issue prenumbered receipt slips upon receipt of monies as of September 2015.*

Receipts are deposited timely and all checks are immediately endorsed upon receipt.

- 2.2 *Due to the bank statements starting at mid-month, it did make the reconciliation difficult, therefore causing the appearance of a discrepancy, but in fact there was not when reviewed from first day of month to the last day of the month. In addition, the payroll account was a fairly new account and did need adjustments. In addition, there has always been an outstanding check list completed for all accounts with the exception of the new payroll account. Due to the fact ADP Payroll Processing actually cuts the payroll checks this was not a system that had been completely put in place with the new payroll account at the time of the State Auditor's review.*

Marion County Services contacted the financial institution to request all bank statements be a full month. This would start the first of the month and end on the last day of the month. This started October 2015.

- *This ensures accuracy in reconciliation.*
- *Outstanding check lists are automatically generated through the QuickBooks accounting software.*
- *All reconciliations are done through the QuickBooks program and not done manually except for the following account, General Fund Account, which is currently done manually.*
 1. *The General Fund Account has not been reconciled through the QuickBooks program as of March 2016, but we are currently working towards that procedure. The*



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- reconciliation is still being done manually due to catching up past years of reconciliations in the QuickBooks system.*
2. *The goal is to have the General Fund Account also reconciled through the QuickBooks system instead of manually as it always has been done.*
 - *It has always been the practice to investigate discrepancies.*
 - 2.3 *All blank checks now have the following printed on the front "Void after 90 days." Outstanding checks are reviewed on a monthly basis. Checks 90 days or older are currently investigated. If the payee has been readily located, the check will be voided and reissued to payee with updated information. Outstanding checks in which payee is not located will be voided and dollars disbursed in accordance with state law.*
 - 2.4 *The Board of Directors reviewed and adopted the Sunshine Policy on October 13, 2015. The Board now refers to the reason for entering into closed meeting and ensures that it applies to the Sunshine Law per policy.*
 - 2.5 *The Board of Directors has posted agendas but did not do so consistently. The schedule of meetings had always been sent to the newspaper for public notice but not the agendas. Starting October 2015, the board meeting agendas are posted monthly in a display case at the main administration building. The process of posting on the website is currently being added. All posted agendas are retained appropriately.*
 - 2.6 *Budgets were submitted to the County Commissioner's office on an annual basis plus if there are any revisions during the mid-year review. They did not get submitted to the State Auditor's under the perception the County Commissioner sent it to the State Auditor's Office. Marion County Services was not notified from the appropriate offices that they were not received otherwise this would have been corrected immediately. Any future correspondence related to budgets will be certified or if done electronically will be sent with "Request Delivery" receipt and a "Request Read" receipt. Marion County Services will submit annual budgets to the State Auditor's Office per state law starting with budget year July 1, 2016 – June 30, 2017. The Executive Director received the official format for the budget and is currently inputting data from the fiscal year 2016 budget.*
 - 2.7 *Marion County Services includes its financials in its annual report but has not consistently published them in the newspaper.*



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Financial statements will be posted consistently.

- *Financial revenue and expenditures are posted in the MCSDD annual report. The annual report did not get published consistently on an annual basis but this will be corrected starting with the 2015 annual report.*
- *All financial statements will be posted in the acceptable publications starting at the end of fiscal year 2016 (July 1, 2015 – June 30, 2016).*

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil fees, concealed carry permits, bonds, board bills, jail phone commissions, inmate commissary funds, and other miscellaneous receipts totaling approximately \$685,000 for the year ended December 31, 2014.

3.1 Commissary net proceeds The Sheriff maintains net proceeds from commissary sales in the commissary account and uses these monies to purchase items for jail operations and the Sheriff's office. During the year ended December 31, 2014, \$81,573 was spent from this account for jail maintenance, equipment, supplies, and meals (\$971) for inmates.

As of December 31, 2014, there was approximately \$22,500 of net proceeds remaining in the commissary account that should be distributed to the Inmate Prisoner Detainee Security Fund.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 488.5026.3, RSMo, mandates the use of those funds.

A similar condition was noted in our prior audit report.

3.2 Commissary purchases The Sheriff did not solicit bids for items purchased with commissary net proceeds and sales tax was paid on several purchases. Purchases made from the commissary account did not go through the normal county procurement or budget process and the County Commission did not approve these purchases. Our review determined 2 purchases of prisoner uniforms costing \$6,708 and \$4,999 were not properly bid and a lawn tractor purchased for \$3,699 (\$6,199 less a trade in valued at \$2,500) was also not bid. In addition, sales tax was paid on some purchases using commissary funds because the Sheriff does not ensure all vendors are notified of sales tax exemption status.



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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 prices and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made. Additionally, sales tax should not be paid on purchases since the county is tax exempt.

3.3 Segregation of duties and supervisory review

The Sheriff has not adequately segregated accounting duties, does not review accounting records, and does not document his review of the commissary bank reconciliations. The Sheriff's Clerk is primarily responsible for receipting, recording, depositing, and disbursing monies, and also reconciling the bank accounts.

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, and disbursing monies, and also reconciling the bank accounts. If proper segregation of duties cannot be achieved, documented independent or supervisory review of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

3.4 Receipts and deposits

Receipt slips are not issued when monies are received, deposits are not made timely, and checks are not restrictively endorsed immediately upon receipt.

The Sheriff's office in the Hannibal Courthouse does not issue receipt slips for money received. These monies are kept in a locked box and transported to the Sheriff's office at the jail in Palmyra to be receipted and deposited along with monies received in the Palmyra office. Monies received at the jail in Palmyra are kept in a locked box until the monies are removed to receipt into the software system and deposit. The Sheriff's office made 5 deposits to the fee account totaling \$9,754 in December 2014. There were 13 days between the last 2 deposits. Because receipt slips are not issued, the date of receipt as compared to the date of deposit cannot be determined. In addition, the Hannibal office does not restrictively endorse checks immediately upon receipt. All checks are restrictively endorsed at the jail in Palmyra.

To reduce the risk of loss, theft, or misuse of monies received going undetected, prenumbered receipt slips should be issued for all monies received, deposits made timely, and checks should be restrictively endorsed immediately upon receipt.



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Recommendations

The Sheriff:

- 3.1 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 3.2 Ensure bids are solicited for all applicable purchases of goods and services in accordance with state law and ensure sales tax is not paid on purchases.
- 3.3 Adequately segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 3.4 Ensure prenumbered receipt slips are issued for all monies immediately upon receipt, receipts are deposited timely, and all checks are restrictively endorsed immediately upon receipt.

Auditee's Response

- 3.1 *I will meet with the County Commission and decide with them how to implement the turnover of commissary funds to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund.*
- 3.2 *We solicit bids by calling vendors and in the future, we will ensure those contacts are documented. In addition, we feel the purchase of the lawn tractor was a single source purchase and in the future, we will document those decisions. We will establish procedures to ensure sales tax is not paid in the future.*
- 3.3 *We have segregated the duties for receipting and depositing. In addition, the Sheriff or Chief Deputy now review accounting and bank records.*
- 3.4 *I have addressed the receipting issues with the Hannibal office. All money is now receipted into a prenumbered receipt book and stamped for deposit only upon receipt. In the Palmyra office, we will receipt timely with prenumbered receipt slips.*

4. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The County Assessor's office receives monies from the sale of maps, faxes, and copies, and transmitted \$3,240 to the County Treasurer during the year ended December 31, 2014. We noted the following concerns:

- Office personnel do not issue receipt slips for monies received in the mail. In addition, they did not issue receipt slips for the sale of maps



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until November 2014. We also noted an instance where the clerk in charge of receipting was on vacation and the checks received were transmitted to the County Treasurer, but these payments were not receipted (from using copies of the checks) until the clerk returned from her vacation.

- Cash receipts are not transmitted to the County Treasurer as required. Instead, the County Assessor uses the cash receipts as a petty cash fund. The County Assessor pays a monthly drinking water service bill with petty cash and this disbursement does not go through the normal county procurement or budget process.

To reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt, and receipts should be transmitted to the County Treasurer intact. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.

Recommendation

The County Assessor issue prenumbered receipt slips for all monies received, transmit all receipts intact to the County Treasurer, and discontinue using cash receipts for petty cash expenditures. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation. The total of the cash and vendor invoices on hand should always equal the predetermined amount of the petty cash fund.

Auditee's Response

We will start issuing prenumbered receipt slips for all monies received. Cash receipts in excess of \$150 will be turned over to the County Treasurer. In the future, all cash receipts will be included in the monthly turnover and all disbursements will go through the county disbursement process.

5. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. In addition, some data are not backed up or stored offsite.

5.1 Passwords and user names

The County Collector, Prosecuting Attorney, Sheriff, Recorder of Deeds, County Assessor, Public Administrator, and the MCSDD have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. In addition, the official and all employees in the applicable office share a user account and password to access some



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computers in the Recorder of Deeds' office and the County Collector's office.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed and/or are shared by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

5.2 Backup data

The County Coordinator does not back up computer data and the Prosecuting Attorney does not store backup files at an offsite location leaving these offices at risk if data is lost or destroyed.

Preparation of backup data, preferably on a daily or at least weekly basis, and offsite storage provides increased assurance county data could be recovered if necessary. Failure to store computer backup data at a secure offsite location results in the backup data being susceptible to the same damage as the data on the computer.

5.3 Security controls

The County Collector, Prosecuting Attorney, Recorder of Deeds, County Assessor, Public Administrator, and County Coordinator do not have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity. In addition, the Sheriff does not have security controls in place to lock computers after a certain period of inactivity.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

- 5.1 The County Commission work with county officials and the MCSDD Board to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.



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- 5.2 The County Coordinator should ensure computer data is backed up periodically, and the Prosecuting Attorney should ensure backup files are stored at a secure offsite location.
- 5.3 The County Commission work with county officials to require each county computer to have security controls in place to lock the computer after a specified number of incorrect logon attempts and after a certain period of inactivity.

Auditee's Response

The County Commission provided the following response:

5.1-5.3 We will take these recommendations under advisement and work towards implementing policies to address these issues.

The County Coordinator provided the following response:

5.2 Since the fall of 2015, I have been backing up computer data on an external hard drive. I will unplug it and take it home with me.

The County Collector provided the following responses:

5.1 Each member of the County Collector's staff now has his/her own individual password. Due to limitations of our Tracx Tax Collection software the system cannot automatic prompt the user to change passwords periodically. All passwords will be changed annually as an office policy.

5.3 After modifications to the Tracx Tax Collection system in mid-2015 the Tracx system logs the user off after a short period of inactivity. Re-entering a password and user name is required to log back into the system. The user is blocked from logging in after 5 failed logon attempts.

The County Sheriff provided the following responses:

5.1 This recommendation has been implemented. Passwords are changed every 120 days.

5.3. We will implement this recommendation.

Marion County Services for the Developmentally Disabled provided the following response:

5.1 Marion County Services requires all employees to change their passwords every 90 days starting September 2015. This is always done on the ADP payroll processing but no boundaries had been set



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on the agency computers. Procedures have been put in place to electronically inform the employee to change their password every 90 days.

The Prosecuting Attorney provided the following response:

5.2 *Computer data is currently backed up on our server. We plan to purchase a hard drive to use for back ups and we will take this and store it offsite.*

6. County Policies and Procedures

Several county policies and procedures need improvement. Mileage logs are not maintained to track personal commuting use of county vehicles by 2 employees, and salaried employees are not preparing time cards or tracking leave. In addition, fuel purchased by the road and bridge department is not reconciled to fuel used and improvement is needed in the handling of lease financing.

6.1 Commuting mileage

Mileage logs are not maintained to track personal commuting use of county vehicles. The Road and Bridge Supervisor and the County Coordinator are allowed to use county vehicles to commute to and from home daily, and do not maintain a detailed mileage log of personal and business use. Instead, the Road and Bridge Supervisor and the County Coordinator submit estimated personal miles to the County Clerk annually. The County Clerk uses the estimated personal miles to calculate the value of personal use reported on the employee's W-2 form.

Without adequate mileage logs, the county cannot effectively demonstrate the purpose that the vehicles are used for. Mileage logs should include trip information (e.g., beginning and ending odometer readings, destination, and purpose). The value of fringe benefits reported to the Internal Revenue Service should be supported by properly documented mileage logs.

6.2 Timecards

Timecards are not prepared and submitted to the County Clerk's office and leave is not granted for salaried employees in compliance with county policy.

The county pays 5 employees, excluding elected officials, on a salary basis. Salaried employees do not prepare timecards or submit timesheets; therefore, their immediate supervisor cannot verify the actual time worked during a pay period nor is the County Clerk's office notified of actual time worked for these individuals. In addition, leave is taken at the discretion of the 5 employees and leave balances are not tracked by the County Clerk's office.

The county personnel manual requires every employee complete, on a daily basis, official Marion County timecards distributed by the County Clerk's



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office and all information on the timecard be verified by the elected official of each office prior to submission to the County Clerk's office. In addition, the personnel manual indicates regular full-time employees of the county, who have completed their introductory period, earn vacation time in conjunction with their years of service and 12 days of sick leave each year, and are paid for unused vacation time upon leaving employment. The manual defines an "employee" as those full or part-time employees of the county who work on a salaried or an hourly basis and who are not elected by the electorate of the county; and defines a "regular employee" as an employee who has been designated to a full-time and regular position in the service of the county.

In addition to complying with county policy, adequate documentation of time worked and leave taken is needed to adequately document the legitimacy of payroll amounts and leave balances. Submission of detailed time records to the County Clerk's office that have been reviewed and approved by supervisors would provide support for payroll processed by the county.

A similar condition was noted in our 2 prior audit reports.

6.3 Fuel

The county does not reconcile fuel usage to fuel purchases. The road and bridge department maintains 2 diesel tanks at the road and bridge building. The fuel tanks are metered. The county paid approximately \$170,000 for diesel fuel during the year ended December 31, 2014.

The road and bridge department employees indicate the odometer reading in the fuel log book and indicate the gallons pumped in a tracking sheet maintained at the fuel pumps, but they do not reconcile these records to fuel purchases.

Procedures for reviewing fuel use and reconciling use to purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

6.4 Lease participation certificates

The county used the same provider to serve as both financial advisor and underwriter for lease participation certificates issued. In April 2013, the county issued lease participation certificates totaling \$375,000 to repay lease participation certificates previously issued in August 2006. Lease participation certificates are a method of financing capital projects whereby a financial institution sells interests in the capital projects, leases the projects to a public entity, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a nominal amount the capital projects it has been leasing. Lease participation certificates are not required to be



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approved by county voters and carry higher borrowing costs than traditional bond financing.

Using the same provider to act in the dual capacity of underwriter and financial advisor for a debt issue creates an inherent conflict of interest. Although 2 of the County Commissioners received hockey game tickets from the bond underwriter, they stated the tickets did not influence any of their decisions made in regards to the refinancing of the debt. The lack of independent financial advice could result in the county not being adequately informed of debt issuance options or being unable to adequately evaluate debt proposals. The underwriter does not have a fiduciary responsibility to the county.

Recommendations

The County Commission:

- 6.1 Require employees commuting in county vehicles to maintain a mileage log to document business, commuting, and personal mileage driven and ensure mileage reported for compensation is adequately supported.
- 6.2 Require all county employees prepare timecards documenting time worked and leave taken to comply with current personnel policies.
- 6.3 Ensure fuel purchases are reconciled to fuel usage and investigate any significant discrepancies.
- 6.4 Discontinue using an underwriter who also acts in a dual capacity as financial advisor for debt issuances.

Auditee's Response

- 6.1 *We will implement this recommendation.*
- 6.2 *We will take this recommendation under advisement and will consult with legal counsel to ensure the county is in compliance with the Fair Labor Standards Act.*
- 6.3 *We will work with the highway department supervisor to establish procedures to reconcile fuel usage to fuel purchases.*
- 6.4 *If this situation occurs in the future, we will look into separating the financial advisor and underwriter functions.*

7. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. Collections for the year ended February 28, 2015, totaled approximately \$23 million.



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7.1 Deposits

The County Collector's office did not timely deposit approximately \$2 million received on December 30 and 31, 2014. Deposit slips validated by the bank indicated these monies were deposited from January 5, 2015, to January 7, 2015. The County Collector indicated these monies were held in a safe deposit box at the bank, because the bank would not allow this money to be deposited until sufficient collateral security could be obtained. Marion County entered into a depository agreement with the Palmyra State Bank on December 31, 2012, which was in effect until April 30, 2015. The agreement called for the Marion County Treasurer to consult with the bank 24 hours before the bank account balances would exceed \$3 million allowing the bank time to purchase investments to ensure county funds were insured.

Deposits should be made timely to reduce the risk of loss, theft, or misuse of monies received.

7.2 Receipt dates and payment number sequence

The County Collector's office does not always use the actual date of receipt when recording payments and does not account for the numerical sequence of receipt numbers (payment numbers) assigned by the computerized property tax system.

The computerized property tax system sequentially assigns a payment number for all monies received through the County Collector's office. However, the system allows users to backdate payments received in the system, resulting in payment numbers being out of order. For example, if a mailed in payment is postmarked with a date prior to the month it is entered into the computer system, the County Collector can backdate the date of receipt in the system to the postmarked month for the payment. In addition, payment numbers can be deleted from the system after a receipt has been printed without an audit trail. These control weaknesses allow for possible manipulation of receipt data.

To ensure all monies received are properly recorded and deposited, and reduce the risk of loss, theft, or misuse of funds, consideration should be given to modifying the software program to ensure an audit trail of changes made in the property tax system is maintained and adequate controls are in place to allow the County Collector's office to account for the numerical sequence of payment numbers.

Recommendations

The County Collector:

- 7.1 Ensure receipts are deposited timely.
- 7.2 Work with the computer software vendor to establish controls to account for the numerical sequence of payment numbers assigned by the computerized property tax system, maintain an audit trail of



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changes made in the property tax system, and prevent the editing of payment transaction information after a receipt slip has been printed.

Auditee's Response

7.1 *The previous County Collector apparently had to hold some year-end tax receipts (uncashed checks and cash?) in a safe deposit box for a few days in January 2015 because the bank did not have sufficient collateral in place to cover these additional deposits. To protect the county's deposited funds in excess of \$250,000 in case of the bank default the bank either needs to pledge deposits with other banks or the county needs to purchase U. S. Treasury Bills with the excess funds.*

For the 2015 tax season through regular communications with our banks about expected deposit levels as the tax year end progressed and advance planning of the November and December settlement dates with our taxing entities the County Collector's office was able to coordinate with our banks to ensure that sufficient collateral of bonds were in place to allow timely deposits of daily tax receipts with both of our banks.

7.2 *We acknowledge that there are currently some issues with finding or following transaction numbers in the Tracx Tax Collection database when there is more than one posting date in use at year end or in the case of reversals. Transaction numbers are assigned by the tax collection software to all transactions (tax payments, reversals and refunds) in the actual sequence the transactions occur. The solution is a more flexible range of reports for auditing transactions. With enhanced reporting options for auditing transaction numbers it will be possible to establish an audit trail that is easier to follow.*

Our tax collection software provider was acquired by Clear Basin Software in January of 2016. The company is currently working to improve the functionality of the system. Meetings with Clear Basin are scheduled and enhancing the available reports for transactions is a priority that the Marion County Collector will work with Clear Basin on during 2016.

Marion County

Organization and Statistical Information

Marion County is a county-organized, third-class county. The county seat is Palmyra. The county also has a courthouse in Hannibal that serves as the basis of operations for several county elected officials.

Marion 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 97 full-time employees (including elected officials) and 9 part-time employees on December 31, 2014.

In addition, county operations include the Senate Bill 40 Board (Marion County Services for the Developmentally Disabled) and drainage districts established by the County Commission. The Senate Bill 40 Board employed 53 full-time employees and 18 part-time employees as of December 31, 2014. The County Coordinator manages the bridge replacement program and any other special projects. This office also advises the Planning and Zoning Commission.

Elected Officials

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

Officeholder	2015	2014
Lyndon Bode, Presiding Commissioner	\$	46,006
Larry Welch, Associate Commissioner		44,006
Randy Spratt, Associate Commissioner		44,006
Harla Friesz, Recorder of Deeds		65,390
Valerie Dornberger, County Clerk		65,390
Thomas P. Redington, Prosecuting Attorney (1)		8,090
David Clayton, Prosecuting Attorney (2)		112,430
Jimmy Shinn, Sheriff		68,883
Joelle Fohey, County Treasurer		65,390
Darrell McCoy, County Coroner		23,297
Wendy Howe, Public Administrator		65,390
Mary Ann Viorel, County Collector, year ended February 28,	65,847	
Mark Novak, County Assessor, year ended August 31,		64,958

- (1) Thomas P. Redington was appointed the Associate Circuit Judge for Schuyler County and left employment with the county January 15, 2014.
- (2) David Clayton was appointed January 29, 2014, before winning election as the Marion County Prosecuting Attorney.