

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

# Nicole Galloway, CPA

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Missouri State Auditor

New Madrid County

Report No. 2020-115

December 2020

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of New Madrid County

|  |   |
|--|---|
| Payroll Controls and Procedures                | <p>Monthly reports and payroll tax withholdings totaling \$382,047 were not received by the Department of Revenue for 62 months, starting in April 2013, resulting in the county paying \$51,333 in interest costs. The County Clerk has not adequately segregated payroll duties and no one performs an independent or supervisory review of detailed payroll records. County officials did not always follow established written personnel policies regarding vacation and sick leave, and have not established personnel policies addressing the use of compensatory time used in excess of available balances. The County Clerk's office does not ensure timesheet calculations prepared by other officials are accurate and did not compensate some employees for overtime in compliance with its overtime policy.</p> |
| County Controls and Procedures                 | <p>The County Commission's review and approval process for disbursements is not documented. The signature stamp containing the signatures of both the County Clerk and the County Treasurer is not adequately controlled. The County Treasurer has not established procedures to routinely follow up on outstanding checks in the County Treasurer's bank account. As of April 30, 2019, 4 Automated Clearing House (ACH) transactions and 56 checks totaling \$218,744 had been outstanding for over one year, with the oldest check dating back to 2013. Of this amount, 31 checks totaling \$209,945 were related to state payroll tax withholdings. Neither the County Clerk nor the County Commission adequately review the financial activities of the County Treasurer.</p>  |
| Sheriff's Controls and Procedures              | <p>The Sheriff has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Office Manager does not prepare bank reconciliations or maintain a running book balance for the Sheriff's bank account. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balances. Procedures for receipting, recording, and depositing need improvement. The Sheriff does not have controls and procedures in place to ensure collection of amounts billed for inmate transportation reimbursement or transmittal of amounts received.</p>  |
| Prosecuting Attorney's Controls and Procedures | <p>The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records and transmittals. Additionally, both the Office Manager and Child Support Clerk have the ability to issue receipt slips and also record adjustments to defendant accounts in the computerized accounting system with obtaining independent approval. The Office Manager does not transmit fees monthly to the County Treasurer as required by state law.</p>   |
| Tax Maintenance Fund                           | <p>A \$40,000 transfer made from the Tax Maintenance Fund in 2019 was not in compliance with uses allowed by state law.</p>   |
| County Clerk's Controls and Procedures         | <p>Controls and procedures over receipts and transmittals in the County Clerk's office need improvement. At least \$99 was not transmitted to the County Treasurer during 2019 and is missing.</p>  |

|                                    |  |
|------------------------------------|--|
| Electronic Data Security           | The County Clerk has not fully established controls for maintaining user accounts for accessing system resources. The County Assessor, County Clerk, Sheriff, and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data.   |
| Sunshine Law                       | The county's procedures for complying with the Sunshine Law and maintaining minutes of meetings need improvement.  |
| Electronic Communication Policies  | The county has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.  |
| Senate Bill 40 Board Cash Reserves | The Senate Bill 40 Board has accumulated a significant cash reserve without any specific plans for its use.  |
| 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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# New Madrid County

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

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. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2019. The objectives of our audit were to:

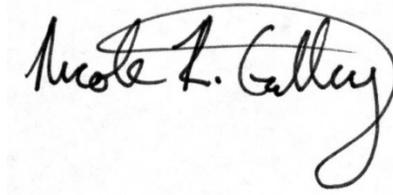
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

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

A handwritten signature in black ink 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:

|                    |                                    |
|--------------------|------------------------------------|
| Senior Director:   | Randall Gordon, M.Acct., CPA, CGAP |
| Audit Manager:     | Deborah Whitis, MBA, CPA, CIA, CFE |
| In-Charge Auditor: | Michelle Pummill, CFE              |
| Audit Staff:       | Misty Bowen, MSED, CFE             |
|                    | Logan J. Vogel                     |

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# New Madrid County Management Advisory Report State Auditor's Findings

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## **1. Payroll Controls and Procedures**

Controls and procedures were not adequate to ensure state payroll tax withholdings and related reports dating back to 2013 were properly remitted to the Department of Revenue (DOR). As a result, the county incurred interest costs totaling \$51,333. In addition, other payroll controls and procedures need improvement. The county paid personnel salaries and wages totaling approximately \$2.2 million during the year ended December 31, 2019.

### 1.1 Payroll taxes

Monthly reports and state payroll tax withholdings totaling \$382,047 were not received by the DOR for 62 months, starting in April 2013, resulting in the county paying \$51,333 in interest costs. Penalties totaling \$29,397 were waived by the DOR after the taxes and interest were paid.

Soon after the former Deputy County Clerk resigned in October 2018, the County Clerk and current Deputy County Clerk/Payroll Clerk became aware of unpaid state payroll tax withholdings when the county received notices dated October 17 and 18, 2018, from the DOR. The County Clerk and Deputy County Clerk/Payroll Clerk began working with the DOR to determine the extent of the delinquent tax withholdings and outstanding reports. In January 2019, the DOR notified the County Clerk that tax withholdings for most months from April 2013 through August 2018 had not been paid. Although tax withholdings for 2016 were paid electronically, they were not paid timely and reports were not filed timely for 9 months in 2016. As a result, interest and penalties were owed for those 9 months. The total owed to the DOR was \$457,039 and consisted of delinquent tax withholdings totaling \$382,047, interest totaling \$45,595, and penalties totaling \$29,397, if paid by February 7, 2019.

After negotiations with the DOR, the County Clerk was notified the DOR would abate the penalties once the tax withholdings were paid, but the interest would not be waived. In May 2019, the county paid the \$382,047 in tax withholdings, but did not pay the interest. Total interest owed increased to \$51,333 because an additional \$5,738 in interest accrued from January through June 2019. The county paid the \$51,333 in interest on June 25, 2019.

Thirty-one checks payable to the DOR totaling \$209,945 for tax withholdings from April 2013 through October 2013 and January 2014 through December 2015 were listed on the County Treasurer's outstanding check list on April 30, 2019. The County Treasurer did not follow up on these outstanding checks to ensure the DOR received the money timely (see Management Advisory Report (MAR) finding number 2.2). In addition, unpaid state tax withholdings totaling \$157,682 for 20 months from January 2017 through August 2018 were listed on the accounts payable open items report identifying liabilities for monies withheld but not paid to the DOR. It is unclear why the County Clerk's office did not attempt to disburse these monies to the DOR at the time they were due and continued to show them on the accounts payable report. The remaining unpaid taxes totaling \$14,420, primarily related to November



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and December 2013, were not on the outstanding check list or the accounts payable open items report. The county implemented a new accounting system in January 2014, and amounts prior to 2014 were not included on the accounts payable open items report in the new system. County officials do not know why checks were not issued for November and December 2013 tax withholdings.

The County Clerk indicated checks and related reports were prepared monthly and mailed to the DOR, but his office mailed them to an incorrect DOR address. However, the County Clerk could only provide us copies of 7 of the checks issued during 2013 (totaling \$51,661) and electronic payment confirmations for 2016 (9 of 12 months paid late), but could not provide us copies of any reports, other checks issued, or electronic payment confirmations to demonstrate these were prepared and sent to the DOR.

The County Clerk did not perform any oversight procedures as indicated in section 1.2 to review payroll records and open items reports to ensure all payroll withholdings were properly and timely remitted. As a result of these control weaknesses, the county had to pay \$51,333 interest on amounts not paid timely.

Section 143.221.2, RSMo, requires the county to file a monthly return along with the monthly payment. Withholdings are due for the first 2 months of each quarter by the 15th of the following month and for the last month of each quarter by the last day of the following month.

The lack of segregation of duties and independent or supervisory reviews by the County Clerk, inadequate controls over outstanding checks by the County Treasurer, and inadequate reviews of financial activities, as discussed in the remainder of this report, allowed for the delinquent state payroll tax withholdings and outstanding monthly reports to go undetected for almost 6 years.

## 1.2 Segregation of duties

The County Clerk has not adequately segregated payroll duties and no one performs an independent or supervisory review of detailed payroll records. The Deputy County Clerk/Payroll Clerk is responsible for entering approved pay rates, establishing/maintaining county employee personnel records, preparing payroll disbursements, automatically withdrawing payroll expenses from the County Treasurer's bank account, and printing disbursement checks. There is no independent review of payroll transactions and related reports to ensure the transactions are accurate, appropriate, and processed timely. In addition, as discussed in section 1.1, the lack of adequate controls and independent or supervisory reviews allowed the delinquent state payroll tax withholdings and related reports issue to occur and not be detected and resolved timely.



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Proper segregation of duties is necessary to ensure payroll transactions are appropriate and accounted for properly. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed payroll records are essential.

### 1.3 Personnel policies and leave balances

County officials did not always follow established written personnel policies regarding vacation and sick leave, and have not established personnel policies addressing the use of compensatory time used in excess of available balances.

Some county employees used vacation and sick leave or compensatory time in excess of their available balances, resulting in negative leave balances. The county's personnel policy indicates that only accrued (earned) vacation and sick leave may be taken, and employees may not receive advance (not yet earned) vacation pay without written prior authorization. According to the leave summary report maintained by the County Clerk's office, 11 of the 63 employees had negative leave balances at December 31, 2019. Negative balances totaled 256 hours for compensatory time, 21 hours for vacation leave, and 291 hours for sick leave. Five employees had negative compensatory time balances, 3 employees had negative sick leave balances, 2 employees had negative sick leave and compensatory time balances, and 1 employee had negative vacation and sick leave balances. One employee's negative sick leave balance was 250 hours and one employee's negative compensatory time balance was 104 hours. No prior authorizations were provided for any of these employees.

Written personnel policies and strict compliance with those policies is necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated. In addition, the county's policy should be updated to not allow employees to carry negative leave and compensatory time balances.

### 1.4 Timesheet calculations and overtime

The County Clerk's office does not ensure timesheet calculations prepared by other officials are accurate and did not compensate some employees for overtime in compliance with its overtime policy. We reviewed payroll records for the monthly pay period ended June 15, 2019, (May 16 to June 15) for 15 employees, including 10 employees that were paid overtime. We noted the following concerns:

- Timesheet calculations prepared by the Sheriff's Office Manager for the Sheriff's office employees are not reviewed by the Deputy County Clerk/Payroll Clerk to ensure hours computed are accurate. Our review of timesheets for 3 Sheriff's office employees identified errors in the calculations of regular hours, overtime hours, and total hours worked for the pay period. One employee reported hours worked totaling 133.5 regular hours and 31.5 overtime hours; however, the Office Manager improperly calculated 153 regular hours and 22 overtime hours. As a



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result, total regular hours were overstated by 19.5 hours and total overtime was understated by 9.5 hours, resulting in the employee being overpaid for 10 hours in total. A second employee reported hours worked totaling 166 regular hours and 50 overtime hours; however, the Office Manager improperly calculated 200 regular hours and 40 overtime hours. As a result, total regular hours were overstated by 34 hours and total overtime was understated by 10 hours, resulting in the employee being overpaid for 24 hours in total. The third employee reported hours worked totaling 174.5 regular hours; however, the Office Manager improperly calculated 185 regular hours resulting in the employee being overpaid for 10.5 hours.

- Six employees were paid overtime or earned compensatory time when reported hours worked were less than 40 hours for the week. Timesheet calculations prepared by the applicable county official for these employees included nonworking time (vacation, sick leave, compensatory time taken, and holidays) in total hours worked when determining the amount of overtime or compensatory time earned, which is not allowed by county policy and not required by the Fair Labor Standards Act (FLSA). As a result, the county sometimes paid for more overtime or provided more compensatory time than required.

Accurate time records are necessary to ensure employees receive proper compensation, provide support for payroll transactions, and ensure all employees are treated equitably. By not following county policies, the county may be paying more overtime and compensatory time than required, resulting in a greater financial burden to the county and inequitable treatment of employees.

## Recommendations

The County Clerk:

- 1.1 Ensure state payroll tax withholdings are remitted and monthly reports are filed timely with the DOR as required by state law.
- 1.2 Segregate payroll duties or ensure documented supervisory reviews of detailed payroll records are performed.
- 1.3 And the County Commission ensure compliance with personnel policies, review and update personnel policies as necessary, and discontinue allowing employees to carry negative leave balances.
- 1.4 Ensure the accuracy of timesheet calculations. The County Clerk and County Commission should ensure compliance with personnel policies and FLSA requirements.



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## Auditee's Response

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

*1.1 The finding fails to include the following information:*

*\*The County Clerk did indeed complete and submit payroll reports and remit payroll tax withholdings during the 62 month period, by mail, to the Department of Revenue address that had been in use for many, many years. At some point it appears that the remittance address to the Department of Revenue changed and notification was never received by the county. The county was unaware that the reports and payments were not being received.*

*\*The County Treasurer became aware that the checks mailed to the Department of Revenue for payroll tax withholdings were not clearing the bank and made attempts to contact the Department of Revenue to determine why the checks were not being processed.*

*\*The County Clerk ultimately discovered that delinquent notices from the Department of Revenue were being mailed to the wrong address and were never received by the county.*

*\*The County Clerk made contact with the Department of Revenue in 2018 when the extent of the delinquent payroll tax payments was discovered and began working with the Department of Revenue to rectify the problem. The County Clerk assisted the County Treasurer in determining the checks that had never cleared the bank. The County Treasurer then stopped payment on those checks and issued payment to the Department of Revenue for the delinquent payroll tax payments.*

*Obviously, there were errors made by both the Department of Revenue and the county that kept this situation from being resolved in a more timely manner. But as was noted by the County Commission in discussions with the state auditors: 1) the county had been remitting payroll tax payments to the Department of Revenue for decades, 2) when the Department of Revenue suddenly stopped receiving payroll tax payments from a county government and there was no response to the delinquent notices mailed to the county, why didn't the Department of Revenue directly contact the county either by phone, email, or certified mail?*

*The county now processes and submits all reports and payroll tax withholding payments to the Department of Revenue electronically and receives confirmation that reports and payments have been received. The County Clerk will ensure that payroll tax withholding reports and payments are submitted on a timely basis.*



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- 1.2 *Upon completion of payroll reports and remittance of payroll tax withholding payments to the Department of Revenue, confirmation documents are printed and submitted to the County Clerk for review. The County Clerk's review of the records will be documented in each month's payroll file.*
- 1.3 *Officeholders will be informed to follow personnel policy guidelines and discontinue allowing negative leave balances on employee timesheets. The county personnel policies will be reviewed and updated as necessary.*
- 1.4 *Timesheet calculations are each officeholder's responsibility to ensure that they are correct before approving and submitting them to the County Clerk's office. The County Clerk's office always attempts to identify errors on timesheets submitted by each officeholder, but the time required for preparation of the direct deposit payroll does not allow for the County Clerk's office to review every timesheet calculation for accuracy. That is each officeholder's responsibility. A secondary review of payroll transactions will be conducted to ensure that payroll amounts are accurate before they are electronically submitted to the bank for direct deposit.*

*The Sheriff provided the following response:*

- 1.4 *The spreadsheet used to prepare timesheet calculations, including overtime, has been corrected. After each employee's timesheet calculation has been completed, it will be reviewed by the Deputy Sheriff and Sheriff. Within the next couple weeks, a new program to calculate payroll for my employees will be implemented.*

## Auditor's Comment

- 1.1 While the County Clerk indicated attempts were made to address the issue, these attempts were not made timely and the issue continued for several years. If proper controls and procedures had been in place, the county could have discovered in a timely manner that state payroll tax withholdings and reports were not being received by the Department of Revenue, and could have resolved the issue and avoided paying some or all of the \$51,333 in interest.

## 2. County Controls and Procedures

Controls and procedures over county disbursements, outstanding checks, and the County Treasurer's financial activity need improvement. According to the County Treasurer's year-to-date report, the county disbursed approximately \$12.6 million during the year ended December 31, 2019.

### 2.1 Disbursements

Improvement is needed in the controls and procedures over county disbursements.



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Review and approval

The County Commission's review and approval process for disbursements is not documented. The County Commissioners indicated they typically look at invoices during their meetings, but they do not vote to approve or sign invoices presented for review. Meeting minutes typically have the same generic statement indicating disbursements were reviewed and approved for payment, but there is no documentation to support which disbursements were approved. The County Clerk applies a dated approval stamp "APPROVED NEW MADRID CO. COMMISSION" on invoices and invoices are given to the Deputy County Clerk/Accounts Payable Clerk to process the disbursements. None of the County Commissioners were aware this stamp existed and was used to indicate their approval of the invoices.

Signature stamp

The signature stamp containing the signatures of both the County Clerk and County Treasurer is not adequately controlled. Checks require 2 signatures and the authorized check signers are the County Clerk and the County Treasurer. The County Clerk and the Deputy County Clerk/Payroll Clerk responsible for printing checks have access to the County Treasurer's office where this stamp is stored. Neither the County Clerk, nor the County Treasurer, nor the Deputy County Clerk/Payroll Clerk initials checks to indicate use of the signature stamp. In addition, the use of the signature stamp diminishes the controls intended by the second check signer and approval signature.

Conclusion

Section 50.160(2), RSMo, allows the county commission to order the payment out of the county treasury of any money found to be due by the county. Section 50.166, RSMo, allows the county clerk to prepare a check for the amount due as approved by the county commission and transmit such to the county treasurer.

To safeguard against possible loss, theft, or misuse of monies and to ensure disbursements are properly handled, the County Commission's review and approval of disbursements should be documented, and the County Commission should establish controls over the use of and access to its approval stamp. In addition, the County Clerk and County Treasurer should establish controls over the use of and access to the signature stamp.

## 2.2 Outstanding checks

The County Treasurer has not established procedures to routinely follow up on outstanding checks in the County Treasurer's bank account. As of April 30, 2019, 4 Automated Clearing House (ACH) transactions and 56 checks totaling \$218,744 had been outstanding for over one year, with the oldest check dating back to 2013. Of this amount, 31 checks totaling \$209,945 were related to the state payroll tax withholdings discussed in MAR finding number 1.1. In addition, the County Treasurer's outstanding check list does not contain the name of the payee, it only contains the date and amount of each ACH transaction and check.



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The \$209,945 in outstanding checks related to state payroll tax withholdings were voided and reissued in May 2019. In November 2019, the County Treasurer followed up on and resolved some of the remaining outstanding checks. As of March 31, 2020, the 4 ACH transactions from 2014 and 1 check from 2015, totaling \$4,972, were still outstanding. Two of these ACH transactions were payable to the U.S. Treasury for federal, Social Security, and Medicare taxes, and 2 ACH transactions were payable to Missouri Local Government Employees Retirement System for employees' retirement contributions. The County Treasurer had not followed up on these ACH transactions, although these government entities could have been contacted to resolve these ACH transactions.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of monies in the account and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

### 2.3 Review of activity

Neither the County Clerk nor the County Commission adequately review the financial activities of the County Treasurer. The County Treasurer prepares monthly bank reconciliations and monthly settlements and provides them to the County Clerk and County Commission. No documentation was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Treasurer's monthly bank reconciliations and settlements. As a result, there is less assurance the monthly settlements are complete and accurate, and an increased risk of loss, theft, and misuse of monies going undetected.

Section 51.150.1(1), RSMo, requires the County Clerk to keep regular accounts between the County Treasurer and the county. Section 51.150.1(4), RSMo, requires the County Clerk to balance and display the accounts kept by him as often as required by the County Commission. Section 49.260, RSMo, requires the County Commission, or some commissioner thereof, to examine and verify the monies on hand up to the day on which the settlement is made. Such procedures are intended to establish checks and balances related to the collection and disbursement of county monies.

### Recommendations

- 2.1 The County Commission document review and approval of all disbursements and establish controls over the use of and access to its approval stamp. In addition, the County Clerk and County Treasurer should establish controls over the use of and access to the signature stamp.
- 2.2 The County Treasurer establish procedures to routinely investigate outstanding checks and ACH transactions. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the monies should be disposed of in accordance with state law.



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- 2.3 The County Clerk and County Commission perform documented reviews of bank reconciliations and monthly settlements prepared by the County Treasurer.

## Auditee's Response

*The County Treasurer provided the following responses:*

- 2.1 *I will keep the signature stamp in the safe outside of my office. If checks are written and I am out of town, the County Clerk will have access to the stamp.*
- 2.2 *The outstanding checks and ACH transactions totaling \$4,972 will be resolved within the next 2 to 3 weeks. The outstanding check list will be followed up on monthly.*

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

- 2.1 *The County Commission is now approving and signing each invoice submitted for payment and the approval stamp is no longer used. The County Clerk and County Treasurer now have individual signature stamps that are used to sign checks. When it is necessary for either officeholder to use the other's signature stamp to process checks due to the absence of either officeholder, the signature will be initialed by the person using the stamps.*
- 2.3 *The County Clerk and County Commission will review monthly bank reconciliations and settlements prepared by the County Treasurer and initial the documents after their review.*

## 3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected approximately \$138,000 for civil and criminal paper service, bonds, inmate transportation reimbursements, and other miscellaneous receipts during the year ended December 31, 2019.

### 3.1 Segregations of duties

The Sheriff has not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records. The Office Manager is primarily responsible for receipting, recording, and depositing monies; preparing disbursements, bank reconciliations, and monthly fee reports; and billing, receiving, and transmitting monies for inmate transportation reimbursement claims. The Sheriff's reviews do not include a review of detailed receipt and disbursement records.

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, and depositing receipts; making disbursements; and reconciling bank accounts. If proper segregation of duties cannot be achieved, documented independent or



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supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

### 3.2 Bank reconciliations and liabilities

The Office Manager does not prepare bank reconciliations or maintain a running book balance for the Sheriff's bank account. In addition, monthly lists of liabilities are not prepared to reconcile to the available cash balances. We determined the reconciled bank balance as of December 31, 2019, was \$30,022. We determined total liabilities to be \$30,669, consisting of undistributed December collections, federal forfeiture funds received in June 2019, and undistributed interest earned in 2019, resulting in an apparent shortage of \$647 in the account.

The federal forfeiture funds of \$27,469 direct-deposited into the bank account were not disbursed to the County Treasurer until May 13, 2020, when a Sheriff's deputy instructed the Office Manager to prepare the disbursement check and informed her of the source of these funds. Preparing monthly bank reconciliations and comparing such to a list of liabilities would have detected these monies in the account and allowed for more timely disbursement.

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 available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

### 3.3 Receipting, recording, and depositing

Procedures for receipting, recording, and depositing need improvement.

- The Office Manager did not issue receipt slips for inmate transportation reimbursements totaling \$31,991 received during the year ended December 31, 2019 (based on County Treasurer's records). These monies were transmitted to the County Treasurer without being receipted or recorded by the Sheriff's office.
- The method of payment is not always indicated on receipt slips issued. As a result, the composition of receipts cannot be reconciled to the composition of deposits.
- Receipts are not always deposited timely and prior to the related disbursements being made. For example, the Sheriff issued 4 checks totaling \$685 in December 2019 before the related deposit cleared the bank on January 6, 2020. This deposit included receipts from December 6, 2019, through January 2, 2020. The Office Manager typically prepares checks to disburse bond monies on the day of receipt and mails them when signed by the Sheriff. She does not hold these checks until the related receipts are deposited. The undistributed federal forfeiture funds



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in the bank account (see section 3.2) prevented the account from being overdrawn.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will occur and go undetected. In addition, monies should be deposited timely and before the related disbursements are made to ensure bank accounts are not overdrawn.

### 3.4 Inmate transportation reimbursement

The Sheriff does not have controls and procedures in place to ensure collection of amounts billed for inmate transportation reimbursement or transmittal of amounts received.

The Office Manager submits inmate transportation claims to the Department of Corrections for reimbursement. As noted in section 3.3, the Office Manager does not record receipt of these payments, but immediately transmits them to the County Treasurer. The Office Manager does not obtain documentation from the County Treasurer for these transmittals even though the County Treasurer prepares receipt slips, and records are not maintained to determine the status of submitted claims. As a result, the Sheriff or persons independent of the billing and receipting process are unable to determine the amounts collected or otherwise monitor the billed amounts to ensure payments are received and transmitted to the County Treasurer.

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

### Similar conditions previously reported

Similar conditions to sections 3.1 and 3.3 were noted in our 2 prior audit reports. In addition, similar conditions to sections 3.2 and 3.4 were noted in our prior audit report.

### Recommendations

The Sheriff:

- 3.1 Segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 3.2 Ensure monthly bank reconciliations are performed, a running book balance is maintained, and lists of liabilities are prepared and reconciled to the available cash balance monthly. Any differences should be promptly investigated and resolved.



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- 3.3 Issue receipts slips for all monies received, indicate the method of payment on all receipt slips, and reconcile the composition of receipts to the composition of deposits. In addition, ensure all monies are deposited timely and prior to the related disbursements.
- 3.4 Establish procedures to ensure collection of inmate transportation reimbursements and transmittal of payments received.

## Auditee's Response

*We have reviewed the findings and recommendations in this report. We are currently in the process of addressing the problems and will set forth procedures to implement the recommendations from your audit.*

- 3.1 *Segregation of duties and documented independent reviews of detailed accounting and bank records have been implemented.*
- 3.2 *Procedures to perform monthly bank reconciliations and maintain a running book balance have been implemented. A list of liabilities will be prepared and reconciled to the available cash balance monthly. Any differences will be resolved.*
- 3.3 *Procedures for receipting, recording, and depositing will be implemented as recommended.*
- 3.4 *Procedures recommended for collection and transmittal of inmate transportation reimbursements will be established.*

## 4. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$91,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2019.

### 4.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records and transmittals. The Office Manager is primarily responsible for receipting, recording, and transmitting monies to victims and the County Treasurer. Additionally, both the Office Manager and Child Support Clerk have the ability to issue receipt slips and also record adjustments to defendant accounts in the computerized accounting system without obtaining independent approval. During the year ended December 31, 2019, office personnel made 18 adjustments totaling \$96,985. Adjustments made were more than total receipts during the year ended December 31, 2019. One adjustment totaled \$94,177 and was not independently reviewed. Neither the Prosecuting Attorney nor other clerks perform supervisory or independent reviews of accounting records to ensure all monies received are properly recorded and transmitted or disbursed to the appropriate party.



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

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

## 4.2 Transmitting

The Office Manager does not transmit fees monthly to the County Treasurer as required by state law. During the year ended December 31, 2019, the Office Manager only made 6 transmittals totaling \$5,786 to the County Treasurer. Transmittals to the County Treasurer are made when a deposit slip obtained from the County Treasurer is full.

Failure to implement adequate transmitting procedures increase the risk that loss, theft, or misuse of monies received will occur and go undetected. Section 50.370, RSMo, requires all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.

## Recommendations

The Prosecuting Attorney:

- 4.1 Segregate accounting duties or ensure adequate independent or supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
- 4.2 Transmit all fees monthly to the County Treasurer.

## Auditee's Response

- 4.1 *Due to the limited size of this office, a segregation of duties is not possible. Therefore, the Prosecuting Attorney will perform, and document, supervisory reviews of the accounting records, including, but not limited to, all accounting adjustments.*
- 4.2 *In January 2020, we began transmitting all fees to the County Treasurer on a monthly basis, and will continue to do so moving forward.*

## 5. Tax Maintenance Fund

A \$40,000 transfer made from the Tax Maintenance Fund (TMF) in 2019 was not in compliance with uses allowed by state law. The County Collector collects a penalty of 9 percent of the total charged on delinquent taxes. Two-ninths of this penalty is required to be paid into the TMF to be used for



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additional administrative or operational costs related to the office of the County Collector.

The County Collector transferred \$40,000 from the TMF to the General Revenue Fund (GRF) on December 31, 2019. The County Collector indicated this amount was used to purchase a security system for the courthouse. The County Clerk provided invoices totaling \$10,703 for the security system. The cost of the security system was not allocated among all county offices benefiting from the system. As a result, at least a portion of the \$10,703 transfer for the total cost of the security system was not related to the administration or operation of the County Collector's office. No documentation was provided supporting the remainder of the amount transferred.

Section 52.315, RSMo, requires disbursements from the TMF be for additional administration and operation costs of the County Collector's office. There was either no documentation supporting the transferred amount or the documentation was unclear as to how the transferred amount related to the administration or operation of the office of the County Collector. Therefore, this transfer was not an appropriate use of the TMF monies.

## Recommendation

The County Collector ensure disbursements from the Tax Maintenance Fund are in compliance with statutory provisions, and the County Commission reimburse the Tax Maintenance Fund for the improper transfer. In addition, the County Collector should maintain documentation to support all transfers made from the Tax Maintenance Fund.

## Auditee's Response

*The County Collector provided the following response:*

*I agree to implement the recommendation from the State Auditor's Office going forward.*

*The County Commission provided the following response:*

*The County Commission will reimburse the \$40,000 transfer from the Tax Maintenance Fund.*

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## 6. County Clerk's Controls and Procedures

Controls and procedures in the County Clerk's office need improvement. The office collected plat book fees, notary fees, and other miscellaneous receipts totaling approximately \$3,000 during the year ended December 31, 2019.

- The County Clerk does not account for the numerical sequence of receipt slip numbers to ensure monies received have been properly recorded and transmitted.



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- A total of \$99 related to 6 receipt slips issued during 2019 was not transmitted to the County Treasurer and is missing. Additionally, 2 receipt slips were missing. Both copies of these receipt slips were removed from the manual receipt slip book and could not be explained.
- Checks are not restrictively endorsed when received. The County Treasurer applies the restrictive endorsement following transmittal.

As a result of these poor receipting and transmitting procedures, it is not possible to determine if all receipts were properly handled. As indicated, at least \$99 is missing.

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

## Recommendation

The County Clerk account for the numerical sequence of receipt slip numbers, and restrictively endorse checks at the time of receipt.

## Auditee's Response

*Numerical receipt slips have always been used for monies collected for plat book fees, notary fees, etc. Going forward, the numerical sequence of receipt slip numbers will be accounted for, each monthly report will include the receipt slip number for each transaction, and all checks received will be immediately endorsed and submitted to the County Treasurer on a daily basis. The new procedures will ensure that all monies have been transmitted to the County Treasurer.*

## 7. Electronic Data Security

Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.

### 7.1 User accounts

The County Clerk has not fully established controls for maintaining user accounts for accessing system resources. As a result, accounts assigned to former employees are not always removed timely.

Without effective procedures to remove access, terminated employees could continue to have access to critical or sensitive resources or have opportunities to sabotage or otherwise impair county operations or assets. The failure to remove access for all terminated employees on a timely basis increases the risk of unauthorized access and may compromise the confidentiality and integrity of county data.

### 7.2 Passwords and user identification

The County Assessor, County Clerk, Sheriff, and Recorder of Deeds 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 they remain known only to the



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assigned user. Officials and employees in the offices of the Recorder of Deeds, Sheriff, and Public Administrator are not required to have a minimum number of characters in the passwords. In addition, the County Assessor and his employees share the user identification and password for certain computers in his office.

Passwords are necessary 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 or contain a minimum number of characters in certain offices and are shared by employees in one office, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

## Recommendations

The County Commission work with other county officials to:

- 7.1 Ensure user access is promptly deleted following termination of employment.
- 7.2 Require confidential passwords for each employee that contain a minimum number of characters, and are periodically changed to prevent unauthorized access to county computers and data.

## Auditee's Response

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

- 7.1 *Procedures will be implemented to delete user access following termination of any employee.*
- 7.2 *Procedures will be implemented to require confidential passwords that contain a minimum number of characters and are changed on a quarterly basis at a minimum.*

*The Sheriff provided the following response:*

- 7.2 *In October 2020, we implemented procedures to ensure passwords are periodically changed by the user and contain a minimum number of characters.*

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## 8. Sunshine Law

The county's procedures for complying with the Sunshine Law and maintaining minutes of meetings need improvement. The County Commission generally met 2 times a week during the year ended December 31, 2019.



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Minutes of County Commission meetings do not contain sufficient detail of actions taken and are not signed by the County Commissioners to indicate their approval. Agendas usually state "APPROVAL OF MINUTES" and "APPROVAL OF EXPENDITURES." Meeting minutes typically contain the generic statements: "Minutes of the previous meeting were approved by the Commission" and "Now comes Clement Cravens, Clerk of the County Commission, and presents to this Commission the accounts payable of this County, and the Commission having examined said accounts, hereby approves same and orders payment of said accounts against the several funds of New Madrid County, Missouri." As discussed in MAR finding number 2.1, there is no documentation to support which disbursements were approved at each meeting.

Minutes reviewed from January 2019 through May 2020 included 17 instances in which the County Commission signed contracts, made bid decisions, appointed members to various county boards, authorized purchases, and authorized the hiring of a part-time employee, but the minutes did not indicate any votes taken on these actions. In addition, the minutes provided from January 3, 2019, through September 19, 2019, were not signed by the County Commission. The County Commission began signing minutes in September 2019 when we brought this to the Commission's attention.

Section 610.020.7, RSMo, requires minutes of meetings be maintained as a record of business conducted and to provide an official record of actions and decisions, including the date, time, place, members present, members absent, and a record of any votes taken. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. The meeting minutes should be signed by the preparer and subsequently approved by the County Commission to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings.

## Recommendation

The County Commission ensure meeting minutes include all necessary information and are signed by the preparer and the County Commission.

## Auditee's Response

*Minutes of the previous County Commission meeting are now reviewed and signed at the next meeting by the County Commission and changes or addendums are made as needed.*

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## 9. Electronic Communication Policies

The county has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.



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Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.<sup>1</sup>

Development of written policies to address the use of electronic communications is necessary to ensure all documentation of official business of the county is retained as required by state law.

## Recommendation

The County Commission work with other county officials to develop written records management and retention policies to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.

## Auditee's Response

*We will review the Secretary of State Records Services Division electronic communications guidelines and develop written policies to address the use of electronic communications in county offices.*

## 10. Senate Bill 40 Board Cash Reserves

The Senate Bill 40 Board has accumulated a significant cash reserve without any specific plans for its use.

The Board's cash balance at December 31, 2019, totaled approximately \$356,000. This balance, based on previous spending, represents approximately 6 years of payments to nonprofit organizations and other disbursements. Despite the significant cash balance, the Board continues to propose a property tax rate at or slightly less than the maximum rate allowed.

Accumulating an excessive cash balance with no specific long-term plans for use of these monies puts an unnecessary burden on taxpayers. The Board should determine future needs, and consider reducing future tax levies if a specific use for the cash reserves is not determined. Pursuant to Section 205.971, RSMo, the County Commission is given the taxing authority to levy a property tax rate to provide services for the developmentally disabled. Thus, the County Commission should review the necessity of the tax levy rate proposed by the Board.

## Recommendation

The Senate Bill 40 Board work with the County Commission to evaluate funding needs and consider reducing the property tax levy. If plans have been

<sup>1</sup> Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, accessed August 27, 2020.



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made for expending the accumulated cash balance, such plans should be set forth publicly in the budget document.

## Auditee's Response

*We agree with this finding and would like to take this opportunity to explain the source of some of our increase, as well as address steps we plan to take immediately to offer additional client funding and services to the agencies we currently assist. The Senate Bill 40 Board beginning balance for January 1, 2020, was \$356,268. The beginning balance for January 1, 2018, was \$180,009. The Board has received \$187,500 in New Madrid County client service revenue since 2018, which has significantly increased our cash balance.*

*In order to expend some of the excess cash balance, the Board will earnestly look for ways to develop new services for New Madrid County residents and to improve existing services for our residents. Due to the state putting a hold on funding some services for clients, we have found that some residents are on an indefinite waiting list for funding for needed services. The Board will look into funding more client services for these individuals to fill the gap in service funding. In addition, the Board will reach out to service provider agencies to determine if there is a need that could be filled to either start new services in our area or to improve existing services. We intend to give financial support to these agencies to help them provide the needed services to our county residents.*

*In light of this audit finding, the Board will evaluate the funding needs of the citizens of this community and provide appropriate assistance where possible.*

# New Madrid County

## Organization and Statistical Information

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

New Madrid County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. In addition to elected officials, the county employed 63 full-time employees and 2 part-time employees on December 31, 2019.

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   | 2020   | 2019    |
|--|--------|---------|
| Mark Baker, Presiding Commissioner                               | \$     | 43,226  |
| Bobby H. Aycock Jr., Associate Commissioner                      |        | 41,226  |
| Don Day, Associate Commissioner                                  |        | 41,226  |
| Kim St. Mary Hall, Recorder of Deeds                             |        | 62,464  |
| Clement Cravens, County Clerk                                    |        | 62,464  |
| Andrew Lawson, Prosecuting Attorney                              |        | 140,666 |
| Terry M. Stevens, Sheriff  |        | 69,405  |
| Steve Riley, County Treasurer                                    |        | 62,464  |
| George DeLisle, County Coroner                                   |        | 22,210  |
| Paula Scobey, Public Administrator                               |        | 62,464  |
| Dewayne Nowlin, County Collector (1),<br>year ended February 29, | 87,328 |         |
| Jacob Johnson, County Assessor,<br>year ended August 31,         |        | 62,464  |

(1) Includes \$24,864 of commissions earned for collecting city and drainage district property taxes.