



Nicole Galloway, CPA

Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

New Madrid County

Report No. 2021-092

October 2021

auditor.mo.gov

New Madrid County

Follow-Up Report on Audit Findings

Table of Contents

State Auditor's Letter	2
------------------------	---

Status of Findings*

1.	Payroll Controls and Procedures.....	3
2.	County Controls and Procedures	4
3.	Sheriff's Controls and Procedures.....	5
4.1	Prosecuting Attorney's Controls and Procedures - Segregation of duties	7
5.	Tax Maintenance Fund	7
6.	County Clerk's Controls and Procedures	8
7.	Electronic Data Security	8
8.	Sunshine Law.....	9
10.	Senate Bill 40 Board Cash Reserves.....	9

*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of New Madrid County

We have conducted follow-up work on certain audit report findings contained in Report No. 2020-115, *New Madrid County* (rated as Poor), issued in December 2020, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings for which follow up is considered necessary, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with county officials to verify the status of implementation for the recommendations. This report is a summary of the results of this follow-up work, which was substantially completed during July and August 2021.

Nicole R. Galloway, CPA
State Auditor

New Madrid County

Follow-Up Report on Audit Findings

Status of Findings

1. Payroll Controls and Procedures	Controls and procedures were not adequate to ensure state payroll tax withholdings and related reports were properly remitted to the Department of Revenue (DOR). In addition, other payroll controls and procedures needed improvement.
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, and resulted in the county paying \$51,333 in interest costs.
Recommendation	The County Clerk ensure state payroll tax withholdings are remitted and monthly reports are filed timely with the DOR as required by state law.
Status	Implemented The County Clerk has begun performing documented reviews to ensure state payroll tax withholdings are remitted and monthly reports are filed timely with the DOR.
1.2 Segregation of duties	The County Clerk had not adequately segregated payroll duties and no one performed an independent or supervisory review of detailed payroll records.
Recommendation	The County Clerk segregate payroll duties or ensure documented supervisory reviews of detailed payroll records are performed.
Status	In Progress In February 2021, the Deputy County Clerk/Payroll Clerk began supervising, training, and reviewing payroll work performed by a new deputy, but these reviews were not documented. The Deputy County Clerk/Payroll Clerk left employment in May 2021. The County Clerk indicated independent reviews of payroll transactions and related reports prepared by the new deputy continued to be performed by the Deputy County Clerk/Accounts Payable Clerk; however, these reviews were not documented. The County Clerk indicated he plans to start performing documented reviews of payroll records in October 2021.
1.3 Personnel policies and leave balances	County officials did not always follow established written personnel policies regarding vacation and sick leave, and had not established personnel policies addressing the use of compensatory time used in excess of available balances.
Recommendation	The County Clerk 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.



New Madrid County
Follow-up Report on Audit Findings
Status of Findings

Status

Not Implemented

The County Clerk indicated he verbally communicated to each county official that any negative leave balances needed to be resolved as soon as possible, but believes review of leave balances is the responsibility of each officeholder. No changes have occurred to the county's personnel policies. Our review of the leave summary report determined 5 employees had negative leave balances at June 30, 2021. One of the 5 employees was a new employee hired in February 2021. The County Clerk indicated he authorized the advance (not yet earned) leave for that employee, but it was not documented as required by the county's personnel policy.

1.4 Timesheet calculations
and overtime

The County Clerk's office did not ensure timesheet calculations prepared by other officials were accurate and did not compensate some employees for overtime in compliance with its overtime policy. Some employees were paid overtime or earned compensatory time when hours worked were less than 40 hours for the week, which is not required by the Fair Labor Standards Act (FLSA).

Recommendation

The County Clerk ensure the accuracy of timesheet calculations. The County Clerk and County Commission should ensure compliance with personnel policies and FLSA requirements.

Status

Not Implemented

The County Clerk is not ensuring the accuracy of timesheet calculations or ensuring compliance with the personnel policies and the FLSA requirements. The County Clerk indicated he and the County Commission had some discussions with the Sheriff. However, the County Clerk believes timesheet calculations are the responsibility of each officeholder.

2. County Controls and
Procedures

Controls and procedures over county disbursements, outstanding checks, and the County Treasurer's financial activity needed improvement.

2.1 Disbursements

The County Commission's review and approval process for disbursements was not documented. In addition, the signature stamp containing the signatures of both the County Clerk and County Treasurer was not adequately controlled.

Recommendation

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.



New Madrid County
Follow-up Report on Audit Findings
Status of Findings

Status	Implemented The County Commission is now documenting review and approval on each invoice presented for payment. The County Treasurer and County Clerk now have separate signature stamps. During the absence of either officeholder, one will give the other access to his stamp and initial when using that stamp. Our review of check images on the May 2021 bank statement noted the signature stamp use had been initialed.
2.2 Outstanding checks	The County Treasurer had not established procedures to routinely follow up on outstanding checks and Automated Clearing House (ACH) transactions in the County Treasurer's bank account.
Recommendation	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.
Status	Implemented The County Treasurer implemented procedures to investigate and resolve outstanding checks and ACH transactions. Our review of the outstanding check/ACH transaction list as of April 30, 2021, identified no old outstanding checks.
2.3 Review of activity	Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Treasurer.
Recommendation	The County Clerk and County Commission perform documented reviews of bank reconciliations and monthly settlements prepared by the County Treasurer.
Status	Implemented The County Clerk indicated he and the County Commission are reviewing and signing the monthly bank reconciliations and monthly settlements prepared by the County Treasurer. Our review of the April 2021 bank reconciliation and monthly settlement reports noted the County Clerk and County Commissioners had signed these documents.
3. Sheriff's Controls and Procedures	Controls and procedures in the Sheriff's office needed improvement.
3.1 Segregation of duties	The Sheriff had not adequately segregated accounting duties or performed adequate supervisory reviews of detailed accounting and bank records.



New Madrid County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The Sheriff segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
Status	Partially Implemented The Sheriff and Deputy Sheriff document their review of detailed accounting records on the monthly excel spreadsheet that lists the receipt slips and checks issued. The Sheriff indicated he and the Deputy Sheriff also perform reviews of monthly bank reconciliations prepared by the Office Manager, but these reviews are not documented.
3.2 Bank reconciliations and liabilities	The Office Manager did not prepare bank reconciliations or maintain a running book balance for the Sheriff's bank account. In addition, monthly lists of liabilities were not prepared to reconcile to the available cash balances.
Recommendation	The Sheriff 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.
Status	In Progress The Office Manager now prepares monthly bank reconciliations and maintains a running book balance. An excel spreadsheet serves as a list of liabilities; however, it does not include liabilities from prior months. Office personnel are currently investigating the unidentified balance of \$445 in the account as of June 30, 2021, and hope to have it resolved by the end of 2021.
3.3 Receipting, recording, and depositing	Receipt slips were not issued for inmate transportation reimbursements. The method of payment was not always indicated on receipt slips issued. As a result, the composition of receipts could not be reconciled to the composition of deposits. In addition, receipts were not always deposited timely and prior to the related disbursements being made.
Recommendation	The Sheriff 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.
Status	Implemented The Office Manager now issues receipt slips for all payments received, indicates the method of payment on each receipt slip, and reconciles the composition of receipts to the composition of deposits. In addition, deposits are now made timely and prior to the related disbursements.



New Madrid County
Follow-up Report on Audit Findings
Status of Findings

3.4 Inmate transportation
reimbursement

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

Recommendation

The Sheriff establish procedures to ensure collection of inmate transportation reimbursements and transmittal of payments received.

Status

Partially Implemented

The Sheriff's office has begun recording all payments received on a monthly excel spreadsheet that also documents when disbursements or transmittals to the County Treasurer occur. The Office Manager maintains electronic files of all documentation related to inmate transportation reimbursement billings and payments received, but could not easily determine the total amount outstanding without going through these documents. No one independent of the billing and collection process reconciles these documents to ensure collection of all amounts billed.

4.1 Prosecuting Attorney's
Controls and Procedures
- Segregation of duties

The Prosecuting Attorney had not adequately segregated accounting duties or performed supervisory reviews of accounting records, including adjustments to defendants accounts, and transmittals to victims and the County Treasurer.

Recommendation

The Prosecuting Attorney 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.

Status

Partially Implemented

Accounting duties have not been segregated and supervisory reviews of accounting records still are not performed. The Prosecuting Attorney has begun reviewing and approving all accounting adjustments.

5. Tax Maintenance
Fund

A \$40,000 transfer made from the Tax Maintenance Fund to the General Revenue Fund in 2019 was not in compliance with uses allowed by state law. Documentation was not provided to support most of the amount transferred.

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.



New Madrid County
Follow-up Report on Audit Findings
Status of Findings

Status	Implemented
	No transfers from the Tax Maintenance Fund have been made since 2019. On January 29, 2021, county officials transferred \$40,000 from the General Revenue Fund to reimburse the Tax Maintenance Fund.
6. County Clerk's Controls and Procedures	The County Clerk did not account for the numerical sequence of receipt slip numbers to ensure monies received had been properly recorded and transmitted. Checks were not restrictively endorsed when received.
Recommendation	The County Clerk account for the numerical sequence of receipt slip numbers, and restrictively endorse checks at the time of receipt.
Status	Implemented
	The County Clerk is now accounting for the numerical sequence of receipt slip numbers during his review of the monthly fee report. This report has been updated to include the receipt slip number for each receipt, and the County Clerk compares it to the receipt slip book to ensure all receipts are recorded and transmitted. The County Clerk indicated checks are now restrictively endorsed upon receipt.
7. Electronic Data Security	Controls over county computers were not sufficient. As a result, county records were not adequately protected and were susceptible to unauthorized access or loss of data.
7.1 User accounts	The County Clerk had not fully established controls for maintaining user accounts for accessing system resources. As a result, accounts assigned to former employees were not always removed timely.
Recommendation	The County Commission work with other county officials to ensure user access is promptly deleted following termination of employment.
Status	Not Implemented
	The County Clerk has not implemented controls to promptly remove user access upon termination. The email account for the former Deputy County Clerk/Payroll Clerk who left employment in May 2021 was not deleted until September 2, 2021, after our inquiry.
7.2 Passwords and user identification	The County Assessor, County Clerk, Sheriff, and Recorder of Deeds were not required to change passwords periodically. Officials and employees in the offices of the Recorder of Deeds, Sheriff, and Public Administrator were not required to have a minimum number of characters in the passwords. The County Assessor and his employees shared the user identification and password for certain computers in his office.



New Madrid County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The County Commission work with other county officials to 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.

Status

Partially Implemented

The County Assessor indicated passwords are now changed every couple of months and office personnel no longer share user identifications and passwords for computers in his office. The County Clerk indicated he is still working with the system vendor to implement periodic password changes. The Sheriff indicated he now requires employees in his office to change passwords every couple of months and for the passwords to contain a minimum number of characters. The Recorder of Deeds indicated she is not planning to implement this recommendation. The Public Administrator indicated the password for her computer now requires a minimum number of characters.

8. Sunshine Law

Minutes of County Commission meetings did not contain sufficient detail of actions taken and were not signed by the County Commissioners to indicate their approval.

Recommendation

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

Status

Implemented

We reviewed the meeting minutes from May and June 2021. The minutes were signed by the County Commissioners and included information related to discussions and the actions taken.

**10. Senate Bill 40 Board
Cash Reserves**

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

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

Status

In Progress

The Senate Bill 40 Board increased planned expenditures in the 2021 budget in several areas after Board members identified some uses for the cash reserves. The Board Secretary indicated the Board is working with the County Disability Resource Office to identify other funding needs in the county and if needed will reevaluate the levy in future years.