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Missouri State Auditor

Clinton County
Commission and County Clerk

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Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Clinton County Commission and County Clerk

Payroll Controls and Procedures

The county incurred significant penalties and interest, and made over- and underpayments because of inadequate controls and procedures over the timely filing of various payroll tax and benefit forms and related tax payments. Also, significant improvement is needed in the county's payroll controls and procedures.

The County Clerk does not ensure payroll tax forms are filed and payroll taxes are remitted timely to the Internal Revenue Service (IRS), as required, and as a result, the county was assessed \$64,298 in penalties and \$9,614 in interest. Also, as of January 31, 2022, at least \$142,864 is still due to the IRS including significant penalties and interest still accruing.

The County Clerk does not have adequate controls to ensure employees are paid accurately, and as a result, some employees were underpaid (\$2,357) and others were overpaid (\$20,258) for the period of January through April 2021. Also, the County Commission changed the payroll cycle 2 times from 2019 to 2021, which may have contributed to the inaccurate payments.

The County Clerk did not ensure retirement contributions withheld from employee paychecks were accurate and remitted timely to the respective retirement plans. The County Clerk erroneously calculated County Employees Retirement Fund (CERF) withholdings after the county changed pay periods in March 2020, and CERF personnel identified numerous errors. He also did not enroll some employees timely in the retirement system and incorrectly reported the rehiring and hiring dates for some employees with the Local Government Employees Retirement System (LAGERS). The County Clerk also failed to timely remit withholdings from employee pay to the deferred compensation plan.

The County Clerk failed to ensure numerous payments made to the IRS, CERF, and LAGERS were accurately recorded in the accounting records, which may have prevented other county officials from identifying the untimely payments and amounts owed. Also, the County Commission did not periodically review the accuracy of the records.

The County Clerk failed to remit child support garnishments to the Missouri Department of Social Services Family Support Division Payment Center within 7 days as required.

The County Commission and County Clerk did not ensure personnel policies were updated to reflect approved changes, and some policies are not always followed.

The County Clerk did not ensure accurate 2018 W-2 forms were filed with the Social Security Administration (SSA) in January 2019.

Disbursement Procedures

Disbursement controls and procedures need improvement.

Between June 2019 and March 2021, County Clerk's office personnel made several duplicate and erroneous payments to vendors, including \$71,536 paid

to a vendor that was only owed \$5,435. No one was aware of these payment errors until the vendors contacted the county or refunded the overpayments.

The County Commission and County Clerk do not ensure bills are paid timely. Between February 26, 2019 and June 5, 2021, the county incurred late fees and finance charges due to untimely payments.

The County Commission did not solicit proposals for accounting services, and neither the County Commission nor the Sheriff solicited bids for prisoner meals.

Budgets	County budgeting procedures need improvement. For the 2021 budget, the County Commission budgeted General Revenue Fund receipts and disbursements so that the estimated ending fund balance would be zero, effectively appropriating all available funds to be spent in the current year, regardless of the actual estimated activity for the fund. The County Commission budgeted deficit cash balances for the Investigative Squad Fund in the 2022 and 2021 budgets. The County Commission does not adequately monitor budget-to-actual receipts and disbursements.
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Sunshine Law	The county's procedures to ensure compliance with the Sunshine Law need improvement. The County Commission has not adopted a written policy regarding public access to county records as required by state law. The county did not always comply with the requirements of the Sunshine Law for closed meetings.
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Electronic Communication Policy	The county has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.
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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.

Clinton County Commission and County Clerk

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
County Clerk of Clinton County, Missouri

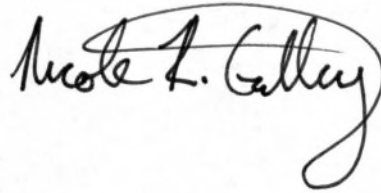
We have audited certain operations of the Clinton County Commission and County Clerk in fulfillment of our duties under Chapter 29, RSMo. Due to concerns regarding the County Clerk's handling of county disbursements including payroll and employee benefit payments, the State Auditor's Office initiated the audit at the request of the Clinton County Commission. The scope of our audit included, but was not necessarily limited to, the period January 1, 2019, through December 31, 2020. The objectives of our audit were to:

1. Evaluate the County Commission and County Clerks' internal controls over significant management and financial functions.
2. Evaluate the County Commission and County Clerks' compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.
4. Determine the extent of improper use or waste of public resources.

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 planned and performed procedures to assess 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.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) waste of public resources. The accompanying Management Advisory Report presents our findings arising from our audit of the Clinton County Commission and County Clerk.

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

Nicole R. Galloway, CPA
State Auditor

Clinton County Commission and County Clerk

Introduction

Background

State law defines the duties of County Commission, which include regulating use of county property by issuing orders or ordinances; approving the county budget; approving expenditures; establishing policies for county employees; overseeing the construction and maintenance of county roads; and overseeing the maintenance of the county court house and jail.

Patrick Clark was elected as Presiding Commissioner in November 2018 and took office in January 2019, and is currently serving his term that expires in December 2022. During the year ending December 31, 2020, he received compensation of \$32,919. Gary McCrea was elected as the 1st District Commissioner and served from January 1, 2017 through December 31, 2020.¹ During the year ending December 31, 2020, he received compensation of \$31,138. Larry King was elected as the 2nd District Commissioner and served from January 1, 2005 through December 31, 2020.² During the year ending December 31, 2020, he received compensation of \$31,134.

The County Clerk is the chief fiscal and administrative officer of the county, whose duties include maintaining records of disbursements approved for payment by the County Commission and overseeing payroll processing for county employees, the issuance of county licenses, and the collection of various fees for remittance to the county treasury. The County Clerk is also the custodian of records for the county. That position is responsible for maintaining County Commission meeting minutes.

David Woody was elected as the County Clerk in November 2018 and took office in January 2019, and is currently serving his term that expires in December 2022. During the year ending December 31, 2020, he received compensation of \$56,370, which included \$9,639 in commissions for preparing city property tax books. The County Clerk's office had 1 deputy/elections clerk and 1 payroll/accounts payable clerk as of December 31, 2020.

The payroll/accounts payable clerk's primary duties include processing employee paychecks, verifying work hours, processing deductions from wages, issuing wage statements, updating and maintaining payroll records, receiving vendor invoices for payment, recording payments in the electronic accounting system, preparing and distributing checks, and maintaining supporting documentation. This position had significant turnover during the audit period with 5 different individuals holding the position between January 2019 and January 2021. The deputy/election clerk's duties include receipting,

¹ Jay Bettis was elected in November 2020 as the 1st District Commissioner and took office in January 2021.

² Richard Riddell was elected in November 2020 as the 2nd District Commissioner and took office in January 2021.



Clinton County Commission and County Clerk Introduction

depositing, disbursing, and reconciling the fees collected in the County Clerk's office, issuing county licenses, and handling elections.

In September and October 2020, the State Auditor's Office (SAO) whistleblower hotline received various concerns regarding the County Clerk's handling of county payroll and related employee benefits and late county bill payments. Under Section 29.221, RSMo, the SAO sent a letter dated October 19, 2020, to the Presiding Commissioner notifying the county that our office was conducting an initial review of the allegations to determine if the complaints were credible and requested records be provided to our office. After completion of a review of documentation and communications provided, the SAO determined further investigation was warranted under Section 29.221, RSMo. On October 29, 2020, the SAO received a letter from the Officeholders of Clinton County, with the exception of the County Clerk, requesting an audit. On November 10, 2020, the SAO sent an acceptance letter to the Clinton County Presiding Commissioner agreeing to conduct an audit under the authority granted in Section 29.230, RSMo.

The county's fiscal year is January 1 through December 31. The scope of our audit included, but was not necessarily limited to the period January 1, 2019, through December 31, 2020.



1. Payroll Controls and Procedures

The county incurred significant penalties and interest, and made over- and underpayments because of inadequate controls and procedures over the timely filing of various payroll tax and benefit forms and related tax payments. Also, significant improvement is needed in the county's payroll controls and procedures.

The county paid salaries, wages, and benefits totaling approximately \$2 million during the year ended December 31, 2019, and \$2.1 million during the year ended December 31, 2020.

1.1 Payroll taxes

The County Clerk does not ensure payroll tax forms are filed with and payroll taxes are remitted to the Internal Revenue Service (IRS) timely, as required, and as a result, the county was assessed \$64,298 in penalties and \$9,614 in interest. Also, as of January 31, 2022, at least \$142,864 is still due to the IRS including significant penalties and interest still accruing. In addition, it is likely the IRS will assess additional penalties and interest related to other late filings and remittances.

At our request, the County Clerk contacted the IRS and obtained payroll tax account transcripts, for the tax years 2019, 2020, and 2021, and we noted the following:

- The County Clerk failed to ensure the first and second quarter 2019 payroll tax returns were filed timely. The County Clerk did not file the first quarter return until July 8, 2019 and the second quarter return until August 12, 2019. As a result, the county incurred a penalty of \$762 for the first quarter and \$840 for the second quarter. The county paid these penalties in July and August 2019.
- The County Clerk failed to ensure the third quarter 2019 payroll taxes were remitted and the payroll tax return was filed timely. The return was not filed until April 5, 2021. The IRS applied \$29,866 in payroll taxes remitted for another tax period to the amounts due for this quarter on August 30, 2021. As of January 31, 2022, \$86,811 in payroll taxes, interest, and penalties is still due.

The IRS assessed the county \$35,430 in penalties and \$7,432 in interest for the late submissions. The IRS transcripts also indicate that additional penalties of \$1,722 (as of October 31, 2019) and interest of \$1,559 (as of February 14, 2022) have accrued and will continue to accrue until the balance is paid.

- The County Clerk failed to ensure the fourth quarter 2019 payroll tax return was filed timely. The return was not filed until January 4, 2021. As of January 31, 2022, the IRS had not assessed any penalties or interest for the late filing.



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

- The County Clerk failed to ensure the January 2020 payroll taxes were remitted and the first quarter 2020 payroll tax return was filed timely. The payroll taxes were fully remitted on April 21, 2020, and the return was filed on February 22, 2021.

As a result, the county incurred a penalty of \$7,239 and interest of \$113. The IRS applied \$7,352 of taxes remitted for another tax period to pay the balance due for penalties and interest for this quarter on August 30, 2021.

- The County Clerk failed to ensure the second quarter 2020 payroll tax return was filed timely. The return was not filed until April 12, 2021, and as a result, the county incurred a penalty of \$5,854. The county owes \$6,004, as of January 31, 2022, for this late filing, which includes accrued interest of \$150 (as of February 14, 2022), that will continue to accrue until the balance is paid.
- The County Clerk failed to ensure the third and fourth quarter 2020 payroll taxes were remitted and the payroll tax returns were filed timely. The returns were not filed until February 2022. The IRS applied \$84,900 remitted on October 18, 2021 to the fourth quarter 2020 taxes. Due to the late filing of the payroll tax return, the amount of penalties and interest due is unknown, but both are likely to be assessed once the IRS processes the return. In addition, additional taxes may be due.
- The County Clerk failed to ensure the first and second quarter 2021 payroll tax returns were filed timely. The first quarter return was not filed until July 12, 2021 and the second quarter return was not filed until October 11, 2021. As of January 31, 2022, the IRS had not assessed any penalties or interest for first quarter late filing. The county incurred a penalty of \$3,322 for the second quarter, which was paid and applied on August 30, 2021.
- The County Clerk failed to ensure the third quarter 2021 payroll taxes were remitted and the payroll tax return was filed timely. The return was not filed until February 7, 2022. As a result, the county incurred a penalty of \$9,129 and interest of \$331, and owed \$50,049 as of January 31, 2022, including accrued interest of \$29 (as of February 14, 2022) that will continue to accrue until the balance is paid. On February 8, 2022, the County Clerk made a \$32,242 payment to the IRS, and the IRS applied it to amounts owed for the third quarter of 2021.

The Internal Revenue Code requires employers to file a 941 form by the last day of the month following the end of the quarter, along with payment of Social Security and Medicare taxes withheld from employees and the employer's share, as well as federal income taxes withheld. The IRS requires



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

1.2 Payroll disbursements and payroll schedule changes

employers to report all compensation on W-2 forms and withhold and remit income and payroll taxes. Controls and procedures to ensure taxes and forms are remitted and filed properly are necessary to prevent the county from incurring unnecessary penalties and interest. The County Clerk indicated he was not aware the previous payroll clerks did not file the payroll returns or remit payroll taxes timely to the IRS. It is the County Clerk's responsibility to oversee the work of his staff and ensure regulatory compliance deadlines are met.

The County Clerk does not have adequate controls to ensure employees are paid accurately. Also, the County Commission changed the payroll cycle twice from 2019 to 2021, which may have contributed to the inaccurate payments.

At the beginning of 2019, the county paid employees once a month. In March 2020, the county changed the payroll cycle to biweekly³ and then in January 2021 changed to a semimonthly⁴ payroll cycle. When the county changed to a semimonthly payroll cycle, the County Clerk failed to properly account for the number of days worked when the new pay period began and for changes in wages from 2020 to 2021, causing employees to be overpaid (on the January 15, 2021 payroll check, employees were paid for 70 to 80 hours of work, but should have only been paid an average of 48 hours of work).

The County Commission hired an accounting firm to review the county's payroll for the period of January through April 2021. The review showed 9 employees were underpaid a total of \$2,357 and 46 employees were overpaid a total of \$20,258. During the October 5, 2021, County Commission meeting, the Commissioners approved paying the 9 employees who were underpaid and not seeking reimbursement of the overpayments. The County Commission indicated it was not aware changing the payroll cycle could cause disruptions to the payroll process. The County Clerk indicated he made a mistake in calculating the number of hours to pay for the first pay period in January due to the change in the pay frequency and basis.

Frequent changes in payroll cycles without proper oversight and review can lead to errors and misunderstandings. Proper review of payroll disbursements is necessary to ensure all payroll transactions are accurate and accounted for properly. Without a thorough review, errors and waste of county resources could go undetected.

³ On a biweekly schedule, an employee is paid every other week, on a specific day of the week and is paid 26 times per year.

⁴ On a semimonthly schedule, an employee is paid twice each month (on the 15th day of the month and again on the 30th of the month in Clinton County). With this cycle, employees are paid 24 times per year.



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

1.3 Employee retirement contributions

The County Clerk did not ensure retirement contributions withheld from employee paychecks were accurate and remitted timely to the respective retirement plans.

County Employees' Retirement Fund (CERF)

The County Clerk erroneously calculated CERF withholdings after the county changed pay periods in March 2020. The County Clerk indicated 2 percent was withheld from employee pay instead of the 4 percent required. The County Clerk indicated he mistakenly thought because the county would be paying employees twice a month, the contribution percentage should be changed to half of the amount previously withheld when the county paid monthly. Upon discovering the error, the county requested CERF personnel to perform a review of CERF withholdings and payments made for the years ending December 31, 2019 and 2020.

CERF personnel indicated their review identified the following concerns (1) the county reported incorrect/incomplete payroll information for some employees; (2) the county over withheld CERF contributions for some employees; (3) the county under withheld CERF contributions for some employees; (4) the county reported one employee to the CERF as terminated, when the employee started working part-time; (5) the county did not enroll several employees in the CERF at the time they were hired, but withheld contributions; and (6) when the county attempted to correct some of the under payments of CERF contributions, the county did not withhold the amount due from the employees, but instead paid the amount owed from county funds. In February 2021, the county made a payment of \$4,194 to correct any remaining errors. CERF personnel also indicated the county was instructed to refund \$1,943 to 8 county employees for contributions withheld from their pay. CERF personnel indicated that while these employees should have been enrolled, they were not, so the county could not withhold CERF contributions from their pay. The County Clerk issued refunds to these employees on May 12, 2022.

The County Clerk also failed to timely remit monthly payments to the CERF in August and September 2019; July, August, and November 2020; and February 2021. The CERF requires remitting of withholdings before the next county payroll cycle. The County Clerk did not remit withholdings for August and September 2019 until November 2019, July and August 2020 until October 2020, November 2020 until February 2021, and February 2021 until April 2021.

Local Government Employees Retirement System (LAGERS)

The County Clerk did not enroll some employees timely in the retirement system and incorrectly reported the rehiring and hiring dates for some employees with the LAGERS. According to a LAGERS statement of account dated February 2021, the county owed \$450 in contributions for under reported wages for 3 employees, \$7,994 for back pay adjustments for 7 employees, and \$1,072 for a November 2020 contribution underpayment. In



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

March 2021, the county paid \$9,516 to the LAGERS to make these corrections.

In addition, the County Clerk failed to timely remit monthly payments to the LAGERS in March, July, August, and September 2020 and February 2021. The LAGERS requires withholdings be remitted by the 12th of the following month. The County Clerk remitted withholdings for March 2020 on April 21, 2020, July 2020 on August 25, 2020, August and September 2020 on October 20, 2020, and February 2021 on March 30, 2021.

457 Deferred Compensation
Retirement Plan (457 Plan)

The County Clerk failed to remit \$3,129 withheld from employee pay to the 457 plan (which is administered by the CERF) between September 2019 and March 2020. These withholdings were subsequently remitted on April 20, 2020. While the CERF matched the 2020 employee contribution amounts, they did not match 2019 employee contribution amounts due to the untimely remittance. As a result, 5 employees did not receive matching CERF contributions totaling \$1,021. The County Clerk subsequently, personally, reimbursed each of the employees for their lost matching contributions in October 2021.

Conclusion

Proper review of retirement contribution withholdings and related remittances are necessary to ensure all payroll transactions are accurate, accounted for properly, and employees receive necessary benefits. Without a thorough review, errors and waste of county resources could go undetected. The County Clerk indicated he was not aware the previous payroll clerks did not properly withhold and remit employee retirement system contributions. It is the County Clerk's responsibility to oversee the work of his staff and ensure payroll and benefit transactions are accurate.

1.4 Accounting records

The County Clerk did not maintain accurate accounting records, which may have prevented other county officials from identifying the untimely payments and amounts owed. Also, the County Commission did not periodically review the accuracy of the records.



Clinton County Commission and County Clerk
 Management Advisory Report - State Auditor's Findings

- The County Clerk failed to ensure payments made to the IRS were accurately recorded in the county's accounting system as follows:

Date of Transaction	Payment Recorded in Accounting System	Actual Payment
08/01/2019	\$ 34,880	36,938
08/06/2019	43	NA
09/10/2019	207	NA
02/04/2020	37,835	12,180
04/21/2020	NA	25,655
08/19/2020	17,499	NA
09/08/2020	52,840	NA
01/05/2021	50,600	NA

NA Not applicable because either no payment was recorded in the accounting system or no payment was made.

- The County Clerk failed to ensure payments made to the CERF were accurately posted in the county's accounting system as follows:

Date of Transaction	Payment Recorded in Accounting System	Actual Payment
02/01/2019	\$ 5,951	5,946
03/04/2019	5,781	5,635
04/03/2019	6,260	6,235
04/30/2019	6,425	6,404
06/03/2019	6,080	5,942
08/01/2019	5,374	5,365
08/06/2019	11	102
09/10/2019	49	5,641
11/19/2019	NA	5,475
11/05/2019	5,537	5,043
11/20/2019	10,518	NA
11/27/2019	5,578	4,886
01/02/2020	5,207	4,736
02/04/2020	5,661	4,996
03/03/2020	5,227	4,461
07/03/2020	NA	5,294
03/02/2021	5,918	2,949
04/22/2021	NA	3,012
04/29/2021	6,283	6,305

NA Not applicable because either no payment was recorded in the accounting system or no payment was made.



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

- The County Clerk failed to ensure payments made to the LAGERS were accurately recorded in the county's accounting system as follows:

Date of Transaction	Payment Recorded in Accounting System	Actual Payment
02/01/2019	\$ 7,248	7,341
03/04/2019	7,124	7,260
04/03/2019	7,831	7,811
04/30/2019	7,539	7,435
06/03/2019	7,209	7,075
06/26/2019	6,866	6,916
08/01/2019	7,099	6,970
09/05/2019	7,372	7,211
10/03/2019	6,980	6,618
11/05/2019	6,263	5,734
11/27/2019	6,972	5,964
01/02/2020	6,473	5,742
02/04/2020	8,068	7,180
03/03/2020	7,478	6,497
07/03/2020	NA	7,186

NA Not applicable because either no payment was recorded in the accounting system or no payment was made.

As a result of the numerous errors made in the County Clerk's accounting records, the County Treasurer could not balance her records with those maintained by the County Clerk's office as required. The County Treasurer repeatedly reported her concerns regarding the inaccurate accounting records maintained by the County Clerk and the county's negative fund balances from February 2020 through March 2021 to the County Commission, County Clerk, and State Auditor's Office. In addition, as of September 2021, the County Treasurer indicated she was only able to balance her records to the County Clerk's through May 2021.

To be of maximum assistance to the County Commission and to adequately inform the public, the county's accounting records should accurately report financial activity and account balances. Inaccurately recorded financial information makes it difficult to detect loss, theft, or misuse of funds. In addition, 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 money 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 disbursements of county money. The



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

County Commission indicated it was not aware of these requirements. The County Clerk indicated the office had a high turnover in employees, which caused inaccuracies in the accounting records. It is the County Clerk's responsibility to oversee the work of his staff and ensure accounting records are accurate.

1.5 Child support garnishments

The County Clerk failed to remit child support garnishments to the Missouri Department of Social Services (DSS) Family Support Division Payment Center within 7 days as required. We noted the following late remittances during the year ended December 31, 2020:

Date Child Support Withheld from Paycheck	Date Child Support Remitted to DSS	Amount of Child Support	Number of Days Between Withholding and Remittance
03/18/2020	04/08/2020	\$ 126	21
06/11/2020	07/28/2020	784	47
06/25/2020	07/28/2020	784	33
07/23/2020	08/19/2020	784	27
07/23/2020	09/08/2020	182	47
08/06/2020	09/08/2020	849	33
10/13/2020	11/17/2020	755	35
12/10/2020	01/05/2021	636	26

In addition, on March 18, 2020, \$350 was withheld from an employee's paycheck for a child support garnishment. The County Clerk remitted this child support garnishment to the DSS on May 17, 2022.

For child support garnishments issued by the Family Support Division, Section 454.505.8, RSMo, requires that an employer or other payer who fails or refuses to withhold or pay the amounts as ordered shall be liable to the party holding the support rights in an amount equal to the amount which became due to the parent during the relevant period and which, pursuant to the order, should have been withheld and paid over. Section 454.505.3, RSMo, requires the employer to transmit the payments as directed in the order within 7 business days of the date the earnings were payable to the obligor. The County Clerk indicated he was not aware his former payroll clerks did not timely remit child support garnishments to the DSS. It is the County Clerk's responsibility to oversee the work of his staff and ensure garnishments are processed as required.

1.6 Personnel policies

The County Commission and County Clerk did not ensure personnel policies were updated to reflect approved changes, and some policies are not always followed. The personnel policy was adopted on March 1, 2008 and updated on May 4, 2021.



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

- The County Commission failed to revise the personnel policy for payroll cycle changes (see Section 1.2) as they occurred. The personnel policy states "All county employees will be paid on the last working day of the month."
- On March 14, 2019, the County Commission voted to set the working schedule for Road and Bridge employees as a 5 day work schedule starting the week of April 1, 2019. However, the personnel policy was not revised and indicates "County Highway Department employees will be required to follow seasonal and/or regular working hour schedules, as determined by the department supervisor. Such schedules are subject to change at random based on seasons, time changes, weather conditions, etc..."
- On September 22, 2020, the County Commission voted to apply the vacation policy⁵ to all employees and voted to pay time and a half to anyone who works on 1 of the 12 approved county holidays. Prior to this date, the Sheriff's office was not following the county's vacation policy. According to the Sheriff, his employees historically earned 16 hours of vacation each month. As a result of the difference in county policy and the Sheriff's office practice, the County Commission agreed to settle a dispute over vacation compensation with 3 former Sheriff's office employees in April 2021 for \$5,266. In addition, county officials had not updated the personnel policy to address the payment of time and a half for holidays.

Personnel policies should be updated to provide guidance to county employees, and strict compliance with personnel policies is necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated. The County Commission indicated it was not aware the policies were not updated to reflect approved changes. The County Clerk indicated he was not aware it was his responsibility to update the personnel policy manual.

1.7 Social Security filings

The County Clerk did not ensure accurate 2018 W-2 forms were filed with the Social Security Administration (SSA) in January 2019. On November 1, 2019, the SSA notified the county that the 2018 W-2 forms did not agree to 941 forms filed with the IRS. Some of the 2018 W-2 forms were missing

⁵ The county's personnel policy provided for full-time employees to earn 1 week of vacation after 1 year of service, 2 weeks after 2 years continuous service, 3 weeks after 10 years continuous service, and 4 weeks after 20 years continuous service, and for vacation to be used during the anniversary year in which it is earned. The county policy also indicated Sheriff's office employees may only accrue up to 200 hours of vacation and/or holiday time. At the end of the year only 200 hours will be carried over; anything over 200 hours will be lost.



Clinton County Commission and County Clerk
Management Advisory Report - State Auditor's Findings

social security numbers, and this omission caused the entire county wage file to be rejected by the SSA. The County Clerk subsequently corrected the errors, and on May 22, 2020, the county received a letter from SSA stating all of the errors would be resolved by May 29, 2020, and the matter would be closed.

Employers must send Copy A of W-2 forms to the SSA to report the wages and taxes of employees for the previous calendar year under 26 CFR Section 31.6051-2. The filing deadline is the end of January. The failure to file accurate forms could result in penalties. The County Clerk indicated he took office a month prior to the filing deadline and was not aware the former payroll clerk did not file the W-2 forms correctly with the SSA.

Recommendations

The County Commission and the County Clerk:

- 1.1 Ensure payroll tax returns are filed with and payroll taxes are remitted to the IRS timely, and take immediate action to pay amounts due.
- 1.2 Develop controls and procedures to ensure payroll disbursements are accurate and consider the impact of changes to the payroll cycle before approving future changes.
- 1.3 Develop controls and procedures to ensure payroll withholdings are calculated and disbursed correctly. In addition, the County Clerk should ensure all payroll withholdings are timely disbursed to the appropriate entities.
- 1.4 Prepare accounting records that accurately reflect the financial activity of the county, and perform documented reviews of monthly reconciliations between the County Clerk and the County Treasurers' accounting records.
- 1.5 Ensure child support garnishments are timely remitted to the DSS.
- 1.6 Revise personnel policies to reflect approved changes and ensure compliance with county personnel policies.
- 1.7 Ensure accurate W-2 forms are timely filed with the Social Security Administration.

Auditee's Response

The County Commission and County Clerk provided the following responses:

- 1.1 *We have implemented a certification form that will be signed by the Commissioners and County Clerk to ensure payroll tax returns are filed with and payroll taxes are remitted to the IRS timely, and take immediate action to pay amounts due.*



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- 1.2 *We will develop controls and procedures to ensure payroll disbursements are accurate and consider the impact of changes to the payroll cycle before approving future changes.*
- 1.3 *We have developed controls and implemented a certification form that will be signed by the Commissioners and County Clerk to ensure payroll withholdings are calculated and disbursed correctly. We will ensure all payroll withholdings are timely disbursed to the appropriate entities.*
- 1.4 *We will ensure accurate accounting records are prepared. We are in the process of implementing a certification form to document our review of the accuracy of accounting records and financial statements and the monthly reconciliations between the County Clerk and County Treasurer's accounting records.*
- 1.5 *We have implemented a certification form and process to ensure child support garnishments are timely remitted to the DSS.*
- 1.6 *We are in the process of revising personnel policies to reflect approved changes, and we will ensure compliance with county personnel policies.*
- 1.7 *The certification form we are in the process of implementing will ensure accurate W-2 forms are timely filed with the Social Security Administration.*

2. Disbursement Procedures

Disbursement controls and procedures need improvement. The county disbursed (excluding payroll) approximately \$4.3 million during the year ended December 31, 2019 and \$4.6 million during the year ended December 31, 2020.

2.1 Duplicate and erroneous payments

Between June 2019 and March 2021, County Clerk's office personnel made several duplicate and erroneous payments to vendors. No one was aware of these payment errors until the vendor contacted the county or refunded the overpayments.

- Office personnel made duplicate payments to a vendor totaling \$6,882, including overpayments made in June 2019 (\$5,106), March 2020 (\$773), April 2020 (\$552), May 2020 (\$407), and June 2020 (\$44). The county received a refund for all these overpayments from the vendor in June 2020.
- Office personnel made a \$340 payment to a vendor for tires on September 15, 2020, and again on September 29, 2020.



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- Office personnel issued a \$71,536 payment to a vendor on July 21, 2020 when the vendor was only owed \$5,435. The vendor returned the check to the county, and the county paid the vendor correct amount on July 30, 2020.
- County Clerk's office personnel issued a \$38,352 check to the health insurance provider on February 1, 2021, and a \$69,223 electronic payment to the provider on February 22, 2021, with total payments of \$107,575. However, the county only owed \$80,284 for February and March premiums and January and February claims, resulting in an overpayment of \$27,291. The health insurance provider issued a credit to the county in March 2021 for the amount overpaid.

The practice of canceling invoices and other supporting documentation and reviewing past payments to vendors prior to making additional payments reduces the likelihood of duplicate payments occurring and helps safeguard against possible loss or misuse of funds. The County Clerk indicated the incorrect payments were caused by high employee turnover in 2020 and office personnel overriding existing controls. It is the County Clerk's responsibility to oversee the work of his staff and ensure controls are in place and operating as designed.

2.2 Late fees and finance charges

The County Commission and County Clerk do not ensure bills are paid timely. Between February 26, 2019 and June 5, 2021, the county incurred late fees and finance charges due to untimely payments. The fees and additional charges included \$1,071 for late credit card payments and \$500 for late lease and other bill payments. The county discontinued use of credit cards in September 2019.

In addition, the October 1, 2020, County Commission meeting minutes indicate the County Clerk's office was notified by a vendor that it had not been paid for an August 14, 2020, invoice addressed to the Sheriff's office, and the County Clerk's office had not received the invoice from the Sheriff's office for payment. The county paid the \$1,123 invoice on October 8, 2020.

Controls and procedures to ensure timely disbursements are necessary to prevent unnecessary fees and finance charges. The County Commission and the County Clerk indicated they were not aware of the importance of monitoring bills in order to avoid late fees and finance charges.

A similar condition was noted in our prior audit report, *Clinton County*, Report No. 2018-140, released in December 2018.

2.3 Procurement procedures

The County Commission did not solicit proposals for accounting services, and neither the County Commission nor the Sheriff solicited bids for prisoner meals.



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In March 2021, the County Commission hired an accounting firm to review the county's payroll records from January 2021 through April 2021, as noted in MAR finding number 1.2. The accounting firm provided the county an engagement letter; however, the letter did not state the costs of the engagement. The county paid the accounting firm \$7,808 during 2021. The County Commission indicated it was not aware the costs of the services would exceed the \$6,000 bidding threshold.

In addition, the county spent approximately \$23,767 during the year ended December 31, 2019, and \$32,862 during the year ended December 31, 2020 with a local grocery store for prisoner meals. The Sheriff indicated he considered the local grocery store a sole source vendor; however this determination was not documented. The Sheriff's office also purchases food for prisoner meals from a local meat locker plant and a membership-only retail warehouse vendor.

Section 50.660, RSMo,⁶ required competitive bidding when county contracts and purchases with a single vendor exceed \$6,000 within 90 days. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to obtain the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

Recommendations

The County Commission:

- 2.1 And the County Clerk ensure invoices and disbursements to vendors are adequately reviewed and marked paid to prevent duplicate and erroneous payments.
- 2.2 And the County Clerk implement procedures to ensure bills are received and paid timely.
- 2.3 Ensure bids are solicited for all applicable purchases of goods and services in accordance with state law, and maintain adequate documentation of decisions made. The County Commission should work with other county officials, as necessary, to ensure purchases from their offices comply with state law.

⁶ Effective August 28, 2021, Section 50.660 RSMo, was revised to require competitive bidding when county contracts and purchases with a single vendor exceed \$12,000 within 90 days. This revision was not in place at the time the county hired the accounting firm.



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Auditee's Response

The County Commission and County Clerk provided the following responses:

- 2.1 *We will ensure invoices and disbursements to vendors are adequately reviewed and marked paid to prevent duplicate and erroneous payments.*
- 2.2 *We have implemented procedures to ensure bills are received and paid timely.*
- 2.3 *We will ensure bids are solicited for all applicable purchases of goods and services in accordance with state law and maintain adequate documentation of decisions made. We will work with other county officials, as necessary, to ensure purchases for their offices comply with state law. In the future we will have or request an engagement letter that lists the parameters and costs and will ensure that it includes a required notification if the price overruns the original estimate.*

3. Budgets

County budgeting procedures need improvement.

Preparation

For the 2021 budget, the County Commission budgeted General Revenue Fund receipts and disbursements so that the estimated ending fund balance would be zero, effectively appropriating all available funds to be spent in the current year, regardless of the actual estimated activity for the fund. The actual ending cash balance at December 31, 2021, was \$916,145. The practice of budgeting to spend all available resources decreases the effectiveness of the budget as a planning tool and as a control over disbursements.

Budget deficit

The County Commission budgeted deficit cash balances for the Investigative Squad Fund in the 2022 (\$9,191 deficit balance) and 2021 (\$43,479 deficit balance) budgets.

Budget monitoring

The County Commission does not adequately monitor budget-to-actual receipts and disbursements. For the year ended December 31, 2020, actual disbursements exceeded budgeted disbursements for the following funds:

Fund	Budgeted Disbursements	Actual Disbursements
General Revenue	\$ 2,740,507	2,905,165
Assessment	330,867	405,299
Civil Fees	30,000	50,811
Inmate Prisoner Debt	29,040	34,110
Emergency	167,360	189,592
Investigative Squad	48,000	53,262
Asset Forfeiture	0	929



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Budget amendments were not prepared or approved by the County Commission before the budgets for these funds were overspent or before the fiscal year ended.

In addition, for the year ended December 31, 2021, actual disbursements exceeded budgeted disbursements for the Police Officer Standards Training, Inmate Prisoner Debt, Local Emergency Planning Commission, Election Services, and Special Election Funds. Budget amendments were not prepared or approved by the County Commission before the budget was overspent or before the fiscal year ended.

Conclusion

Section 50.550, RSMo, requires the budget to present a complete and accurate financial plan for the ensuing budget year. Section 50.610, RSMo, prohibits deficit budgeting. Section 50.740, RSMo, prohibits counties from spending more than budgeted. Section 50.622, RSMo, provides guidance on when budget amendments are allowable. Realistic projections of the county's uses of funds and fund balances are essential for the efficient management of finances and for communicating accurate financial data to county residents. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and to comply with state law.

The County Commission and the County Clerk indicated they were not aware of the importance of complying with the various budget requirements.

Recommendation

Ensure budget estimates for receipts and disbursements are based on actual expected occurrences, discontinue deficit budgeting, ensure disbursements do not exceed budgeted amounts, and prepare any necessary budget amendments timely.

Auditee's Response

We will ensure budget estimates for receipts and disbursements are based on actual expected occurrences, discontinue deficit budgeting, ensure disbursements do not exceed budgeted amounts, and prepare any necessary budget amendments timely.

4. Sunshine Law

The county's procedures to ensure compliance with the Sunshine Law need improvement. The County Commission generally met twice per week during the 2 years ended December 31, 2020.

4.1 Public access policy

The County Commission has not adopted a written policy regarding public access to county records as required by state law. A written policy regarding public access to county records would establish guidelines for the county to make records available to the public. Such policies typically identify a person to contact, provide an address to mail such requests, and establish fees that may be assessed for providing copies of public records.



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Section 610.023, RSMo, lists requirements for making records available to the public. To ensure compliance with this section, the county should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. The log information should include, the date of request, a brief description of the request, the date the request is completed, and any associated costs of fulfilling the request. Section 610.026, RSMo, allows the county to charge fees for providing access to and/or copies of public records and provides requirements related to fees. Section 610.028, RSMo, requires a written policy regarding release of information under the Sunshine Law. The County Commission and the County Clerk indicated they were unaware of these requirements.

4.2 Closed meetings

The county did not always comply with the requirements of the Sunshine Law for closed meetings. The County Commission held 36 closed meetings from January 2019 through September 2021.

- The County Clerk failed to prepare meeting minutes for 6 of the 36 closed meetings held.
- The County Commission did not make specific reference to the section of law allowing the closure of meetings when voting to go into a closed session for 34 of the 36 closed meetings held.
- Some topics discussed in closed meetings were not allowable under the Sunshine Law. For example, during a December 10, 2019, closed session, the County Commission discussed employee health insurance benefits.

Section 610.020.7, RSMo, states minutes of open and closed meetings shall be taken and retained by the public governmental body. Meeting minutes serve as an official record of county business conducted and county actions and decisions. Section 610.022, RSMo, requires public bodies announce the specific reasons allowed by law for going into a closed meeting and to enter the vote and reason by reference to a specific section of the Sunshine Law into the minutes. In addition, Section 610.021, RSMo, lists the topics that may be discussed in closed meetings, and Section 610.022.3, RSMo, requires that the discussion topics and actions in closed meetings be limited to only those specifically allowed by law as announced in the justification for closing the meeting. The County Commission and the County Clerk indicated they were unaware of these requirements.

Recommendations

The County Commission and the County Clerk:

- 4.1 Develop a written public access policy, and maintain a public request log or other documentation to help ensure compliance with state law.



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- 4.2 Ensure meeting minutes are prepared and retained for all closed meetings, the specific section of law allowing the meeting to be closed is announced publicly and recorded in the meeting minutes, and discussions are limited to the specific reasons cited and allowed for closing the meeting.

Auditee's Response

The County Commission and County Clerk provided the following responses:

- 4.1 *We have developed a written public access policy, developed a request form, and created a public request log to follow state law.*
- 4.2 *We will ensure meeting minutes are prepared and retained for all closed meetings, the specific section of law allowing the meeting to be closed is announced publicly and recorded in the meeting minutes, and discussions are limited to the specific reasons cited and allowed for closing the meeting.*

5. Electronic Communication Policy

The county has not developed a records management and retention policy 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.

In addition, county officials do not always use county email accounts when conducting county business. Some county business communications were conducted by personal email accounts or cellular phone text messages. As a result, electronic communications may not be retained in accordance with state law.

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.⁷

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. The County Commission and the County Clerk indicated they were unaware of these requirements.

⁷ 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 March 8, 2022.



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Recommendation

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