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Missouri State Auditor

Lewis County Clerk

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Findings in the audit of the Lewis County Clerk

Improper Payroll

The Lewis County Clerk improperly paid herself and her staff for election services work using her Election Authority Account (EAA). The County Clerk improperly paid additional compensation, totaling \$5,874, to herself and other county employees. The payments were all from election services money deposited into the EAA and most of the payments did not go through the normal county payroll process. The County Clerk paid herself \$950 to provide absentee voting service even though she is not entitled to receive additional compensation for any election related work performed. The County Clerk improperly paid the Deputy Election Authority Clerk an additional \$4,842 during the audit period. The County Clerk overpaid the Voter Registration Clerk by \$82 due to a calculation error of her pay for additional election work. The County Clerk did not process most of the compensation paid with election services money during the audit period through the normal county payroll system. The amount not properly processed totaled \$6,269. Because the County Clerk did not process the additional compensation through the normal county payroll system, the payments were not reported on the employee's W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes was not paid.

Election Services Money Controls and Procedures

The County Clerk maintained election services money in the EAA outside of the county treasury and did not effectively budget these funds. State law requires election services money to be deposited into a special account but this did not preclude the County Clerk from maintaining this account with the County Treasurer or budgeting the funds. The County Commission created the Election Authority Fund in 2021 in an attempt to track and budget the funds in the EAA, but the County Clerk did not provide details to the County Commission to allow it to effectively estimate revenues and disbursements or monitor the budget. The County Clerk approved expense reimbursements without sufficient documentation. The County Clerk did not segregate accounting duties and did not perform an adequate documented supervisory review of election services accounting and bank records.

In the areas audited, the overall performance of this entity was **Fair.***

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent: The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

Good: The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

Fair: The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

Poor: The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Lewis County Clerk

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SCOTT FITZPATRICK

MISSOURI STATE AUDITOR

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

We have audited certain operations of the Lewis County Clerk in fulfillment of our duties under Chapter 29.230, RSMo. The State Auditor initiated the audit at the request of the Lewis County Commission. The scope of our audit included, but was not necessarily limited to, the period of January 1, 2022, through April 15, 2024. The objectives of our audit were to:

1. Evaluate the County Clerk's internal controls over election funds management and financial functions as they relate to any concerns of misappropriated money and/or waste of public resources.
2. Evaluate the County Clerk's compliance with certain legal provisions over election funds as they relate to concerns of any misappropriated money and/or waste of public resources.
3. Evaluate the economy and efficiency of election fund management practices and procedures, including certain financial transactions, as they relate to any concerns of misappropriated money and/or waste of public resources.
4. Determine the extent of any misappropriated money and/or if improper use of public resources occurred and, if so, quantify the amount to the extent possible.

Our methodology included reviewing relevant minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance issues with legal provisions, (3) the need for improvement in management practices and procedures, and (4) misappropriated money totaling at least \$950, in addition to improper use of public resources totaling at least \$4,924. The accompanying Management Advisory Report presents our findings arising from our audit of the Lewis County Clerk election services money.



Scott Fitzpatrick
State Auditor

Lewis County Clerk

Introduction

Background

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, 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 and is responsible for maintaining County Commission meeting minutes. In addition, the County Clerk is the Election Authority for the county.

Shannon Sapp was elected as the County Clerk in November 2018 and took office in January 2019, was re-elected in November 2022 and is currently serving her term which expires in December 2026. During the year ended December 31, 2024, she received compensation of \$52,311. The County Clerk's office had one Voter Registration Clerk and one Deputy Elections Authority/Deputy County Clerk as of December 31, 2024.

The Lewis County Election Authority Account

The county billed and received payment from local political subdivisions for election services provided and received other election funding including grants and other fees. The County Clerk deposited all money received from the political subdivisions in an account titled the Election Authority Account (EAA) or Election Services Fee Account¹ that she controlled. Any election money received or disbursed directly through the county treasury was processed through the Election Services Fund. The County Clerk's office held the EAA outside of the county treasury from May 2007 until the account was closed in March 2024. The County Clerk's office used the account for election costs, to pay the salaries of employees helping with elections, and for election related expense reimbursements.

Investigation and audit

In April 2023, the State Auditor's office (SAO) Whistleblower Hotline received complaints about the County Clerk holding the EAA outside of the county treasury. The complaints alleged the County Clerk was using this account to disburse payments for inflated mileage, extra pay to her deputy, food, and other items.

On October 23, 2023, the County Commissioners sent a letter to the Missouri Attorney General regarding the same concerns expressed to the SAO. Under Section 29.221, RSMo, the SAO informed 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.

The SAO determined, after completion of a review of documentation and communications provided, further investigation was warranted and decided

¹ This account was titled the Lewis County Election Authority Account until August 2023, when the County Commission voted to change the name to the Election Services Fee Account.



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to conduct an audit under the authority granted in Section 29.230, RSMo. On April 18, 2024, the SAO requested records directly from the bank for the EAA.

Representatives of the SAO took sworn testimony during a recorded interview of the County Clerk on August 29, 2024. In addition, on December 19, 2024, SAO representatives conducted a follow-up recorded interview with the County Clerk. After both interviews we requested any records and documents related to her testimony.

Lewis County Clerk

Management Advisory Report

State Auditor's Findings

1. Improper Payroll

The Lewis County Clerk improperly paid herself and her staff for election services work using her Election Authority Account (EAA). In addition, she miscalculated the payments to some staff and did not process some additional compensation through county payroll. During the period January 1, 2022, to April 15, 2024, the County Clerk and personnel deposited approximately \$99,700 into the EAA and disbursed over \$120,800 from the account.

1.1 Additional compensation

The County Clerk improperly paid additional compensation, totaling \$5,874, to herself and other county employees. The payments were all from election services money deposited into the EAA and most of the payments did not go through the normal county payroll process. Election services money is restricted to certain purposes. Payroll is an allowable expenditure if the amount paid is included on an approved pay schedule.

County Clerk

The County Clerk paid herself \$950 to provide absentee voting services.² All election related services are part of the County Clerk's responsibilities as the Election Authority of the county, therefore, she is not entitled to receive additional compensation for any election related work performed.

The County Clerk authorized the following 5 payments to herself from the EAA:

| Check Date | Check Number | Amount |
|-------------------|--------------|--------|
| August 1, 2022 | 3254 | \$ 50 |
| August 4, 2022 | 3257 | 100 |
| August 5, 2022 | 3291 | 250 |
| November 10, 2022 | 3350 | 350 |
| April 7, 2023 | 3367 | 200 |
| Total | | \$ 950 |

Section 115.015, RSMo, states the county clerk shall be the election authority, except in a city or county having a board of election commissioners. Section 51.281, RSMo, states the county clerk shall receive an annual salary computed using a set schedule based on the county's current assessed valuation level. In addition, the Missouri Constitution, Article VII, Section 13, prohibits an increase in compensation for state, county, and municipal officers during their term of office. Court cases have concluded that to receive additional compensation during a term of office there must be: (1) no existing compensation for the office; (2) new or additional duties extrinsic or not germane to the office; or (3) the compensation increase must result from the application of a statutory formula for calculating compensation that was in

² Absentee voting services for this office refers to office staff going to a nursing home to aid residents in completing and submitting absentee ballots at the facility.



Lewis County Clerk
Management Advisory Report - State Auditor's Finding

place prior to the individual being elected or taking office. None of these circumstances exist.

Deputy Election Authority
Clerk

The County Clerk improperly paid the Deputy Election Authority Clerk (Election Clerk) an additional \$4,842 during the audit period.

The County Clerk paid the Election Clerk a higher hourly rate for work performed outside of her normal schedule than was listed on the pay schedule, resulting in \$861 in overpayments during the audit period. We compared weekly timesheets and reimbursement documentation and determined the following differences:

| Date | Hourly Rate Paid | Number of Hours | Amount Paid | Correct | | | Correct Amount | Overpayment |
|---------------|------------------|-----------------|-------------|-------------|---------------|----------------|----------------|-------------|
| | | | | Hourly Rate | Regular Hours | Overtime Hours | | |
| April 2022 | \$ 19.68 | 26 | \$ 512 | \$ 13.12 | 17 | 9 | \$ 400 | \$ 112 |
| August 2022 | 19.68 | 19 | 374 | 13.12 | 16 | 3 | 269 | 105 |
| November 2022 | 19.68 | 26 | 512 | 13.12 | 15 | 11 | 413 | 99 |
| April 2023 | 34.75 | 30 | 1,042 | 14.40 | 21 | 9 | 497 | 545 |
| Total | | 101 | \$ 2,440 | | 69 | 32 | \$ 1,579 | \$ 861 |

In addition, during this time period, the County Clerk also made 3 payments, totaling \$400, to the Election Clerk for conducting absentee voting. The Election Clerk received an hourly wage for this same time spent on absentee voting. The payments are detailed in the following table:

| Date Issued | Check Number | Amount |
|------------------|--------------|--------|
| August 5, 2022 | 3293 | \$ 50 |
| November 8, 2022 | 3349 | 250 |
| April 7, 2023 | 3369 | 100 |
| | | \$ 400 |

Finally, during the period March 31, 2023, through August 28, 2023, the County Clerk paid the Election Clerk additional pay titled "supplemental pay" totaling \$3,581 that was not included on an approved pay schedule or approved by the County Commission. These payments were in addition to her county salary. The County Clerk stated she was trying to increase the Election Clerk's salary and thought she could.



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Voter Registration Clerk

The County Clerk overpaid the Voter Registration Clerk by \$82³ due to a calculation error of her pay for additional election work. On April 7, 2023, the Voter Registration Clerk worked 12 hours receiving an hourly rate of \$20.43, instead of receiving an hourly rate of \$13.62.

Conclusion

The County Clerk indicated she believed authorizing the additional pay was allowed and within her duties as the County Clerk and election authority. However, this misunderstanding and reliance on how the funding was handled in the past resulted in her improperly paying herself and staff amounts that were not on approved pay schedules or were incorrect. Section 115.051, RSMo, only allows the county clerk to employ election staff and fix compensation recorded on the election pay rates schedule. A proper understanding of the allowable uses of restricted funds is necessary to ensure the funds are used appropriately and funding is available for allowable purposes.

1.2 Payroll taxes

The County Clerk did not process most of the compensation paid with election services money during the audit period through the normal county payroll system. The amount not properly processed totaled \$6,269.⁴ Because the County Clerk did not process the additional compensation through the normal county payroll system, the payments were not reported on the employee's W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes was not paid. As a result, the county may be subject to interest and penalties. The County Clerk also did not report the compensation on 1099 forms, therefore no record of the pay was submitted for tax purposes.

IRS regulations require individuals treated as employees to have all compensation reported on W-2 forms. To ensure all compensation is properly reported and taxed, all compensation should be paid through the normal county payroll system. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county. The County Clerk indicated she did not realize the importance of having the additional compensation processed through the county payroll system, since the previous county clerks had also handled it this way and she was following that guidance.

³ Amount calculated as the difference, \$6.81, between hourly rate paid, \$20.43, and correct rate, \$13.62, multiplied by the 12 hours worked.

⁴ This amount includes the \$950 misappropriated by the County Clerk, \$2,804 paid to the Election Clerk, \$1,815 paid to the Voter Registration Clerk during the period April 6, 2022, through April 7, 2023, and \$700 paid to other employees during the period April 7, 2022, through April 7, 2023. Other amounts were paid through the payroll process.



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Recommendations

The County Clerk:

- 1.1 Establish adequate procedures to ensure all payments for election work are accurate, paid in accordance with statute, and approved by the County Commission. In addition, the County Clerk should work with the County Commission to repay the additional compensation she received.
- 1.2 Establish procedures to ensure all compensation is processed through the county payroll system, properly reported, and payroll taxes are withheld and remitted to the appropriate taxing entity. In addition, the County Clerk should amend the W-2 forms for all employees whose income was not properly reported.

Auditee's Response

- 1.1 *We have changed the procedure in 2024 to ensure all payments for election work are accurate by having the hours processed through the county payroll system and all salaries are within the office budget which is approved by the County Commission. In addition, the additional compensation has already been repaid in full and deposited into the General Revenue Fund.*
- 1.2 *The procedure that was put in place by previous clerks is what I followed when I took over until I was notified differently. We have, since 2024, established adequate procedures to ensure all compensation is processed through the county payroll system and properly reported, and payroll taxes are withheld and remitted to the appropriate taxing entity. In addition, the W-2 forms will be amended for all employees whose income was not properly reported.*

2. Election Services Money Controls and Procedures

2.1 Election Authority Account

The County Clerk's controls and procedures over election services money need significant improvement.

The County Clerk maintained election services money in the EAA outside of the county treasury and did not effectively budget these funds. State law requires election services money to be deposited into a special account but this did not preclude the County Clerk from maintaining this account with the County Treasurer or budgeting the funds. The County Commission created the Election Authority Fund in 2021 in an attempt to track and budget the funds in the EAA, but the County Clerk did not provide details to the County Commission to allow it to effectively estimate revenues and disbursements or monitor the budget. She only provided overall totals. The County did maintain an Election Services Fund that was budgeted in accordance with statute, but this did not include money received from political subdivisions for election services or numerous disbursements.



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Section 115.077(4), RSMo, allows for a special account for election services money. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the County Treasurer. Section 50.550, RSMo, requires the county budget to present a complete financial plan including proposed expenditures for the administration, operation, and maintenance of all offices. A sufficiently detailed budget is not only necessary for compliance with applicable statutes but can serve as a useful management tool for the county. The County Clerk indicated the EAA was opened many years ago and used by previous county clerks so she was following that guidance.

2.2 Expense reimbursements

The County Clerk approved expense reimbursements without sufficient documentation. Approved reimbursements include payments for mileage where the employee did not provide an exact address or starting/ending odometer readings, meal reimbursements without a receipt slip or with a receipt slip that is not itemized, and election services time payments without any support for the time worked. In one instance, office personnel reimbursed an employee for the full amount shown on a meal receipt slip when it included \$20 cash back.

Approval of expense reimbursements only after adequate review of supporting documentation is necessary to ensure election authority disbursements are appropriate and allowable. Failure to obtain adequate supporting documentation increases the risk that inappropriate disbursements will occur and go undetected. The County Clerk indicated she did not realize the importance of requiring adequate documentation.

2.3 Supervisory review

The County Clerk did not segregate accounting duties and did not perform an adequate documented supervisory review of election services accounting and bank records. The Voter Registration Clerk is responsible for receiving, depositing, and reconciling the bank statements. The County Clerk only reviews the bank statements when the Voter Registration Clerk indicates there are concerns that require her attention.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential. The County Clerk indicated she was aware of how important overseeing the account was, but since there were little to no issues, this was not a high priority.

Recommendations

The County Clerk:

- 2.1 Ensure any bank accounts held outside the county treasury are closed and ensure all money is disbursed to the County Treasurer timely.



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|---------------------------|---|
| | 2.2 Ensure adequate documentation is submitted and reviewed prior to expense reimbursement approval and such documentation is retained. |
| | 2.3 Segregate duties to the extent possible and perform a supervisory review over the receipting, depositing, and reconciling of election services money when segregation of duties is not possible. |
| Auditee's Response | 2.1 <i>No accounts from this office are held outside the county treasury, the account in question was closed, and all money is being disbursed to the County Treasurer.</i> |
| | 2.2 <i>Starting in 2024, adequate expense documentation is submitted and reviewed by multiple employees and the County Commission prior to approval and is retained with the expenses files.</i> |
| | 2.3 <i>Since this account has been closed, the duties for receipting, depositing, and reconciling of the election services money are now completed by the Treasurer's office. This has eliminated the need to segregate duties. We still perform a supervisory review over the funds.</i> |