



Scott Fitzpatrick

Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Dunklin County Sewer District

Report No. 2025-065

October 2025

auditor.mo.gov

Dunklin County Sewer District

Follow-Up Report on Audit Findings

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*Includes selected findings



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

To the Honorable Mayor
and
Members of the City Council
City of Malden, Missouri
and
Members of the Board of Directors
Dunklin County Reorganized Common Sewer District 1

We have conducted follow-up work on certain audit report findings contained in Report No. 2023-073, *Dunklin County Sewer District* (rated as Poor), issued in October 2023. The objectives of the follow-up were to:

1. Identify audit report findings for which follow up is considered necessary, and inform the sewer district 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.

During the initial audit, the district was in receivership, and was managed by the City of Malden, due to a court order. As of May 2025, the sewer district is no longer in receivership, and the city turned over responsibility for management to a newly created Board of Directors of the Dunklin County Reorganized Common Sewer District 1.

As part of the work conducted during this follow up, we reviewed documentation provided by the City Administrator and the current Board President, held discussions with the City Administrator, and obtained documentation through the Missouri courts system, to verify the status of implementation for the recommendations. Documentation provided by the reorganized sewer district and the city included records of correspondence with the Internal Revenue Service, Missouri Department of Revenue, court records related to the ongoing criminal cases associated with missing and misappropriated money, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during July 2025.

A handwritten signature in black ink, reading "Scott Fitzpatrick". The signature is written in a cursive, flowing style with a large initial "S" and "F".

Scott Fitzpatrick
State Auditor

Dunklin County Sewer District

Follow-Up Report on Audit Findings

Status of Findings

1. Missing and/or
Misappropriated Money
and Sewer Services

From January 1, 2017, through March 5, 2021, money and sewer services totaling at least \$62,579 were missing and/or misappropriated from the district, and an estimated additional \$98,096 was not deposited during this time and was also likely missing.

The former Bookkeeper overpaid herself \$54,049 from January 1, 2017, through March 5, 2021, using different methods, including issuing herself more than 1 check each month and issuing some checks for more than her monthly gross salary. Additionally, 28 checks totaling \$4,154 were issued to the former Board President, and 3 checks totaling \$413 were issued to the former Bookkeeper that were unsupported and questionable payments. They were recorded as cellular phone allowances, mileage reimbursements, and reimbursement for other expenses. The former Board President and former Bookkeeper also did not pay \$3,063 for sewer services during the 50-month period of January 2017 through February 2021.

The former Bookkeeper did not deposit \$900 in sewer security deposits collected and recorded on deposit slips between January 2017 and October 2019. Additionally, the former Bookkeeper did not deposit an estimated \$1,300 in sewer security deposits collected during the 16 months from November 2019 to February 2021.

The former Bookkeeper may not have deposited an estimated \$96,796 of sewer receipts from January 2017 to February 2021, which may have been cash receipts. Sewer billings and receipts were not prepared/retained by the former Bookkeeper for this 50-month time period. Additionally, a review of the former Bookkeeper's and former Board President's personal bank accounts noted cash deposits totaling \$29,146 from January 2017 to March 2021.

Recommendation

The Malden City Council continue to work with law enforcement officials regarding criminal prosecution of missing and/or misappropriated money and non-payment of sewer services, and take the necessary actions to obtain restitution.

Status

In Progress

Prior to the formation of the reorganized sewer district, the city was working with law enforcement officials and the Prosecuting Attorney's office for the criminal prosecution and was attempting to obtain restitution. The new Board is continuing to work with law enforcement officials and is attempting to obtain restitution. In November 2023, the former Bookkeeper was charged with 3 counts of a class C felony of stealing \$25,000 or more, and 16 counts of a class D felony of stealing \$750 or more. The former Board President was charged with 3 counts of a class C felony of stealing \$25,000 or more, and 14 counts of a class D felony of stealing \$750 or more. The former Bookkeeper's



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case is currently set for trial in March 2026, and the former Board President's case is currently set for trial in November 2025.

**5.1 Payroll and Related
Matters - Payroll taxes**

The former Bookkeeper did not ensure payroll tax forms were filed and payroll taxes were remitted to the Internal Revenue Service (IRS) timely, as required. As a result, the sewer district was assessed \$756 in penalties, \$287 in interest, and \$1,881 in additional taxes. Also, as of July 8, 2022, at least \$10,252 was still due to the IRS and significant interest and penalties were still accruing. Additionally, the former Bookkeeper did not report all of the amounts she paid herself to the accounting firm for inclusion on her W-2 form.

Recommendation

The Malden City Council ensure district payroll tax returns are filed and district payroll taxes are remitted to the IRS timely, and take immediate action to pay amounts due. In addition, the Bookkeeper's W-2 forms should be amended as appropriate.

Status

In progress

We reviewed documentation provided by the city, and noted that while the sewer district was in receivership, no IRS filings were necessary because the sewer district had no employees. The newly formed Board also indicated there are no district employees and it contracts for all work. While the sewer district was in receivership, city officials indicated they attempted repeatedly to obtain information regarding outstanding taxes and pay amounts due. However, they were unable to obtain this information because the IRS stated they did not have the correct IRS registration information so they did not have access to the necessary tax information. Additionally, city officials indicated the city could not amend the former Bookkeeper's W-2 forms because the payroll was completed by an outside accounting firm and the city did not have the necessary IRS information or access to the information to amend the W-2 forms. The new Board indicated it will be working to address and resolve any tax issues related to the sewer district, including amending the former Bookkeeper's W-2 forms.