



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**FOLLOW-UP REPORT ON AUDIT FINDINGS**

**Pemiscot County**

Report No. 2016-038  
June 2016

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# Pemiscot County

## Follow-Up Report on Audit Findings

### Table of Contents

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State Auditor's Letter	2
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#### Status of Findings\*

1.	Financial Condition and Budgets.....	3
2.	Sheriff's Inmate and Commissary Monies .....	4
3.	County Assessor's Controls and Procedures.....	6
4.	Public Administrator's Controls and Procedures .....	6
5.1	County Procedures - Review of property taxes .....	7

\*Includes selected findings



## **NICOLE GALLOWAY, CPA** **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Pemiscot County

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-120, *Pemiscot County* (rated as Poor), issued in December 2015, 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 that require immediate management attention and any other findings for which follow up is considered necessary at this time, 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.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by county officials and held meetings with county officials. Documentation provided included county budgets, County Commission meeting minutes, bank statements, receipt and deposit records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by June 2016.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# Pemiscot County

## Follow-Up Report on Audit Findings

### Status of Findings

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1. Financial Condition and Budgets Several county funds were in poor financial condition, and the financial condition had been affected by poor budgeting decisions.

1.1 Financial condition The financial condition of the county was weak, and the County Commission did not adequately monitor budgets. The cash balances of the General Revenue and Assessment Funds continued to deteriorate during the year ended December 31, 2015. Additionally, the county continued to operate some funds with negative cash balances. As a result, the county was using other county funds included in its bank account, including restricted funds, to meet general cash flow needs.

**Recommendation** The County Commission closely monitor the financial condition of the General Revenue and Assessment Funds and take the necessary steps to improve the financial condition of the county. The County Commission should also perform long-term planning and ensure receipts are maximized and disbursements are closely monitored. In addition, the County Commission should also ensure budgets are adequately monitored and establish procedures to ensure disbursements are made within the constraints of the budget.

**Status** **In Progress**

The Assessment Fund's cash balance, which was projected to have a negative balance at December 31, 2015, ended the year with a positive balance and is projected to have a positive balance at December 31, 2016. However, the General Revenue Fund's cash balance was negative at December 31, 2015, and is still projected to be negative at December 31, 2016. Some improvement was made in the General Revenue Fund's cash balance as it went from (\$1,427,470) at December 31, 2014, to (\$1,298,731) at December 31, 2015, and is projected to be (\$1,031,593) at December 31, 2016.

The County Commission minutes indicate the County Commission is monitoring the budget for all funds, including ensuring all disbursements are being made within the constraints of the budget. The County Commissioners indicated they hope to have the General Revenue Fund's cash balance positive within 5 years. However, there is no documentation of a formal, long-term plan to establish how that will be accomplished.

1.2 Budgetary procedures Budgetary procedures were not adequate and contributed to the county's poor financial condition. The County Commission continued to approve deficit budgets for multiple funds, including the General Revenue, Assessment, Juvenile Grant, and Deputy Sheriff Salary Supplement Grant Funds for 2015. The County Commission continued to approve budgeted disbursements in excess of budgeted receipts for funds with deficit balances.



Pemiscot County  
Follow-up Report on Audit Findings  
Status of Findings

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Recommendation

The County Commission refrain from budgeting deficit balances.

Status

**Partially Implemented**

The County Commission refrained from budgeting deficit balances for all funds except the General Revenue Fund in the 2016 budget. The County Commissioners indicated they hope to have the General Revenue Fund's cash balance positive within 5 years and then they will refrain from budgeting a deficit balance in that fund.

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2. Sheriff's Inmate and  
Commissary Monies

Records and procedures over inmate and commissary monies needed improvement.

2.1 Receipts

The Sheriff's office did not account for the numerical sequence of receipt/transaction numbers in the computerized accounting system. In addition, the method of payment (cash, check, or money order) was not always indicated in the system accurately or reconciled to the composition of deposits.

Recommendation

The Sheriff ensure the numerical sequence of receipt/transaction numbers is accounted for properly. The Sheriff should also ensure the method of payment is accurately entered into the system and the composition of receipt slips is reconciled to the composition of deposits.

Status

**Not Implemented**

The Sheriff indicated he had contacted the current commissary system vendor concerning accounting for the numerical sequence of receipt/transaction numbers and was informed that the current system does not have this capability. He has started checking with other commissary system vendors, but has not taken specific steps to replace the current system. In addition, only cash is now accepted to replenish each inmate's commissary account balance so indicating the method of payment is not necessary.

2.2 Bank reconciliations

The Sheriff's office had not attempted to reconcile the inmate bank account since October 2014. Follow up procedures had not been performed on reconciling items shown on detailed bank reconciliations for the inmate bank account. At our request, personnel generated a detailed bank reconciliation showing all individual reconciling items from the inmate bank account as of October 14, 2014. We noted 244 checks and debit cards totaling \$13,397 outstanding with the oldest check dating back to 2005. Inmates released from jail with an account balance did not always retrieve their funds when released. At October 14, 2014, the inmate and commissary bank account had an adjusted balance of \$4,430, but the office's accounting system showed the balance as negative \$10,317.



Pemiscot County  
Follow-up Report on Audit Findings  
Status of Findings

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**Recommendation** The Sheriff perform bank reconciliations monthly. In addition, the Sheriff should review the reconciling items and ensure any differences are promptly investigated.

**Status** **Not Implemented**

The Sheriff indicated a detailed bank reconciliation and review of reconciling items would not be possible until a new commissary system vendor was obtained, and no specific steps have been taken to obtain a new system.

**2.3 Liabilities** Office personnel had not identified month-end liabilities (inmate balances) and reconciled the liabilities to available cash balances to ensure monies in the bank account were adequate to cover amounts due to inmates. At our request, a report was generated and as of October 14, 2014, inmate balances totaled \$2,494.

**Recommendation** The Sheriff ensure individual inmate account balances and various liabilities are compared to the reconciled bank account balance monthly and any discrepancies are promptly investigated

**Status** **Not Implemented**

A month-end liabilities list had not been prepared as of February 2016. The Sheriff indicated such a listing would not be possible until a new commissary system vendor was obtained, and no specific steps have been taken to obtain a new system.

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**3. County Assessor's Controls and Procedures** Controls and procedures in the County Assessor's office needed improvement.

**3.1 Segregation of duties** One employee was primarily responsible for collecting receipts and transmitting the monies to the County Treasurer. An independent or supervisory review was not performed to ensure all monies received were transmitted to the County Treasurer.

**Recommendation** The County Assessor adequately segregate duties for collection of receipts or ensure independent or supervisory reviews of receipts and transmittals are performed and documented.

**Status** **Implemented**

The County Assessor indicated the current process is to have each receipt signed by the issuer, and then initialed by a second person when the monies are transmitted to the County Treasurer. We verified these procedures by



Pemiscot County  
Follow-up Report on Audit Findings  
Status of Findings

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reviewing receipt slips issued and agreeing receipts for January and February 2016 to the County Treasurer's records.

3.2 Receipting procedures

Office personnel did not issue receipt slips for monies received or record receipts in a ledger. In addition, checks were not restrictively endorsed when received.

Recommendation

The County Assessor establish procedures to ensure all monies received are properly receipted, promptly recorded, and checks are restrictively endorsed immediately upon receipt.

Status

**Implemented**

Receipt slips for January and February 2016 indicated monies received were properly receipted and included all required information. While the County Assessor does not record receipts in a ledger, a review of the County Treasurer's records indicated receipts are promptly transmitted to the County Treasurer and timely recorded by the County Treasurer. The County Assessor indicated the office policy is to restrictively endorse all checks as they are received. No checks were on hand at the time of our review.

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4. Public Administrator's  
Controls and Procedures

Controls and procedures in the Public Administrator's office needed improvement.

4.1 Annual settlements

The Public Administrator did not file annual settlements timely. In addition, the Circuit Court, Probate Division did not follow up with the Public Administrator when annual settlements were not filed by their due date.

Recommendation

The Public Administrator file annual settlements timely. In addition, the Circuit Court, Probate Division should follow up with the Public Administrator on all annual settlements not filed by the required date.

Status

**Implemented**

The Probate Clerk indicated she is now tracking when annual settlements are due by using both a spreadsheet and by entering the due dates into the judicial calendar, which she reviews on a daily, weekly, and monthly basis. We reviewed the spreadsheet listing of all wards required to have an annual settlement as of June 16, 2016, and noted no annual settlements were past due.

4.2 Bank reconciliations

The Public Administrator did not always prepare monthly bank reconciliations timely. We noted numerous instances where the Public Administrator completed multiple monthly bank reconciliations for the same account on the same day.



Pemiscot County  
Follow-up Report on Audit Findings  
Status of Findings

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**Recommendation**

The Public Administrator prepare bank reconciliations monthly for all wards' bank accounts.

**Status**

**Not Implemented**

At the time of our follow-up review, the Public Administrator had not performed bank reconciliations monthly for all wards. The Public Administrator indicated due to the large number of wards she handles she cannot perform bank reconciliations timely, and does not have plans to implement the recommendation.

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**5.1 County Procedures -  
Review of property  
taxes**

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not use the information she maintained for tax charges, additions and abatements, and the County Collector's monthly settlements to create a detailed account book or other records summarizing property tax charges, transactions, and changes. No evidence was provided to indicate procedures were performed to verify the accuracy and completeness of the County Collector's annual settlements.

**Recommendation**

The County Clerk maintain a detailed account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

**Status**

**Not Implemented**

At the time of our follow-up review, no steps had been taken to implement this recommendation. In addition, the County Clerk indicated that there are no plans in place to implement the recommendation.