



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Marion County

Marion County

Follow-Up Report on Audit Findings

Table of Contents

State Auditor's Letter	2
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Status of Findings*

1.	Senate Bill 40 Board's Expenditures.....	3
2.	Senate Bill 40 Board's Controls and Procedures	7

*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Marion County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-021, *Marion County* (rated as Fair), issued in April 2016, 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 documentation provided by Senate Bill 40 Board employees and held discussions with employees to verify the status of implementation for the recommendations. Documentation provided included Board meeting minutes, budgets, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during October 2016.

Nicole R. Galloway, CPA
State Auditor

Marion County

Follow-Up Report on Audit Findings

Status of Findings

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|--|---|
| 1. Senate Bill 40 Board's Expenditures | The Senate Bill 40 Board for Marion County is known as the Marion County Services for the Developmentally Disabled (MCSDD). Significant improvement was needed over the MCSDD Board's controls over expenditures. |
| 1.1 Credit cards | <p>Controls over credit cards needed improvement. We identified various problems as follows.</p> <ul style="list-style-type: none">• The MCSDD Board had not adopted formal policies and procedures documenting who should be assigned a credit card, appropriate usage for credit cards, and required documentation to support credit card purchases.• The MCSDD did not maintain documentation of or solicit bids for all pieces of durable medical equipment purchased.• Documentation was not maintained to indicate durable medical equipment was delivered to a MCSDD client with a need for the equipment.• The MCSDD Board did not approve purchases made using credit cards.• The MCSDD did not have documentation to support who received gift cards. |

Recommendation

The MCSDD Board establish complete and detailed written credit card policies and procedures, comply with bidding requirements, maintain adequate supporting documentation for all disbursements, ensure credit card purchases are properly approved, and properly account for gift cards.

Status

Implemented

A complete and detailed written credit card policy was implemented in October 2015. MCSDD personnel indicated there have not been any purchases that should have been bid since issuance of the report in April 2016. We reviewed Board minutes for April 2016 to August 2016 and all purchases made for August 2016, and did not identify any purchases for which bids should have been obtained. MCSDD personnel indicated the Board is aware of the bidding requirements and will comply when applicable.

We reviewed the July and August 2016 credit card statements and noted each charge was supported by adequate documentation including an approved purchase order and associated invoice and/or receipt. MCSDD personnel indicated the practice of using gift cards was discontinued in October 2015.



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

1.2 Checks issued for cash The MCSDD issued numerous checks for cash. Checks were issued for cash to transfer monies between funds, to obtain cash to make various purchases, and to provide spending cash to clients.

Our review of the checks issued for cash identified the following concerns:

- We noted instances where checks were issued for cash to make purchases, but cash remaining after the purchase was not accounted for.
- There was no documentation that clients received spending money, because they were not required to sign for the cash.
- There was no documentation that gift cards purchased by MCSDD were received by the intended recipients.
- We noted a check written to cash to purchase Christmas gifts for a family in need in November 2014. Documentation was not maintained to show if this family was associated with an MCSDD client or this money was spent on an MCSDD client.
- There was no documentation of the prizes awarded or the disposition of change funds after completion of fundraisers.

Recommendation

The MCSDD Board discontinue the practice of writing checks for cash and maintain documentation to support all expenditures and distribution of client monies for individual spending.

Status

Partially Implemented

MCSDD personnel indicated the practice of writing checks to cash from the General Fund was discontinued in September 2015; however, our review of the August 2016 bank statement identified 3 checks totaling \$162 written to cash. The approved purchase order for one check totaling \$98 indicated the monies were used to reimburse 3 client accounts. These reimbursements should have been made by check. MCSDD personnel indicated the checks were made to cash in error, and they will refrain from writing checks to cash from the General Fund.

MCSDD personnel indicated they will continue to write checks to cash monthly for clients in Individualized Supported Living (ISL) homes for their spending money. We reviewed the ISL information for August 2016, including bank statements and supporting documentation. In addition to the checks made to cash for client spending money, there were checks made to cash in order to purchase groceries and supplies. A spreadsheet is maintained to track purchases of groceries and supplies for each ISL home. A spreadsheet is also maintained for each client by the ISL home manager



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

documenting all transactions to provide a running list of the cash on hand, and all purchases are supported by receipts.

1.3 Signing checks

The Executive Director's signature was the only signature required on MCSDD checks issued for less than \$2,500 including checks where the Executive Director was also the payee. When the Executive Director was unavailable, her facsimile signature stamp was applied to checks, but there was no documentation of who used the signature stamp or subsequent approval by the Executive Director.

Recommendation

The MCSDD Board require dual signatures on all checks and ensure the signor is not the payee. In addition, the MCSDD Board should establish appropriate controls over the use of the facsimile signature stamp.

Status

Partially Implemented

The MCSDD Board has decided to not require dual signatures on all checks, but will continue with the existing policy of requiring dual signatures only on checks exceeding \$2,500. We reviewed the 4 checks over \$2,500 on the August 2016 bank statement and noted each check had dual signatures. The MCSDD Board no longer allows a signor to be the payee. Appropriate controls have been established over the facsimile stamp. The facsimile stamp is secured in a locked location and the user must initial the check when the facsimile stamp is used. We reviewed the canceled checks for August 2016 and noted users complied with the established control.

1.4 Payroll advances

The MCSDD issued payroll loans to employees in violation of the Missouri Constitution. Employees could request salary advances from the Executive Director by indicating the amount needed. If the Executive Director approved the advance, the Payroll Manager would prepare a payroll advance agreement and have the employee sign it, and a check would be processed through the payroll account. The Payroll Manager also participated in the payroll advance program. Although the Executive Director authorized the advances made to the Payroll Manager, an independent review was not performed to ensure advances made were the approved amount and repaid in accordance with the payroll advance agreement.

Recommendation

The MCSDD Board discontinue the policy of allowing payroll advances to employees. In addition, the MCSDD Board should ensure there is proper documented segregation of duties of this program until all remaining loans have been repaid.

Status

Implemented

MCSDD personnel indicated the practice of allowing payroll advances to employees was discontinued in August 2015. At the time we issued the audit report, there were 2 employees making payments on previous payroll



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

advances. Both employees repaid their payroll advances in 2016. The employees tracking these repayments did not receive advances.

1.5 Mileage reimbursement Mileage reimbursements made to the Executive Director were not approved and were not in compliance with MCSDD policy. We noted an instance where the Executive Director's mileage reimbursement was calculated as \$1,087, however the check was issued for \$1,807, resulting in an overpayment of \$720. Additionally, the MCSDD Board's policy indicated "employees scheduled to travel more than 150 miles round trip shall use the agency gasoline credit card and shall receive reimbursement for the use of their automobile at the rate of \$.19 per mile." We reviewed mileage reimbursements made to the Executive Director and noted trips in excess of 150 miles were reimbursed at the rate of \$.46 per mile. The Executive Director did not use the MCSDD credit card to purchase fuel for these trips.

Recommendation

The MCSDD Board provide oversight for all reimbursements made to the Executive Director, ensure compliance with the mileage reimbursement policy, and obtain repayment for all overpayments.

Status

In Progress

The Executive Director indicated she has not made any mileage reimbursement claims since the audit report was issued. The Finance Manager verified this statement. We did not notice any mileage reimbursements to the Executive Director during our review of August 2016 disbursements. When a mileage reimbursement claim is submitted in the future, the Executive Director will ensure it complies with the mileage reimbursement policy, and that it would be properly approved by the Board Treasurer. Repayment for the overpayment occurred in September 2015.

1.6 Staff incentives

The MCSDD awarded gifts to employees in violation of the Missouri Constitution.

Recommendation

The MCSDD Board discontinue the practice of giving gift cards and cash as employee incentives and ensure all employee compensation is properly taxed and reported to the Internal Revenue Service (IRS).

Status

Implemented

MCSDD personnel indicated the practice of giving gift cards and cash as employee incentives was discontinued in August 2015. According to MCSDD personnel, the only compensation given to employees is their regular salary, which is properly taxed and reported to the IRS by the Board's contracted payroll service.



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

1.7 Late fees, finance
charges, and overdraft
fees

The MCSDD incurred late fees and/or finance charges due to untimely bill payment and overdraft charges on its bank accounts.

Recommendation

The MCSDD Board implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.

Status

Implemented

The Executive Director reviews the bank accounts weekly to ensure the accounts will not incur overdraft fees. Additionally, she ensures the credit card statement is paid on time monthly to avoid finance charges and late fees. We reviewed the August 2016 bank statement for the General Fund bank account and did not note any overdraft fees. In addition, we reviewed the July and August 2016 credit card statements and did not note any finance charges or late fees.

2. Senate Bill 40 Board's
Controls and Procedures

The MCSDD's controls and procedures needed improvement.

2.1 Receipts and deposits

Controls and procedures over receipting and depositing monies were not sufficient. A log was maintained for checks received in the mail; however, we noted several instances where checks were not recorded in the mail log, including checks received from employees to reimburse the MCSDD for a staff event. The MCSDD also did not issue receipt slips for cash donations received.

In addition, monies were not promptly recorded in the software system, there was no documented reconciliation of the receipt logs to the amount receipted into the software system before deposits were made, and checks were not restrictively endorsed immediately upon receipt.

Recommendation

The MCSDD Board develop one centralized receipting system and ensure prenumbered receipt slips are issued for all monies immediately upon receipt. In addition, receipts should be deposited timely, and all checks should be restrictively endorsed upon receipt.

Status

In Progress

MCSDD personnel indicated they are using one prenumbered receipt slip book for all monies received. We compared deposits totaling approximately \$21,000 during August 2016 to the receipt slip book. We noted one \$20 receipt was deposited but recorded in a different receipt slip book. MCSDD personnel indicated this receipt was issued in another book due to a misunderstanding and they intend to use only one receipt slip book.



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

A review of the date of the receipts as compared to the date of each deposit indicated receipts were being deposited timely. In addition, MCSDD personnel indicated they were restrictively endorsing checks immediately upon receipt.

2.2 Bank reconciliation

The June 30, 2015, bank reconciliation for the payroll account was not prepared properly and a list of outstanding checks was not prepared.

Recommendation

The MCSDD Board ensure monthly bank reconciliations are properly performed and listings of outstanding checks are prepared to support the bank reconciliations. Any differences between accounting records and reconciliations should be promptly investigated and resolved.

Status

Implemented

MCSDD personnel indicated they are preparing bank reconciliations monthly. We requested the August 2016 bank statements and bank reconciliations for the Board's 7 checking accounts and 1 savings account. We noted a bank reconciliation had been performed for each account and a listing of outstanding checks was prepared, when applicable. No differences were noted in any of the bank reconciliations.

2.3 Outstanding checks

The MCSDD Board had not established procedures to routinely follow up on outstanding checks. As a result, some checks had been outstanding for over a year.

Recommendation

The MCSDD Board establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.

Status

In Progress

MCSDD personnel indicated they review the outstanding checks monthly with the bank reconciliations. The August 2016 bank reconciliations did not list any checks outstanding for more than a year. However, the old outstanding checks identified during the audit had been voided but were not reissued. These voided checks are being tracked in a spreadsheet while MCSDD personnel attempt to reissue them. MCSDD personnel indicated any check that cannot be reissued will be disbursed in accordance with state law by the end of 2016.

2.4 Closed meetings

The MCSDD Board discussed issues in closed meetings that are not allowable under the Sunshine Law. Additionally, for closed meetings held, open meeting minutes did not cite the specific statute and subsection allowing the closure.



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

Recommendation	The MCSDD Board ensure open meeting minutes document the specific statutory reason for entering closed meetings and ensure items discussed in closed meetings comply with the Sunshine Law.
Status	In Progress We reviewed the Sunshine Law policy adopted by the MCSDD Board in October 2015. The MCSDD Board has not gone into a closed meeting since the audit report was issued in April 2016.
2.5 Posting meeting notifications and agendas	The MCSDD Board did not post notification or agendas for meetings.
Recommendation	The MCSDD Board provide proper notice of meetings and ensure appropriate agendas are posted and retained.
Status	Implemented We requested the agendas for the April 2016 through August 2016 meetings, and noted they had been properly retained. MCSDD personnel indicated they began posting the agendas in a display case at the administrative building and the program building. The date and time of the monthly meetings is posted on the MCSDD's website.
2.6 Budgets	The MCSDD Board did not file formal budgets with the State Auditor's Office for the years ended June 30, 2015, and 2014. In addition, the budgets approved by the MCSDD Board did not include other required information.
Recommendation	The MCSDD Board ensure accurate and complete budgets are prepared and submitted to the State Auditor's Office as required by state law.
Status	In Progress We reviewed the year ended June 30, 2017, budget and it did not include all the information required by state law, and was not submitted to the State Auditor's Office. The July 2016 Board meeting minutes indicate officials used the previous 2 years revenues and expenditures information to develop the budget; however, the budget did not include those amounts as state law requires. MCSDD personnel indicated they will continue to improve the budget process for the year ended June 30, 2018, in order to create a complete and accurate budget. Additionally, they will submit the budget to the State Auditor's Office.
2.7 Financial statements	The MCSDD Board did not publish its financial statements for the years ended June 30, 2015, and 2014.



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

Recommendation

The MCSDD Board publish financial statements annually as required by state law.

Status

In Progress

The MCSDD is audited annually. An audit for the year ended June 30, 2016, was scheduled to start in November 2016. After that audit report is issued, MCSDD personnel indicated they will publish the financial statements as required.