

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

# Nicole Galloway, CPA

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Missouri State Auditor

Marion County

Report No. 2020-106

November 2020

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Marion County

Sheriff's Commissary and Payroll Procedures	The Sheriff does not disburse commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law and uses the net proceeds to purchase items for jail operations outside the normal county procurement process. The Sheriff also does not adequately document payments to deputies for off-duty transportation services.
Senate Bill 40 Board's Budget and Depositing Procedures	The Marion County Services for the Developmentally Disabled Board does not prepare adequate budgets as required by state law, and does not deposit receipts timely.
County Collector's Commissions and Contracts	Personal commissions paid to the County Collector for collecting taxes for drainage districts are not reported to the Internal Revenue Service by the county or drainage districts. The County Collector has not entered into written contracts with 3 drainage districts for the collection of taxes and some taxpayers for the partial payment of delinquent taxes.
County Assessor's Receipting and Transmitting Procedures	The County Assessor's procedures for receipting and transmitting money collected need improvement.
Timecards and Leave	Timecards are not prepared and submitted to the County Clerk's office by salaried employees and leave is not approved and tracked for these employees in compliance with county policies.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

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

\*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.

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

County Commission  
and  
Officeholders of Marion County

We have audited certain operations of Marion County in fulfillment of our duties under Section 29.230, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2019. The objectives of our audit were to:

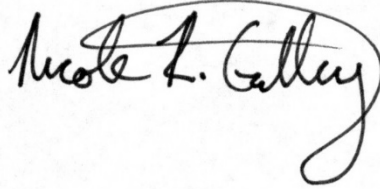
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 assessed the design and implementation of such 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.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

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

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

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Josh Allen, CPA, CFE, CGAP
In-Charge Auditor:	Richard Stuck
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	Amanda G. Flanigan, MAcc
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# Marion County Management Advisory Report State Auditor's Findings

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## **1. Sheriff's Commissary and Payroll Procedures**

Procedures related to the inmate commissary and payment to deputies for transportation services need improvement. Receipts deposited into the Sheriff's inmate account totaled approximately \$301,000 during the year ended December 31, 2019.

### **1.1 Inmate Prisoner Detainee Security Fund**

The Sheriff does not disburse commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. In addition, the Sheriff uses commissary net proceeds to purchase items for jail operations outside the normal county procurement process. Purchases for jail operations totaled \$98,210 during the year ended December 31, 2019. Purchases included \$12,090 for plumbing services, \$18,103 for janitorial supplies, \$8,282 for inmate uniforms, and a \$16,578 transfer to the County Treasurer for the reimbursement of an employee's wages who has commissary responsibilities.

The Sheriff receives a commission on the commissary sales from the commissary vendors, which are retained with inmate monies, in the inmate account. In January 2019, the Sheriff transferred \$10,000 of net proceeds from the inmate account to the county's General Revenue Fund held by the County Treasurer. However, there is no statutory provision that allows commissary net proceeds to be transferred to the county's General Revenue Fund. As of December 31, 2019, the inmate account had a reconciled balance of \$56,007. As of June 17, 2020, this account contained \$39,950 of commissary net proceeds.

The Sheriff has a written agreement with the County Commission to allow commissary net proceeds to be kept in the Sheriff's inmate account and for disbursements to be paid from that account. However, this agreement conflicts with state law.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) of the commissary account into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

A similar condition was noted in our prior 3 audit reports.

### **1.2 Transportation payments**

The Sheriff does not adequately document payments to deputies for off-duty transportation services.

The Sheriff has entered into a memorandum of understanding with the local behavioral health clinic for in-patient transportation to mental health facilities in the state. The Sheriff's office submits an itemized bill (\$30 per hour of transportation time) to the health clinic for the transportation services and



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receives payment by check. The Sheriff's office then cashes the check, and pays the cash to the deputies who performed the transportation services as compensation. Deputies are not required to sign to acknowledge receipt of cash payments. As a result, there is no evidence deputies receive this money. Most of the transportation is performed by off-duty deputies. If an officer is on duty when performing the transportation service, the clinic is not billed and the officer receives no additional compensation. The Sheriff's office received \$25,343 for in-patient transportation services that was paid to deputies during the year ended December 31, 2019.

To ensure off-duty transportation payments are valid and proper and reduce the risk of loss, theft, or misuse of funds, the Sheriff should deposit the checks received and issue checks to the deputies.

## Recommendations

The Sheriff:

- 1.1 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. In addition, the General Revenue Fund should reimburse \$10,000 to the Inmate Prisoner Detainee Security Fund.
- 1.2 Deposit off-duty transportation checks and issue checks to the deputies for these services.

## Auditee's Response

- 1.1 *I will discuss this with the County Commission.*
- 1.2 *I agree. Deputies will sign off on cash payout of patient transportation pay to document the receipt of cash by deputies.*

## 2. Senate Bill 40 Board's Budget and Depositing Procedures

The Senate Bill 40 Board budget preparation and deposit procedures need improvement. The Board for Marion County is known as the Marion County Services for the Developmentally Disabled Board (MCSDDDB). The MCSDDDB collected approximately \$1.75 million in property taxes, state reimbursements for targeted case management, interest, and other receipts during the year ended December 31, 2019.

### 2.1 Budgets

The MCSDDDB does not prepare adequate budgets as required by state law. The MCSDDDB's budget submitted to the County Clerk did not include actual or budgeted amounts for the 2 preceding years and beginning and ending balances.

Budget documents are an essential tool for the efficient management of finances and should be prepared annually at the beginning of each year. Section 50.590, RSMo, requires budgets to include detailed budget estimates,



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showing the recommendations of the budget officer compared with the amounts for the last completed year and the estimates for the current year.

A similar condition was noted in our prior audit report. In addition, Report No. 2016-126, *Follow-Up Report on Audit Findings - Marion County*, issued in November 2016, reported the status, at that time, as in progress.

## 2.2 Deposits

The MCSDDB does not deposit receipts timely. Several receipts were deposited 1 to 2 weeks after receipt. In addition, one receipt for \$1,862 was receipted on December 23, 2019, but was not deposited until February 18, 2020.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

## Recommendations

The Marion County Services for the Developmentally Disabled Board:

- 2.1 Prepare annual budgets that contain all information as required by state law.
- 2.2 Ensure receipts are deposited timely.

## Auditee's Response

- 2.1 *Budgets are submitted to the County Commission's office on an annual basis. It was an oversight to exclude the preceding 2 years of beginning and ending balances. We are in total agreement the budget documents are an essential tool for the efficient management of finances and should be prepared annually in its entirety. The annual budget is prepared and submitted. The piece that is important and was missing is the 2 preceding year beginning and ending balances. The Executive Director will include the required information for the 2 preceding years moving forward. Prior year information is presented to the Board for review before approving the new budget but the prior year information had not been submitted to the County Commission's office in the past. As stated, this will be corrected immediately and the annual budgets will include preceding year information. The Executive Director is revising the current year budget with required preceding year information and will submit upon completion.*
- 2.2 *We do not receive many checks for deposit since most funds are direct deposit. The organization may receive one check a month to physically deposit. It is unusual to receive multiple checks monthly. With that being said we agree it is vital to expedite deposits and work diligently to deposit such check(s) within a week of receipt. There had been a few occasions that the deposits were delayed an additional*





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*week which is not the preference. We are a small organization with limited staff that do multiple tasks, therefore there were times this was unavoidable. All monies received are secured in a locked safe behind a locked door until the funds are deposited. On the one isolated incident concerning the \$1,862 check that was receipted on December 23, 2019, but not deposited until February 19, 2020, this was investigated and it occurred during a time when the employee who is responsible for the deposits, underwent major medical treatment for 6 weeks and the check unfortunately was not deposited until the later date. In addition, it was during holidays which played a small role in the timeline of the deposit. When this was discovered procedures were immediately put in place to ensure reoccurrence of such would be avoided. We have now hired a Finance Specialist to assist in financial duties such as this.*

### **3. County Collector's Commissions and Contracts**

Procedures for reporting drainage districts' commissions earned by the County Collector, and the use of contracts need improvement. The County Collector collected approximately \$1.2 million in taxes for drainage districts during the year ended February 29, 2020.

#### **3.1 Drainage districts' commissions**

Personal commissions paid to the County Collector for collecting taxes for drainage districts are not reported to the Internal Revenue Service (IRS) by the county or drainage districts.

The County Collector was personally paid \$27,089 in commissions for the collection of drainage district taxes during the year ended February 29, 2020. Since these payments were not processed through the county payroll system, they were not reported on the County Collector's W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes was not paid. 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 process. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county.

#### **3.2 Contracts**

We noted the following issues regarding contracts:

- The County Collector collects taxes for 3 drainage districts within the county but does not have written contracts with those districts.
- The County Collector enters into verbal agreements with some taxpayers for partial payments for delinquent taxes. These agreements require partial payments be made to pay the outstanding delinquent taxes within a year.



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Section 432.070, RSMo, requires government contracts be in writing. Clear, detailed, and timely written contracts are necessary to ensure all parties are aware of the services to be performed and the compensation to be paid for the services.

## Recommendations

The County Collector:

- 3.1 Ensure all compensation is paid through the county's normal payroll process, properly taxed, and reported to the Internal Revenue Service.
- 3.2 Work with the County Commission to enter into written agreements with political subdivisions and taxpayers as required by state law.

## Auditee's Response

3.1 *I will take this recommendation under consideration and review the recommendation with the County Commission. Following this recommendation may impose additional new employment cost on the county. For clarification I would like to state that all commission income has been reported and the appropriate federal and state taxes paid. I understand that County Collectors in some other counties run their drainage district commission income through the county's payroll system to increase their pensions but I did not choose to take advantage of this option.*

3.2 *I will take this recommendation under consideration and review the recommendation with the County Commission. The County Collector's office and the drainage districts that we collect taxes for have a business relationship guided by Missouri state statutes. In the many years that drainage district taxes have been collected by this office, I am not aware of any issue arising that was outside of the scope of the regulating statutes. Over the years we have developed a smooth functional operating process and relationship with our drainage districts.*

*It is rare that we enter into a partial payment plan with a delinquent taxpayer. Any time we accept money without being able to give a paid tax receipt we give the taxpayer a receipt slip for the funds we are holding for them. The receipt slip details the reason we are holding funds for the taxpayer. If the delinquent taxpayer does not complete the payment plan we will return any funds we have received to the taxpayer.*



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#### 4. County Assessor's Receipting and Transmitting Procedures

The County Assessor procedures for receipting and transmitting money collected need improvement. The office collected approximately \$13,000 for subscription services, parcel printouts, and copies during the year ended December 31, 2019.

We identified the following receipting and transmitting concerns:

- Receipt slips issued are not reconciled to the receipts ledger because all cash receipts are not included on the receipts ledger. In addition, the composition of receipt slips is not reconciled to the composition of the transmittal to the County Treasurer.
- Office personnel do not issue receipt slips for all copy payments received. Cash received is added to the change drawer and periodically some of this money is transmitted to the County Treasurer.
- The County Assessor does not transmit receipts intact and does not maintain the change fund at a constant amount. The County Assessor indicated approximately \$100 is maintained for the change fund, and cash receipts are periodically transmitted to the County Treasurer. We noted 3 transmittals for \$20 each in cash and \$13,070 transmitted in checks and money orders during the year ended December 31, 2019.

Failure to implement adequate receipting and transmitting procedures increases the risk that loss, theft, or misuse of monies received will go undetected. To reduce this risk, procedures should be established to ensure all monies received are properly receipted and transmitted to the County Treasurer intact. In addition, if a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made.

A similar condition was noted in our prior audit report.

#### Recommendation

The County Assessor issue receipt slips for all money received and transmit receipts to the County Treasurer intact. In addition, maintain the change fund at a constant amount.

#### Auditee's Response

*We will work towards implementing the Auditor's recommendation.*

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#### 5. Timecards and Leave

Timecards are not prepared and submitted to the County Clerk's office by salaried employees in compliance with county policies. In addition, leave is not approved and tracked for salaried employees in compliance with county policies.

The county pays 5 employees, excluding elected officials, on a salary basis. Salaried employees do not prepare timecards or submit timesheets; therefore,



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their immediate supervisor cannot verify the actual time worked during a pay period nor is the County Clerk's office notified of actual time worked for these individuals. In addition, leave is taken at the discretion of the 5 employees and leave balances are not tracked by the County Clerk's office.

The county personnel manual requires every employee complete, on a daily basis, official Marion County timecards distributed by the County Clerk's office and all information on the timecard be verified by the elected official of each office prior to submission to the County Clerk's office. In addition, the personnel manual indicates regular full-time employees of the county, who have completed their introductory period, earn vacation time in conjunction with their years of service and 12 days of sick leave each year, and are paid for unused vacation time upon leaving employment. The manual defines an "employee" as those full or part-time employees of the county who work on a salaried or an hourly basis and who are not elected by the electorate of the county; and defines a "regular employee" as an employee who has been designated to a full-time and regular position in the service of the county.

In addition to complying with county policies, adequate documentation of time worked and leave taken is needed to adequately document the legitimacy of payroll amounts and leave balances. Submission of detailed time records to the County Clerk's office that have been reviewed and approved by supervisors would provide support for payroll processed by the county.

A similar condition was noted in our 3 prior audit reports.

## Recommendation

The County Commission require all county employees prepare timecards documenting time worked and leave taken to comply with current personnel policies.

## Auditee's Response

*We will take this under consideration.*

# Marion County

## Organization and Statistical Information

Marion County is a county-organized, third-class county. The county seat is Palmyra. The county also has a courthouse in Hannibal that serves as the base of operations for several county officials.

Marion County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. In addition to elected officials, the county employed 83 full-time employees and 16 part-time employees on December 31, 2019.

In addition, county operations include the Senate Bill 40 Board (Marion County Services for the Developmentally Disabled) and drainage districts established by the County Commission. The Senate Bill 40 Board employed 18 full-time employees and 2 part-time employees on December 31, 2019. The County Coordinator manages the bridge replacement program and any other special projects. The County Coordinator also advises the Planning and Zoning Commission.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2020	2019
John David Lomax, Presiding Commissioner	\$	55,672
Larry Welch, Associate Commissioner		53,672
Steve Begley, Associate Commissioner		53,672
Harla Friesz, Recorder of Deeds		79,752
Valerie Dornberger, County Clerk		79,752
Luke Bryant, Prosecuting Attorney		139,693
Jimmy Shinn, Sheriff		84,013
Joelle Fohey, County Treasurer		79,752
Rick Jones, County Coroner		28,414
Wendy Howe, Public Administrator		79,752
Harry Graves, County Collector (1), year ended February 29,	109,640	
Mark Novak, County Assessor, year ended August 31,		79,101

(1) Includes \$27,089 of commissions earned for collecting for drainage districts taxes.