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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

New Madrid County

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New Madrid County

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
Officeholders of New Madrid County

We have conducted follow-up work on certain audit report findings contained in Report No. 2013-142, *New Madrid County*, issued in December 2013, 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 indicates that it will not do so.

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 submitted by county officials and held discussions with county officials. Documentation included County Commission meeting minutes, bank statements, receipt and deposit records, check registers, payroll records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during June and July 2014.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

New Madrid County

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Status of Findings

1.1 Public Administrator Controls and Procedures-Trust Fund bank account

The former Public Administrator withdrew \$2,178 from the Trust Fund bank account in January 2013, closed the account, and claimed this money was his personal funds. However, he could not provide documentation to support that \$602 of the \$2,178 withdrawn were personal funds.

The former Public Administrator also held funds belonging to 5 wards in the Trust Fund bank account for more than one year, which could have been distributed to the ward/estate in a more timely manner.

Additionally, the former Public Administrator did not provide adequate supporting documentation for any of the \$4,998 of indigent expenses requested for reimbursement from the county during the 2 years ended December 31, 2012. At our request, the former Public Administrator provided supporting documentation for \$2,964 of the \$4,998 reimbursed; but did not have supporting documentation, other than cancelled checks, for the remaining \$2,034.

Our review of the supporting documentation provided, reimbursement requests, and activity of the Trust Fund bank account noted the following additional concerns:

- The former Public Administrator did not properly account for the purchase of 21 gift cards totaling \$525, and there was no evidence that the wards received the gift cards.
- The former Public Administrator did not document which ward received a television that cost \$128, and did not include it in any ward's inventory.
- The county reimbursed the former Public Administrator \$240 for the same expenses on two separate occasions.
- The former Public Administrator requested reimbursement from the county's indigent funds for alcoholic beverages purchased on behalf of a ward. The County Clerk indicated such a use of indigent funds was against county policy.
- The former Public Administrator did not always obtain documentation from the wards or wards' residential facilities verifying the receipt of cash.

Further, the Associate Circuit Court did not review the activity of the Trust Fund bank account.

Recommendation

The Public Administrator work with the Associate Circuit Judge and County Commission to seek reimbursement of amounts owed from the former



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Public Administrator. The County Commission should require submission of adequate supporting documentation for indigent expense reimbursement requests. The Public Administrator should establish procedures for the proper handling of the Trust Fund bank account, and the Associate Circuit Judge should require the Public Administrator to submit documentation of the Trust Fund bank account activity.

Status

Implemented

The former Public Administrator reimbursed various wards/estates \$602 and the county \$240 in September 2013. The current Public Administrator is no longer depositing personal funds into the Public Administrator Trust account. The County Commission has provided \$700 to the Public Administrator to be used for indigent expenses. This money is held in the Public Administrator Trust account and is being handled on an imprest basis, with the County Commission reimbursing the Public Administrator for indigent related purchases made upon presentation of receipts. The Associate Circuit Judge has implemented a process to review trust fund activity annually and reviewed 2013 trust account activity in January 2014.

1.3 Public Administrator
Controls and
Procedures-Annual
settlements

The Associate Circuit Court did not perform sufficient reviews of the activity of cases assigned to the former Public Administrator. The court reviewed annual settlements submitted, but the review of disbursements was limited to verifying the accuracy of amounts reported by reviewing cancelled checks. The former Public Administrator did not file supporting documentation such as invoices with the Associate Circuit Court when filing annual settlements.

Recommendation

The Associate Circuit Judge establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as invoices to be filed with the court.

Status

Implemented

The Associate Circuit Judge has established a checklist for use by the Probate Clerk when reviewing settlements filed by the Public Administrator, which includes reviewing supporting documentation for all claims paid.

1.4 Public Administrator
Controls and
Procedures-
Disbursements and
checks

The former Public Administrator did not obtain adequate supporting documentation for some disbursements from individual ward bank accounts. In addition, the former Public Administrator did not always issue checks in numerical sequence and properly deface and retain voided checks.

Further, the former Public Administrator could not account for 213 checks (not listed on annual settlements and are unaccounted for) from 13 individual ward bank accounts during the 2 years ended December 31, 2012.



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In addition, 36 checks from the Trust Fund bank account for the period October 2008 to December 2012 were skipped and not properly accounted for. According to the former Public Administrator, all of these checks (ward and trust accounts) had been voided, were torn up and thrown away, and were not retained in case files.

Recommendation

The Public Administrator ensure disbursements are supported by adequate documentation, checks are issued in numerical sequence and recorded in numerical sequence in the check registers, and all voided checks are properly defaced and retained.

Status

Implemented

We reviewed 5 ward/estate check registers and bank statements for December 2013. Checks were issued in numerical sequence and recorded in numerical sequence in the check registers. We did not note any voided checks in these 5 estates for the month reviewed.

2. Personnel Policies and Procedures

Controls and procedures over payroll disbursements need improvement.

2.1 Personnel policies

Nonworking time was included in total hours worked for some employees when determining the amount of overtime earned, against county policy. Three Sheriff's office deputies also accrued compensatory time in excess of the maximum balance allowed by the Fair Labor Standards Act (FLSA).

Six employees carried forward vacation hours from December 2012 to January 2013 in excess of the maximum allowed by county policy. In addition, 2 employees carried forward sick leave hours from December 2012 to January 2013 in excess of the maximum allowed by county policy.

The county and Sheriff's office personnel policies did not adequately address holiday leave. Personnel policies indicated an employee would receive an additional day off to accommodate for working on a holiday. However, those employees who worked 12 and 10-hour days on holidays earned up to 32 more hours of holiday leave each year than other county employees.

Payroll records and the Sheriff's office and county's personnel policies did not consistently address how overtime would be calculated. Both the county and Sheriff's office personnel policies indicated overtime was to be paid at time and one-half for any hours over 40 hours in a workweek, and the county paid overtime in this manner. However, a separate section of the Sheriff's office policy manual stated that time would be computed on the basis of 171 hours per month. The County Clerk's salary schedule for all county employees indicated commissioned officers annual salaries were



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based upon 171 hours in a 28-day pay period, even though the county paid on a monthly pay period. Further, the Sheriff indicated he believed his deputies were supposed to be compensated for overtime hours worked in excess of 171 hours in a 28-day period.

Dispatcher work schedules were based on a payroll workweek that was different from the personnel policy and county's payment practice.

Recommendation

The County Commission ensure compliance with county overtime and leave policies and the FLSA. The County Commission should also revise personnel policies as needed.

Status

In Progress

We reviewed payroll records for the payroll period ending January 15, 2014, and noted nonworking time was included in total hours worked for some employees when determining the amount of overtime earned, in violation of county policy. Two Sheriff's office deputies also accrued compensatory time in excess of the maximum balance allowed by the FLSA. Additionally, 1 employee carried forward vacation hours from December 2013 to January 2014, in excess of the maximum allowed by county policy, and 3 employees carried forward sick leave hours from December 2013 to January 2014, in excess of the maximum allowed by county policy.

The County Clerk indicated full implementation of the recommendations is taking considerably longer than originally anticipated. The reason for the delay was primarily due to the acquisition and changeover to a new financial software system at the same time the county was trying to implement these recommendations. The County Clerk and County Commission intend to implement the auditor's recommendations and will report to the State Auditor's office as each stage of implementation is fully completed.

2.2 Reviews

The County Clerk's office and other supervisory officials did not perform adequate reviews of employee timesheets, leave and compensatory time records, and other payroll records, increasing the potential for errors to go undetected. A Sheriff's office deputy worked 194.5 hours of overtime from December 2011 to February 2013. The deputy was paid by the county from drug task force grant funding as the work was performed, but the deputy also accrued compensatory time of 291.75 (194.5 * 1.5) hours for this same work.

Recommendation

The County Commission ensure adequate reviews of timesheets, leave records, and other payroll records are performed and adjust compensatory time records for duplicate hours reported.



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Status

In Progress

We reviewed timesheets for the pay period ending January 15, 2014, and noted adequate reviews of timesheets had not been performed. The records indicated 2 Sheriff's office deputies accrued compensatory time in excess of the maximum balance allowed by the FLSA. Had an adequate review of timesheets been performed, these issues should have been identified and corrected.

The County Clerk indicated full implementation of the recommendations is taking considerably longer than originally anticipated. The reason for the delay was primarily due to the acquisition and changeover to a new financial software system at the same time the county was trying to implement these recommendations. In addition, the County Clerk indicated his office personnel have re-calculated approximately one third of the deputies and dispatchers accrued compensatory leave balances and are re-calculating others as time permits. The County Clerk and County Commission intend to implement the auditor's recommendations and will report to the State Auditor's office as each stage of implementation is fully completed.

2.3 Timesheets

The County Commission did not require the Emergency Management Director, 911 Administrator, Flood Plain Administrator, Assistant Coroner, and Search and Rescue Director to prepare and submit timesheets or other records documenting work performed. These employees received salaries and worked essentially on call on a 24-hour basis without established work schedules or a set number of work hours each pay period.

Recommendation

The County Commission ensure all county employees prepare and submit a timesheet or other documentation of work performed.

Status

Not Implemented

The County Commission and County Clerk indicated they do not feel timesheets are needed for the positions noted in the finding and have chosen to not require these positions to submit timesheets or other documentation of work performed on a monthly basis.

3.2 Disbursements and
Budget Amendments-
Health insurance

The county had not solicited proposals for health insurance since 2007, and paid approximately \$821,000 for employee health insurance for the year ended December 31, 2012. The insurance broker received \$14,190 of this amount for his services.

The health insurance broker is County Clerk Cravens' brother and County Commissioner Baker's brother-in-law. Commissioner Baker made the motion and voted to approve purchasing the health insurance from this



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vendor/broker according to the November 17, 2011, and December 13, 2012, meeting minutes.

As elected officials, County Commissioner Baker and County Clerk Cravens serve in a fiduciary capacity and have an obligation to the public to avoid the appearance of impropriety. In addition, Section 67.150, RSMo, requires competitive bidding at least every 3 years for health insurance.

Recommendation

The County Commission refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law and the selection process is documented.

Status

Implemented

The County Commission advertised for health insurance bids in November 2013. County Commission minutes indicate County Commissioner Baker abstained from all decisions related to the purchase of health insurance effective February 1, 2014.

4. Recorder of Deeds
Controls and
Procedures

The Recorder of Deeds' month-end reconciliation, distribution of fees, and depositing procedures need improvement.

4.1 Overages, bank
reconciliations and
disbursements

The Recorder of Deeds did not investigate overages in her bank account or properly dispose of those monies, and an overage of \$8,875 existed at May 31, 2013. Based on our last audit for the 2 years ended December 31, 1999, and representations made by the Recorder of Deeds, overages had accumulated in this account over several years and had not been resolved.

Various controls and procedural weaknesses in the office contributed to the unidentified overage in the account. Monthly bank reconciliations and lists of liabilities were not prepared for the Recorder of Deeds' bank account. Deposits were not recorded timely and a running balance was not maintained in the check register. At each month end, the Recorder of Deeds disbursed amounts related to charges made throughout the month by various individuals and institutions even though amounts charged had not yet been collected.

Recommendation

The Recorder of Deeds dispose of the unidentified overage in accordance with state law, post deposits timely, maintain running balances in the check register, perform bank reconciliations, and reconcile bank balances to liabilities monthly. Any differences between accounting records and reconciliations should be investigated and resolved. In addition, the Recorder of Deeds should not disburse fees until the related monies are collected.



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Status

Implemented

The Recorder of Deeds indicated she changed accounting procedures in October 2013, to distribute fees based on date of receipt instead of the transaction date. At the end of October 2013, the Recorder of Deeds determined \$8,611 in her bank account was unidentified. The following month, she distributed \$8,411 of this money to the state and county and used \$200 of it to establish a change fund. The Recorder of Deeds is now reconciling the bank balance to liabilities at the end of each month.

In addition, we reviewed the bank reconciliation, list of liabilities, check book register, and receipts and disbursements for January 2014. Deposits were posted timely, a running balance was maintained in the check register, a bank reconciliation was prepared, and the bank balance was reconciled to liabilities.

4.2 Deposits

The Recorder of Deeds office did not reconcile the amount and composition of recorded receipts to deposits. In addition, the Recorder of Deeds withheld cash from deposits to maintain a change fund; however, the change fund was not maintained at a constant amount and the amount of the change fund was not tracked.

Recommendation

The Recorder of Deeds reconcile the composition of receipts to the composition of deposits and deposit all receipts intact. If a change fund is needed, it should be maintained at an established amount.

Status

Implemented

We reviewed January 2014 receipt and deposit records. The composition of receipts reconciled to the composition of deposits and all receipts were deposited intact. The Recorder of Deeds indicated she established a \$200 change fund in November 2013.

6. Prosecuting Attorney
Controls and
Procedures

Accounting duties are not adequately segregated and supervisory reviews are not performed. Receipting and monitoring procedures are not adequate.

6.1 Segregation of duties
and waivers

The Prosecuting Attorney had not adequately segregated accounting duties or performed a supervisory review of accounting records. The Prosecuting Attorney's secretary was primarily responsible for receipting, recording, and transmitting monies received for bad checks and court-ordered restitution. In addition, the secretary waived bad check fees without the documented approval of the Prosecuting Attorney and did not retain adequate documentation of the reasons for such waivers.



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Recommendation

The Prosecuting Attorney adequately segregate accounting duties or ensure an independent or supervisory review of accounting records is performed and documented, and require someone independent of the accounting system to review and approve all waivers and ensure adequate documentation is retained to support such waivers.

Status

Not Implemented

The Prosecuting Attorney refused to participate in the follow-up review process to update the State Auditor's office regarding efforts to implement audit recommendations.

6.2 Receipting

Manual receipt slips were only issued for court-ordered restitution monies.

Recommendation

The Prosecuting Attorney require receipt slips be issued for all monies received.

Status

Not Implemented

The Prosecuting Attorney refused to participate in the follow-up review process to update the State Auditor's office regarding efforts to implement audit recommendations.

6.3 Tracking procedures

Court-ordered restitution payments were manually recorded in the defendants' case file; however, the total restitution amount ordered was not always clearly documented. Additionally, the Prosecuting Attorney did not have a system set up to alert office personnel when restitution payments were due or a defendant's probationary period was nearing completion. The Prosecuting Attorney's office staff indicated it was the probation officer's responsibility to ensure restitution was paid.

Bad check complaint forms submitted by merchants when bad checks were turned over to the Prosecuting Attorney for collection were not assigned a sequential tracking number and complaint forms were filed by the date of the 10-day letter. Additionally, the Prosecuting Attorney's office only used the computerized bad check system to generate letters notifying the bad check writers they had 10 days to pay before charges were filed. While the bad check complaint and disposition information was entered into the computerized bad check system, the system was not utilized to track the collection and disposition of each bad check complaint. The office maintained a manual ledger of bad check complaints (by date the complaint was filed) for purposes of filing charges, however, this manual ledger did not allow for compilation of amounts collected by date.

Recommendation

The Prosecuting Attorney develop procedures and records to adequately track court-ordered restitution and the receipt and disposition of all bad check complaints.



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Status

Not Implemented

The Prosecuting Attorney refused to participate in the follow-up review process to update the State Auditor's office regarding efforts to implement audit recommendations.