



Office of Missouri State Auditor
Nicole Galloway, CPA

Clinton County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Clinton County

Financial Condition	The General Revenue Fund remains in poor financial condition. The cash balance of the General Revenue Fund is not sufficient to handle any emergencies or sudden downturn in the economy.
Self-Insured Medical Plan	The County Commission implemented a self-insured medical plan in January 2017 without performing a cost analysis to project the potential liability to the county, calculate the premiums, determine the reserve balance necessary to meet the potential obligations, or determine the financial feasibility of the plan.
County Collector's Controls and Procedures	The County Collector is consistently not performing one of her main responsibilities, which also violates state law. The County Collector has not prepared and filed an annual settlement for the years ended February 28 (29), 2016, 2017, and 2018. The County Collector did not distribute the late payment penalties on delinquent city taxes in accordance with state law, and did not correctly distribute city commissions withheld from the collections of December 2017 city taxes.
Senate Bill 40 Board's Payroll	The SB40 Board made payments to employees totaling \$5,714, before payroll taxes, during the year ended December 31, 2017, that were not supported by adequate documentation. The SB40 Board approved "an incentive to the staff for the quality of their work and the hardship of the payroll difficulties of 2017" totaling \$3,300 on December 22, 2017. The SB40 Board does not require timesheets or other documentation for hours worked, and records of leave balances are not maintained.
Capital Asset Dispositions	The county has not established adequate controls and procedures for the disposition of capital assets.
Disbursements	The county did not maintain adequate documentation to support some disbursements made with the Sheriff office's 4 credit cards. The county has not established a policy for providing employee meals while not on travel status. The county has not established adequate procedures to ensure Sheriff's office credit card bills are paid timely.
Sheriff's Controls and Procedures	The Sheriff's office does not prepare adequate bank reconciliations for the inmate/commissary account, and monthly lists of liabilities are not prepared to reconcile to the inmate/commissary account balance. Office personnel do not record all checks issued from the inmate/commissary account in numerical sequence. They have not disbursed commissary net proceeds remaining in an inactive inmate/commissary bank account to the county Inmate Prisoner Detainee Security Fund, as required by state law.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not maintain a book balance or prepare adequate bank reconciliations, and monthly lists of liabilities are not prepared to reconcile to the bank reconciliation. Office personnel do not deposit receipts timely, and do not always assess the statutorily required fees from defendants who owe court-ordered restitution.

Passwords	The County Clerk and Ex Officio Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data.
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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.
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In the areas audited, the overall performance of this entity was **Poor**.*

*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 Clinton County

We have audited certain operations of Clinton County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Clinton County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

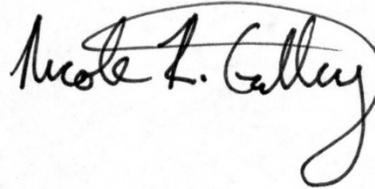
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. 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 Clinton 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:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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Clinton County Management Advisory Report State Auditor's Findings

1. Financial Condition

The General Revenue Fund (GRF) remains in poor financial condition.

The following table reflects the beginning cash balance, budgeted receipts and disbursements, and projected ending cash balance of the GRF for the year ended December 31, 2018, and the actual receipts, disbursements, and beginning and ending cash balances, for the 4 years ended December 31, 2017:

	Year Ended December 31, ⁽¹⁾				
	2018	2017	2016	2015	2014
Beginning Cash Balance	\$ 9,717	512,257	211,929	130,012	6,347
Receipts	2,798,144	2,198,530	2,716,740	2,379,968	2,797,892
Disbursements	2,807,597	2,701,070	2,416,412	2,298,051	2,674,227
Ending Cash Balance	\$ 264	9,717	512,257	211,929	130,012

(1) Information was compiled from audited financial statements for 2017 and 2016 and county budgets for the other years.

The cash balances of the GRF is not sufficient to handle any emergencies or sudden downturn in the economy. Receipts were significantly less than disbursements in 2017 and the GRF would have had a deficit cash balance at December 31, 2017, had the county not transferred approximately \$103,000 from the Emergency Management Fund (EMF) to the GRF throughout 2017. Revenues decreased significantly during 2017. A delay in the mailing of property tax statements resulted in a delay in property tax collections. In addition, expenditures increased significantly during 2017 as a result of the Sheriff's office and jail expenditures increasing from approximately \$976,000 in 2016 to approximately \$1,240,000 in 2017.

As discussed in MAR finding number 2, the County Commission implemented a self-insured medical plan without performing a cost analysis to ensure the plan is adequately funded. Any claims against the plan that exceed the cash balance of the Health Reimbursement Fund (HRF) will be the responsibility of the GRF and the EMF.

The County Commissioners indicated they are aware of the concern and stated they are hopeful additional property tax revenues will be generated as a result of a housing development project and some new businesses coming to the county.

It is essential the County Commission address the financial condition of the GRF in the immediate and long-term future. To ensure the financial condition of the GRF is improved, the County Commission should reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenues.



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A similar condition was noted in our 2 prior audit reports.

Recommendation

The County Commission closely monitor the county's financial condition and perform a study of the county's current level of expenditures and determine whether normal operations and other financial commitments have expanded to the point where they cannot be sustained by operating revenues. If so, expenditures should be reduced where possible without eliminating necessary services. In addition, a long-range budget should be prepared and used in planning for future years' operations.

Auditee's Response

We have been closely monitoring the financial condition of the General Revenue Fund and are aware of the financial challenges facing the county. We placed a tax issue on the November 2018 ballot, which was defeated by the voters. We have met with elected officials to discuss recommendations from the audit of the county, but we do not have the power to force officeholders to make changes in the operation of their offices concerning controls and management practices. We have encouraged officeholders to curtail expenses and have notified one officeholder that their budget is expended for the year ending December 31, 2018, and have cut off non-essential spending.

2. Self-Insured Medical Plan

The County Commission implemented a self-insured medical plan in January 2017 without performing a cost analysis to project the potential liability to the county, calculate the premiums, determine the reserve balance necessary to meet the potential obligations, or determine the financial feasibility of the plan.

The County Commission solicited bids and selected an insurance broker for employee health insurance benefits in September 2016. The County Commission followed the insurance broker's recommendation to implement a self-insured medical plan and in December 2016 the county contracted with a third party administrator (TPA) to review, process, and pay claims.

Expenditures of the HRF include monthly claim administration service fees charged by the TPA and reimbursements to the TPA for medical and prescription drug claims processed and paid to providers by the TPA. The County Commission also followed the insurance broker's recommendation and established employee premiums for the 2017 plan year at the 2016 health insurance benefit plan rates. The county did not increase employee premiums for 2018 because revenues were sufficient to meet expenditures in 2017 and the HRF had a cash balance of \$40,339 at December 31, 2017. However, expenditures of \$466,395 have exceeded revenues of \$307,912 through October 9, 2018, and transfers totaling \$130,000 from the EMF have been necessary to prevent a deficit fund balance.



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Performing a cost analysis is essential to ensure the county has sufficient funding available to meet current and future expenditures of the self-insured medical plan.

Recommendation

The County Commission prepare a cost analysis to project the potential liability to the county for expenditures of the self-insured medical plan, calculate the employee premiums and fund reserve balance necessary to meet the projected liability, and determine the financial feasibility of the plan.

Auditee's Response

We will take the recommendation under advisement and look into making changes in the spring of 2018.

3. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. Property taxes and other monies collected by the County Collector totaled approximately \$18,200,000 during the year ended February 28, 2018.

3.1 Annual Settlements

The County Collector is consistently not performing one of her main responsibilities, which also violates state law. The County Collector has not prepared and filed an annual settlement for the years ended February 28 (29), 2016, 2017, and 2018.

Because the County Collector does not file annual settlements, the County Clerk cannot ensure taxes charged and credited to the County Collector each year are accounted for properly, and the County Clerk and County Commission cannot verify the County Collector's accounts.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements. Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector and the County Clerk to certify the amounts to the state. Such procedures are intended to establish checks and balances related to the collection of property taxes.

A similar condition was noted in our prior audit report, *Clinton County Collector and Property Tax System*, Report No. 2015-009, issued in February 2015. In addition, Report No. 2015-075, *Follow-Up Report on Audit Findings - Clinton County Collector and Property Tax System*, issued in September 2015, reported the status as in progress.



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3.2 Commissions

The County Collector did not distribute the late payment penalties on delinquent city taxes in accordance with state law. In addition, the County Collector did not correctly distribute city commissions withheld from the collection of December 2017 city taxes.

Late payment penalties on delinquent city taxes were correctly assessed and collected but were distributed to the County Collector instead of to the General Revenue Fund, Tax Maintenance Fund, and the County Employees' Retirement Fund in accordance with state law. For the year ended February 28, 2018, the County Collector was overpaid \$10,030, the County Employees' Retirement Fund was underpaid \$4,298, and the Tax Maintenance Fund and General Revenue Fund were each underpaid \$2,866.

In addition, we determined the County Collector was underpaid \$11,634 in commissions for December 2017 city tax collections. We recalculated city commissions for each month during the year ended February 28, 2018, and noted the County Collector should have personally received \$14,767 in commissions for December 2017 collection of city taxes. However, the County Collector was only paid \$3,133. The County Collector manually calculates the withholding and distribution of all commissions on city tax collections. We reviewed the County Collector's calculation and distribution of city commissions for December 2017 and noted the General Revenue Fund was overpaid \$6,024 and the Assessment Fund was overpaid \$5,524, leaving an unknown difference of \$86 between the amount the County Collector was underpaid and amounts overpaid to other entities.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform certain tax collection services for cities and charge for such services. In addition, Section 52.290.1, RSMo, allows for the collection of the 7 percent (9 percent effective January 1, 2018) penalty on delinquent taxes and provides for the penalty to be distributed as follows: two-sevenths to the General Revenue Fund (two-ninths effective January 1, 2018), two-sevenths to the Tax Maintenance Fund (two-ninths effective January 1, 2018), and three-sevenths to the County Employees' Retirement Fund (five-ninths effective January 1, 2018).

Recommendations

The County Collector:

- 3.1 Prepare and file annual settlements in accordance with state law. In addition, the County Commission should ensure the annual settlements are filed and are carefully and fully examined to ensure tax book charges and credits are accurately reported.
- 3.2 Adopt procedures to ensure the penalty on delinquent city taxes are distributed in accordance with state law and city commissions are calculated and distributed as provided in the city agreements. In



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addition, return the late payment penalties improperly distributed and distribute them in accordance with state law. Also, seek reimbursement from the county for the County Collector's city commissions that were improperly distributed and distribute them as provided in the city agreements.

Auditee's Response

The County Collector provided the following responses:

- 3.1 *The annual reports were not done timely, as I felt it was more important to get what little money that was left in various accounts from the previous collector along with payouts of interest, Missouri Department of Conservations payments, bankruptcy accounts, and in-lieu monies that have not been distributed for numerous years to the various entities. Also while correcting numerous deficiencies identified in the last two audits. The annual reports will be completed by the end of fiscal year 2018.*
- 3.2 *I came into the office on March 2, 2015 with many deficiencies noted in the prior audits (August 2010 Report No. 2010-104 (MO State Auditor Susan Montee), February 2015 Report No. 2015-009 (MO State Auditor Thomas Schweich) and September 2015 Report No. 2015-075 (Follow-Up - MO State Auditor Nicole Galloway). I read through each audit and have managed to address and correct each item that was lacking, according to the auditors findings. The city collections were not addressed in any of the above audits, therefore I concluded since there was no reference to the collection and/or disbursements that portion of the office duties were being performed correctly. After being informed that I was incorrectly distributing the funds, I will be reimbursed the amount that the auditors have stated was lacking to each entity.*

The County Commission provided the following response:

- 3.1 *We will consult legal counsel to determine the statutory authority granted to us under Chapter 139 to ensure the County Collector files annual settlements. In addition, we will fully examine any annual settlements the County Collector files with the County Commission.*

Auditor's Comment

- 3.1 The County Collector's response indicates she will implement the recommendation by the end of fiscal year 2018 which was February 28, 2018. We discussed this discrepancy with her, but she declined to change her response.
- 3.2 The County Collector did not clearly address our recommendation to return the late payment penalties that were improperly distributed and distribute them in accordance with state law and to distribute city



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commission as provided in the city agreements. We discussed this problem with her, but she declined to address these recommendations.

4. Senate Bill 40 Board's Payroll

Improvement over payroll controls and procedures for the Senate Bill 40 (SB40) Board is needed. The Board paid payroll expenses of approximately \$143,000 for the year ended December 31, 2017.

4.1 Payroll disbursements

The SB40 Board made payments to employees totaling \$5,714, before payroll taxes, during the year ended December 31, 2017, that were not supported by adequate documentation.

In January 2017, employee pay was changed from salary to hourly. However, hourly pay rates, a pay raise, paid time off (PTO) rates, and tax withholdings were not calculated correctly when this change occurred. In October 2017, 3 of the Board's 4 employees received a separate paycheck of \$500 after payroll taxes. Board members indicated these checks were a "good faith" payment to let the employees know the Board was "working to correct all payroll issues." These payments before payroll taxes totaled \$1,698. The fourth employee did not receive the \$500 "good faith" payment because she was not employed with the Board during the period the payroll issues occurred.

In addition, in November 2017, 3 of the Board's 4 employees also received a PTO payout on their regular paycheck. The total amount paid was \$4,016 before payroll taxes. Each of these employees signed an agreement that by accepting the check, the employee agreed that this was the final adjustment to be made to past payroll issues and the employee would not expect any further compensation. The fourth employee did not sign the agreement and instead was allowed to use the 45 hours of PTO owed to her by the end of 2017. The agreement also indicated the Board's payroll service provider had documentation of all pay with a reasonable explanation of errors and adjustments made. We requested this documentation or any other documentation to support the \$500 "good faith" payments and the PTO payout, but neither was provided to us.

Adequate documentation is essential to ensure all payments to employees are proper and necessary expenditures of the Board.

4.2 Incentive payments

The SB40 Board approved "an incentive to the staff for the quality of their work and the hardship of the payroll difficulties of 2017" totaling \$3,300 on December 22, 2017. The 3 full-time employees received \$1,000 each and a part-time employee received \$300.

These payments are likely bonuses and in violation of Article III, Section 39, of the Missouri Constitution, because they were not part of a formal pay plan and seem to represent additional payments for services previously rendered.



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In addition, Attorney General's Opinion 72-1955 (June 14, 1955), states, ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."

4.3 Time and leave records

The SB40 Board does not require timesheets or other documentation for hours worked. In November 2017, the Board determined timesheets are unnecessary because all employees are classified as exempt employees and were not entitled to overtime pay as allowed by the Fair Labor Standards Act (FLSA). In addition, neither the Board nor its payroll service provider maintain records of employee leave balances. Employees are responsible for maintaining records of their own leave balances. As a result, the Board cannot substantiate compliance with FLSA requirements for these employees and there is no documentation to support or justify paid time off.

Detailed timesheets and leave records would document hours actually worked and support leave taken and are beneficial in demonstrating compliance with the Board policies and FLSA requirements.

Recommendations

The Senate Bill 40 Board:

- 4.1 Ensure all payroll disbursements are supported by adequate documentation.
- 4.2 Ensure all employee compensation is documented in a formal pay plan as appropriate, and in compliance with state law.
- 4.3 Require all employees to prepare detailed timesheets or other documentation for time worked and maintain records of leave balances for all employees.

Auditee's Response

- 4.1 *We understand and agree with the finding as presented. We will take appropriate steps to ensure all payroll disbursements are supported by adequate documentation, and we are currently in the process of engaging a new accounting firm to ensure compliance with the auditor's recommendation. The recommendation will be fully implemented by January 1, 2019.*
- 4.2 *We understand and agree with the finding as presented. We will take appropriate steps to ensure all employee compensation is documented in a formal pay plan in compliance with Article III, Section 39 of the Missouri Constitution. Specifically, we will ensure that any incentive payments to employees are part of a documented, formal pay plan, and not paid in the form of bonuses for services*



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previously rendered. The auditor's recommendation was implemented on December 3, 2018.

4.3 *We understand and agree with the finding as presented. We will take steps to ensure all employees prepare detailed timesheets for time worked, and we will maintain records of leave balances for all employees. The auditor's recommendation was implemented on December 3, 2018.*

5. Capital Asset Dispositions

The county has not established adequate controls and procedures for the disposition of capital assets. The County Clerk's capital asset listing totaled approximately \$3 million at December 31, 2017.

In April 2017, the former County Assessor, disposed of a county vehicle by selling it to an employee of his office for \$1,200. According to the legal affidavit signed by the County Commissioners and filed with the Forty-Third Judicial Circuit, Clinton County, the Kelly Blue Book¹ value of a similar vehicle at the time of the sale was at least \$4,736. The affidavit also indicates the former County Assessor did not obtain approval from the County Commission to dispose of the vehicle and did not solicit or advertise for bids.

The County Clerk indicated the county does not have a formal policy in place for the disposal of capital assets; however, she indicated it is the County Commission's procedure to require officials seek the County Commission's approval before the asset is disposed.

Procedures for capital asset dispositions, including obtaining prior written approval of the County Commission, would enhance the county's ability to account for capital assets and deter and detect theft of assets.

Recommendation

The County Commission and the County Clerk establish a formal policy for the disposal of county property and require written approval be obtained prior to the disposal of county property.

Auditee's Response

We will take this recommendation under advisement.

6. Disbursements

Controls and procedures related to disbursements made for the Sheriff's office need improvement.

6.1 Credit cards

The county did not maintain adequate documentation to support some disbursements made with the 4 credit cards used by the Sheriff's office. Office personnel spent approximately \$22,700 using these cards between February 2017 and March 2018.

¹ The Kelly Blue Book is a vehicle valuation and automotive research company.



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Our review of 45 credit card transactions made between February 2017 and March 2018 identified 19 transactions totaling \$1,170 that did not have any receipt submitted to support the purchase. In addition, we noted 4 transactions totaling approximately \$140 where the receipt was not sufficiently detailed to support the transaction.

All credit card disbursements should include proper supporting documentation that is reconciled to billing statements to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

6.2 Local meals

The county has not established a policy for providing employee meals while not on travel status. Our review of 45 credit card transactions made between February 2017 and March 2018 identified 24 transactions totaling \$1,135 for food and drink purchases at local restaurants for the Sheriff and his employees when they were not in continuous travel status for 12 hours or more and these payments were not added to their W-2 forms as a taxable benefit. None of these transactions were supported by information demonstrating how the purchase related to the operation of the Sheriff's office or detailed the persons in attendance to ensure the transaction was a reasonable and prudent use of public funds.

According to Internal Revenue Service (IRS) Publication 463, Travel, Entertainment, Gift, and Car Expenses, the cost of business meals that does not involve overnight travel or travel long enough for the employees to stop for sleep or rest to properly perform their duties is a personal expense, and therefore is not deductible as a business expense. In addition, IRS Publication 15-B states that any fringe benefit provided by an employer is taxable and must be included in the employee's pay unless excluded by law.

6.3 Late fees and finance charges

The county has not established adequate procedures to ensure Sheriff's office credit card bills are paid timely. Our review of that office's credit card statements from February 2017 to March 2018 showed assessment of late fees of \$234 and finance charges of \$905. The Sheriff indicated personnel in his office struggled to reconcile the receipts and other supporting documentation to the monthly statements which led to significant delays in submitting the statements to the County Clerk's office for payment.

To prevent unnecessary late fees and finance charges, procedures should be in place to ensure the Sheriff's office credit card bills are paid timely.

Recommendations

The County Commission and the Sheriff:

- 6.1 Ensure all credit card purchases are supported by appropriate documentation and are reconciled to the billing statements.



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- 6.2 Discontinue purchasing food when not on travel status and develop a comprehensive policy regarding food purchases that is in compliance with IRS regulations.
- 6.3 Implement procedures to ensure credit card bills are paid timely to avoid late fees and finance charges.

Auditee's Response

The County Commission provided the following responses:

- 6.1 *We will take this recommendation under advisement for all credit card purchases made from the General Revenue Fund. However, we have extreme frustrations with how the Sheriff is spending the money from his discretionary funds, but we have no statutory authority to tell the Sheriff what he can and cannot spend his discretionary funds on.*
- 6.2 *We will take this recommendation under advisement.*
- 6.3 *We will take this recommendation under advisement.*

The Sheriff provided the following responses:

- 6.1 *We agree with the auditor's finding and have already taken steps to implement the recommendation.*
- 6.2 *We agree with the auditor's finding. Policy will be enacted to cover local expenses for meals when needed.*
- 6.3 *We agree with the auditor's finding and have already taken steps to implement the recommendation.*

7. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. Office personnel processed receipts for civil paper service fees, bonds, inmate monies, and other miscellaneous receipts totaling approximately \$239,000 for the year ended December 31, 2017.

7.1 Bank reconciliations and liabilities

The Sheriff's office does not prepare adequate bank reconciliations for the inmate/commissary account. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate/commissary account balance. A Statement Reconciliation Report is prepared using the computerized accounting system each month and includes individual checks and deposits that have cleared the bank during the month; however, outstanding checks, deposits in transit, and other reconciling items are not determined. As of May 31, 2018, we determined the reconciled bank balance was \$4,134. In addition, we identified liabilities totaling \$4,825, consisting of inmate monies held in the account and amounts due to vendors, which agreed with the available cash balance.



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Performing adequate monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

7.2 Checks

The Sheriff's office does not record all checks issued from the inmate/commissary account in numerical sequence. We reviewed checks issued between October 2017 and May 2018 and noted 21 of the 145 checks issued (14 percent) were recorded out of numerical sequence. Each of these checks was issued to the commissary vendor and dated as of the vendor's invoice date and not the check issuance date.

To ensure accurate records, checks should be dated as of the issuance date and recorded in numerical order on the checkbook register.

7.3 Commissary net proceeds The Sheriff's office has not disbursed commissary net proceeds remaining in an inactive inmate/commissary bank account to the county Inmate Prisoner Detainee Security Fund as required by state law. The account balance was \$3,107 as of April 30, 2018. The account became inactive in October 2017 when the Sheriff's office contracted with a new commissary vendor and opened a new bank account.

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) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

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

Recommendations

The Sheriff:

- 7.1 Ensure adequate monthly bank reconciliations are prepared using outstanding checks, deposits in transit, and other reconciling items. In addition, the Sheriff should prepare a monthly list of liabilities and reconcile the listing to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 7.2 Ensure checks are dated as of the issuance date and recorded in numerical order in the checkbook register.



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7.3 Disburse commissary net proceeds held in the inactive bank account to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund and close the account.

Auditee's Response

7.1 *We prepare monthly bank reconciliations as trained by our commissary provider, Turnkey. A list of liabilities will be prepared moving forward. Outstanding checks will be handled according to policy and state statutes. We will work with Turnkey to ensure bank reconciliations are more in-line with the recommendations.*

7.2 *Checks are sometimes back dated to reflect invoices paid. This is how our commissary provider, Turnkey, trained us to pay vendors so numbers match when vendors are paid. We are currently working with Turnkey to improve this process to cause less confusion and be more in-line with these recommendations.*

7.3 *After unclaimed property was identified and sent off to the state, we have closed this account, effective November 2018, and transferred net proceeds to the Inmate Prisoner Detainee Security Fund.*

8. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$34,000 in bad check and court-order restitution and fees during the year ended December 31, 2017.

8.1 Bank reconciliations and liabilities

The Prosecuting Attorney's office does not maintain a book balance or prepare adequate bank reconciliations. In addition, a monthly list of liabilities is not prepared to reconcile to the bank reconciliation.

The Prosecuting Attorney's office prepares a bank statement balance worksheet that lists the beginning bank statement balance, bank activity for the month, and the ending bank statement balance. In addition, outstanding checks are listed and totaled on the worksheet but are not used because a reconciled bank statement balance is not calculated. We determined the account had a negative reconciled bank balance of \$44 at December 31, 2017, (bank balance of \$1,941 less outstanding checks totaling \$1,964 and \$21 accumulated interest). Office personnel could not explain why the account has a negative reconciled bank balance.

A book balance is necessary to reconcile the bank account and adequately monitor account balances. Monthly bank reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and resolved timely. Regular identification and comparison of liabilities to the available cash balance is



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necessary to ensure records are in balance and monies are available to satisfy all liabilities.

8.2 Deposits

The Prosecuting Attorney's office does not deposit receipts timely. Deposits are typically made once a month, at month-end. For example, March 2018 receipts totaling \$4,704, were not deposited until March 30, 2018.

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.

A similar condition was noted in our prior report.

8.3 Administrative fees

The Prosecuting Attorney's office does not always assess the statutorily required fees from defendants who owe court-ordered restitution. We noted the administrative handling cost fee was not assessed for 5 of 14 (36 percent) cases reviewed. If assessed, these fees would have totaled \$375. Office personnel indicated the fee is not assessed unless the court order includes the fee.

Section 559.100.3, RSMo, requires the Prosecuting Attorney to collect an administrative handling cost fee on cases of court-ordered restitution.

Recommendations

The Prosecuting Attorney:

- 8.1 Maintain a book balance and perform monthly bank reconciliations. In addition, prepare monthly lists of liabilities and reconcile the list to the available cash balance. Any differences should be promptly investigated and resolved.
- 8.2 Ensure monies received are deposited timely.
- 8.3 Assess and collect fees on all restitution cases as required by state law.

Auditee's Response

- 8.1 *We will implement policy changes to allow for more timely reconciliations, taking into account the workload demands on current staff. We are understaffed, and requests to the County Commission to increase funding for additional staff have not been acted upon.*
- 8.2 *We will implement policy changes to allow for more timely bank deposits.*
- 8.3 *We will collect fees and restitution only as allowed by law. Moreover, we maintain a policy that victims are to be paid from collected*



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amounts in full before any administrative fees are collected. Thus, for amounts that are only partially collected, we will not see any fees until the victims are paid in full.

9. Passwords

The County Clerk and Ex Officio Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior audit report.

Recommendation

The County Clerk and Ex Officio Recorder of Deeds require employees maintain confidential passwords that must be periodically changed.

Auditee's Response

The Ex Officio Recorder of Deeds provided the following response:

I will work toward the recommendation.

The County Clerk provided the following response:

I will be retiring at the end of December. There will be a new County Clerk at that time and the decision to change anything will be left up to him.

Clinton County Organization and Statistical Information

Clinton County is a county-organized, third-class county. The county seat is Plattsburg.

Clinton 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 74 full-time employees and 24 part-time employees on December 31, 2017.

In addition, county operations include the Senate Bill 40 Board and the Law Enforcement Restitution Fund Board.

Elected Officials

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

Officeholder	2018	2017
Wade Wilken Jr., Presiding Commissioner	\$	30,566
Gary McCrea, Associate Commissioner		28,486
Larry King, Associate Commissioner		28,486
Molly Livingston, Circuit Clerk and Ex Officio Recorder of Deeds (1)		56,760
Mary Blanton, County Clerk (2)		46,892
Joe Gagnon, Prosecuting Attorney		53,040
Larry Fish, Sheriff		47,840
Leann Gump, County Treasurer		43,160
Lee Hanks, County Coroner		15,000
Nancy D. Wingate, Public Administrator		43,160
Michele Wells, County Collector (3), year ended February 28,	61,660	
Cindy Carter, County Assessor, year ended August 31,		43,160

- (1) Compensation is paid by the state.
- (2) Includes \$3,732 of commissions from preparing city property tax books.
- (3) Includes \$18,500 of commissions earned for collecting city property taxes.