



2007 ANNUAL REPORT
OFFICE OF THE MISSOURI STATE AUDITOR
www.auditor.mo.gov

SUSAN MONTEE
STATE AUDITOR

ANNUAL REPORT

-----A MESSAGE FROM
THE STATE AUDITOR

The Citizens of Missouri
The Honorable Matt Blunt
The Missouri General Assembly

I am pleased to present the Missouri State Auditor's Annual Report. This document provides information related to the audit reports issued by our office for the 2007 calendar year.

In 2007, the State Auditor's Office examined various aspects of Missouri's education system, including the Missouri Higher Education Loan Authority, nonresident tuition, the First Steps program and the Safe Schools Grant Program. Our office continues to pay close attention to children's issues by reviewing child support delinquencies, child abuse and neglect, and auditing school districts such as Riverview Gardens.

During the 2007 calendar year, other notable items examined include: various tax credits available and redeemed, the Missouri Department of Transportation Winter "Roadeo" training, the Department of Conservation, and Missouri's Bioterrorism Program. We continue to conduct audits throughout the state of school districts, cities, fire protection districts and other political subdivisions resulting from citizen petition requests. We continue to audit those counties that do not have their own auditor.

Our office remains committed to assisting state, county and local governments to eliminate waste, fraud and abuse, and to ensure government accountability at all levels for Missouri taxpayers.

Very truly yours,



Susan Montee, JD, CPA

OVERVIEW OF THE MISSOURI STATE AUDITOR'S OFFICE



Missouri State Auditor Susan Montee

DUTIES OF THE STATE AUDITOR

In the Missouri Constitution, under Article IV, Section 13, the Missouri State Auditor is responsible for auditing all state agencies, boards and commissions; the state court system; counties that do not have a county auditor; and other political subdivisions, such as cities or school districts, upon petition by the voters of those subdivisions.

All audits are conducted in an impartial, nonpartisan manner, in accordance with government auditing standards issued by the United States Government Accountability Office. State auditors adhere to the rigorous standards of the auditing profession and exercise the highest levels of integrity and ethics. Audit findings and recommendations are based upon reliable evidence, free from preconceived notions and the influence of personal opinions.

AUDITS PERFORMED IN THE OFFICE

Primarily five types of audits are performed by the State Auditor's Office. They include the following:

- 1) State Government Audits: Audits of state agencies and departments, boards and commissions, statewide elected officials, the General Assembly, the judiciary, the state's financial statements, and federal awards expended by the state.
- 2) Petition Audits: The State Auditor may be called upon to audit any political subdivision of the state, such as cities, school districts, water districts, etc., if enough qualified voters of that political subdivision request an audit. The political subdivision pays the actual cost of the audit.
- 3) Performance Audits: Independent audits for the purpose of reporting the extent to which agencies and departments of state government are faithfully carrying out the programs for which they are responsible and determining whether the programs are achieving their desired result.
- 4) County Audits: The State Auditor is required to conduct audits once every four years for counties that do not have a county auditor.
- 5) Special County Audits: The State Auditor conducts a special audit after a vacancy occurs in a county collector's office, before the Governor appoints a replacement.

For a complete listing of year 2007 audits delivered, please see Appendix A / page 55.

BOND REGISTRATION

The State Auditor's Office is responsible for reviewing and registering general obligation bonds issued by political subdivisions in Missouri to ensure those bonds comply with both state law and the conditions of the contracts under which the bonds were issued. For a complete listing of bonds registered in 2007 with the State Auditor's Office, please see Appendix B / page 59.

REVIEW OF PROPERTY TAX RATES

State law requires the Missouri State Auditor to annually certify all taxing jurisdictions throughout Missouri as to their compliance with state law and the tax limitation provisions of Missouri's Constitution, Article X, Sections 16-24, commonly known as the Hancock Amendment. Our tax report shows whether a taxing jurisdiction has met its constitutional and statutory obligation to set an overall tax rate at a level approved by voters and within the bounds of limits set by Missouri's Constitution and state law. Through the efforts of the State Auditor's Office, local governments levying taxes in excess of the amount allowable by law have been reduced from 67 in 1999 to 15 in 2007.

NOTE: The State Auditor's Office does not have the authority to reduce the tax rate of any taxing jurisdiction. Additionally, the State Auditor's Office has no authority to determine or review individual tax assessments. Chapter 138, RSMo, governs the appeals process for assessed valuations as they pertain to individual taxpayers.



2007 AUDIT HIGHLIGHTS

EDUCATION

During 2007, the State Auditor's Office continued to focus on education. Our office conducted the first audit of the Missouri Higher Education Loan Authority (MOHELA). Other higher education audits looked at university nonresident tuition costs and state funded student financial assistance. The office also audited programs for children under the Department of Elementary and Secondary Education, including the First Steps Program for children under three years old with developmental disabilities, educator background checks ensuring the safety of public school children, and the Safe Schools Grant Program.

[MISSOURI HIGHER EDUCATION LOAN AUTHORITY \(MOHELA\)](#)

Since MOHELA was created in 1981, it has generally reinvested its operating surpluses in additional student loans, resulting in the accumulation of a substantial amount of marketable assets. At June 30, 2006, MOHELA's net assets totaled about \$234 million, with operating revenues exceeding operating expenses by over \$25 million in fiscal year 2006. MOHELA's authorizing statutes do not include provisions that identify the amount of liquid assets necessary for operations, nor do they specify how surpluses are to be used.



During 2007, a law was enacted that will require MOHELA to distribute \$350 million to the state over the next six years, primarily for various capital improvement projects at the state's public colleges and universities. The \$230 million initial distribution was transferred to the state on September 14, 2007.

MOHELA has paid, or will pay, almost \$2.3 million in severance benefits to four former executives who either resigned or whose employment was terminated in recent years. Approximately \$2 million of this amount represented severance pay to these individuals. These severance benefits were excessive and do not appear to have been an appropriate use of monies. The related separation agreements included total severance payments up to 2.8 times the applicable individual's annual salary, health insurance payments, pension benefits, and other lump sum payments. Recent board

decisions indicate that any future severance benefits paid to executives will be substantially reduced. However, based on past board practices, there is no assurance that severance benefits paid to outgoing executives might differ from those outlined in formal or informal employment arrangements.

From fiscal year 2001 through fiscal year 2004, five MOHELA executives (including the four discussed previously) received annual performance bonuses totaling almost \$1.5 million. The performance bonuses paid to executives for fiscal year 2004 ranged from \$112,500 to \$157,500, and were computed based on 45 percent of each individual's annual base salary for that year. In addition, the executives' base salaries in fiscal years 2001 and 2004 were increased temporarily during the first three months of those periods. These temporary salary increases totaled \$65,000 and \$82,500 in fiscal years 2001 and 2004, respectively. This additional compensation was "in consideration for upcoming extraordinary activities required of the Employee in the next quarter ..." Other benefits provided to the top executives from October 2000 to June 2004 that appeared excessive included:

- A combined total of up to 480 hours (twelve weeks) of vacation leave and personal time off each year, with a provision allowing the individual to convert any unused leave/time off to cash at the end of each fiscal year. During the time period reviewed, three of the five executives chose to convert their unused vacation leave and/or personal time off to cash at a cost of more than \$200,500, representing approximately 1,300 hours of leave/time off.
- A MOHELA provided car or a car allowance starting at \$750 per month and adjusted each year by the increase of the Consumer Price Index. From fiscal years 2001 through 2004, over \$146,000 was paid in car allowances to these five employees.
- Life insurance policies with premiums of \$50,000 annually for each executive (with coverage totaling from \$800,000 to \$1.7 million and a cash surrender value), and eligibility for a no-cost executive retiree medical insurance plan upon retirement.

In late 2000, MOHELA entered into a contract with a general contractor to build a new headquarters building at an amount not to exceed approximately \$11 million. MOHELA could produce no documentation to support how this contractor was selected and it appears competitive bids were not solicited related to these services. MOHELA also paid over \$400,000 for architectural services related to this project for which competitive proposals were not solicited. In addition, MOHELA allowed the construction manager of a parking lot expansion project to submit two bids and perform construction work on the project, violating state law.

After MOHELA moved into its new headquarters building in April 2002, it paid over \$1.25 million in lease payments for an 18-month period for a leased building it had previously occupied, but no longer needed. The authority's lease on the old building

did not expire until October 2003. A five-year lease on the previous headquarters building had been signed and MOHELA was unable to get out of the lease agreement, which required a lease payment of approximately \$69,600 per month, plus a monthly fee for utilities. MOHELA was unable to find another company to sublease the property, so it was used to store old office furniture and equipment during the remainder of the lease period.

MOHELA had no formal procurement policy prior to March 31, 2007. As a result, during the past three fiscal years, various expenditures were noted in which competitive bids (or competitive proposals, in the case of professional services) were not solicited and/or retained. These included, but were not limited to: attorney services, \$1,752,483; public relations and marketing, \$924,254; office supplies, \$716,779; automated loan data exchange services, \$455,016; computer equipment, \$444,073; bulk mail services, \$218,296; promotional items, \$199,758; and the services of a strategic planning consultant totaling more than \$233,800. MOHELA officials indicated that some of these services were obtained from sole source providers; however, documentation justifying these situations was not maintained. In addition, MOHELA did not go through a formal request for proposal process to procure trustee bank services during 2003. The trustee bank currently receives fees totaling about \$750,000 annually for its services. In the past three years, MOHELA has incurred the following expenditures that do not appear to be a reasonable or prudent use of its funds:

- More than \$46,000 was expended on annual MOHELA Board retreats. Two of these annual retreats (in November 2004 and 2005) were held at a luxury resort south of Branson. The cost of the November 2004 retreat totaled at least \$12,334, and included \$6,605 in room charges (guest room charges ranged from \$319 to \$409 per night), \$4,421 in catering charges, and \$1,308 in other charges. More than \$1,500 was spent related to alcoholic beverages. The cost of the November 2005 retreat totaled at least \$16,596, and included \$11,685 in room charges, \$3,871 in catering charges, and \$1,040 in room service and other charges. The November 2006 annual retreat was held in St. Louis and at least \$17,398 in costs were incurred related this retreat, including \$3,403 in meeting room and lodging costs, \$8,120 in catering charges (including over \$1,200 for alcoholic beverages), and \$5,875 in meal and entertainment expenses at a local dinner theater.
- Over \$688,000 was spent on gift cards and bonuses provided to employees during the Christmas holiday seasons. In addition, at least \$28,716 was expended on annual employee holiday parties during the past three years, with those costs including \$2,741 for 645 drink tickets and \$2,545 for a 20 percent hotel service charge (related to the December 2004 party), \$575 for a disc jockey, and \$500 for a magic show. The parties were planned for approximately 275 to 320 guests.

MOHELA did not have a complete listing of its property items, with its accounting records including only those items costing over \$10,000. In addition, periodic physical inventories are not performed, and most items are not identified with a tag or other device identifying them as MOHELA property. Also, adequate records had not been established to authorize and account for the disposition of property items, even though the authority disposed of over 1,200 property items with an original cost totaling over \$3.8 million from July 1, 2003 through December 31, 2006. Many of these items were disposed of during or around October 2003, when the lease on the prior headquarters building expired. Further, it has been MOHELA's policy to offer any surplus or unneeded property items for sale to its employees (or members of their immediate families), rather than selling such items through a public auction, which is the common practice in the public sector.

MOHELA did not always receive adequate supporting documentation prior to paying invoices. One of the examples noted included a \$198,514 payment to a financial consulting firm hired in 2006 to review the financial feasibility of the Lewis and Clark Discovery Initiative. In addition, it was noted that over \$19,300 in other payments were made without adequate or detailed supporting documentation. Also, a review of some procurement card purchases showed that adequate supporting documentation was not always submitted to support these expenditures. In some instances, receipt slips were not submitted for items purchased. In other instances, only a credit card charge slip was submitted, rather than a detailed invoice or receipt slip.

Several internal audits could not be completed and the reports issued in a timely manner due to management's delay in providing formal responses to the auditors. This resulted in the MOHELA Board not receiving the internal audit reports timely and delays in the implementation of some audit recommendations. MOHELA paid an outside auditing firm over \$345,000 for these internal audit-related services. MOHELA has taken steps to address many of the issues mentioned above.

In recent years, the MOHELA Board closed its meetings on numerous occasions, which may constitute a violation of state law. Section 173.365, RSMo, in referring to MOHELA, states, "Each meeting of the authority for any purpose whatsoever shall be open to the public".

(Report No. 2007-56)

NONRESIDENT TUITION



Missouri's four-year public institutions charged nonresident students tuition rates that were lower than institutions in most Big 12 Conference and contiguous states while, as noted in a previous report, charging in-state students tuition rates

that ranked as high. In fiscal year 2006, Missouri's annualized average nonresident tuition price for four-year public institutions of \$11,709 ranked among the lowest in our comparison group (8 of 11), while an average in-state tuition price of \$5,829 was the highest among Big 12 Conference states and second only to Illinois among contiguous states.

Nonresident tuition charged by Missouri's regional institutions was lower and the doctoral/research institution higher than the comparison group of states. While fiscal year 2006 average nonresident tuition charged by the University of Missouri was 17 percent higher than the average for doctoral/research institutions, the average charged by Missouri regional institutions, was 15 percent lower than the average nonresident tuition rate charged by regional institutions in the comparison group of states.

Missouri's Department of Higher Education (DHE) had not monitored compliance with an existing policy regarding nonresident tuition. In June 1983, the coordinating board reaffirmed its existing policy that nonresident tuition should be twice the cost of in-state fees. However, according to a DHE official, the policy had not been enforced because DHE lacks statutory authority.

According to a study by the State Higher Education Executive Officers Association, Missouri's policy of charging 200 percent of in-state tuition was the lowest of the ten states that indexed nonresident tuition to in-state tuition. The indexed percentages ranged from 250 to 400 percent in the other nine states. Other Big 12 Conference and contiguous states charged between 203 and 338 percent of average in-state tuition to nonresident students, while Missouri's average was 201 percent for fiscal year 2006.

We contacted officials at five regional institutions and the University of Missouri system. Officials at all of these institutions told us the institutions had no written policy documenting how nonresident tuition rates were set. Officials from two institutions told us nonresident tuition was increased by the same percentage as the resident tuition increase, two stated the instructional portion of resident tuition was doubled for nonresident students, one stated the resident tuition was doubled for nonresident students, and one told us the amount of the resident tuition increase was doubled for nonresident students. Officials from all six institutions told us fees charged are the same for both resident and nonresident students. Finally, officials from three institutions stated that students from bordering states living near the institutions are allowed to attend at resident tuition prices.

(Report No. 2007-31)

DEPARTMENT OF HIGHER EDUCATION, STATE STUDENT FINANCIAL ASSISTANCE



Missouri's state funded student financial assistance ranks low while tuition ranks high when compared to six surrounding states (Arkansas, Illinois, Kansas, Kentucky, Nebraska, and Oklahoma). Most students meeting eligibility requirements for the state's largest need-based student financial assistance programs did not receive assistance due to funding shortfalls. In addition, the amount of individual student awards for the state's two largest student financial assistance programs (Gallagher and Bright Flight) has not been increased in 20 years.

Missouri's methodology for distributing assistance from its largest need-based program (Gallagher) favors students attending private institutions, with students attending private institutions being eight times more likely to receive assistance. Also, as reported in a prior SAO report, DHE continued to rely on institutions to determine student eligibility without verification. As a result, DHE could not assure the accuracy and/or reliability of eligibility determinations for award recipients.

For the seven states reviewed, Missouri's student financial assistance (grants) ranked fourth in terms of assistance provided per student and only fifth in terms of percentage of students assisted. While student financial assistance ranked low, our August 2006 report showed Missouri's tuition level ranked highest in a comparison among seven Big 12 states and second only to Illinois among contiguous states, in fiscal year 2005.

Only two percent of students attending public institutions received student financial assistance through the Gallagher Program compared to over 16 percent of students attending private institutions. Proposed changes to the method used to determine need and address the eligibility inequity will require legislative approval. The audit also found the majority of students meeting eligibility requirements for need-based scholarships did not receive awards due to state funding shortfalls.

Although DHE implemented a new database system in April 2005 to better manage the state's student financial assistance programs, it still relies on institutions to determine recipient eligibility. As a result, DHE cannot assure the accuracy and/or reliability of eligibility determinations for award recipients.

(Report No. 2007-16)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION, FIRST STEPS PROGRAM



The Department of Elementary and Secondary Education (DESE) spent approximately \$23 million on the First Steps program during fiscal year 2006. The program's primary objective is to enhance the development of infants and toddlers up to three years old, who have developmental disabilities.

Missouri is one of only three states that require a minimum of a 50 percent delay in one developmental area to be eligible for early intervention services. All other states have broader eligibility criteria, or have a reduced criteria for children with delays in multiple developmental areas. As a result, some children have not received needed services, and the use and cost of DESE's Early Childhood Special Education program may have increased.

Improvements could be made in evaluations of developmentally delayed children through the use of a multidisciplinary team approach. This approach has not been fully implemented because of financial concerns of independent providers. Providers have been concerned about inadequate pay rates and a contract stipulation that providers performing a child's evaluation would not be allowed to perform ongoing services for that child.

Some eligible children did not receive all needed services, or received services at a reduced level, because of a shortage of providers. This situation has occurred because of inadequate provider pay rates, the lack of reimbursement for travel, and the System Point of Entry's (SPOE's) inability to secure local funding to supplement provider pay.

Coordinators at program offices reviewed could not devote adequate time to most clients and, as a result, service to clients suffered because of heavy caseloads. Coordinators have experienced heavy caseloads because: (1) DESE underestimated coordinator workload in its request for proposal process; (2) the lack of providers created inefficiencies; and (3) there have been data system issues.

With DESE's implementation of new SPOE contracts in February 2006 and resulting changes made in the delivery of services by intake and service coordinators, client intake delays have been reduced through redistribution of the intake workload. In addition, SPOEs have been required to employ service coordinators and are responsible for supervising them, which has eliminated potential over billing and resulted in improved documentation of cases.

In 2004, DESE entered into a three-year, \$1.21 million contract for regional "consultant" positions, which provide guidance and technical assistance to the SPOEs. However, if DESE had employed the consultants, the services would have cost DESE approximately \$860,000 over the same time period—a 3-year savings of \$350,000.

DESE spent \$23 million on the program during fiscal year 2006. However, this amount did not include Department of Mental Health expenditures on the program. Mental Health personnel have not tracked program expenditures because they have not been required to do so. Mental Health officials estimated the department incurred approximately \$1 million in expenditures for the program during fiscal year 2006.

(Report No. 2007-01)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATOR
BACKGROUND CHECKS



State law for educator background checks is not sufficient to ensure the safety of the state's public school students. The Department of Elementary and Secondary Education (DESE) is responsible for ensuring that background checks are conducted on applicants for educator certificates and for reviewing background check results. However, imprecise language in state law and the omission of other critical laws and policies have allowed some educator certificates to be issued to individuals who have a criminal background or have a history of committing other offenses. DESE and Information Technology Services Division (ITSD) management also need to take the necessary measures to develop documentation, implement controls and edits, and enhance the functionality of the teacher and substitute certification databases to fully ensure the integrity and reliability of educator certification data.

State law requires applicants for most school district positions to have both a criminal history background check and a Family Care Safety Registry (FCSR) background check performed prior to having contact with a student. However, due to the imprecise language in the law, DESE officials have not been requiring and school districts may not be performing FCSR background checks prior to employing educators and other school district personnel who have contact with students.

State law does not require FCSR background checks for educators before they can obtain a certificate to teach. In addition, while state law intended the Child Abuse/Neglect Central Registry to be checked as part of the FCSR background checks,

state law does not specifically require Central Registry background checks for educators. Auditors found instances of certified educators who had a criminal background and/or a history of committing other offenses, such as child abuse or neglect. We found records in the FCSR and Central Registry for certified educators who had been actively teaching in the 2006-2007 school year as well as records for certified educators who had not been actively teaching. DESE officials had been aware of some of these cases, determined the educator was not a risk to students and cleared the background. However, DESE officials had not been aware of all of the cases we found because FCSR checks and periodic background checks have not been required. In addition, periodic background checks help to ensure an individual who previously had a cleared background has not committed some type of offense since the initial review.

As part of the educator certification process, DESE collects each applicant's SSN. However, SSNs are not validated against an appropriate form of identification nor are there any policies or procedures requiring validation. The Missouri Adaptive Enterprise Architecture states the SSN is a critical component in many state agency applications and is used in facilitating the transfer of information and matching data between different sources. Invalid SSNs compromise data integrity and do not allow DESE officials to ensure the integrity of background checks requiring SSN as the identifying key.

The State Board of Education allows DESE officials to clear certain types of adverse backgrounds without obtaining approval from the board. However, the State Board of Education has not adopted a policy to delegate the clearing of adverse backgrounds; also, they have not documented a comprehensive list identifying the offenses DESE officials can clear. Documenting the specific offenses that can be cleared provides assurance to the department and the public that cases are handled consistently and that individuals with questionable backgrounds, including felonies or crimes involving moral turpitude, have not been certified.

Many of these educator certification databases and applications are older systems, lacking in necessary controls such as audit trails, key edit checks, and functionality, generally available with new technology. As a result, improvements are needed to ensure the accuracy, completeness, and reliability of educator certification data.

(Report No. 2007-32)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION, SAFE SCHOOLS GRANT PROGRAM



The Safe Schools Act, passed in 1996, provides for alternative education grants. The Department of Elementary and Secondary Education awards grants to school districts to

assist in providing alternative education services for students with disruptive behavior (violent, abusive, or chronically disruptive) who are not adequately served in the traditional classroom.

Two types of grants are authorized: competitive first-year grants and non-competitive second and third-year continuation grants. The school districts apply for the grant funds on an annual basis, and priority is given to continuation grants. A single school district, a two-district partnership, or a consortium of three or more districts may apply for grants.

The department needs to improve its oversight and management of its Safe Schools Grant Program. Our audit found that state laws, regulations, and department guidelines applicable to this grant program were routinely ignored, and the results of this program are unknown or unsubstantiated. Since fiscal year 1997, the state has spent over \$71 million on this grant program.

The General Assembly has decreased the program funding by almost 70 percent since the program was initiated in 1997. Appropriations decreased to \$3.1 million in fiscal year 2007, from \$10 million in fiscal year 1997. As a result, the department has reduced the type of services funded by the program and the program is serving fewer students.

Grants were awarded to 270 school districts from 1997 to 2007. According to department records, almost 45,000 students received prevention services in fiscal year 2006. In addition to providing grants to school districts, the department spent grant funds on grant-related items and services, such as grant reader travel expenses, grant management software, printing, and promotional expenses.

Our audit found that the department has not developed a formal, comprehensive method to evaluate whether the grant program is working as intended and is addressing students with disruptive behavior. The department has little assurance that grant funds are used effectively because they do not formally evaluate whether the individual school districts met their stated goals, objectives, or benchmarks each year, or that the grant program is adequately providing alternative educational opportunities for violent, abusive, or chronically disruptive students, as required by state law and regulations.

The department does not adequately review school districts' grant expenditures to determine if the expenditures are allowable and proper, or if the local match requirements and approved budget amounts are met.

The department may not have always ensured that all school districts received fair and equitable treatment and were given the opportunity to participate in the program. Of the 270 school districts awarded grants, 20 school districts have received

approximately \$17.7 million (approximately 25 percent of the total grant funds) and received funding for five to 11 years. In addition, many other school districts have received funding longer than provided in state regulations. Overall, 79 school districts received grant funds for seven to 11 years and 85 school districts received grant funds for four to six years. In addition, the department frequently changed the grant requirements including the type of grants/services allowed, grant period, and local match rate. The department did not adequately document their reasons and rationale for these changes.

In fiscal year 2006, a 20 school district "mega-consortium" grant was awarded without requiring a competitive process. No other first-year grant applications were accepted that year. The department subsequently awarded the mega-consortium continuation grants in fiscal years 2007 and 2008, and the grant awards totaled \$430,000, \$426,000, and \$453,500, in fiscal years 2008, 2007, and 2006, respectively. These grant amounts exceeded the maximum allowed for a consortium of three or more school districts, as provided in the applicable administrative manuals.

(Report No. 2007-85)

CHILD SUPPORT DELINQUENCIES

DEPARTMENT OF SOCIAL SERVICES, DIVISION OF FAMILY SERVICES, CHILD SUPPORT DELINQUENCIES



requests enforcement services.

The Department of Social Services, through its Family Support Division, oversees the collection of child support owed to custodial parents, and tracks the amount of unpaid child support (arrears). As of June 30, 2006, the division's computerized system showed approximately 240,000 IV-D cases had IV-D arrears totaling approximately \$2.2 billion. IV-D cases are child support cases where the custodial parent receives state services and/or

Incorrect arrears balances existed on approximately 27 percent of IV-D child support cases with arrears over \$1,000, as of June 30, 2006. In addition, incorrect arrears balances existed on 22 of 35 cases reviewed that had arrears greater than \$100,000 on that date. In total, overstatements ranged from approximately \$1 to \$455,000, and understatements ranged from approximately \$10 to \$55,000, on 79 of 244 cases reviewed. Errors occurred on the cases with misstated balances because: (1) obligations, judgments, payment or credits had not been recorded accurately or not at

all; and (2) arrears balances transferred to the new computerized system in 1997 and 1998 were incorrect.

Our review disclosed arrears balances on 46 of 79 misstated cases occurred because: (1) a judgment had not been recorded accurately, or not at all; (2) the obligation amount, or amount due, had not been recorded correctly; (3) division personnel had made errors when previously making adjustments to account balances on the Missouri Automated Child Support System (MACSS); (4) the pay history recorded on MACSS was incomplete or non-cash credits had not been recorded; and (5) the 10-year statute of limitations made some large arrears amounts uncollectible.

Incorrect account balances occurred on 29 of 79 misstated cases because of errors at conversion. From 1997 through 1998, the division implemented a new computerized case management system. When automatically transferring case data on the old computer system to the new computerized system, account balances were transferred but the pay history detail remained on the old system. Therefore, if data entry errors or omissions causing a misstated arrears balance existed on the old system, the misstated balance would have been transferred to the new computerized system, and would have remained misstated until personnel reviewed the case file and records on the old computer system and made corrections.

Improper enforcement actions can be taken when arrears balances are overstated, and conversely, appropriate enforcement actions may not be used when arrears balances are understated. The department is required to report certain financial information annually to the federal Office of Child Support Enforcement that includes information on IV-D arrears. If the amount of unpaid child support reported is incorrect, it could affect the state's eligibility for incentive payments.

Although state law and division policy set forth criteria to terminate judicial support orders, state law has not clearly identified who shall terminate those orders when support is no longer due. The division has taken the position that circuit court clerks have this responsibility. However, court clerks are no longer responsible for IV-D cases and opinions differ on who has that responsibility.

(Report No. 2006-59)

PROTECTING CLIENTS FROM ABUSE AND NEGLECT

The departments of Social Services (DSS), Mental Health (DMH), and Health and Senior Services (DHSS) have responsibility to protect clients that receive department services, including the young, elderly, and mental health clients.



Auditors found personnel at three of eight DSS licensed residential facilities reviewed had not always performed annual Central Registry checks as required by DSS guidance and state regulations. In addition, DSS policy and state law have not automatically precluded individuals with child abuse charges or criminal convictions from being employed at residential facilities. Instead, the decision of whether anything in a potential employee's background would prevent the individual from being employed at a facility is left to the discretion of the residential facility's executive director. Missouri is one of only a few states that does not disqualify individuals from employment at residential facilities based on criminal history.

Four DMH state-run facilities reviewed did not perform periodic criminal history and Central Registry checks of employees because DMH did not require it. One DMH state-run facility did not conduct all screenings required by state law for new employees. In addition, persons included on DSS's Central Registry have not been disqualified from employment at DMH facilities and providers. Our review revealed 22 individuals who abused DMH clients and had prior substantiated child abuse or neglect incidents.

Persons with histories of child abuse or neglect; stealing, theft, and forgery convictions; or pending charges for serious crimes have been permitted to work in DHSS licensed long-term care facilities. Approximately 23 percent of all long-term care facilities have employed at least one individual with a questionable background. In addition, DHSS data disclosed delays in processing initial FCSR registrations. We also found employers are not always required to conduct FCSR screenings for individuals required to register. When FCSR results show problems, potential employees are allowed to request a waiver. However, we found delays in the waiver process, and periodic screenings have not been required for individuals with a waiver.

Providers and facilities have not been required to conduct nationwide criminal background checks when hiring new employees. As a result, some persons with out-of-state criminal histories have worked for Missouri providers. The departments should take advantage of additional opportunities to enhance the protection of clients served by: (1) requiring facilities and/or providers to conduct nationwide background checks and/or reviewing databases in other states; and (2) using employment and FCSR data to identify problem employees.

A ruling by the Missouri Supreme Court in March 2007 prevents DSS from placing individuals with substantiated findings of child abuse on the Central Registry if criminal charges are pending. The Supreme Court found an individual is entitled to notice and a hearing with the Child Abuse and Neglect Review Board (CANRB) before being placed

on the Central Registry. However, state law does not allow a person who has criminal charges pending to request a review board hearing until after the court's final disposition or dismissal of the charges. Changing state law to allow individuals with substantiated child abuse charges and related criminal charges to have a CANRB hearing before criminal charges are resolved would improve the effectiveness of the Central Registry.

(Report No. 2006-12)

SPECIAL REVIEW OF THE RIVERVIEW GARDENS SCHOOL DISTRICT

The Riverview Gardens School District's financial condition has declined significantly in the past year and based on the amended fiscal year 2007 budget, is expected to further deteriorate. The operating funds balance at June 30, 2005 was \$12.4 million and is projected to be only \$1.6 million at June 30, 2007. School districts with an operating funds balance of less than three percent of the operating funds expenditures are considered "financially stressed" per state law. In addition, the district has been classified as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education, as the district has not met enough standards and indicators to be accredited.

During the four year, six month period ended December 31, 2006, the superintendent was apparently overpaid by approximately \$158,400. From December 2004 to August 2006, the superintendent received 12 unauthorized salary advances and received various other salary amounts totaling \$2,000 that were not approved by the board. In addition, the district paid interest totaling approximately \$39,000 on the superintendent's personal loans against his insurance policies during the three years ended June 30, 2006. Also, car allowances paid to the superintendent exceeded the amount authorized by his employment contracts by \$6,300 during the three-year, six-month period ended December 31, 2006.

The superintendent carried forward more vacation days than allowed by his contract and was paid \$27,551 for 45 vacation days in June 2005 and \$26,122 for 40 vacation days in February 2006. The payments were approved by the board president, but were not submitted to the full board for approval.

The district over-funded the superintendent's annuity by \$15,000 for the year ended June 30, 2006. In addition, the district paid approximately \$42,500 more for the superintendent's insurance premiums than required by the contract and untaxed contributions to the superintendent's tax sheltered annuities appear to exceed limits established by the IRS.

Original budgets approved by the board were not accurate and complete, reasons for budget amendments were not clearly documented, and the district's final actual operating funds disbursements exceeded budgeted amounts by \$5.7 million for the year ended June 30, 2006. The original budget for fiscal year 2007 underestimated disbursements and had to be amended for corrections in November 2006. Concerns regarding financial records and reporting include monthly financial reports being inaccurate, coding disbursements to whatever area had funds remaining in the budget, not posting checks on a timely basis, and in June 2006, knowingly issuing checks in excess of the accounts payable bank account balance.

There were numerous concerns regarding bidding and contracts. Several purchases were not competitively bid or competitive requests for proposals were not obtained, including: alternative education services, \$2,020,188; custodial equipment and supplies, \$410,743; classroom learning materials, \$364,034; and educational software, \$250,000 to name a few. Board minutes did not document the reasons for rejecting the lowest bid for a construction project, written contracts were not properly executed with some vendors and some contracts were not approved by the board. Additionally, requests for proposals were not adequately planned. On February 23, 2005, the board approved a \$1.3 million contract for energy management services for three schools. Eleven days later, a change order for \$736,000 was approved to add eight more buildings to the contract.

The district paid approximately \$43,000 to a moving company owned by a board member's father and the district hired relatives of a board member and an administrator in violation of board policy. The district has not established adequate procedures for identifying related parties.

During the two years ended June 30, 2006, charges totaling approximately \$240,000 were made on the district's credit cards. Receipts were missing for 42 of the 48 monthly credit card statements reviewed. Additionally, board members and the superintendent did not account for cash advances and did not return or account for unused funds. Also, some disbursements do not appear to be reasonable uses of public funds including: \$7,000 for artwork and print framing for art in individual offices, \$4,900 for lodging, meals, and refreshments for a two-day board retreat held in Hermann, Missouri and \$1,180 for the superintendent's four subscriptions to a local theatre company. Finally, software training sessions totaling \$41,625 were not supported by a written contract.

Payroll records and procedures are in need of improvement. The district has not developed a master staffing plan as part of the annual budget and does not have written job descriptions for some positions. Procedures for hiring employees, maintaining employment documentation and leave records, documenting and processing employee terminations, and monitoring and controlling overtime need improvement. Payroll calculations are not reviewed to ensure they are correct. As a

result, there were several overpayments made to terminated employees. Salaried employees are paid in advance of the time worked and are not required to prepare time sheets. In addition, car allowances paid to the Director of Facilities and the Director of Safety and Security/Residency and Enrollment were not approved by the School Board.

Receipt and disbursement controls and procedures need improvement. The list of checks presented to the board each month is not complete and several checks are issued to vendors prior to or without board approval. Invoices are not adequately reviewed, which resulted in several duplicate payments. Receipts are not deposited on a timely basis and receipt records prepared at various collection points are not reconciled to deposits. Some monies were withheld from deposits and used as petty cash and change funds, and some petty cash funds are excessive and not properly maintained.

Also included in the report are recommendations related to capital improvements and property purchases, cellular phones, capital assets, board meeting minutes, and the need for internal audits.

The former Superintendent of the Riverview Gardens School District has been charged with 2 counts of felony stealing and 3 counts of attempting to evade income tax.

(Report No. 2007-10)

IDENTIFYING MISAPPROPRIATIONS

[THIRTY-FIRST JUDICIAL CIRCUIT, CITY OF SPRINGFIELD, MUNICIPAL DIVISION](#)



Receipts totaling at least \$1,356,072 were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but were apparently misappropriated. The court's former Accounting Services Representative, hired in June 1991, was responsible for depositing court monies and reporting court receipts to the city's finance department. She was terminated on July 3, 2006 after being placed on administrative leave on June 14, 2006. Little or no supervisory review and poorly implemented internal controls allowed the misappropriation to occur and go undetected. Additionally, several discrepancies that could have been an indication of problems were apparent, but were not adequately investigated. Several of our findings are similar to findings in our prior report.

Fines, court costs, and bonds, received by court clerks at five cashier windows, were transmitted daily to the former Accounting Services Representative to count and prepare for deposit. Some of the receipts apparently transmitted to the former Accounting Services Representative were not deposited into the city's bank accounts and were misappropriated. The city's finance department began questioning the court in 2003 concerning reconciling items that remained open on the city's bank account reconciliation, and ultimately discovered the misappropriation in June 2006. There were many indications that court records were poorly maintained, as well as numerous control weaknesses that allowed this misappropriation to occur and not be detected, including:

Supervisory oversight and segregation of duties related to the work performed by the former Accounting Services Representative was not adequate.

Weaknesses in the court's computer system enabled the former Accounting Services Representative to selectively decide which cashier drawer receipt totals to report to the city. The misappropriated amounts apparently were not reported to the finance department as received, and neither the city nor the municipal division compared revenues reported to the city to actual municipal court receipt records. Follow-up by the city's finance department on irregularities noted with the court's depositing methods dating back to 2004 was not adequate.

Investigations by the city's finance department of fluctuations in municipal court credit card adjustments on the bank reconciliation of the city's main account were inadequate. The fluctuations revealed that credit card deposits in the city's account were greater than receipts reported by the court. These credit card receipts were later substituted into deposits, and cash was withheld and misappropriated.

Neither the city nor court personnel were reconciling the method of payments received to the composition of the total deposit to ensure receipts were deposited intact. The lack of this comparison allowed checks and credit cards to be substituted into deposits and cash receipts to be misappropriated. Follow-up by the city's finance department on irregularities noted on the bank reconciliation for the bond bank account was inadequate. Additionally, finance department personnel were at one time as much as nine months behind in preparing bond account bank reconciliations.

Poor record keeping systems and the lack of controls allowed some payments to be received and not properly recorded and deposited. Cash and checks totaling over \$10,000 were found in court accounting records maintained by the former Accounting Services Representative.

Although the city and the municipal division have implemented several procedures to improve weaknesses that allowed the misappropriation to occur, improvement is still needed in several areas. Significant improvement is needed in the court's handling of

receipts. Fines, court costs, and bonds received from the defendant before the related traffic ticket is received from the city prosecutor are held by the court and not deposited into the city's account until the related traffic ticket is received.

The court's depositing schedule allows a substantial amount of money to be accumulated, and controls over the daily close out procedures for each cashier drawer could be improved. The court's procedure for reversing payments requires cash to be removed from cashier drawers and makes it difficult to ensure cash has been transmitted properly.

The city's finance department does not have procedures to account for the numerical sequence of court transaction numbers, and some restitution received by the court was deposited into the city's bank account, but not paid to the victim. Neither the city nor the court has determined amounts owed to external parties resulting from restitution and fee collections that were misappropriated. Further, bond coverage amounts should be considered along with accounting controls in place.

Bank reconciliations prepared by the city's finance department for the bond account were based on incomplete information and contained numerous adjustments dating back to 2003 and 2004.

The municipal court allows any court clerk responsible for collecting fines and court costs to stamp tickets "nolle pros" and not assess fines and court costs. Additionally, improvement is needed to account for and process traffic tickets, and the follow-up on unpaid parking tickets could be improved.

Responses from the Municipal Judge indicate that steps have been taken to implement many of the recommendations. The City's Finance Director responded that the court operated independently of the city, and the Court Administrator was responsible for the administrative areas of the court.

(Report No. 2007-30)

[EBENEZER FIRE PROTECTION DISTRICT](#)

Ebenezer Fire Protection District funds have been misappropriated and misused. The Board of Directors have made questionable decisions and have not provided the guidance and controls necessary to properly account for all district funds.



A 10-year employment contract for the former Fire Chief was approved on April 11, 2002. This original contract included a retroactive salary payment dating back to January 1, 2002 for \$9,600 that appears to

violate the Missouri Constitution. Additionally, the check cleared the district's bank account two days prior to the Board's approval of the contract. Because of concerns of nepotism with the 2002 contract, the board subsequently approved and signed another contract on June 24, 2003. However, one board member had not taken his oath of office; as a result, on August 5, 2003 the board finally approved and signed the final 10-year contract. In March 2006 the board terminated the employment contract with the former Fire Chief, paying him \$28,500.

The former Fire Chief's employment contract included unreasonable and excessive terms such as ten percent raises annually for the first five years, an unspecified gas allowance, and a 90 percent buyout clause if the contract was terminated for reasons other than those specified in the contract. Additionally, prior to terminating the contract in March 2006, the district paid the former Fire Chief \$1,597 for two weeks vacation leave; however, leave records had not been maintained. The former Fire Chief also maintained living quarters in one of the fire stations. As a result, it appears some of the former Fire Chief's personal expenses were paid with district funds between January 2003 and February 2006 including satellite TV and extra receiver (\$3,600), newspaper subscriptions (\$440), and Internet service (\$830).

The Capital One credit card issued to the former Fire Chief included numerous questionable charges totaling approximately \$4,025 including: household and personal items (\$1,135), a home theater system (\$515), and fireworks (\$325). In addition, late fees (\$180), finance charges (\$87), and over limit fees (\$58) were paid by the district. Itemized receipts were not available for charges totaling approximately \$1,660.

Between January 2004 and February 2006 approximately \$16,115 was charged to a discount store credit card account and paid by the district. Approximately \$13,565 was charged to the card issued to the former Fire Chief, of which at least \$8,300 appears to be questionable, according to district officials. Additionally, during this same time period, approximately \$21,000 was charged to the district's home improvement store credit card, of which at least \$5,400 appears to be for questionable purchases.

A \$2,000 cash donation was received, but not deposited into the district's bank account, and there is no documentation to indicate the disposition of these funds. Additionally, four deposits into the district's account between January 2004 and December 2005 totaling approximately \$3,000 were labeled as vending revenue on deposit slips; however, information from the district's bank indicates checks for donations and other revenue were actually deposited into the district's account. Because adequate records were not maintained of cash received from the vending machine and information recorded on deposit slips is unreliable, it is not clear how much revenue was received and should have been deposited into the district's bank account.

At least \$6,988 in district funds appears to have been spent on repairs and tires for personal vehicles owned by the former Fire Chief and the former District Engineer, and on automotive parts that district personnel indicate would not fit any vehicle owned by the district.

Between January 2003 and February 2006, the district spent approximately \$7,000, for cellular phone services. Our review of phone bills identified numerous calls that appear to be personal, as well as equipment charges (\$800), plan overage charges (\$260), and ring tone charges (\$75). Although the district canceled all cellular phone contracts in March 2006, the equipment has not been returned to the district.

The District Engineer was paid a total of \$57,800 between July 2003 and July 2005, when he terminated employment with the district. Numerous payroll transactions involving the former District Engineer appear questionable. Additionally, documentation was not maintained to support \$18,000 paid to fire district personnel for attending training and responding to emergency calls, including \$2,800 paid to some personnel in advance.

Between January 2004 and March 2006 the district paid more than \$38,000 for fuel. The board allowed officers to put up to \$75 per month in fuel in their personal vehicles and charge it to the district. There is no evidence that board members monitored the amount of fuel put in the district-owned vehicles, or the amount of fuel put in the officers' personal vehicles. In March 2006 the district discontinued this practice and the average fuel costs paid by the district decreased from approximately \$1,400 to approximately \$600 per month.

The district does not have a formal bidding policy, and documentation of bids was not maintained for many of the district's larger purchases including construction of a new fire station (\$135,000), thermal imaging camera and a gas detector (\$14,500), insurance (\$21,800) and vehicle repairs (\$2,900). Additionally, supporting documentation was not retained for some disbursements.

Accounting duties are not adequately segregated, check issuing controls need improvements, receipt slips are not issued for monies collected, deposits are not made frequently enough and bank reconciliations are not always performed. In addition, the board did not adequately monitor the district's financial condition and budgeting procedures were not in accordance with state law.

(Report No. 2007-20)

[SEVENTH JUDICIAL CIRCUIT, CITY OF SMITHVILLE, MISSOURI MUNICIPAL COURT](#)

Receipts totaling at least \$29,921 were received by the city of Smithville Municipal Division during the period May 2006 through February 2007, but were not deposited.



The former Court Clerk was hired in May 2006 and terminated on February 27, 2007. The former clerk was charged with three felony counts of stealing on May 7, 2007, after it was discovered by the current Court Clerk that some bond monies received were missing. According to a probable cause statement, the former clerk admitted to stealing between \$12,000 and \$16,000. She pleaded not guilty on May 9, 2007.

For the period of May 2006 to February 2007, we compared amounts receipted into the city's receipt system by the court to amounts deposited into the court's fines and costs bank account. Checks from the court's bond bank account, totaling \$16,121, were deposited into the court's fines and costs account but were not recorded in the city's receipt system. These unrecorded bond checks were included in deposits to the court's fines and costs account, and recorded cash collections of fines and costs, totaling at least \$19,980, were not deposited, and apparently were misappropriated. It also appears that recorded fine and cost amounts were altered after receipt slips were issued, which allowed additional cash to be withheld from deposits. In addition, cash bonds totaling at least \$9,941 were received and not deposited and apparently were misappropriated.

In addition to the missing monies, the current Court Clerk has been unable to locate many court documents, including case files, court dockets, deposit reports, monthly disbursement reports, and bank reconciliations. Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Clerk's work, allowed these misappropriations to go undetected.

(Report No. 2007-78)

[CITY OF LAWSON, MISSOURI](#)



The city of Lawson is in poor financial condition as a result of numerous internal control weaknesses; cash flow deficits; inefficient management practices; and inadequate controls over expenditures, as well as the theft of over \$96,000 by the former City Clerk. In August 2006, the city was contacted by its bank and informed that the general checking account was negative and most of the other restricted accounts established related to bond issues had been depleted. During the three years ended June 30, 2006, General Fund expenditures exceeded revenues by approximately \$600,000, causing the fund balance to go from approximately \$700,000 down to approximately

\$99,000. During the same time period, the proprietary fund had a net loss of approximately \$373,000. The city had to secure over \$289,000 of tax anticipation notes to fund normal operating expenditures in August 2006.

Unauthorized disbursements totaling almost \$94,000 were made by the former City Clerk to herself and approximately \$2,500 in unauthorized purchases were charged to the city credit card for her personal benefit. The fraudulent transactions made by the former City Clerk occurred between 2003 and 2006 and included duplicate payroll checks for the same period that were issued on several occasions. In addition, the former City Clerk processed payments directly to herself but posted the disbursements to the computer as vendor payments. Although the city bank accounts require two signatures, the former City Clerk was apparently able to falsify signatures on the improper checks. Charges were filed against the former City Clerk and she was found guilty of felony stealing and forgery in Ray County Circuit Court and was sentenced to the Department of Corrections. She was also ordered to pay restitution.

There were also two unauthorized payments made to the former City Administrator in March 2006 totaling over \$4,300. These payments were included in two separate checks written as payments for unused leave; however, both checks included a payroll distribution that had already been paid for the same period. These duplicate payroll distributions were subsequently questioned and repaid in November 2006.

The city has not established separate funds nor accounting records for restricted receipts to ensure they are expended only for their intended purpose. All of the city's financial transactions are commingled in one accounting system and the system does not provide for segregation of activities by funds such as a General Fund, Utility (water-sewer-trash) Fund, Street Fund, or various other funds. The city primarily uses one bank account for most general and operating receipts and disbursements, but does maintain other bank accounts for certain types of receipts, such as bond and grant proceeds, court appearance bonds, and police department donations. Many of these other bank accounts were depleted by June 30, 2006, as a result of transfers to the city's general bank account.

There is no independent oversight or adequate segregation of duties related to the City Clerk's office and there is no evidence that the various reports provided to the board periodically are reviewed for accuracy. The lack of oversight provided by either the City Administrator or the Board of Alderman has allowed the city's financial condition to seriously decline in the last several years without detection. Adequate controls over disbursements did not exist and an independent review of the composition of receipts to deposits was not performed. Controls over the city's bank accounts, bank statements, bank reconciliations, and subsidiary accounts receivable records for water and sewer accounts, property taxes, and municipal court transactions need to be improved. In addition, monthly open items (liabilities) for the municipal court bond account are not prepared.

The city did not adopt a procurement policy until February 2007 and although the city administrator indicated it was the city's practice to bid purchases exceeding \$2,000, bid documentation could not be located for numerous expenditures and the evaluation process for selecting the successful vendor was often not documented. In addition, the city did not have written contracts with all vendors, supporting documentation was not adequate for some expenditures, and numerous invoices were not paid timely.

Budgets prepared the last two years did not present financial information by fund or include several other required components and the budgets are not used to monitor revenues and expenditures throughout the year. In addition, semi-annual financial statements have not been published as required and annual financial reports have not been filed with the State Auditor's office as required by state law.

The city has not performed and documented formal reviews of the adequacy of the water, sewer, and trash user rates. The former City Administrator indicated he calculated the rates informally but had not retained information on the calculations. The Board of Alderman raised water and sewer rates between June 2005 and June 2006 by 30 percent. However, there is no documentation to support the board's decisions or justification for these rate increases.

(Report No. 2007-45)

MUNICIPAL COURTS



The State of Missouri has over 400 municipal courts, which the State Auditor's Office must audit. Our office is incorporating more audits of municipal courts into our plan to assist the courts in providing efficient service and perform effectively for the local community. In 2007, the Missouri State Auditor's Office audited 18 municipal courts, both individually and as part of petition audits of cities. Our office plans to audit more municipal courts during 2008.

PETITION AUDITS

The Missouri State Auditor's Office audits political subdivisions, such as cities and villages; drainage, water and sewer districts; and school districts, if requested through a petition process by a percentage of the resident, registered voters of the political subdivision. Our office audited several cities in 2007, including Springfield, City Utilities of Springfield, Lake Ozark, Puxico, Farmington, and Pulaski County Sewer District #1.

CITY OF SPRINGFIELD

The City of Springfield has invested in several capital improvement projects and made decisions regarding employee benefits that have required a significant level of city resources and accumulated a significant future liability for the city. Additionally, a considerable amount of city funds have been spent as a result of poor planning and poor oversight. The city does not have an internal auditor as allowed by city charter, which could have helped in discovering and resolving several areas commented on in this report.



After more than three years and contracting with two developers, the Heer's Tower project is still in the initial phases. During this time the city pledged public funds to secure private financing for a developer to purchase the Heer's Tower, paid \$693,000 to the developer for demolition and design services without soliciting bids, subsequently paid \$3.3 million to foreclose on the property, and then sold the Heer's Tower for \$3 million to a second developer. Additionally, the city's agreement with the second developer contains unclear terms regarding the city's hotel/motel room tax revenue.

The city is also constructing two parking garages in the downtown area near the Heer's Tower and College Station developments costing \$17 million, and anticipates funding the debt service payments through increased sales tax revenue generated by new downtown commercial developments. However, the terms in the city's agreement for the College Station development do not appear to adequately protect the city's financial investment in the project.

The city has spent over \$3 million to purchase a building, furniture, and equipment for a police and fire training facility, but after more than three years the building sits vacant without renovations and approximately \$300,000 in furniture and equipment is still stored in the original packaging. Additionally, warranties on some of the unused equipment have expired. Acquiring equipment when it is not immediately needed is a waste of public funds.

Over \$8 million in city funds have been used to subsidize the Jordan Valley Ice Park and Car Park since these two facilities opened. The city's feasibility study for the Ice Park indicated the park should have been self supporting in the first year of operation; however, income from hockey activities have not developed as projected.

The city has not determined a revenue source to repay approximately \$2.7 million in bonded indebtedness associated with the construction of the state crime lab, which is estimated to cost approximately \$6.8 million.

The unfunded liability of the Police Officers and Firemen's Retirement System has increased by approximately \$100 million since 2000, and the city has not met the funding obligation for employer contributions as determined by actuarial calculations. Although the city has contributed \$37.7 million to the retirement system since 2000, the required funding continues to rise and the city's contribution has not increased at the same rate. In an effort to control the increasing liability, the City Council approved an ordinance making several changes to the retirement system for employees hired on or after June 1, 2006, including changing the method by which retirement benefits are calculated, increasing the retirement age, and eliminating automatic annual cost of living increases. Since these changes only apply to recently hired employees, it will take a number of years before an appreciable impact is noted.

City policy allows some employees to accrue unlimited amounts of leave time, and receive compensation for the unused leave upon termination, resulting in a significant future liability for the city. Some city employees have received payments totaling over \$100,000 for unused leave time upon retirement. These large payments constitute a significant future liability for the city and have increased the calculation of monthly retirement benefits for Police Officers and Firemen contributing to the under funding of the retirement plan.

The city has also not met the funding obligation for the city's self-insured workers' compensation fund, resulting in approximately \$6.7 million in unfunded liabilities at June 30, 2006.

The ballot language used to extend the city's general revenue property tax levy does not provide voters with a clear sunset date. The levy will generate approximately \$6.4 million in 2007.

The city contracted with the former City Manager and former City Attorney to provide consulting services, however, contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation to explain the extensions.

Controls and procedures over the city's \$31.5 million loan program (operated by the Department of Planning and Development) need significant improvement. Loan balance totals varied by as much as \$1 million between the different loan accounting records. Additionally, loan defaults have not been resolved consistently and in accordance with city policy, deferred loan balances are not adequately monitored, and security measures in the city's loan software system are inadequate. The city needs to

evaluate its policy to allow loan payments to be deferred for 20 years, and does not have a policy limiting the number of loans or amount of loans awarded to individuals or companies. Further, the city issued \$3 million in bonds to fund additional low interest loans because adequate monies were not available in the city's loan fund, and the bond interest rate is more than the interest rate charged on the loans.

Improvements are needed at the numerous cash collection points throughout the various city departments that annually collect over \$48 million in city receipts. Weaknesses were identified in the areas of recording and accounting for receipts, accounting for the numerical sequence of receipts, depositing/transmitting receipts timely, reconciling receipts to deposits, and restricting employee access to computerized accounting records.

The city has not performed a cost benefit analysis since 1999 to determine the most cost effective method of repairing and maintaining city owned vehicles. The city's service center (operated by the Public Works Department) bills the various city departments significantly more for an oil change than the Parks Department reports as the cost of an oil change in their maintenance facility. Additionally, the city's service center bills city departments an additional mark up price for work contracted to outside vendors, replacement parts, and fuel. Further, employees of the service center receive incentive payments based on job performance and operating cash flow, which may be in violation of the Missouri Constitution. Approximately \$3.1 million was billed by the service center to the various city departments during the year ended June 30, 2006.

The city annually collects over \$3.2 million in hotel/motel room taxes, but does not examine or inspect the books and records of the hotels and motels to ensure the amounts paid are accurate. Additionally, the city does not properly monitor the hotel/motel tax funds passed through to the Springfield Convention and Visitors Bureau (CVB). Adequate supporting documentation is not maintained for some CVB expenses, the CVB's payroll bank account was not used in compliance with city contract, and the vehicle provided to the CVB Director is mainly used for personal purposes.

Approximately \$1.2 million in revenue was not collected by the Springfield-Branson National Airport because authorization to collect a Passenger Facility Charge expired in March 2006 and application to the Federal Aviation Administration to continue imposing the fee was not submitted timely. Additionally, improvement is needed in managing and soliciting proposals for various contracts.

Better controls need to be implemented over the \$6.6 million charged on the city's 450 purchasing cards (VISA credit cards) issued to various city employees. We identified excessive spending limits, unnecessary purchases, split purchases to circumvent transaction limits, and inadequate supporting documentation.

Compliance with contract terms and adequate supporting documentation were not required for \$464,417 paid to the city's lobbyist during the two years ending June 30, 2007.

The Parks Department has assigned fuel credit cards to employees who do not use and may not need to use them. Additionally, increased controls are needed over the Parks Department's bulk fuel purchases, and bids have not been solicited for concession products.

(Report No. 2007-74)

CITY UTILITIES OF SPRINGFIELD



City Utilities (CU) customers may be paying too much for some utility services as a result of subsidy of non-utility activities of the city, subsidy of other utility departments from electric revenues, questionable spending, and granting public funds in possible violation of the Missouri Constitution. The Electric Department continues to have a significant increase in operating income each year, and CU has not complied with its own rate policy standards, which require an outside consulting firm to review rates and report the findings to the board at least every five years. Rates for utility services should be set to cover the costs of producing and delivering services, and utility services should not generate profits to fund (through subsidy) other services provided by the city or other utility departments or provide the opportunity for CU to spend monies unnecessarily.

CU has provided several millions of dollars to the city for various projects over the past few years. As a result, CU's customers are being required to subsidize the cost of some city services through the payment of their utility bills. Also, some utility departments need continued financial support from the electric department to cover their cost of operations. The electric department provided funding totaling over \$6.3 million during the year ended September 30, 2006 to the transit department, gas department, and SpringNet® to cover the cost of operations.

Numerous disbursements and contributions of services totaling at least \$259,000 do not appear to be a prudent, reasonable, or necessary use of utility funds and some may violate the Missouri Constitution. Some unnecessary spending included a 2006 Family Day Picnic held to show appreciation for the employees and their families, with costs totaling over \$19,000. Monies were spent for catering, decorations, and party supplies. Numerous other examples of unnecessary spending were noted in the report. Safety and service awards valued at over \$52,000 have been given to employees, which do

not appear to be prudent, reasonable, or a necessary use of utility funds, and CU paid employees \$26,050 in finder's fees for identifying and reporting illegal use of utility services. Such identification would appear to be part of their regular job duties. Further, CU contracted with various entities to provide funding totaling at least \$321,000 without ensuring all contractual requirements were met or requiring adequate documentation of how those monies were used.

CU suffered a financial loss of more than \$2.7 million during the 2007 natural gas hedging season, and the financial information presented to the Board of Public Utilities regarding the loss was incomplete. In addition, documentation of the effect of a policy change that significantly increases CU's possible liability in the natural gas hedging market was not presented to the board.

CU did not prepare a cost benefit study before entering into a contract with The Energy Authority (TEA) in 1998, has not adequately documented their continued investment on an annual basis, and has not taken full advantage of every opportunity to provide oversight to TEA operations. TEA is a nonprofit corporation, and CU has a 7.14 percent ownership interest. CU has a current investment in TEA of more than \$2.4 million and has guaranteed more than \$9.6 million in cash reserves to TEA as of September 30, 2006. CU also paid an initial membership fee of \$867,360 in 2000 to become an owner, and additional costs totaling over \$4.7 million to trade energy were incurred by the utility from 2001 through 2006.

SpringNet® is a division of CU, which offers telecommunication services. SpringNet® has failed to comply with several provisions of a Public Service Commission (PSC) order regarding the necessity to operate without continued financial assistance from the rest of the utility, and has failed to comply with state law, which limits term agreements on telecommunications services to five years. CU's internal auditor had noted this same issue. SpringNet® has not followed the terms of its service contracts with customers regarding delinquent accounts and has developed more lenient practices. CU has spent over \$6 million on SpringNet® Underground, which provides computer operations hosting services within a local underground mine, without performing preliminary feasibility studies and developing a formal ongoing business plan for this activity.

CU uses alliances, standing purchase orders, and blanket orders as purchasing tools for significant expenditures without the use of annual competitive bidding for supplies. For example, CU spent over \$6.1 million during 2006 in four alliances to purchase supplies. These alliances allow the utility to purchase items that are only bid in the first year of the alliance and extended for up to four years without annual competitive bidding.

Proposals were not always solicited for legal services, a contract for legal services was approved without any review of the compensation to be paid, and legal contract

renewals were sometimes signed by law firms several days after the effective date of the contract.

Meals and food purchased with procurement cards appear excessive, and CU lacks a comprehensive food policy. CU spent approximately \$80,000 in 2006 for meals and food provided during employee meetings, training sessions, retirement receptions, employee recognition events, board meetings, public marketing events, and other external meetings. Numerous procurement card expenditures did not appear to be a prudent and necessary use of public funds including a barbeque grill, toy store gift cards, mint tins, and dishes, glassware, and flatware used by the board and general management for meals.

CU paid approximately \$342,000 for corporate and individual membership dues. Several employees were reimbursed for the same civic organization memberships, and several employees were reimbursed for multiple individual memberships. Additionally, numerous employee reimbursements for expenses did not appear to be a prudent or necessary use of public funds.

CU provides incentives to some developers that are not addressed in the utility's extension policy. CU did not always enter into written contracts for developer reimbursements, did not require the developer to submit documentation of actual costs incurred to support reimbursements made, did not inspect and audit the developer's records in accordance with CU's extension policy, and some reimbursements were not calculated in accordance with policy. CU paid over \$1.35 million in reimbursements and incentives to developers during the year ended September 30, 2006. Reimbursements are based on a written extension policy and occur when CU reimburses costs to developers who install electric, gas or water service to newly developed areas.

CU did not perform or update cost benefit studies to evaluate the necessity for some marketing and communication services, print shop services, or the onsite health clinic. CU's marketing and communication costs totaled over \$1.1 million. Several print shop projects – including commemorative picture books of the 2007 ice storm (given to the employees) and commemorative books of the 50th anniversary of James River Power Station and water system – did not appear to be a prudent or necessary use of resources.

CU used varying market standards to establish a salary plan for its General Manager and Associate General Managers, resulting in significantly higher salaries for these positions. Salaries for these positions were paid according to a different marketing standard than other employees and ranged from \$124,359 to \$326,484. Additionally, the General Manager's contract provides for a severance package valued at over \$517,000.

Several controls and procedures over cash handling at the main office, TecHouse, and with door-to-door collectors are in need of improvement. CU collected approximately \$366.8 million in utility payments during the year ended September 30, 2006.

The pumps at the Stockton Lake Pumping Station failed in 2005 and 2006, and CU has not fully implemented the recommendations made by a consultant regarding the pump station failures.

(Report No. 2007-80)

PULASKI COUNTY SEWER DISTRICT #1

The Pulaski County Sewer District #1 (PCSD) maintains three separate computerized accounting systems. These systems are not linked, resulting in additional manual data entry and manual record-keeping, as well as some duplication of effort. One of the three systems is maintained by a certified public accountant whose services were obtained in 2006 after the Board of Trustees began questioning the accuracy of the information and reports provided by the former operations manager. The accountant also compiles the district's financial statements and was subsequently appointed board treasurer in December 2006.

While district records have improved, maintenance of three separate accounting systems appears to be inefficient, increases the overall expense of maintaining accounting records, and increases the risk of inaccurate records. The PCSD should review its overall accounting records and procedures and work toward establishing a system that meets all the district's needs in the most economical way.

The 2007 sewer rate calculations included errors and omissions and were not consistent with suggested guidelines and methodology developed by the Department of Natural Resources. As a result, it appears that about 54 percent of customers' monthly bills were too high and about 46 percent were too low, based on correct use of the suggested rate-setting methodology. The rate calculations did not include beginning available resources and were not consistent with some budgetary decisions of the board. The PCSD did not make adjustments to customers' bills based upon the average winter water consumption, as required by board policy, and did not provide public notice that a rate adjustment would be considered during the December 2006 board meeting.

The district's annual budgets do not include some information required by state law. The 2007 annual budget did not include planned capital improvement expenses of \$3.5 million, and the budgeted debt service expense was overstated by more than \$117,000, or 28 percent. The incorrect budgeted amount for debt service expenditures contributed to the problems while setting the 2007 sewer rates.

The PCSD does not maintain an accurate listing of customer deposits received, held, or refunded and does not have written policies and procedures for the handling of customer deposits. At April 30, 2007, the balance of customer deposits held as reported in the billing system exceeded the bank account balance by \$14,747, and neither the billing system balance nor bank account balance agreed with the customer deposit general ledger liability account.

The PCSD does not maintain a complete and accurate listing of sewer impact fees paid by and due from customers and does not have comprehensive written policies and procedures for the imposition and collection of sewer impact fees. The PCSD established a sewer impact fee (SIF) of \$1,000 when the district was formed in 1989, to be paid by property owners when making a connection to the district's central collection system. The district's detailed listing of SIF receipts does not agree to the district's accounting records, resulting in a difference of \$162,000 between the two records. The detailed listing also included 174 addresses with a total amount due of over \$208,000 and over 1,100 addresses for which neither an amount paid nor amount due was listed. Developers are charged a lower SIF rate but the district has not established written criteria that the developer must meet to qualify for the lower rate. The PCSD increased the SIF to \$1,500 per household effective January 1, 2007, but did not perform any cost analysis to support the amount of the fee increase.

The PCSD does not have comprehensive procedures for the recognition, collection, and accounting of overdue customer accounts. The PCSD does not utilize all available means to collect overdue accounts or take timely action to collect such accounts, and does not write off bad debts when collection is unlikely. The district does not require management or board approval for adjustments to customer accounts. From January through May 2007, the PCSD recorded 1,049 adjustments, increasing the accounts receivables by a net of \$16,005.

At December 31, 2006, the PCSD maintained 17 bank accounts and two certificates of deposit at four different banks with a total balance of over \$1 million, resulting in receipts not being deposited intact and creating unnecessary additional bookkeeping responsibilities. The district does not solicit bids for banking services and it appears interest earnings on district funds have not been maximized. During 2006, it appears the district could have earned an additional \$20,000 in interest if the district had invested its available funds in higher yielding certificates of deposit.

The PCSD reported net capital assets of \$8.79 million at December 31, 2006. The PCSD has not developed a comprehensive long-term maintenance program for critical collection system and treatment plant components and does not maintain a complete listing of capital assets. The PCSD does not maintain parts and supplies inventories on a perpetual basis, does not maintain vehicle usage and maintenance logs, and sold a vehicle to an employee without soliciting bids.

The district does not have formal bidding policies. Additionally, the PCSD spent \$69,068 in 2006 for professional services including engineering, legal and accounting, but did not solicit proposals or requests for qualifications. The district paid \$4,706 for items purchased for a local contractor's business but did not seek reimbursement for the items.

(Report No. 2007-76)

CITY OF PUXICO



The City's General Fund had a cash balance of approximately \$38,950 at June 30, 2006. However, the true picture shows the balance, including the Fire and Police Departments and the Nutrition Center Fund, to show a deficit of \$166,326. As the balance of the General Fund was not sufficient to cover the negative balances of these funds, it appears the city is using monies from restricted funds for general operations.

There are various problems with the city's accounting controls and procedures. Monies collected are not deposited intact or reconciled to the composition of the various receipts issued, and the duties of cash custody and record keeping related to the water, sewer and trash services are not adequately segregated. The city did not obtain a current appraisal when some real property was purchased. In addition, the city used taxpayer monies for a Christmas party, employee Christmas presents and for flowers, figurines, and candy for city employees.

The city paid for fuel that the Marshal used in his personal vehicle, when transporting the K9 unit dog. The Marshal was not required to report mileage or actual vehicle expenses incurred for city business. In addition, vehicle usage and maintenance logs maintained by the Maintenance, Fire and Police Departments do not appear adequately detailed and are not reviewed by the board to ensure that they are reasonable and comply with fuel purchase agreements.

The city does not have a formal written bidding policy. The decision to solicit bids is made on an item-by-item basis. During the past years, bids were either not solicited or bid documentation was not retained for some items, including \$79,649 for a fire truck. Some bills were not properly approved and numerous payments were processed without an original invoice or adequate supporting documentation resulting in some duplicate payments. Additionally, the city does not have written contracts for some services.

Also included in the report are recommendations related to meetings, minutes, and ordinances, budget planning and financial reporting, trash collection fees, capital assets, and fire department volunteer payments.

(Report No. 2007-26)

CITY OF LAKE OZARK

Many of the findings in this audit are similar to those included in our previous audit of the City of Lake Ozark (Report No. 2000-115). The city has made very little progress to improve accountability over city resources.

From 2004 to 2005 the City of Lake Ozark's overall financial liability increased approximately 43 percent, and was used to refinance past debt and finance both expansion of the city's water and sewer system and the Osage National Neighborhood Improvement District (NID) project. The city also entered into a \$5.6 million lease purchase agreement without soliciting proposals from various entities. In addition, the city issued revenue bonds in 2002 that require the establishment of several separate accounts and funding of these accounts with transfers from water operating revenues. However, the city does not have sufficient cash in the Water Funds to meet and fund these required accounts. Also, no formal plans were prepared by the city for the purchase and development of land for a city park or to fund the transportation enhancement (strip) project with costs of approximately \$619,000 in engineering and construction.

The City of Lake Ozark has established five NIDs totaling approximately \$2.8 million. Our review of these projects noted:

- The city did not have supporting documentation or an explanation of how assessments were calculated for property owners within the Osage National NID.
- Adequate records of assessments, collections and balances due by property owners are not maintained by the city.
- The city has not established separate funds and bank accounts for each NID or procedures to ensure NID activity is accurately reported.
- The city does not appear to be charging a sufficient amount of interest to cover the interest due on the bonds related to the Knox Point NID.

The city has not established procedures to ensure expenditures are properly allocated among the funds and to ensure restricted revenues are expended only for their intended purpose. For example, the city made transfers from the Transportation, Sewer, and Water Funds to the General fund to cover various administrative expenses, including salaries, but had no documentation to support these allocations.

Inadequate controls and oversight over the collection of various licenses and permits resulted in \$1,265 of missing monies going undetected. Amounts recorded on receipt

slips and other documents did not agree with the amounts recorded on deposit summary reports and deposit slips prepared by the accounting clerk. If these items had been reviewed by another person, these discrepancies may have been detected.

Significant weaknesses were identified concerning the city's handling of receipts including lack of receipt slips, untimely posting of receipts, and untimely deposits. The city has accumulated large balances in due to/from accounts, and wrote off some of these balances in 2004 without adequate supporting documentation.

Financial statements prepared and published by the city were incomplete and inaccurate, some financial statements were not published, and improvements are needed in preparation of the city's budgets.

The city's bidding procedures are in need of improvement. The city did not solicit proposals for some professional services, and entered into a long term contract for residential and commercial trash services without knowing the value of the contract.

Improvement is needed in city procedures for reviewing and approving invoices for payment. Some city expenditures did not appear to be a prudent use of public funds and some employees were paid bonuses. Inadequate recordkeeping allowed duplicate and untimely payments of some invoices to be made.

Many significant problems were identified in the control procedures used by the municipal court to account for court receipts including inadequate segregation of duties, improper accounting for bond forms and police department receipts, untimely collection of bond and police department monies, and untimely deposits. Most of these conditions have been addressed to the court numerous times, but the court has repeatedly failed to take any corrective action.

Also included in the report are recommendations related to cell phones and credit cards, official and employee benefits/vehicles and equipment, payroll, utility system controls and procedures, property tax procedures, closed meetings and ordinances, capital assets, and evidence and seized property controls.

(Report No. 2007-21)

[CITY OF FARMINGTON](#)

The city of Farmington operates various city-owned utility operations including electric, water, and sewer services, with the electric and water operations being accounted for in the Utility Fund. The operating revenues and expenses of the Utility Fund totaled over \$19 million and \$17.5 million, respectively, in fiscal year 2006, with the electric operations accounting for over 90 percent of the fund's activity.

The city has historically transferred substantial amounts of money from its Utility Fund to help finance the operations and activities of the General Fund. From fiscal year 2001 through 2006, year-end net operating transfers from the Utility Fund to the General Fund totaled approximately \$5.6 million. City officials indicated these transfers made up for a gross receipts (utility franchise) tax the city would otherwise collect if a private utility company operated within the city and to cover administrative costs incurred by the General Fund to operate the city utility operations. However, no ordinance has been established authorizing monies to be transferred from the Utility Fund to the General Fund as payments in lieu of taxes (PILOTS). In addition, no documentation has been prepared to determine the amount of administrative costs being paid by the General Fund to support the utility operations.

Utility services should not generate profits to fund other services provided by the city. If the city continues to transfer utility monies periodically to the General Fund, the city should develop a methodology for determining reasonable PILOTS and ensure such transfers are properly authorized by ordinance. In addition, documentation should be prepared and maintained to determine/support the amount of any utility-related administrative costs reimbursed to the General Fund.

During fiscal year 2006, the City Council approved significant electric rate increases in October 2005 and February 2006, of 29 and 16 percent, respectively (these rate increases were not fully realized as the council did not implement the 2006 summer rates). It appears these rate increases occurred due to significant increases in the cost of power incurred by the city and the transfers made in prior years.



Over 80 percent of the expenditures of the electric operation represent power purchases from its power supplier, with total power purchases increasing from about \$6.8 million in fiscal year 2002 to over \$14.3 million in fiscal year 2006. Total operating revenues of the electric operations have not kept pace with the increased power costs, and it appears the city did not effectively monitor the cost increases and approve substantial rate adjustments until fiscal year 2006. In addition, the city did not maintain adequate documentation to support how the recent rate increases were determined, with little or no documentation to support some information included in the budgets. Further, the city does not maintain separate funds to account for the financial activity of its electric and water operations. This is necessary to fully account for the respective activities of the electric and water operations.

The financial condition of the city's General Fund has been in decline in recent years. From fiscal year 2001 through fiscal year 2005, expenditures exceeded revenues and net transfers in. Available cash and investment balances of the General Fund decreased

significantly from \$2.7 million in fiscal year 2001 to \$275,000 at the end of fiscal year 2005. Had various interfund transfers to the General Fund not been made, the fund's financial situation would have been even worse. The city cannot continue to expend monies in excess of its available resources. City officials should monitor the financial condition of the city and develop a long range plan that will allow the city to operate within the resources that are available. In fiscal year 2006, the city took various measures to reduce its expenditures, resulting in the General Fund's financial condition improving in that year.

The financial information provided to the City Council did not always provide an accurate reflection of the financial activity and condition of the city's funds. Transactions related to monthly power purchases of about \$1 million in fiscal year 2005 were not properly reflected in the accounting information provided to the council in that year. In addition, the information presented in the city's budgets and budget amendments was not always reasonable nor did the annual budgets always include all required or necessary information.

Improvement is needed in the Finance Department's controls and procedures related to bank reconciliations, outstanding checks, and receipts. Utility billing adjustments have not been adequately documented nor reviewed and approved on a periodic basis by management. In addition, records and procedures related to the handling of receipts in other city departments need to be improved.

The city did not always solicit bids for various goods and services nor procure general engineering and architectural services in accordance with its purchasing policy. In addition, the city did not enter into contracts for some services.

In December 2005, the city purchased gift cards and gift certificates at a cost totaling \$13,000 for the city's full-time and regular part-time employees. The costs of such expenditures for city employees do not appear to be prudent uses of public funds and may violate the Missouri Constitution.

The city's published financial statements have not included receipt and expenditure information as required by statute and annual financial reports have not been submitted to the State Auditor's Office (SAO) as required by state law. In addition, the city's annual financial audits have not always been completed timely.

Also included in the report are recommendations related to credit card purchases, the use of city vehicles and operating costs, the untimely remittance of taxes to the Department of Revenue, minutes and ordinances, and the municipal court.

(Report No. 2007-11)

TRANSPORTATION DEVELOPMENT DISTRICTS



As of December 31, 2005, 98 transportation development districts (TDDs) had been established in the state of Missouri, including 29 established in 2005. Almost 70 percent of the districts are located in the St. Louis and Kansas City metropolitan areas. Although the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of a statutory change made that year that allowed the owners of real property located within a proposed district to petition for its creation, if there were no registered voters residing within the district. This statutory change has resulted in a dramatic increase in the number of TDDs established and the significant growth has continued in 2006, with 22 additional TDDs being established through the end of 2006.

Of the 98 TDDs established as of December 31, 2005, 95 percent were initiated by petitions filed by the property owners; all of them have imposed sales taxes, with rates ranging from one-eighth of one percent to one percent on retail items sold within the districts' boundaries. In a survey of those TDDs, officials or representatives of 97 of the TDDs reported total estimated transportation project costs of over \$923 million. In addition, 87 of those TDDs reported total estimated revenues of over \$1 billion would be collected over the lives (range from five to 40 years) of the respective TDDs. In addition, 43 percent of the TDDs established as of December 31, 2005, were located either completely or partially in a tax increment financing (TIF) redevelopment area. State laws provide that 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that TIF area; however, in some instances, the applicable city has allowed the TDD to apply most, if not all, of its sales tax revenue to its own transportation project costs.

Our previous audit of TDDs (SAO Report No. 2006-12, issued March 2006) reported various issues in the areas of public awareness/involvement, accountability, and compliance. Because many of the issues previously reported required legislative change, we had recommended the General Assembly review these public awareness/involvement, accountability, and compliance issues, and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes. However, during the 2007 legislative session, only one change was made to the TDD statutes that addressed any of the issues reported in the prior audit. Further changes to the TDD statutes should be considered in future legislation.

Our current audit selected 17 individual TDDs that were established in 2003 or prior, and had not previously been audited by the State Auditor's Office (SAO). This audit disclosed various issues in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters.

Various concerns were noted related to construction contracts and/or project management services involving transportation projects. Competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined. In some instances, the contractor was a related party and work on the projects had already begun when the construction contract was entered. Proposals were either not solicited for project management services or documentation was not available to provide assurance that such proposals were solicited. Again, in some instances, the project manager was a related party.

Written contracts related to the construction services or the construction management services were not always prepared or approved in a timely manner. Written construction contracts were not entered into between the district and the project manager. Additionally, the construction contracts were either not approved by the district board or were not approved prior to the contractor beginning work on the transportation projects.

Requests for proposals for various professional services were either not properly solicited or documentation was not available to provide assurance that such proposals were solicited. These services included primarily those provided by engineers, architects, and legal counsel.

Various matters were noted related to transportation project costs claimed for reimbursement by the developers. Costs incurred by developers were not always certified and approved for reimbursement on a timely basis because adequate documentation to support the project costs incurred had not been provided. For other districts, detailed invoices supporting the project costs were not available because the district's projects were combined with costs of other private or public development projects. In one of these instances, it appeared the costs claimed by the developer for reimbursement were included twice, overstating reimbursement requests by approximately \$123,800.

The revenues of some districts may not be sufficient to meet the financial obligations of the district or fully reimburse the developer for transportation-related costs. In another district, customers of the major retailer in the district were incorrectly charged sales tax at a rate higher than that approved by the district for an 8-month period, resulting in an overpayment of sales taxes by the retailer to the district of approximately \$60,000 for this time period.

Various problems were noted related to the annual budgets of several districts. In addition, as noted in our previous report, many (22 percent) of the TDDs had not filed annual financial reports with the SAO, as statutorily required. Other concerns included the improper distribution of TIF monies, inadequate segregation of duties, and untimely deposits.

(Report No. 2007-28)

MISSOURI DEPARTMENT OF TRANSPORTATION WINTER SKILLS ROADEO

MoDOT's Winter Skills Roadeo (roadeo) is a series of events in which participants engage in various activities, including competitive events involving the driving or



handling of state road equipment. MoDOT held roadeos until 2001 when the department discontinued them to evaluate their effectiveness. However, MoDOT re-instituted the roadeo in 2007 without formally evaluating the effectiveness of the training program. In addition, according to MoDOT officials, the roadeo will continue in future years even though MoDOT did not solicit feedback from participants about the effectiveness of the training program.

Each participant spent about six hours traveling to and one hour participating in district-wide roadeo events, including about 10 minutes actually operating equipment. Our analysis of the 2007 roadeos indicates that although improvements were made, MoDOT should again discontinue the roadeos.

Most participants responding to our survey considered the roadeos to be ineffective training for maintenance workers. In addition, 190 respondents added comments saying the roadeo was a waste of time and/or money. Respondents also said the roadeos did not boost employee morale.

Participants have not received performance feedback to determine areas where improvements are needed nor has management determined how these individuals will be provided additional training. One respondent said "Instead of taking the people who finished the poorest and showing those people some attention to make them better operators, we take the best ones, give them another "day off"....Meanwhile, those with low scores who are usually the new employees, simply get to go back to work and have to learn on the go."

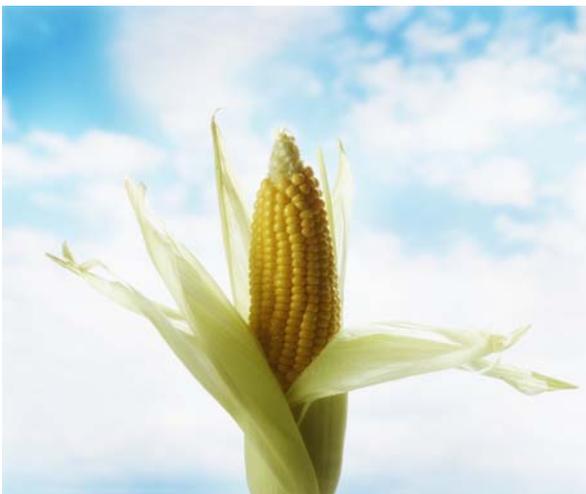
MoDOT did not solicit formal feedback from the participants about the effectiveness of the roadeo. Best practices suggest feedback be requested at the end of a training course to evaluate whether the program: (1) meets the established objectives; (2) is valuable; or (3) requires improvements.

(Report No. 2007-81)

TAX CREDITS

The State of Missouri issues tax credits to individuals and businesses through various programs. The State Auditor is charged with reviewing the tax credit programs. Tax credit programs can be expensive to the state and the General Assembly needs to decide if the social benefits created by some tax credit programs outweigh the fiscal losses. Tax credit programs reviewed by the State Auditor's Office in the past included the Historic Preservation Tax Credit, the Special Needs Adoption Tax Credit, and the Community Development Corporation Tax Credit Program. In 2007, the State Auditor's Office reviewed the New Generation Cooperative Incentive Tax Credit Program, the Agricultural Products Utilization Contributor Tax Credit Program, and the Wood Energy Tax Credit Program.

[NEW GENERATION COOPERATIVE INCENTIVE TAX CREDIT PROGRAM](#)



This audit reviewed the cost-benefit to the state of the New Generation Cooperative Incentive (NG) tax credit program and found the credit would not create enough economic activity to offset the tax credits used. The program is designed to induce producer member investment in new generation cooperatives and processing entities that will process Missouri agricultural commodities and agricultural products into value-added goods, benefit Missouri's agricultural producers, and create jobs. As of June 30, 2006, state officials had issued \$22.1 million in tax credits for this program, and \$18.1 million had been redeemed. State law requires state auditors to perform a cost-benefit analysis of all state tax credit programs, and this report is a part of such ongoing work.

The software used to model the program estimates the economic activity occurring from the business investment generated solely by the tax credit will result in about a \$2 million net revenue gain. However, when total projected tax credit redemptions of

\$39.1 million are considered, the gain becomes a projected total loss to the state of \$37.1 million. The model evaluated the impact of the investment resulting from the tax credit and not the total investment for any facility constructed because other state, federal, local and private funding sources are available for the remaining investment portion of the projects. We were unable to measure the social benefits this tax credit may have on the rural communities that received the majority of the tax credit's benefits.

The analysis predicts the tax credit program will have limited impact on jobs and the gross state product. For example, the program's resulting employment growth peaks at 96 net new jobs created in 2006. However, by program end in 2010, just 57 jobs remain and all but 12 of those jobs are lost by 2020. Rural areas benefit from most of the predicted new jobs.

State law does not define when a facility would have to be placed in operation to remain eligible for tax credits and is unclear if facilities of new generation cooperatives must operate in the state. State law also is not clear regarding limitations on the tax credit issuances. The law limits each producer member in a new generation cooperative or processing facility to a maximum tax credit of \$15,000; however, the law does not clarify if producer member name or taxpayer identification number controls what constitutes a separate producer member. We identified four instances where the Missouri Agricultural and Small Business Development Authority (MASBDA) issued \$30,000 in tax credits to one taxpayer identification number.

NG program internal controls and reporting need improvement because: (1) MASBDA has not received sufficient documentation that producer members made investments prior to tax credits being issued; (2) MASBDA has not established policies and procedures for compliance and on site monitoring of new generation cooperative or processing facilities; (3) MASBDA has not established criteria for when new generation cooperatives or processing facilities may be eligible for additional tax credits issuance; (4) MASBDA failed to adhere to its internal conflict of interest policy and issued tax credits to ineligible applicants; and (5) the annual tax credit's cost-benefit reported to the General Assembly as part of the state's budgeting process overestimates the benefit to the state.

(Report No. 2007-06)

[ANALYSIS OF AGRICULTURAL PRODUCTS UTILIZATION CONTRIBUTOR TAX CREDIT PROGRAM](#)



This audit reviewed the cost-benefit to the state of the Agricultural Products Utilization Contributor (APU) tax credit program and found the credit would not create enough economic activity to offset the tax credits used.

The Missouri Agricultural and Small Business Development Authority (MASBDA) manages this tax credit program. Its purpose is to induce contributions to MASBDA for funding agricultural product grants as described in state law for rural agricultural business concepts. Contributors receive up to a 100 percent tax credit for contributions. As of June 30, 2006, state officials had issued \$12.1 million in tax credits for this program, and \$8.6 million had been redeemed. State law requires state auditors to perform a cost-benefit analysis of all state tax credit programs, and this report is a part of such ongoing work.

The software used to model the program estimates the economic activity resulting from the grant funding will result in about a \$168,000 net revenue gain. However, when total projected tax credit redemptions of \$13.6 million are considered, the gain becomes a projected total loss to the state of \$13.5 million. The model evaluated the impact of the grants resulting solely from the tax credit and not the total investment for any business that may have been started because other state, federal, local and private funding sources are available for the remaining investment portion of the projects. We were unable to measure the social benefits this tax credit may have on the rural communities that received the majority of the tax credit's benefits.

The analysis predicts the tax credit program will have limited impact on jobs and the gross state product. For example, the program's resulting employment growth peaks at 20.5 net new jobs created in 2011. However, only 5 of those jobs remain by 2020, the end of the modeled period. Rural areas benefit from most of the predicted new jobs.

State law allows up to a 100 percent tax credit for funding donated to the APU grant program. Most contributors request a 100 percent tax credit, limiting the number of contributors receiving less than 100 percent for donations made when MASBDA issues the credits. Five other Missouri contribution-based tax credit programs eligible to businesses, individuals or corporations limit the tax credit to 55 percent or less of the contribution. MASBDA's cost-benefit analysis for the tax credit overstated the credit's indirect economic benefit by \$4.6 million for fiscal years 2004 and 2005 based on the methodology used by MASBDA.

(Report No. 2007-05)

[ANALYSIS OF WOOD ENERGY TAX CREDIT PROGRAM](#)



This audit reviewed the cost-benefit to the state for the Wood Energy tax credit. The tax credit has contributed environmental and economic benefits to Missouri; however, those benefits cost at least three times more annually than estimated. The Department of Natural Resources (DNR) manages this tax credit program. It was established as a

production incentive for qualified wood producing facilities to produce processed wood products using Missouri forest product residue. As of June 30, 2007, \$28.6 million in credits had been issued and \$26.4 million redeemed. State law mandates the State Auditor's office perform cost-benefit analyses on state tax credit programs. This audit was performed as part of this ongoing work.

The Wood Energy tax credit provided financial support to charcoal producers facing increased costs from emission fees and installation of emission control devices. EPA statistics show air pollution levels caused by charcoal producers have decreased in Missouri since the mid 1990's and required installation of the emissions control devices. The Wood Energy tax credit, along with the Charcoal Producer's tax credit, were available resources for charcoal producers to offset additional funds spent on the required emissions control devices. Charcoal and wood energy firms that supplied sales data in survey responses showed increased sales and some workforce expansion since reinstatement of the tax credit in 1997. Representatives from charcoal producers responding to our survey also reported shifting production to Missouri due to the tax credit and depending on the credit to help support their operations.

Actual annual tax credit issuances have been three to four times expected issuances since reinstatement of the tax credit in 1997. This occurred because charcoal producers received a tax credit that is computed at four times the \$5 per ton compensation discussed in the legislation establishing the credit. DNR officials included this conversion factor in the regulations covering the tax credit because analysis supported it took 4 units of wood residue to produce 1 unit of charcoal. The officials concluded the tax credit's authorizing laws, which state the tax credit shall be \$5 per ton of processed material, were unclear whether processed material meant input or output material and attempted to clarify that in the regulations.

DNR officials are using wood residue that is diverted from waterways and landfills as the performance measure to evaluate the cost-benefit of the tax credit in budgetary documents, but this measure is not accurately evaluated and fails to consider other program benefits. According to a DNR publication, the charcoal industry has traditionally used wood residue as a raw material for charcoal production. As a result, much of the diverted wood residue that was reported as a benefit would have occurred without the credit. In addition, one of the original purposes of the credit was to create wood energy product commercial operations that at the time did not exist in the state. The performance measure does not address this purpose. In addition, DNR personnel have not adequately validated the product sales and wood residue information provided by tax credit applicants. DNR personnel limit verification of sales and wood residue information to calling one purchaser per application and have not required applicants to provide documentation of the source of wood residue claimed.

(Report No. 2007-58)

DEPARTMENT OF NATURAL RESOURCES – WEATHERIZATION ASSISTANCE FOR LOW INCOME PERSONS PROGRAM

The Department of Natural Resources (DNR) Energy Center is responsible for administering the federal Weatherization Assistance for Low-Income Persons Program (WAP) in Missouri. Energy Center personnel have not always or timely followed-up with subgrantees when: (1) independent CPA audits reported WAP and overall agency internal control findings; (2) audited financial information differed from DNR records; (3) audit results did not include a required schedule; or (4) audit reports had not been submitted timely. Federal Department of Energy WAP grant guidance requires states conduct a comprehensive review of each subgrantee including financial audits. Federal regulating agencies could require additional oversight and impose additional grant conditions on Missouri because of the failure by the state to comply with monitoring requirements.

Energy Center personnel on-site monitoring and expenditure review need improvement because personnel: (1) limited client file reviews and inspections of houses receiving improvements, which resulted in documentation deficiencies being missed; (2) have not ensured correction of problems identified in the house inspections; (3) did not conduct analysis of bidding requirements as part of the on-site visits; (4) did not review sufficient documentation to support program expenditures; and (5) did not use training and technical assistance reports to evaluate training expenditures claimed by subgrantees. Further, Energy Center personnel have not monitored whether subgrantees complied with federal cash management requirements for interest earned on advanced funding. In addition, the Energy Center personnel advanced WAP funding to some subgrantees without considering funding needs or whether subgrantees met requirements for advances.

(Report No. 2007-82)

CONSERVATION



The Missouri Department of Conservation (MDC) owns, leases, or manages 461 named conservation areas, as well as about 840 other properties. The MDC does not maintain a centralized area plan tracking system. Our review of 10 conservation areas that contained at least 500 acres or had undergone recent significant development found that in three of the areas, MDC had undertaken major expansions and/or facility development

without developing an area plan or updating an existing area plan. The MDC spent nearly \$3 million for an additional lake and hatchery improvements at one of the three properties.

The MDC Protection Division does not maintain adequate records for seized evidence, including guns and knives. Almost half of the 1,600 records in the MDC electronic case tracking system listed no storage location, and 508 records had a seizure date that was more than three years old. Evidence logs for the freezer used to store confiscated wildlife at MDC central headquarters had been misplaced, so there were no records of evidence items placed in the freezer between January 23, 2003, and December 14, 2006. In addition, MDC agents occasionally seized illegal contraband that, according to the seized evidence report, were stored at various MDC locations and, in some cases, at an office located at an agent's home.

The MDC reimbursed the state General Revenue Fund \$66,388 for about 2,400 hours of law enforcement services provided by the Missouri State Water Patrol (MSWP); however, it appears no additional services, beyond the statutorily required duties of the MSWP, were received by the MDC that would warrant or justify this one-time reimbursement.

For fiscal year 2006, costs incurred by the MDC for its flight operations unit totaled about \$579,000. Use of the MDC aircraft has significantly decreased since 2001 while MDC has maintained the same number of aircraft and pilots. It appears the number of general transportation trips has remained relatively steady while the number of flights related to resource management have dramatically reduced. The MDC should review the utilization and related flight operations costs to determine if this unit should continue to operate at its current level.

The MDC reported a combined operating loss of more \$1,075,000 for its five manned shooting ranges for fiscal year 2006. The MDC also has 17 archery only, seven shotgun only, and 40 firearms unmanned shooting ranges. The most recently constructed manned range, completed in 2001, cost approximately \$3,000,000, and the planned replacement of another existing manned range is budgeted at \$4,000,000. The estimated cost to develop a typical unmanned firearms shooting range is between \$200,000 and \$300,000 and a small archery range is between \$7,000 and \$10,000. The MDC should evaluate shooting range fees, operating costs, and public use to determine if current and future planned operations of manned shooting ranges is cost beneficial.

The MDC does not always document roll call votes taken in closed session and does not always report decisions made in the closed sessions in the department's public records, as required by state law. The MDC discussed an issue in closed session that did not appear to be allowable for closed session under state law. Similar conditions were noted in our prior audit report.

It should be noted that, based upon their interpretation of the Sunshine Law, the MDC refused to provide complete copies of closed session minutes for our review. The MDC did provide redacted versions of the closed session minutes; however, the information provided was so limited that we were unable to determine if many of the actions taken in closed session were reported in open session. The MDC has determined and assured us that the withheld information would have no material effect upon our audit of the department. This action by the department resulted in a scope limitation related to our audit.

Our report also included recommendations related to department area planning procedures and the inspection of some commercial permit holder facilities.

(Report No. 2007-36)

BIOTERRORISM PROGRAM

The Department of Health and Senior Services (DHSS) has not established adequate tracking procedures to monitor improvements made by local health entities to address problems/weaknesses identified during bioterrorism exercises.

The DHSS uses grant funding to develop and conduct exercises at a statewide level while Local Public Health Agencies (LPHAs) use grant funding provided by the department to participate in local and regional exercises and training. The federal government requires the state and LPHAs to complete a variety of exercises/training annually to work towards and help ensure compliance with National Incident Management System standards. Meeting these standards is necessary to ensure the receipt of future federal preparedness funding assistance.

Upon completion of an exercise, response entities submit to the DHSS after-action reports (AARs) documenting an evaluation of the exercise. While the DHSS receives and reviews the AARs, corrective actions noted in the AARs are not tracked by the DHSS and followed up on in a timely manner. The lack of proactive, ongoing monitoring procedures could result in weaknesses in local response plans to bioterrorism incidents not being addressed and corrected in a timely manner.

The Strategic National Stockpile (SNS) Program was established to aid state and local entities in the development of local distribution and dispensing plans of a massive stockpile of pharmaceuticals, vaccines, medical supplies, equipment, and other items to augment local supplies of critical medical items in case of a terrorist attack. The DHSS, through the activities of its Center for Emergency Response and Terrorism, is responsible for ensuring the department has a SNS Receiving, Distribution and Dispensing Plan.

The federal Centers for Disease Control and Prevention (CDC) conducts annual assessments of Missouri's SNS Program. Since 2003, Missouri's overall SNS preparedness rating has risen from Amber minus to Green minus. Green is the highest rating given by the CDC, followed by Amber, with Red being the lowest possible rating. The CDC's latest assessment of the state's SNS program, dated October 2006, indicated that Missouri has made excellent progress in strengthening the state's readiness to manage SNS material.

While the CDC's October 2006 assessment was generally positive, the report included various recommendations to further improve the readiness, efficiency, and effectiveness of response efforts. In that assessment the CDC recommended, among other things, that the DHSS: refine and restructure the SNS Plan operationally; schedule an annual review of the Emergency Communications Plan; include written facility security and vulnerability assessments in the plan for each receiving, staging, and storage site; ensure that all local SNS dispensing plans meet the guidelines identified by the DHSS; and work with the State Emergency Management Agency to improve communications between the State Emergency Operations Center and the DHSS's Department Situation Room.

During 2004, the federal CDC established the Cities Readiness Initiative (CRI) to increase and enhance readiness over a larger geographic area, instead of just at a state and local level. A CRI pilot program provided funding to 21 selected metropolitan areas. St. Louis (including the city and county) was one of the cities/areas initially selected by the CDC to participate in the CRI pilot program. In the following year, Kansas City and its metropolitan area was selected to join in the CRI program. Also, in that year, St. Charles County began participating in the CRI program.

The CDC and the DHSS are responsible for conducting annual assessments of the local CRI programs in Missouri and working with local CRI staff to aid and help direct their efforts. During the annual assessments, the local entities receive an overall rating or score, and a rating in various individual categories, such as: Command and Controls, Management of SNS operations, Tactical Communications, Public Information, Controlling SNS Inventory, Security, Dispensing Oral Medications, and Training, Exercise, and Evaluation.

The city of St. Louis/St. Louis County was first assessed by the CDC in September 2004. At that time, the CDC's overall assessment rating for the city of St. Louis/St. Louis County was Red, meaning major improvements were needed. In the latest assessment by the CDC in April 2006, some improvement had been made as the City/County had achieved an overall assessment rating of Amber. Within the Kansas City metropolitan area, the CDC conducted Jackson County's only CRI-related assessment to date in May 2006. That county was given an overall readiness rating of Red, or major improvement needed. In that assessment report, the CDC indicated that Jackson County did not have a reliable or consistent SNS Preparedness plan in Kansas

City or its surrounding counties, and no documentation was present to reflect that its current plan was incorporated into the city's Comprehensive Emergency Management Plan. The CDC conducted St. Charles County's only CRI-related assessment to date in January 2007. At that time, the CDC's overall assessment rating for St. Charles County was 55 out of 100 (based on a new rating system established in 2007), indicating major improvement was needed.

The DHSS is working with these entities in an effort to improve their CRI programs and the related ratings on future annual assessments. Although the assessments conducted of the CRI plans of local entities in the state's two largest metropolitan areas reflect some progress, much improvement is still needed. The low assessment ratings can reflect weaknesses with the CRI plans in Missouri and may increase the risk for the citizens those plans are intended to protect.

(Report No. 2007-73)

**STATE AND LOCAL AUDIT FINDINGS – LEGISLATIVE
IMPACT**

Eighty audit reports issued between January 2003 and October 2007 included audit issues and recommendations pertaining to changes or clarifications needed regarding statutory provisions. These audit issues and recommendations were addressed to the General Assembly, state agencies, and/or local governments, or related to information agencies should provide to the General Assembly. The recommendations cover a variety of topics, including the need for new legislation, revisions to existing statutory provisions, clarification of statutory provisions, and the evaluation of agency or local government procedures as compared to statutory provisions. Status information is provided for each recommendation.

This report is a compilation of those recommendations and serves to improve awareness of the General Assembly regarding the status of legislative issues addressed in our audit reports and to encourage consideration of these recommendations in those cases where action has not been taken.

(Report No. 2007-75)

MISSOURI STATE AUDITOR'S OFFICE

WEB SITE
www.auditor.mo.gov

All audit reports issued from 1999 to present are listed on the site, and each audit report is categorized in order to locate it quickly and easily. Categories include a listing of audits by subject and there is also a regional map to locate audits by location. These reports are posted for individuals to view and print. There are also "Yellow Sheet" summaries available for each audit.

In addition, posted on the office's website are bonds registered with the office from 1999 to present. Fiscal notes prepared by the State Auditor's Office from 2003 to present are available on the website. The Web site has links to SAO media advisories, employment opportunities and petition audit process information. There is also a link to political subdivision financial reporting, County Collector Annual Settlement forms, and property tax forms.

Copies of audit report(s) can be obtained by contacting the State Auditor's Office via e-mail at moaudit@auditor.mo.gov or writing to the office under the "Your Input" section on our website. Individuals may also contact the office by mail or by telephone.

CONTACTING THE STATE AUDITOR'S OFFICE

There are several ways to contact the office:

Hotline number:	1-800-347-8597
Webpage:	www.auditor.mo.gov
E-mail address:	moaudit@auditor.mo.gov

In Jefferson City:

Missouri State Capitol *or*
Room 121
Jefferson City, Missouri 65101
(573) 751-4824
Fax: (573) 751-6539

Truman State Office Building
301 W. High Street, Suite 880
P.O. Box 869
Jefferson City, Missouri 65102
(573) 751-4213
Fax: (573) 751-7984

In Kansas City:

Fletcher Daniels State Office Building
615 East 13th Street, Suite 511
Kansas City, Missouri 64106
(816) 889-3590
Fax: (816) 889-6200

In St. Louis:

Wainwright State Office Bldg.
111 North 7th Street, Suite 401
St. Louis, Missouri 63101
(314) 340-7575
Fax Number: (314) 340-7605

In Springfield:

Landers State Office Building
149 Park Central Square
Springfield, Missouri 65806
(417) 895-6515
Fax: (417) 895-6521

APPENDIX A

Office of the Missouri State Auditor Audit Reports Delivered from January 1, 2007 through December 31, 2007

<u>AUDIT</u>	<u>DATE ISSUED</u>	<u>AUDIT NUMBER</u>
Review of 2007 Property Tax Rates	12-2007	2007-91
Carroll County, Missouri / Years Ended December 31, 2006 and 2005	12-2007	2007-90
Butler County, Missouri / Years Ended December 31, 2006 and 2005	12-2007	2007-89
Marion County, Missouri / Years Ended December 31, 2006 and 2005	12-2007	2007-88
Elementary and Secondary Education and Social Services / Early Childhood Development, Education, and Care Fund	12-2007	2007-87
Howard County, Missouri / Years Ended December 31, 2006 and 2005	12-2007	2007-86
Elementary and Secondary Education / Safe Schools Grant Program	12-2007	2007-85
Insurance, Financial Institutions, and Professional Registration / Insurance / Three Years Ended June 30, 2007	12-2007	2007-84
Pemiscot County, Missouri / Years Ended December 31, 2006 and 2005	12-2007	2007-83
Natural Resources / Weatherization Assistance Program	12-2007	2007-82
Transportation Rodeos Follow-up	12-2007	2007-81
City Utilities of Springfield, Missouri	12-2007	2007-80
Warren County, Missouri / Years Ended December 31, 2006 and 2005	12-2007	2007-79
Seventh Judicial Circuit City of Smithville, Missouri / Municipal Division	12-2007	2007-78
Thirteenth Judicial Circuit City of Auxvasse, Missouri / Municipal Division	12-2007	2007-77
Pulaski County Sewer District #1	12-2007	2007-76
Summary of State and Local Audit Findings - Legislative Impact	12-2007	2007-75
City of Springfield, Missouri	12-2007	2007-74
Health and Senior Services / Bioterrorism Program	11-2007	2007-73
Sullivan County, Missouri / Years Ended December 31, 2006 and 2005	11-2007	2007-72
Twenty-Third Judicial Circuit / Jefferson County, Missouri	11-2007	2007-71
Departments of Social Services, Mental Health, and Health and Senior Services / Protecting Clients from Abuse	11-2007	2007-70

<u>St. Louis County Fire Protection Districts / Years Ended December 31, 2006 and 2005</u>	11-2007	2007-69
<u>Fourteenth Judicial Circuit City of Glasgow, Missouri Municipal Division</u>	11-2007	2007-68
<u>Thirteenth Judicial Circuit City of Centralia, Missouri Municipal Division</u>	11-2007	2007-67
<u>Thirteenth Judicial Circuit / City of Fulton, Missouri / Municipal Division</u>	10-2007	2007-66
<u>Fourteenth Judicial Circuit / City of Huntsville, Missouri / Municipal Division</u>	10-2007	2007-65
<u>Office of Lieutenant Governor</u>	10-2007	2007-64
<u>Village of Worth / Year Ended December 31, 2006</u>	10-2007	2007-63
<u>Twelfth Judicial Circuit / City of Wellsville, Missouri / Municipal Division</u>	10-2007	2007-62
<u>Labor and Industrial Relations / Workers' Compensation / Data Security Controls</u>	10-2007	2007-61
<u>Office of Secretary of State</u>	10-2007	2007-60
<u>Department of Social Services / Child Support Delinquencies</u>	10-2007	2007-59
<u>Tax Credit / Analysis of Wood Energy Tax Credit Program</u>	10-2007	2007-58
<u>Twelfth Judicial Circuit / City of Vandalia, Missouri / Municipal Division</u>	10-2007	2007-57
<u>Missouri Higher Education Loan Authority</u>	10-2007	2007-56
<u>Thirteenth Judicial Circuit / City of Holts Summit, Missouri / Municipal Division</u>	10-2007	2007-55
<u>Eleventh Judicial Circuit / City of St. Peters, Missouri / Municipal Division</u>	10-2007	2007-54
<u>Grundy County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-53
<u>Ray County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-52
<u>Pulaski County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-51
<u>Madison County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-50
<u>Thirteenth Judicial Circuit / City of Ashland, Missouri / Municipal Division</u>	09-2007	2007-49
<u>Elementary and Secondary Education / Data Confidentiality, Integrity and Availability</u>	09-2007	2007-48
<u>Ralls County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-47
<u>Phelps County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-46
<u>City of Lawson / Year Ended June 30, 2006</u>	09-2007	2007-45
<u>City Of East Lynne, Missouri / Year Ended December 31, 2006</u>	09-2007	2007-44

<u>Fourteenth Judicial Circuit City of Moberly, Missouri / Municipal Division</u>	09-2007	2007-43
<u>Fourteenth Judicial Circuit City of Fayette, Missouri / Municipal Division</u>	09-2007	2007-42
<u>Putnam County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-41
<u>Dunklin County, Missouri / Years Ended December 31, 2006 and 2005</u>	09-2007	2007-40
<u>Ripley County, Missouri / Years Ended December 31, 2006 and 2005</u>	08-2007	2007-39
<u>Twelfth Judicial Circuit City of Montgomery City, Missouri / Municipal Division</u>	08-2007	2007-38
<u>Nodaway County, Missouri / Years Ended December 31, 2006 and 2005</u>	08-2007	2007-37
<u>Conservation / Department of Conservation</u>	08-2007	2007-36
<u>Lawrence County, Missouri Years Ended December 31, 2006 and 2005</u>	08-2007	2007-35
<u>Twelfth Judicial Circuit City of Mexico, Missouri / Municipal Division</u>	08-2007	2007-34
<u>Harrison County, Missouri / Years Ended December 31, 2006 and 2005</u>	08-2007	2007-33
<u>Elementary and Secondary Education / Educator Certification Background Checks</u>	08-2007	2007-32
<u>Higher Education / Nonresident Tuition</u>	08-2007	2007-31
<u>Thirty-First Judicial Circuit City of Springfield, Missouri / Municipal Division</u>	08-2007	2007-30
<u>City of Gerald, Missouri / Year Ended December 31, 2006</u>	07-2007	2007-29
<u>Transportation Development Districts</u>	07-2007	2007-28
<u>Missouri Investment Trust</u>	06-2007	2007-27
<u>City of Puxico, Missouri / Year Ended June 30, 2006</u>	06-2007	2007-26
<u>Crime Victims' Compensation Program</u>	05-2007	2007-25
<u>Twenty-First Judicial Circuit / St. Louis County, Missouri / Municipal Division</u>	05-2007	2007-24
<u>Revenue / State Lottery Commission / Three Years Ended June 30, 2006</u>	05-2007	2007-23
<u>Iron County, Missouri / Years Ended December 31, 2005 and 2004</u>	05-2007	2007-22
<u>City of Lake Ozark, Missouri / Year Ended December 31, 2005</u>	05-2007	2007-21
<u>Ebenezer Fire Protection District / Year Ended December 31, 2005</u>	04-2007	2007-20
<u>Labor and Industrial Relations / Second Injury Fund</u>	04-2007	2007-19
<u>Agriculture / State Milk Board / Two Years Ended June 30, 2006</u>	04-2007	2007-18
<u>Office of the State Treasurer / Year Ended June 30, 2006</u>	04-2007	2007-17
<u>Higher Education / State Student Financial Assistance</u>	04-2007	2007-16
<u>Revenue / Sales and Use Tax</u>	04-2007	2007-15

<u>City of Novinger, Missouri / Year Ended June 30, 2006</u>	03-2007	2007-14
<u>Shannon County, Missouri / Years Ended December 31, 2005 and 2004</u>	03-2007	2007-13
<u>Missouri Development Finance Board</u>	03-2007	2007-12
<u>City of Farmington, Missouri / Year Ended September 30, 2006</u>	03-2007	2007-11
<u>Riverview Gardens School District / Year Ended June 30, 2006</u>	03-2007	2007-10
<u>State of Missouri / Single Audit / Year Ended June 30, 2006</u>	03-2007	2007-09
<u>Compilation of 2006 Criminal Activity Forfeiture Act Seizures</u>	02-2007	2007-08
<u>Comprehensive Annual Financial Report</u>	02-2007	2007-07
<u>Tax Credit Analysis of the New Generation Cooperative Incentive Tax Credit Program</u>	02-2007	2007-06
<u>Tax Credit / Analysis of the Agricultural Products Utilization Contributor Tax Credit Program</u>	02-2007	2007-05
<u>Ozark County, Missouri / Years Ended December 31, 2005 and 2004</u>	02-2007	2007-04
<u>Special Road District / Financial Reporting Practices</u>	02-2007	2007-03
<u>Administration Review of Article X, Sections 16 Through 24, Constitution of Missouri Year Ended June 30, 2006</u>	01-2007	2007-02
<u>Elementary and Secondary Education / First Steps Program</u>	01-2007	2007-01

Copies of the year 2007 audits or other audit reports can be obtained by contacting the State Auditor's Office by phone at (573) 751-4213, by e-mail at moaudit@auditor.mo.gov, or by mail at P.O. Box 869, Jefferson City, Missouri 65102.

APPENDIX B

Bonds Registered with the Missouri State Auditor's Office

The Missouri State Auditor's Office is responsible for reviewing and registering general obligation bonds issued by political subdivisions in Missouri, with certain exceptions, to ensure those bonds comply with both state law and the conditions of the contracts under which the bonds are issued. Information regarding each bond issue registered with this office since January 1, 2001 to December 31, 2007 are listed below.

<u>Date of Registration</u>	<u>Bonds Issued By</u>	<u>Amount of Issue</u>
12-26-2007	Sugartree Drainage District	\$160,000.00
12-26-2007	Nixa Reorganized School District No. R-2	\$6,200,000.00
12-21-2007	Branson Reorganized School District No. 4	\$9,670,000.00
12-21-2007	City of Craig	\$70,000.00
12-11-2007	City of Vinita Park	\$750,000.00
11-29-2007	Camdenton R-III School District	\$9,000,000.00
11-28-2007	New Bloomfield R-III School District	\$1,675,000.00
11-28-2007	State of Missouri, Water Pollution Control General Obligation Bond, Series A 2007	\$50,000,000.00
11-26-2007	Grandview C-4 School District	\$3,000,000.00
11-14-2007	Black Jack Fire Protection District	\$1,000,000.00
11-14-2007	City of Hamilton	\$385,000.00
11-06-2007	Marceline R-V School District	\$1,750,000.00
10-31-2007	Newburg R-II School District	\$300,000.00
10-31-2007	City of St Peters	\$7,000,000.00
10-30-2007	Oak Grove R-VI School District	\$2,850,000.00
10-25-2007	North Kansas City School District 74	\$57,350,000.00
10-09-2007	Consolidated School District No. 4	\$1,397,000.00
10-05-2007	Hollister Reorganized School District No. R-5	\$6,310,000.00
10-02-2007	Reorganized School District No. VII	\$2,800,000.00
10-02-2007	Reorganized School District No. VII	\$300,000.00
09-18-2007	Union Township	\$75,000.00

09-12-2007	Community Fire Protection District	\$1,000,000.00
09-06-2007	School District of the City of Ladue	\$53,589,976.15
08-30-2007	Lincoln County	\$24,710.00
08-27-2007	Reorganized School District No. 2 (Willard)	\$13,500,000.00
08-27-2007	Monroe Township	\$100,000.00
08-21-2007	Jackson Township of Nodaway County	\$150,000.00
08-21-2007	McDonald County R-I School District	\$3,000,000.00
08-08-2007	Hancock Place School District	\$3,010,000.00
08-02-2007	City of Raymore	\$14,400,000.00
08-01-2007	Spring Bluff R-XV School District	\$2,655,000.00
07-27-2007	Orchard Farm R-V School District	\$8,000,000.00
07-27-2007	Scott City R-I School District	\$1,450,000.00
07-24-2007	Mexico School District No. 59	\$1,900,000.00
07-23-2007	Buchanan County R-IV School District	\$1,405,000.00
07-17-2007	City of Shrewsbury	\$2,058,734.65
07-16-2007	Lincoln County	\$295,667.12
07-11-2007	Hartville R-II School District	\$1,860,000.00
07-10-2007	School District of Columbia	\$9,990,000.00
07-09-2007	Winfield R-IV School District	\$1,220,000.00
07-02-2007	School District of Maplewood-Richmond Heights	\$14,875,784.25
06-27-2007	City of Hazelwood	\$6,630,000.00
06-27-2007	Knox County R-I School District	\$900,000.00
06-26-2007	Miller County	\$110,000.00
06-26-2007	Portageville School District	\$1,800,000.00
06-22-2007	Exeter R-VI School District	\$1,100,000.00
06-22-2007	Jefferson City School District	\$41,495,000.00
06-22-2007	Holts Summit Fire Protection District	\$3,000,000.00
06-22-2007	City of Leadwood	\$300,000.00
06-21-2007	Reorganized School District No. II	\$2,500,000.00
06-19-2007	Fair Grove R-X School District	\$6,800,000.00
06-19-2007	Clever Reorganized School District No. R-V	\$6,330,000.00
06-14-2007	Harrisonville R-IX School District	\$18,935,000.00
06-14-2007	Reorganized School District No. R-III	\$6,000,000.00
06-14-2007	Warsaw Reorganized School District No. R-IX	\$9,000,000.00

06-11-2007	Newburg R-II School District	\$400,000.00
06-08-2007	Greene Co. Reorganized School District No. 3 (Republic)	\$19,000,000.00
06-04-2007	Platte County R-III School District	\$13,000,000.00
06-04-2007	Johnson County Fire Protection District	\$4,500,000.00
06-04-2007	Ozark Reorganized School District No. 6	\$9,500,000.00
06-04-2007	Purdy R-II School District	\$2,100,000.00
05-30-2007	Billings R-IV School District	\$3,500,000.00
05-25-2007	Excelsior Springs 40 School District	\$7,000,000.00
05-25-2007	Reorganized School District No. IX	\$4,100,000.00
05-25-2007	Pleasant Hill R-III School District	\$5,000,000.00
05-25-2007	Grandview R-II School District	\$1,500,000.00
05-24-2007	Dexter R-XI School District	\$10,000,000.00
05-23-2007	Smithville R-II School District	\$9,840,000.00
05-22-2007	Centralia R-VI School District	\$9,000,000.00
05-17-2007	Kingsville R-I School District	\$1,200,000.00
05-17-2007	Howard County Fire Protection District	\$680,000.00
05-16-2007	The School District of Joplin R-VIII	\$57,300,000.00
05-16-2007	Palmyra R-I School District	\$7,000,000.00
05-16-2007	Blair Oaks R-II School District	\$5,900,000.00
05-16-2007	School District of University City	\$8,474,854.90
05-16-2007	Wheaton R-III School District	\$1,700,000.00
05-14-2007	School District of the City of Independence	\$10,000,000.00
05-11-2007	Osage County R-II School District	\$963,000.00
05-09-2007	Jamestown Rural Fire Protection District	\$237,000.00
05-03-2007	Hurley R-I School District	\$495,000.00
04-30-2007	East Newton County R-VI School District	\$3,119,998.00
04-30-2007	Pettis County R-V School District of Hughesville	\$1,600,000.00
04-30-2007	Boonville R-I School District	\$9,845,000.00
04-27-2007	Paris R-II School District	\$1,500,000.00
04-25-2007	Gasconade County R-II School District of Owensville, Missouri	\$4,515,000.00
04-23-2007	School District of the City of St. Charles	\$5,595,000.00
04-18-2007	DeSoto School District # 73	\$2,950,000.00
04-18-2007	DeSoto School District # 73	\$5,250,000.00
04-13-2007	Forsyth R-III School District	\$1,715,000.00

04-09-2007	Logan-Rogersville R-VIII School District	\$10,000,000.00
03-29-2007	Howard Bend Levee District	\$5,915,000.00
03-28-2007	Fair Play R-II School District	\$820,000.00
03-26-2007	Grain Valley R-V School District	\$9,625,000.00
03-26-2007	Reorganized School District R-2	\$2,600,000.00
03-26-2007	Metro-North Fire Protection District	\$3,000,000.00
03-26-2007	Kingston K-14 School District	\$1,100,000.00
03-22-2007	Lindbergh R-8 School District	\$32,000,000.00
03-21-2007	City of Belton	\$6,775,000.00
03-20-2007	City of Piedmont	\$700,000.00
03-19-2007	Orchard Farm R-V School District	\$4,315,000.00
03-19-2007	Hazelwood School District	\$92,550,000.00
03-08-2007	Reorganized School District No. R-II	\$9,885,000.00
03-08-2007	Gainesville R-V School District	\$740,000.00
03-06-2007	Sunrise Beach Fire Protection District	\$6,850,000.00
03-05-2007	Brentwood School District	\$3,034,899.60
03-02-2007	Canton R-V Fire Protection District	\$450,000.00
02-28-2007	Fort Osage R-I School District	\$9,000,000.00
02-27-2007	Consolidated School District No. 2 (Raytown)	\$30,000,000.00
02-23-2007	Pattonville R-III School District	\$9,295,000.00
02-23-2007	City of Scott City	\$1,340,000.00
02-23-2007	Mehlville R-IX School District	\$13,925,000.00
02-20-2007	St. Clair R-XIII School District	\$7,600,000.00
02-06-2007	Carl Junction R-I School District	\$2,000,000.00
02-06-2007	Center School District No. 58	\$6,810,000.00
02-05-2007	Mt. Vernon R-V School District	\$5,500,000.00
02-05-2007	Slater School District	\$1,000,000.00
01-31-2007	Wright City R-II School District	\$10,000,000.00
01-31-2007	Union R-XI School District	\$625,000.00
01-25-2007	Pemiscot County R-III School District	\$700,000.00
01-23-2007	City of O'Fallon	\$13,860,000.00
01-23-2007	Hardeman R-X School District	\$350,000.00
01-22-2007	Holden R-III School District	\$5,000,000.00
01-12-2007	City of Lawson	\$83,000.00

01-11-2007	Central County Fire and Rescue	\$2,000,000.00
01-09-2007	Chadwick R-I School District	\$430,000.00
01-09-2007	Sparta R-III School District	\$620,000.00
01-03-2007	Lincoln County R-III School District	\$10,000,000.00
01-03-2007	School District of Webster Groves	\$5,500,000.00
01-02-2007	Farmington R-VII School District	\$6,000,000.00