



HOWARD COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-119
December 27, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Howard, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Howard County included additional areas of county operations, as well as the elected county officials. Many of the current recommendations are similar to prior recommendations that were not implemented by county officials. The following concerns were noted as part of the audit:

- < As discussed in the prior audit report, the Keller Memorial Hospital ceased operations in June 1995, and the hospital board of trustees was dissolved in May 1997. In June 1997 approximately \$390,000 was transferred from closed hospital bank accounts to the county's General Revenue Fund. Of this amount, approximately \$285,000 was property taxes paid by Howard County taxpayers for a hospital that was not in operation. We previously recommended the county consider returning the property tax windfall to taxpayers via a future tax reduction. No property tax reduction has been made and while the County Commission verbally indicated they have no plans to do that, this audit recommended that decision be formally documented. This property tax windfall has resulted in a significant increase in the General Revenue Fund's cash balance.
- < The salary commission met in December 1998, although statutorily they should meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. Discussions documented in the salary commission minutes indicated that after considering the county's improved financial condition and other information, raises for all county officials were approved. While county officials said they consulted legal counsel and believed they were in statutory compliance, the audit report suggested the salary commission clearly document all decisions and include written legal opinions.

(over)

YELLOW SHEET

- < The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Several inaccuracies were noted in the information presented in the county's budget documents and some information was incomplete. Budgeted receipts and/or disbursements were unreasonable for some funds. Financial data for some funds was presented in both the General Revenue Fund budget and those funds' individual budgets. Actual expenditures exceeded budgeted amounts for some funds. The county's annual published financial statements did not include financial activity for many county funds and presented incorrect financial information for other county funds.

- < The county does not have a procedure in place to track federal awards. No expenditures information was provided on the county's Schedule of Expenditures of Federal Awards for the years ended December 31, 1998 and 1997.

- < Although the County Commission had a comprehensive personnel policies manual developed several years ago, the manual has never been officially approved and the policies are not consistently enforced. The county's payroll procedures are decentralized and each official and/or department is responsible for monitoring and documenting time worked by employees and maintaining vacation leave, sick leave, and compensatory time records.

The audit also made recommendations and suggestions to improve the county's tax book procedures and general fixed asset records. The audit also suggested improvements in controls and procedures of the Prosecuting Attorney, the Circuit Clerk, the Sheriff, the Health Department, and the Handicapped Services Board.

Copies of the audit are available upon request.

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Howard County.

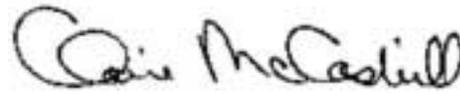
Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. Howard County has included such disclosures in Note 3. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the county's disclosures with respect to the year 2000 issue made in Note 3. Further, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling \$209,385 and \$707,104 in receipts, and \$219,186 and \$904,834 in disbursements for the years ended December 31, 1998 and 1997, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures and the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 27, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Howard County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Howard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

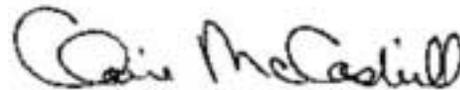
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Howard County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the

of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Howard County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

May 27, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 599,675	996,281	1,041,552	554,404
Special Road and Bridge	400,285	1,015,378	1,056,438	359,225
Assessment	1,642	108,742	108,667	1,717
Law Enforcement Training	582	3,049	2,508	1,123
Prosecuting Attorney Training	90	236	251	75
Law Enforcement Sales Tax	1,364	341,470	341,317	1,517
Recorder's User Fees	18,339	5,629	16,628	7,340
911 Board	140,793	233,079	247,891	125,981
Sheltered Services Board	66,490	78,765	69,632	75,623
Keller Building Fund	1,544	96,374	95,416	2,502
Victims of Domestic Violence	915	361	400	876
Civil Defense	657	14,753	12,463	2,947
Local Emergency Planning	8,895	3,244	508	11,631
Sheriff Civil Fees	3,454	8,636	6,435	5,655
Peace Officer Safety Training	0	1,123	1,123	0
Prosecuting Attorney Bad Check	4,701	5,843	4,775	5,769
Levee Districts	0	142,001	142,001	0
CDBG-Regional Port Authority	0	22,405	22,405	0
Road Sign	1,790	48	1,838	0
Circuit Clerk Interest	10,191	1,939	4,584	7,546
Law Library	8,294	1,445	5,000	4,739
Howard County Economic Development	34,464	35,704	38,583	31,585
Total	\$ 1,304,165	3,116,505	3,220,415	1,200,255

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 139,148	1,385,089	924,562	599,675
Special Road and Bridge	469,908	866,616	936,239	400,285
Assessment	1,414	99,199	98,971	1,642
Law Enforcement Training	1,323	1,937	2,678	582
Prosecuting Attorney Training	206	436	552	90
Law Enforcement Sales Tax	568	309,872	309,076	1,364
Recorder's User Fees	19,702	5,015	6,378	18,339
911 Board	169,068	226,844	255,119	140,793
Sheltered Services Board	65,745	81,925	81,180	66,490
Keller Building Fund	0	64,553	63,009	1,544
Victims of Domestic Violence	599	316	0	915
Civil Defense	2,982	12,603	14,928	657
Local Emergency Planning	7,577	3,727	2,409	8,895
Sheriff Civil Fees	0	3,454	0	3,454
Peace Officer Safety Training	0	639	639	0
Prosecuting Attorney Bad Check	3,695	5,769	4,763	4,701
Emergency Road and Bridge	96,861	0	96,861	0
Keller Memorial Hospital	106,619	341,964	448,583	0
Levee Districts	0	177,586	177,586	0
Road Sign	2,292	80	582	1,790
K-9 Drug Dog	156	5	161	0
MOPAC Lumber Relocation	7,927	0	7,927	0
FEMA-Flood Buy Out	495	0	495	0
CDBG-Flood Buy Out	255	4,587	4,842	0
Commercial Flood Buy Out	0	5,267	5,267	0
Emergency Buyout	29,012	47,609	76,621	0
Circuit Clerk Interest	7,136	3,055	0	10,191
Law Library	7,029	1,265	0	8,294
Howard County Economic Development	0	34,625	161	34,464
Total	\$ 1,139,717	3,684,037	3,519,589	1,304,165

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 210,000	189,021	-20,979	175,000	171,106	-3,894
Sales taxes	230,000	226,107	-3,893	230,000	221,183	-8,817
Intergovernmental	299,700	241,911	-57,789	239,400	307,783	68,383
Charges for services	217,360	168,476	-48,884	207,000	151,026	-55,974
Interest	30,000	32,635	2,635	9,000	21,351	12,351
Other	482,940	138,131	-344,809	454,930	512,640	57,710
Total Receipts	1,470,000	996,281	#VALUE!	1,315,330	1,385,089	#VALUE!
DISBURSEMENTS						
County Commission	58,295	54,330	3,965	57,350	54,171	3,179
County Clerk	46,620	47,261	-641	49,914	46,310	3,604
Elections	22,000	21,711	289	10,450	7,792	2,658
Buildings and grounds	148,943	43,147	105,796	126,987	43,335	83,652
Employee fringe benefits	58,400	55,370	3,030	55,182	41,574	13,608
County Treasurer	20,135	20,029	106	19,895	19,714	181
County Collector	61,705	56,444	5,261	60,697	55,823	4,874
Ex Officio Recorder of Deeds	15,393	9,266	6,127	14,945	9,186	5,759
Circuit Clerk	28,250	11,691	16,559	14,300	5,626	8,674
Associate Circuit Court	20,250	12,901	7,349	19,550	14,666	4,884
Jury	7,900	1,943	5,957	6,900	2,014	4,886
Court administration	35,339	23,855	11,484	39,504	17,284	22,220
Computer operation	19,714	18,261	1,453	17,952	17,425	527
Public Administrator	6,160	5,552	608	5,980	5,745	235
Prosecuting Attorney	73,228	65,410	7,818	79,850	71,602	8,248
Juvenile Officer	78,613	94,221	-15,608	80,769	110,661	-29,892
County Coroner	9,450	5,982	3,468	7,050	5,922	1,128
Domestic Violence	400	400	0	200	0	200
Civil defense	17,375	12,463	4,912	17,375	13,919	3,456
Keller Hospital Building	76,494	91,127	-14,633	243,695	60,832	182,863
Public health and welfare services	146,550	151,208	-4,658	107,119	98,916	8,203
Child Support Division	858	722	136	649	1,160	-511
Presiding Circuit Judge	5,000	0	5,000	5,000	0	5,000
Other	117,012	106,397	10,615	136,317	93,708	42,609
Emergency Fund	44,100	0	44,100	39,160	0	39,160
Transfers out	97,015	131,861	-34,846	168,740	127,177	41,563
Total Disbursements	1,215,199	1,041,552	173,647	1,385,530	924,562	460,968
RECEIPTS OVER (UNDER) DISBURSEMENTS	254,801	-45,271	#VALUE!	-70,200	460,527	#VALUE!
CASH, JANUARY 1	599,675	599,675	0	138,541	139,148	607
CASH, DECEMBER 31	\$ 854,476	554,404	#VALUE!	68,341	599,675	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 200,000	146,998	-53,002	162,000	134,865	-27,135
Sales taxes	140,051	195,515	55,464	225,000	191,264	-33,736
Intergovernmental	751,700	597,957	-153,743	808,200	378,671	-429,529
Charges for services	42,000	11,777	-30,223	60,000	41,075	-18,925
Interest	9,600	18,872	9,272	15,000	21,924	6,924
Other	2,000	44,259	42,259	228,000	1,956	-226,044
Transfers in	193,515	0	-193,515	0	96,861	96,861
Total Receipts	<u>1,338,866</u>	<u>1,015,378</u>	<u>-323,488</u>	<u>1,498,200</u>	<u>866,616</u>	<u>-631,584</u>
DISBURSEMENTS						
Salaries	231,000	205,451	25,549	212,500	209,180	3,320
Employee fringe benefits	61,500	43,629	17,871	62,353	35,696	26,657
Supplies	50,000	38,399	11,601	37,500	40,501	-3,001
Insurance	12,000	21,430	-9,430	10,000	11,164	-1,164
Road and bridge materials	20,000	22,589	-2,589	0	13,821	-13,821
Equipment repairs	70,000	47,069	22,931	67,000	53,727	13,273
Equipment purchases	200,000	132,655	67,345	350,000	273,248	76,752
Construction, repair, and maintenance	665,000	434,910	230,090	600,000	214,673	385,327
Other	117,752	110,306	7,446	153,814	84,229	69,585
Total Disbursements	<u>1,427,252</u>	<u>1,056,438</u>	<u>370,814</u>	<u>1,493,167</u>	<u>936,239</u>	<u>556,928</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-88,386	-41,060	47,326	5,033	-69,623	-74,656
CASH, JANUARY 1	69,649	400,285	330,636	469,309	469,908	599
CASH, DECEMBER 31	<u>\$ -18,737</u>	<u>359,225</u>	<u>377,962</u>	<u>474,342</u>	<u>400,285</u>	<u>-74,057</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	90,740	92,660	1,920	83,540	73,694	-9,846
Charges for services		2,000	4,870	2,870	2,000	3,137	1,137
Interest		500	928	428	600	448	-152
Other		340	784	444	370	320	-50
Transfers in		17,815	9,500	-8,315	18,740	21,600	2,860
Total Receipts		<u>111,395</u>	<u>108,742</u>	<u>-2,653</u>	<u>105,250</u>	<u>99,199</u>	<u>-6,051</u>
DISBURSEMENTS							
Assessor		110,555	108,667	1,888	102,970	98,971	3,999
Total Disbursements		<u>110,555</u>	<u>108,667</u>	<u>1,888</u>	<u>102,970</u>	<u>98,971</u>	<u>3,999</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		840	75	-765	2,280	228	-2,052
CASH, JANUARY 1		1,643	1,642	-1	1,414	1,414	0
CASH, DECEMBER 31	\$	<u><u>2,483</u></u>	<u><u>1,717</u></u>	<u><u>-766</u></u>	<u><u>3,694</u></u>	<u><u>1,642</u></u>	<u><u>-2,052</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 3,000	3,012	12	3,000	1,900	-1,100
Interest	50	37	-13	50	37	-13
Other	50	0	-50	0	0	0
Total Receipts	3,100	3,049	-51	3,050	1,937	-1,113
DISBURSEMENTS						
Sheriff	3,000	2,508	492	2,000	2,678	-678
Total Disbursements	3,000	2,508	492	2,000	2,678	-678
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	541	441	1,050	-741	-1,791
CASH, JANUARY 1	582	582	0	1,323	1,323	0
CASH, DECEMBER 31	\$ 682	1,123	441	2,373	582	-1,791

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 994	234	-760	994	432	-562
Interest	6	2	-4	6	4	-2
Total Receipts	1,000	236	-764	1,000	436	-564
DISBURSEMENTS						
Prosecuting Attorney	850	251	599	850	552	298
Total Disbursements	850	251	599	850	552	298
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	-15	-165	150	-116	-266
CASH, JANUARY 1	90	90	0	206	206	0
CASH, DECEMBER 31	\$ 240	75	-165	356	90	-266

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT SALES TAX FUND

Year Ended December 31,						
1998			1997			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	\$ 240,000	226,112	-13,888	235,000	221,187	-13,813
Interest	900	839	-61	750	794	44
Other	7,500	2,113	-5,387	15,000	8,606	-6,394
Transfers in	112,000	112,406	406	150,000	79,285	-70,715
Total Receipts	360,400	341,470	-18,930	400,750	309,872	-90,878
DISBURSEMENTS						
Sheriff	199,047	201,906	-2,859	203,541	195,391	8,150
Jail	155,930	139,411	16,519	145,817	113,685	32,132
Other	21,556	0	21,556	0	0	0
Total Disbursements	376,533	341,317	35,216	349,358	309,076	40,282
RECEIPTS OVER (UNDER) DISBURSEMENTS	-16,133	153	16,286	51,392	796	-50,596
CASH, JANUARY 1	1,364	1,364	0	570	568	-2
CASH, DECEMBER 31	\$ -14,769	1,517	16,286	51,962	1,364	-50,598

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER'S USER FEES FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 6,400	4,978	-1,422	5,000	4,298	-702
Interest	780	651	-129	650	717	67
Total Receipts	7,180	5,629	-1,551	5,650	5,015	-635
DISBURSEMENTS						
Ex Officio Recorder of Deeds	24,739	16,628	8,111	24,304	6,378	17,926
Total Disbursements	24,739	16,628	8,111	24,304	6,378	17,926
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,559	-10,999	6,560	-18,654	-1,363	17,291
CASH, JANUARY 1	18,339	18,339	0	19,702	19,702	0
CASH, DECEMBER 31	\$ 780	7,340	6,560	1,048	18,339	17,291

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 911 BOARD FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales and use taxes	\$ 220,000	228,864	8,864	364,644	220,400	-144,244
Interest	6,000	4,215	-1,785	0	6,444	6,444
Total Receipts	226,000	233,079	7,079	364,644	226,844	-137,800
DISBURSEMENTS						
Salaries	156,000	169,640	-13,640	130,000	129,992	8
Office expenditures	7,147	5,215	1,932	8,156	10,942	-2,786
Equipment	53,750	42,955	10,795	104,192	80,502	23,690
Phone services	26,500	26,337	163	22,244	27,190	-4,946
Mileage and training	1,000	1,625	-625	3,000	4,575	-1,575
Other	2,945	2,119	826	1,500	1,918	-418
Total Disbursements	247,342	247,891	-549	269,092	255,119	13,973
RECEIPTS OVER (UNDER) DISBURSEMENTS	-21,342	-14,812	6,530	95,552	-28,275	-123,827
CASH, JANUARY 1	136,052	140,793	4,741	0	169,068	169,068
CASH, DECEMBER 31	\$ 114,710	125,981	11,271	95,552	140,793	45,241

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HOWARD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHELTERED SERVICES BOARD FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 62,100	73,750	11,650	57,035	68,928	11,893
Interest	2,500	5,015	2,515	1,500	2,997	1,497
Loan Proceeds	0	0	0	0	10,000	10,000
Total Receipts	64,600	78,765	14,165	58,535	81,925	23,390
DISBURSEMENTS						
Office and equipment expenses	1,495	1,077	418	930	752	178
Client services	82,200	58,555	23,645	82,126	70,428	11,698
Loan Repayment	0	10,000	-10,000	0	10,000	-10,000
Total Disbursements	83,695	69,632	14,063	83,056	81,180	1,876
RECEIPTS OVER (UNDER) DISBURSEMENTS	-19,095	9,133	28,228	-24,521	745	25,266
CASH, JANUARY 1	40,484	66,490	26,006	49,584	65,745	16,161
CASH, DECEMBER 31	\$ 21,389	75,623	54,234	25,063	66,490	41,427

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 KELLER BUILDING FUND

		Year Ended December 31,		
		1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Rental income	\$	50,060	96,135	46,075
Interest		300	239	-61
Transfer in		25,700	0	-25,700
Total Receipts		<u>76,060</u>	<u>96,374</u>	<u>20,314</u>
DISBURSEMENTS				
Personnel costs		24,544	27,096	-2,552
Building, office and rental expenses		51,950	68,320	-16,370
Total Disbursements		<u>76,494</u>	<u>95,416</u>	<u>-18,922</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		-434	958	1,392
CASH, JANUARY 1		1,544	1,544	0
CASH, DECEMBER 31	\$	<u>1,110</u>	<u>2,502</u>	<u>1,392</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 VICTIMS OF DOMESTIC VIOLENCE FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 400	314	-86
Interest	50	47	-3
Total Receipts	450	361	-89
DISBURSEMENTS			
Domestic violence shelter	0	400	-400
Total Disbursements	0	400	-400
RECEIPTS OVER (UNDER) DISBURSEMENTS	450	-39	-489
CASH, JANUARY 1	915	915	0
CASH, DECEMBER 31	\$ 1,365	876	-489

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CIVIL DEFENSE FUND

				Year Ended December 31,		
				1998		
				Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$	7,550		5,741		-1,809
Interest		75		27		-48
Transfer in		2,825		8,985		6,160
Total Receipts		10,450		14,753		4,303
DISBURSEMENTS						
Personnel		10,450		10,016		434
Office and equipment		6,925		2,447		4,478
Total Disbursements		17,375		12,463		4,912
RECEIPTS OVER (UNDER) DISBURSEMENTS		-6,925		2,290		9,215
CASH, JANUARY 1		657		657		0
CASH, DECEMBER 31	\$	-6,268		2,947		9,215

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 3,000	2,836	-164
Interest	300	408	108
Total Receipts	3,300	3,244	-56
DISBURSEMENTS			
Office and Equipment	1,375	508	867
Training	450	0	450
Total Disbursements	1,825	508	1,317
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,475	2,736	1,261
CASH, JANUARY 1	8,895	8,895	0
CASH, DECEMBER 31	\$ 10,370	11,631	1,261

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 5,500	8,461	2,961
Interest	60	175	115
Total Receipts	5,560	8,636	3,076
DISBURSEMENTS			
Sheriff	7,990	6,435	1,555
Total Disbursements	7,990	6,435	1,555
RECEIPTS OVER (UNDER) DISBURSEMENTS	-2,430	2,201	4,631
CASH, JANUARY 1	3,454	3,454	0
CASH, DECEMBER 31	\$ 1,024	5,655	4,631

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PEACE OFFICER SAFETY TRAINING FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 639	1,123	484
Total Receipts	639	1,123	484
DISBURSEMENTS			
Sheriff	639	1,123	-484
Total Disbursements	639	1,123	-484
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HOWARD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Howard County Sheltered Services Board or the Howard County 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Keller Building Fund	1997
Victims of Domestic Violence Fund	1997
Civil Defense Fund	1997
Local Emergency Planning Fund	1997
Sheriff Civil Fees Fund	1997
Peace Officer Safety Training Fund	1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Emergency Road and Bridge Fund	1997
Keller Memorial Hospital Fund	1997
Levee Districts Fund	1998 and 1997
CDBG-Regional Port Authority Fund	1998

Road Sign Fund	1998 and 1997
K-9 Drug Dog Fund	1997
MOPAC Lumber Relocation Fund	1997
FEMA-Flood Buy Out Fund	1997
CDBG-Flood Buy Out Fund	1997
Commercial Flood Buy Out Fund	1997
Emergency Buyout Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Howard County Economic Development Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	1997
911 Board Fund	1998
Keller Building Fund	1998
Victims of Domestic Violence Fund	1998
Peace Officer Safety Training Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the Special Road and Bridge Fund for the year ended December 31, 1998. However, the budget of that fund also included other resources available to finance current or future disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

Although Section 50.740, RSMo 1994, requires a balanced budget, deficit balances were budgeted in the Law Enforcement Sales Tax Fund and Civil Defense Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
-------------	---------------------------------

Law Enforcement Training Fund	1998 and 1997
Prosecuting Attorney Training Fund	1998 and 1997
Sheriff Civil Fees Fund	1997
Peace Officer Safety Training Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Emergency Road and Bridge Fund	1997
Keller Memorial Hospital Fund	1997
Levee Districts Fund	1998 and 1997
CDBG-Regional Port Authority Fund	1998
Road Sign Fund	1998 and 1997
MOPAC Lumber Relocation Fund	1997
FEMA-Flood Buy Out Fund	1997
CDBG-Flood Buy Out Fund	1997
Commercial Flood Buy Out Fund	1997
Emergency Buyout Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Howard County Economic Development Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The 911 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

The Howard County Sheltered Services Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance.

3. Year 2000 (Y2K) Compliance

The County Collector's office programs have been changed, transmitted, and tested per the county's system programmer. The county has paid the programmer the amount of \$1,600 for these changes.

The County Assessor's office deals only in the current year (one year at a time) and therefore will not be affected with the Year 2000 (to the extent that the four year feature will not be affected). A letter from the county's system programmer to the County Collector indicated that if her file server (which is shared by the County Collector, County Assessor, County Clerk, and County System Analyst) and workstations will roll over to January 1, 2000, so will those of the other offices.

The County Clerk's office is in the process of purchasing a new accounting system which is guaranteed Year 2000 compatible. The County Clerk and County System Analyst offices will have to upgrade their systems to include Windows 95. The approximate cost of this conversion, new program, and training will be \$2,500. The training and conversion should be completed by the end of the second quarter in 1999 (by the end of the third quarter at the very latest) and then all information from previous quarters will be converted to the new program. Once the County Clerk starts using the state computer for voter registration, it is assumed the state will see that the program is Year 2000 compatible. However, if the old voter registration program continues to be used, it will be compatible since no dates are used.

The work done by the County System Analyst (aside from the accounting, books, bills, etc., which use programs already discussed) is mainly on Microsoft Works. This will change once the county is upgraded to Windows 95. These programs will be Year 2000 compatible.

At the end of the year all data and program files will be copied onto tapes in the event that some unforeseen disaster should occur from the Year 2000. Therefore, all information will be updated and it will only be a matter of determining why that individual program is not functioning properly and copying the data back into the programs. Howard County is ready for the Year 2000.

Schedule

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Howard County, Missouri, on the applicable finding in our prior audit report issued for the three years ended December 31, 1996.

2. County Budgets and Financial Reporting

- A. Budgets were not prepared for numerous county funds.

Recommendation:

The County Commission:

- A. Ensure that budgets are prepared for all funds held in the county treasury. In addition, the County Commission should obtain financial information for all special revenue funds held outside the county treasury prior to finalization of the annual budgets, and include all applicable budgets in the county's consolidated budget.

Status:

- A. Not implemented. See finding number 98-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HOWARD COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 27, 1999. That report expressed a qualified opinion on the special-purpose financial statements.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Howard/Cooper County Port Authority is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the year ended June 30, 1998.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Howard County but do not meet the criteria for inclusion in the written

report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Budgets and Financial Reporting
--

A. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	Year Ended December 31,	1998	1997
Law Enforcement Training	\$	N/A	678
911 Board		549	N/A
Keller Building		18,922	N/A
Victims of Domestic Violence		400	N/A
Peace Officer Safety Training		484	N/A

While budget to actual data is provided to the County Commission monthly, the county's procedures and reports are not resulting in effective monitoring of various budgets.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cumulative Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

B. The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Cash reconciliations were often incomplete or included incorrect amounts. Without preparing adequate cash reconciliations, there is less assurance that actual receipts, disbursements, and cash balance data presented in the budget is accurate. Several inaccuracies were noted in the information presented in the county's budget documents. Receipts such as county aid road trust (CART) monies, and federal and state reimbursement monies were classified in the "Other" receipts category rather than a more specific and appropriate revenue category. There was a failure to consistently reflect transfers between county funds, some transfers between funds were classified in the "Other" receipts or disbursements category, and some disbursements classified as transfers out were actually distributions to other political subdivisions. Adjustments have been made to the audited financial statements to correct these problems.

For some funds budgeted receipts and/or disbursements varied significantly from actual receipts and/or disbursements. Unreasonable estimates result in the anticipated cash balance being significantly over or understated and reduce the effectiveness of the budget as a management tool.

We also noted that the General Revenue Fund budget includes budget estimates and actual receipts and disbursements activity of some other funds, such as the Keller Building, Civil Defense, Local Emergency Planning, and Victims of Domestic Violence funds, although these funds are now separately budgeted and this financial data is also reported in those budgets. The County Commission, County Clerk, and County Treasurer need to identify all county funds, make decisions as to how they plan to account for and share information regarding the funds, and ensure that all funds are appropriately budgeted.

- C. Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county does not have a procedure in place to track federal awards for the preparation of the SEFA. No expenditures information was provided on the county's SEFA for the years ended December 31, 1998 and 1997.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

- D. The county's annual published financial statements did not include any financial activity for many county funds. Additionally, for some funds, the financial activity from the wrong year was presented, and for other funds, budgeted rather than actual data was included. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Sections 50.800 and 50.810, RSMo 1994, require financial statements to be prepared and published in a local newspaper. In addition to information regarding the county's indebtedness, assessed valuations, and property tax rates, the published financial statements must show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

Conditions similar to A, B, and D were noted in our prior report.

WE RECOMMEND:

- A. The County Commission not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.
- B. The County Commission and County Clerk prepare complete and accurate budgets, improve efforts to budget more reasonable receipts and disbursements estimates, and identify and budget all county funds appropriately.
- C. The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.
- D. The County Commission ensure financial information as provided for by law is properly presented in the published financial statements for all county funds.

AUDITEE'S RESPONSE

- A. *We will take this recommendation under consideration.*
- B&D. *We will implement these recommendations.*
- C. *This recommendation will be implemented.*

2.

Payroll and Personnel Procedures

- A. Several years ago the County Commission had a comprehensive personnel policies manual developed for the county. However, the manual has never been officially approved by the County Commission and the policies in the manual are not consistently enforced. A comprehensive, officially adopted personnel policies manual is necessary to clearly outline the expectations and benefits of employment, and can also help ensure that management's policies are fairly and consistently applied to all county employees.
- B. Each county official and/or department is responsible for monitoring and documenting time worked by employees and maintaining vacation leave, sick leave, and compensatory time records. Time sheets are not submitted to the County Clerk for some employees. For these employees, the County Clerk relies upon payroll vouchers prepared and approved by the appropriate official as support for the payroll expenditure.

Our review of the various officials' payroll records revealed some concerns. Holiday pay was not consistently calculated for some Sheriff's department employees. Information on summary records (such as leave taken) maintained for the road and bridge employees

sometimes differed from the original time sheets. While general explanations of possible causes were offered, specific reasons for noted discrepancies could not be provided. County personnel indicated that road and bridge employees sometimes use vacation and sick leave interchangeably. Because accumulated vacation leave is paid upon termination, this procedure could result in improper amounts being paid. In some offices employees are responsible for tracking their own leave taken and hours worked with no oversight by the official. It appears that unexplained discrepancies, errors, and inconsistencies are more likely to occur given the county's decentralized payroll procedures and lack of formally adopted countywide personnel policies. Monthly time records should be submitted to the County Clerk by all employees each payroll period and retained to document the validity of the payroll disbursements.

The County Commission needs to establish and formally adopt countywide personnel policies. If inconsistent application of policies or instances of noncompliance with established policies are identified, timely action should be taken to determine the cause and rectify the problems. Improved oversight of the payroll process by the County Clerk is necessary and could be better accomplished, at least in part, by establishing centralized payroll, leave, and compensatory time records. Centralized records aid in determining final compensation and better document compliance with the Fair Labor Standards Act.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Adopt and enforce countywide personnel policies.
- B. Require the County Clerk to maintain centralized records of vacation leave, sick leave, and compensatory time earned, taken, and paid for all county employees. In addition, all employees should be required to submit time sheets to the County Clerk.

AUDITEE'S RESPONSE

- A. *We are currently working on implementing this recommendation and understand the importance of countywide personnel policies.*
- B. *We will take this under consideration. This issue will be addressed as a part of our personnel policies.*

3. Keller Building

As discussed in our prior report, the Keller Memorial Hospital ceased operations in June 1995 and the hospital board of trustees functioned as the governing body until the board was dissolved in

May 1997. In June 1997, approximately \$390,000 was transferred from closed hospital bank accounts to the county's General Revenue Fund. Of this amount, approximately \$285,000 was property taxes paid by Howard County taxpayers for a hospital that was not in operation. Since that time the building has been rented to various public and private tenants. We previously recommended the county develop short-term and long-term plans regarding the building and consider returning the property tax windfall to taxpayers via a future tax reduction.

The county is continuing to utilize the building as rental property and has not actively pursued other ideas, such as selling the building or renovating it for use as county offices. A review of building rental receipts and related operating costs during the audit period and currently, shows current operations are just breaking even. As a result, the county is not accumulating any reserves to offset potential significant future building repair needs. Significant repairs needed on the building could adversely affect the county's financial position. In addition, the county's short and long term plans for the building have not been formalized. To ensure county assets are effectively utilized and related potential liabilities are minimized, the county needs to develop a plan regarding the final use or disposition of the building.

No property tax reduction was made during the audit period to offset the previous hospital property tax windfall and the County Commission has verbally indicated they have no plans to do this.

WE RECOMMEND the County Commission continue to consider options for use or disposition of the building, monitor rental receipts as compared to current and potential significant repair costs, and develop a formal plan for the final use or disposition of the building. The County Commission should also formally document its decision on returning the property tax windfall to the taxpayers via a future tax reduction.

AUDITEE'S RESPONSE

The county's 911 unit and health department along with some other government offices are housed in this building. Although no long term decision has been made regarding the building, the county has negotiated for the sale of the building and will consider other offers. The property tax situation has been further reviewed and the various laws researched, and no requirement to refund these monies has been found. Further consideration will be given to this issue.

4. Salary Commission Meeting

The Howard County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed valuation, population, training attendance, or a combination of these factors. At the September 8, 1997, meeting the salary commission determined there would be no salary increases other than the assessor's mandated increase and authorized the County Commission to approve cost of living

adjustments to officials' compensation. The salary commission again met on December 14, 1998, and set salaries for all county officials at 100 percent of the maximum allowable compensation (which represents a salary increase) effective at the beginning of each official's next term of office. This decision will increase elected officials future salaries by approximately \$56,000 annually. Of this amount, approximately \$47,000 in salary increases took effect in 1999, while the remaining \$9,000 in salary increases takes effect in 2001.

RSMo 50.333, Cumulative Supp. 1998, provides for the salary commission to meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. While the County Commission indicated the county consulted with the Prosecuting Attorney and an outside attorney, no written legal opinion was obtained to support the appropriateness of the December 1998 meeting and any decisions made.

The County Commission should review this situation with the Prosecuting Attorney and ensure all future salary commission meetings are held when provided for by law and all decisions are thoroughly documented.

WE RECOMMEND the County Commission consult with the Prosecuting Attorney regarding the propriety of the December 1998 meeting and decisions. Salary Commission minutes should clearly document all decisions and include written opinions from the Prosecuting Attorney as applicable.

AUDITEE'S RESPONSE

We consulted with our Prosecuting Attorney, an outside attorney, and other entities before making our decisions. We followed the legal advice we obtained. We believe we were in compliance with the law.

5. Tax Book Controls and Procedures
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- A. The County Clerk does not maintain an account book with the County Collector . An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Additionally, Section 51.150.2, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the County Collector's annual settlements.

- B. The County Assessor enters the assessment information into the county's computer system. The County Collector obtains the tax rates from the County Clerk, enters them into the computer system and the EDP operator generates the tax books. There is no evidence that the County Clerk is adequately verifying the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 1994, require the county clerk to extend tax books and to charge the county collector with the total amount of the current tax books and the aggregate amount of taxes and fees in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide a system of checks and balances. Failure to perform reviews of the tax books and test some individual tax bill computations may result in the failure to discover errors and irregularities.
- C. Additions and abatements of property taxes are not approved by the County Commission as they occur. At the end of the tax year a computer-generated listing of all additions and abatements is prepared and signed by the County Commission. This listing serves as the court order to add or abate the property taxes.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the clerk of the county commission under order of the county commission. For the County Commission to properly monitor additions and abatements, each should be approved by the County Commission periodically throughout the year.

Similar conditions were noted in our two prior reports.

WE AGAIN RECOMMEND:

- A. The County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.
- B. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.
- C. The County Commission review and approve all additions and abatements on a timely basis.

AUDITEE'S RESPONSE

A&B. I will work toward complying with state law.

C. We will try to implement this recommendation.

6. General Fixed Assets

Several prior audit reports have addressed the inadequacy of the county's general fixed asset records and procedures. This condition has not improved since our last audit. Apparently no effort has been made by the County Clerk to maintain property records; to number, tag, or otherwise identify property items; or, to perform annual inventories of county-owned personal property and quarterly inspections of county-owned land and buildings.

Adequate general fixed asset procedures and records are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage. Inventories and proper tagging of county property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. Inspections are necessary to evaluate the physical condition and usage of county land and buildings and ensure they are properly maintained. Section 51.155, RSMo Cumulative Supp. 1998, outlines the County Clerk's responsibilities regarding general fixed assets.

WE AGAIN RECOMMEND the County Clerk perform and document inspections and inventories of county-owned property; appropriately tag, number, or otherwise identify all county property; and create a complete general fixed asset record. Once these procedures are performed and the property records prepared, the County Clerk needs to develop procedures to record all property additions and dispositions of general fixed assets as they occur and perform periodic inspections and inventories.

AUDITEE'S RESPONSE

We are working toward complying with the recently passed House Bill No. 402, which outlines the county's responsibilities regarding general fixed assets.

7.

Prosecuting Attorney

The current and the former Prosecuting Attorney have not had an office in the courthouse. Duties as county Prosecuting Attorney have been performed from offices used in the operation of their private law practices. As discussed in prior audit reports, the county pays the Prosecuting Attorney \$200 each month for use of his equipment. These equipment items are owned by the Prosecuting Attorney personally and are used for both county and private practice work. While the county does have a written agreement with the current Prosecuting Attorney outlining a set amount per month to be paid to compensate the Prosecuting Attorney for maintenance and use of equipment and utilities provided entirely by him, there is no documentation to support how the monthly amount was derived.

Additionally, the Prosecuting Attorney employs one part-time and one full-time secretary. Apparently the part-time secretary performs only county work and is compensated from county

funds. The full-time secretary performs duties related to county and private practice work and her salary expense is shared by the county and the private practice. Time sheets detailing days and hours worked by these secretaries are not submitted to the county to support payroll expenditures. No written documentation exists to document the adequacy of the monthly equipment rental amount or the allocation of employees' time.

The county should enter into a more specific written agreement with the Prosecuting Attorney outlining what the arrangements are, what rent, equipment, and/or personnel will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained. Time sheets supporting time worked by Prosecuting Attorney secretaries should also be prepared and submitted to the county.

It is important to document the adequacy of the financial arrangement between the Prosecuting Attorney and the county and the basis for the allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work efforts to avoid the appearance of impropriety, and alleviate questions regarding possible inappropriate use of public resources.

WE RECOMMEND the County Commission and the Prosecuting Attorney improve the contract agreement for this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work. In addition, time sheets should be prepared and submitted to the county by the Prosecuting Attorney's secretaries.

AUDITEE'S RESPONSE

The County Commission indicated they are in the process of implementing this recommendation.

The Prosecuting Attorney indicated the full-time employee who performs duties for the county and his private practice is now preparing a timesheet which is being submitted for each pay period to the county to support payroll expenditures. Written documentation will be maintained to support costs related to the use and maintenance of office equipment.

8. Circuit Clerk's Controls and Procedures

- A. No formal procedures have been established to ensure all accrued costs are adequately identified and followed up on. A listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. When a case is closed and the costs determined, the Circuit Clerk prepares and sends a cost bill to the defendant. If payment is not received, the Circuit Clerk does not initiate any further collection procedures. In addition, summary records are

not maintained of accrued cost balances and the Circuit Clerk does not periodically determine total accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

The Circuit Clerk accepts partial payments of accrued costs and accumulates them until the entire balance has been collected. Our review of the open items listing noted many older cases contain balances which are insufficient to cover all costs charged to the case. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance in the case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated." Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

- B. Checks totaling approximately \$399 have been outstanding since the prior audit and are still carried on the books at December 31, 1998. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

Sections 50.470 through 50.500, RSMo 1994, provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund and Sections 447.500 through 447.595, RSMo 1994, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

- C. A proper segregation of duties does not exist within the Circuit Clerk's office for child support monies. The Circuit Clerk is responsible for all receipting, recording, depositing, disbursing and reconciliation procedures for this account.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic independent review of the records should be performed and documented.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Circuit Clerk:

- A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection. Review older cases along with the Circuit Judge and determine the appropriate disposition of inactive cases.

- B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

- A. *I will consider this recommendation and discuss with the Circuit Judge what action needs to be taken.*
- B. *I will try to implement this recommendation.*
- C. *With the number of employees in my office segregation is difficult. Once the centralized collection of all child support monies by the state takes effect this will no longer be an issue.*

9. Sheriff's Accounting Controls and Procedures
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- A. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper performs all the duties of receiving, recording, depositing, disbursing, and reconciling for the Sheriff's bank account. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.
- B. The Sheriff's office does not have adequate controls in place to ensure the proper safeguarding of receipts from theft, misuse or loss. Monies received are not deposited timely and intact, and checks are not restrictively endorsed immediately upon receipt. Monies received from February 1, 1999 to February 4, 1999, totaling approximately \$1,370 (which included \$821 in cash) were deposited on February 4, 1999. The composition of receipts is not reconciled to the composition of deposits and cash receipts are sometimes used to cash personal checks for employees. It was also noted that partial payments on garnishments are not receipted, deposited, and disbursed until the court order is paid in full, which could be a month to several months later.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be receipted and deposited intact and daily or when accumulated receipts exceed \$100, the practice of allowing employees to cash personal checks should be discontinued and checks and money orders should be restrictively endorsed immediately upon receipt.

Similar conditions were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.
- B. Promptly receipt all monies received, deposit all receipts intact and daily or when accumulated receipts exceed \$100, discontinue the practice of allowing employees to cash personal checks, and restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

- A. *I will implement this recommendation by performing periodic reviews of the records.*
- B. *This recommendation will be implemented. We no longer cash employee checks.*

10. Health Department Accounting Controls and Procedures

Our review of the health department's receipting and transmittal procedures indicated the following concerns.

- A. The health department receives numerous small donations for providing various tests and immunizations. Our review indicated that some of these monies are not recorded on the donations receipt log. In addition, while the method of payment (cash, check, money order, etc.) has been recorded on the donations log in the past, it is not currently being recorded. It was also noted that birth and death certificate receipt logs do not indicate the method of payment.

To ensure receipts are accounted for properly and transmitted intact, all receipts should be recorded on the various receipt logs, the method of payments received should be indicated, and the composition of recorded receipts should be reconciled to the composition of amounts transmitted to the County Treasurer.

- B. Receipts are not always transmitted to the County Treasurer intact on a timely basis. Transmittals to the County Treasurer are made approximately twice a month regardless of when monies are received and generally contain a significant amount of cash. In addition, the health department retains small cash amounts from transmittals to provide change and this change fund is not maintained at a constant amount.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly transmitted, receipts should be transmitted intact on a daily basis or when accumulated receipts exceed \$100, and the change fund should be maintained at a constant amount.

WE RECOMMEND the Health Department:

- A. Record all receipts, including method of payment, on the receipt logs and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.
- B. Transmit all monies intact to the County Treasurer on a timely basis and maintain the change fund at a constant amount.

AUDITEE'S RESPONSE

The Health Department Administrator provided the following responses:

- A. *All transactions are now being recorded on receipt logs. Each entry in the general ledger now includes an indication of the service, receipt number, date, method of payment, and amount of payment. Entries into the vital records log include the date, name, requestor, amount, and method of payment. The receipts are reconciled to the transmittals to the County Treasurer at the time of delivery. Record of this is maintained in the receipt logs. Beginning in November 1999, the health department will reconcile the composition of receipts to the composition of transmittals and record this in the receipt logs.*
- B. *All monies are transmitted to the County Treasurer monthly. Record of the transmittal to the County Treasurer is maintained in the log. The beginning balance following transmittals to the County Treasurer is maintained at \$100.*

11. Howard County Handicapped Services Board Budgeting Procedures

Annual budgets approved by the board for 1998 and 1997 did not contain a summary of available resources and cash reconciliation, estimated revenues and appropriations and estimated ending fund balance, and actual receipts and disbursements data for each of the two preceding years.

Because no cash reconciliation was prepared there is less assurance that budget data is accurate. Our review indicated that actual cash, receipts, and disbursements as reflected on the budget documents did not agree to the accounting records. It was necessary to make adjustments to the financial statements to reflect this information.

Chapter 50, RSMo 1994, requires the budget present a complete financial plan for the ensuing year. Documenting a complete summary of available resources, a cash reconciliation, and accurate actual data from preceding years is necessary to present a complete financial plan.

WE RECOMMEND the Howard County Handicapped Services Board prepare a complete and accurate budget document.

AUDITEE'S RESPONSE

The Howard County Handicapped Services Board Treasurer indicated the board will make an effort to implement this recommendation.

This report is intended for the information of the management of Howard County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Howard County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 2.A. is omitted since the related follow-up appears in an earlier section of the report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Keller Memorial Hospital

- A. The Keller Memorial Hospital ceased operations in June 1995. Neither the County Commission nor the hospital Board of Trustees adequately planned for the closing of the hospital and transfer of assets to the county. Without adequate monitoring, planning, or cost evaluations, the County Commission authorized a hospital levy to be extended in September 1996. As a result, \$285,000 in hospital property taxes were paid by Howard County taxpayers for a hospital that was not in operation.
- B. Procedures utilized when selling equipment items prior to and during the closing of the hospital were inadequate. In addition, the hospital did not maintain adequate records of its fixed assets.

Recommendation:

The County Commission:

- A. Develop a short-term plan for the immediate handling of this property and a long-term plan to utilize the building for county purposes or sell the building. In the future, the County Commission needs to obtain adequate financial information prior to assessing related tax levies and the county should consider returning this property tax windfall to tax payers via a future tax reduction
- B. Perform an inventory now and dispose of remaining unneeded equipment items and the County Clerk ensure the general fixed asset records are maintained and properly updated to reflect the acquisition of the property previously owned by the Keller Memorial Hospital Board of Trustees.

Status:

- A. Not implemented. See MAR No. 3.
- B. Partially implemented. While no inventory was performed, the county did hold an auction to dispose of unneeded hospital equipment. Property retained by the county has not been accounted for in general fixed asset records. For related comments, see MAR No. 6.

2. County Budgets and Financial Reporting

- B. Expenditures in excess of approved budgeted expenditures were made from several funds.
- C. Several inaccuracies were noted in the information presented in the county's budget documents.
- D. The county's annual published financial statements did not include any financial activity of numerous county funds and did not present receipts or revenues and beginning and ending cash balances for any county funds.
- E. As discussed in prior audit reports, the County Treasurer continued to maintain numerous bank accounts.

Recommendation:

The County Commission:

- B. The County Commission not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.
- C. The County Clerk prepare complete and accurate budgets.
- D. The County Commission ensure the published financial statements include the necessary information and all county funds as required by state law.
- E. The County Commission work with the County Treasurer to reduce the number of county bank accounts.

Status:

- B,C,
& D. Not implemented. See MAR No. 1.
- E. Partially implemented. The County Commission and County Treasurer discussed this issue subsequent to the prior audit and reduced the number of bank accounts. However, the county still maintains a large number of bank accounts and should consider reducing the number of accounts to simplify bookkeeping procedures. Although not repeated in the current report, our recommendation remains as stated above.

3. Payroll and Personnel Procedures

- A. The personnel policies manual developed for the county had never been officially approved by the County Commission and the policies in the manual were not consistently enforced.
- B. Centralized time and leave records were not maintained by the County Clerk for all employees.

Recommendation:

The County Commission:

- A. Adopt and enforce a personnel policy.
- B. Require the County Clerk to maintain centralized time and leave records.

Status:

A&B. Not implemented. See MAR No. 2.

4. County Disbursements

- A. The county did not have a written agreement with the Prosecuting Attorney outlining what costs would be paid and what office personnel and equipment would be provided by the county and what would be provided by the Prosecuting Attorney's private law practice.
- B. Law library disbursements were made from the General Revenue Fund instead of the Law Library Fund.
- C. Randolph County used the incorrect percentage in assessing the expenses of the juvenile office which were prorated between Randolph County and Howard County, resulting in underbillings to Howard County of approximately \$5,000.

Recommendation:

The County Commission:

- A. And the Prosecuting Attorney formalize this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work. In addition, time sheets should be prepared and submitted to the county by the Prosecuting Attorney's secretaries.
- B. Ensure Law Library funds are utilized before paying for law library materials from General Revenue Fund.
- C. Contact Randolph County regarding past billing errors and resolve this situation.

Status:

- A. Partially implemented. The Prosecuting Attorney and the county entered into a written agreement which provides for the county to pay the Prosecuting Attorney \$200 each month for maintenance and use of equipment he owns and for other office expenses, such as utilities. However, there is no supporting documentation to show how the agreed upon amount was determined. In addition, time sheets are not prepared and submitted to the county by the Prosecuting Attorney's secretaries. See MAR No. 7.

- B. Not implemented. In 1998, \$5,000 was transferred from the law library account to the General Revenue Fund. During the audit period approximately \$10,400 was expended from the General Revenue Fund for law library materials. Although not repeated in the current report, our recommendation remains as stated above.
- C. Partially implemented. Although no payment was made from Howard County to Randolph County regarding the \$5,000 underbilling, the correct percentage is now being used to prorate expenses.

5. Tax Book Controls and Procedures

- A. The County Clerk did not maintain an account book with the County Collector .
- B. There was no evidence that the County Clerk was adequately verifying the tax books charged to the County Collector.
- C. Additions and abatements of property taxes were not approved by the County Commission as they occurred. At the end of the tax year a computer-generated listing of all additions and abatements was prepared and signed by the County Commission. This listing served as the court order to add or abate the property taxes.

Recommendation:

- A. The County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.
- B. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.
- C. The County Commission review and approve all additions and abatements on a timely basis.

Status:

- A-C. Not implemented. See MAR No. 5.

6. General Fixed Assets

No effort had been made by the county to maintain property records; to number, tag, or otherwise identify property items; or, to perform annual inventories of county-owned personal property and quarterly inspections of county-owned land and buildings.

Recommendation:

The County Clerk perform and document inspections and inventories of county-owned property; appropriately tag, number, or otherwise identify all county property; and, create a complete general fixed asset record. Once these procedures are performed and the property records prepared, the County Clerk needs to develop procedures to record all property additions and dispositions of general fixed assets as they occur and perform periodic inspections and inventories.

Status:

Not implemented. See MAR No. 6.

7. Prosecuting Attorney's Accounting Controls and Procedures

- A. Monthly bank reconciliations were not performed and open items listing were not prepared for the bad check restitution account.
- B. Accounting and bookkeeping duties were not adequately segregated.
- C. Receipts were not always deposited intact or on a timely basis.
- D. A cash control ledger was not maintained for bad check restitutions.
- E. Bad check monies received by the Prosecuting Attorney's office were not always transmitted to the County Treasurer intact and on a timely basis.

Recommendation:

The Prosecuting Attorney:

- A. Ensure monthly bank reconciliations and listings of liabilities are prepared and any discrepancies resolved. Efforts to investigate the unidentified monies should continue and any monies remaining unidentified should be disbursed in accordance with state law.
- B. Adequately segregate accounting and bookkeeping duties to the extent possible and ensure that documented independent reviews of work are performed.
- C. Ensure monies are deposited intact daily or when accumulated receipts exceed \$100.
- D. Ensure a cash control ledger which includes all receipts and disbursements, the method of disposition, and the cash balance, is maintained.
- E. Ensure that fee monies are transmitted to the County Treasurer intact and on a timely basis.

Status:

- A-E. Although these concerns continued throughout most of the audit period, the new Prosecuting Attorney implemented these recommendations in 1999.

8. Sheriff's Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B.
 - 1. Adequate bank reconciliations were not prepared and bank balances were not reconciled to the book balance.
 - 2. Receipts were not deposited on a timely basis.

- C. Complete and detailed mileage logs were not maintained for county-owned Sheriff's department vehicles.
- D. Several years ago the Sheriff made a verbal agreement with the telephone company whereby the company discontinued disbursing the full amount of commissions to the Sheriff. A portion of the commissions earned were withheld by the company to pay for jail surveillance equipment purchased from this company. In addition, vendor invoices (totaling approximately \$1200) for Sheriff's department equipment purchases and vehicle repairs were forwarded to the telephone company which then paid the vendors from telephone commissions earned by the Sheriff's department. The amounts paid were withheld from subsequent commission distributions to the county. No documentation of these transactions was retained.
- E. The Sheriff's Department did not maintain invoices and other supporting documentation of expenditures made from the Domestic Cannabis Eradication/Suppression Program.

Recommendation:

The Sheriff:

- A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.
- B.1. Prepare adequate bank reconciliations on a monthly basis. Any difference should be investigated and explained on the reconciliation.
 - 2. Deposit monies daily or when accumulated receipts exceed \$100.
- C. Maintain adequate mileage records on all county-owned patrol vehicles and review these records periodically for reasonableness.
- D. Ensure that all telephone commissions are received by the county and transmitted to the custody of the County Treasurer. Any expenditures should be made through the county's normal budgetary and expenditure processes.
- E. Ensure proper documentation of grant expenditures is retained.

Status:

B.1.,
C&E. Implemented.

A&
B.2. Not implemented. See MAR No 9.

D. Implemented. Telephone commission monies are now transmitted to the County Treasurer for deposit into General Revenue. Portions of the commissions continue to be withheld to pay off purchase agreements entered into by the former Sheriff; however, no similar arrangements were noted during this audit period.

9. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures

- A. The method of payment was not indicated on the Circuit Clerk's receipt slips or in the Ex Officio Recorder of Deeds' fee book.
- B. At December 31, 1996, twenty-seven checks in the Circuit Clerk's checking account totaling \$498 had been outstanding for more than two years.
- C. Receipts were not deposited intact by the Ex Officio Recorder of Deeds. Cash was withheld from deposits for making cash refunds.
- D. The duties of receiving, recording, and depositing monies for the child support account were not adequately segregated.
- E. Formal procedures had not been established to ensure all accrued costs were not adequately identified and followed up on.

Recommendation:

The Circuit Clerk and the Ex Officio Recorder of Deeds:

- A. Indicate the method of payment on all receipts and reconcile total cash, checks, and money orders to bank deposits.
- B. Attempt to identify and/or disburse all unidentified monies and old outstanding checks through the applicable statutory provisions.
- C. Deposit all monies intact. In addition, all refunds should be made by check.
- D. Adequately segregate accounting duties and/or provide for independent and documented reviews of accounting records.
- E. Establish procedures to follow up and collect costs that accrue to the court. Review older cases along with Circuit Judge and determine the appropriate disposition of inactive cases.

Status:

- A. Implemented.
- B,D,
& E. Not implemented. See MAR No. 8.
- C. Partially implemented. Deposits are made intact. However, cash is sometimes received back from deposits so that cash refunds can be made. Although not repeated in the current report, our recommendation remains stated above.

10. Collector's Proposition C Calculations

The County Collector used incorrect unadjusted tax levies when computing the 1995 and 1994 Proposition C ratios for some school districts. In addition, when making the 1996 Proposition C adjustments related to stated assessed railroad and utility taxes, the County Collector applied the 1 percent commission rate and assessment withholding rate to the wrong amounts. These errors resulted in approximately \$7,500 and \$6,600 being due to the General Revenue Fund and Assessment Fund, respectively, from the various school districts.

Recommendation:

The Collector consider recomputing commissions related to these school districts and making corrections for amounts improperly distributed to the schools, General Revenue Fund, and Assessment Fund. In addition, the Collector needs to ensure future Proposition C commissions are computed properly.

Status:

Implemented. The County Collector adjusted the December 1997 withholdings to correct for past errors made.

11. 911

Annual budgets approved by the board did not contain a summary of available resources, estimated revenues and appropriations, estimated ending balance, and a cash reconciliation.

Recommendation:

The 911 Board prepare a complete and accurate budget document.

Status:

Partially implemented. The 1998 budget approved by the board did contain a summary of available resources, estimated revenues and appropriations, estimated ending balance and cash reconciliation. However, the budget document did not include some interest income and the activity of one bank account. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOWARD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1816, the county of Howard was named after General Benjamin Howard. Howard County is a third-class county and is part of the Fourteenth Judicial Circuit. The county seat is Fayette.

Howard County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Howard County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 336,019	17	305,971	14
Sales taxes	421,622	21	412,447	18
Federal and state aid	871,827	43	709,927	32
Fees, interest, and other	382,191	19	823,360	36
Total	\$ 2,011,659	100	2,251,705	100

The following chart shows how Howard County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

USE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 875,939	20	736,377	19
Public safety	165,613	26	188,185	28
Highways and roads	1,056,438	54	936,239	53
Total	\$ 2,097,990	100	1,860,801	100

In addition, Howard County received \$341,470 and \$309,872 of revenues in the Law Enforcement Sales Tax Fund and expended \$341,317 and 309,076 for the purpose of public safety in 1998 and 1997, respectively.

The county maintains approximately 104 county bridges and 503 miles of county roads.

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The county's population was 10,561 in 1970 and 9,631 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 42.4	41.5	35.2	19.5	13.8
Personal property	17.5	16.3	11.4	8.1	4.4
Railroad and utilities	14.2	14.3	13.1	12.3	9.6
Total	\$ 74.1	72.1	59.7	39.9	27.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Howard County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue Fund	\$.25	.24
Special Road and Bridge Fund*	.27	.26
Howard County Sheltered Services Board	.10	.10

* The county retains all tax proceeds from areas not within road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	\$ 23,125	22,342
General Revenue Fund	198,425	185,339
Special Road and Bridge Fund	208,254	194,951
Special Road Districts Fund	62,802	61,337
Assessment Fund	40,997	38,760
Hospital Fund	5,214	19,713
Howard County Sheltered Services Board	75,724	73,663
Schools Fund	2,569,809	2,398,691
Library Fund	65,796	63,132
Ambulance District	219,639	205,874
Fire Districts Fund	133,493	125,364
Watershed District Fund	13,481	12,968
Levee District Fund	123,901	178,846
Cities	171,425	165,571
County Clerk	215	209
County Employees' Retirement Fund	14,237	14,170
Other	21,104	20,803
Commissions and fees:		
County Collector	2,870	2,791
General Revenue Fund	73,293	67,754
Total	\$ 4,023,804	3,852,278

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	93.6 %	93.7 %
Personal property	89.2	88.5
Railroad and utilities	100.0	100.0
Levee	95.5	95.2

Howard County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50
Law Enforcement	.0050	None	None
911	.0050	None	None
Capital Improvements	.0050	None	None

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

Officeholder	1999	1998	1997
County-Paid Officials:			
Winston Huttzell, Presiding Commissioner	\$	17,000	17,000
Andrew G. Diehls, Associate Commissioner		17,000	17,000
Howard P. Black, Associate Commissioner		17,000	17,000
William M. Hill, County Clerk		28,500	28,500
Gregory P. Robinson, Prosecuting Attorney		33,000	33,000
Charlie Polson, Sheriff		8,500	
Randy L. Yaeger, Sheriff		25,500	34,000
Bonnie J. McCutcheon, County Treasurer		18,710	18,710
Frank Flaspohler, County Coroner		5,500	5,500
Glynda Naylor, Public Administrator *		20,548	24,705
Sharon Himmelberg, County Collector**, year ended February 28,	34,102	34,023	
George W. Frink, County Assessor ***, year ended August 31,		34,900	31,800
Gene Bowen, County Surveyor ****			

* Includes fees received from probate cases.

** Includes \$2,870 and \$2,791 of commissions earned for collecting city property taxes for 1998 and 1997, respectively.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

Charles J. Flaspohler, Circuit Clerk and Ex Officio Recorder of Deeds	42,185	40,176
Ralph Jaynes, Associate Circuit Judge	85,158	81,792

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A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds *	1	2
County Clerk	1	0
Prosecuting Attorney *	2	0
Sheriff	10	0
County Collector	1	0
County Assessor	3	0
Associate and Probate Division *	1	1
Road and Bridge	11	0
Health Center **	6	0
Keller Building	1	0
Maintenance *	2	0
911***	12	0
Total	<u>52</u>	<u>3</u>

* Includes 1 part-time employee.

** Includes 3 part-time employees.

*** Includes 6 part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Howard County's share of the Fourteenth Judicial Circuit's expenses is 28.33 percent.