



KNOX COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

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

Report No. 2000-92
September 18, 2000
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2000

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Knox, 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 Knox County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As similarly noted in prior audit reports, the financial condition of the county's General Revenue Fund remains weak. Although a half-cent law enforcement sales tax became effective January 1999 and allowed law enforcement expenses to be moved to a new Law Enforcement Sales Tax Fund, the cash balance of the General Revenue Fund only increased \$12,117. Our prior audit report also noted that approximately \$236,000 was owed to the Special Road and Bridge Fund from the General Revenue Fund as a result of excessive administrative transfers. The county reduced the debt by approximately \$12,000 and indicated it plans to repay \$6,128 in 2000, but does not plan to repay the remaining excess amounts due to the Special Road and Bridge Fund because the General Revenue Fund cannot afford it.
- The county did not prepare a complete and accurate schedule of expenditures of federal awards for each year of the audit period as required. Without an accurate schedule of expenditures of federal awards, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds. Also, as in the prior audit report, problems were noted regarding the county's handling of federal bridge funds. The county has not established procedures to ensure these federal monies are disbursed to contractors on a timely basis. In addition, there was no documentation to indicate that the County Commission considered three engineering firms when procuring engineering services as required by state statute.

(over)

YELLOW SHEET

- The County Clerk does not prepare adequate records of County Commission meetings. In January 2000, the County Clerk discontinued preparing records of the meetings. State statutes require the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission and the Sunshine Law requires that each public governmental body shall make that body's public records available for inspection and copying by the public.
- Although hourly-paid employees prepare time sheets, such records of actual time worked are not maintained by salaried employees representing about one half of the county employees. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Also, included in the audit are recommendations to improve the accounting controls and procedures for the Health Center, County Clerk, Prosecuting Attorney, Ex Officio Recorder of Deeds, and Sheriff. The accounting control and procedure issues applicable to the Ex Officio Recorder of Deeds and County Clerk have been noted similarly in prior audits. The audit also suggested improvements be made in the county's budgetary and expenditure procedures, and apportionment of railroad and utility taxes.

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 AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Knox County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 1999 and 1998, 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.

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 Knox 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 Knox County.

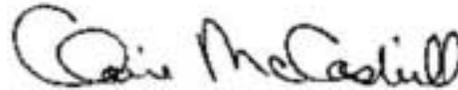
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Knox County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, 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 24, 2000, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Knox 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 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Karen A. Wolf
Audit Staff:	Carl E. Zilch, Jr. A. Dailey Scott L. Fontana Tirena C. Miller



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 Knox County, Missouri

We have audited the special-purpose financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 24, 2000. 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

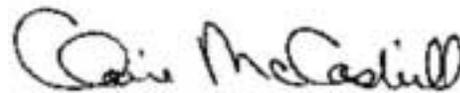
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Knox County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we 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 Knox 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. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 Knox County, Missouri; federal awarding agencies and pass-through entities; 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 24, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

KNOX COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,455	460,318	447,588	14,185
Special Road and Bridge	153,544	1,073,062	1,018,105	208,501
Assessment	37	73,265	73,127	175
Law Enforcement Training	873	1,473	1,510	836
Prosecuting Attorney Training	227	225	100	352
Sheriff Fees	1,096	5,263	3,867	2,492
Recorder's User Fee	5,400	3,624	7,549	1,475
Health Center	128,801	284,654	320,313	93,142
Circuit Clerk Interest	1,520	820	0	2,340
Prosecuting Attorney Crime	1,269	951	896	1,324
Children's Trust	1,439	184	0	1,623
Law Enforcement Sales Tax	0	143,547	143,327	220
Law Library	471	420	305	586
Total	\$ 296,132	2,047,806	2,016,687	327,251

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

Exhibit A-2

KNOX 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	\$ 2,068	500,489	501,102	1,455
Special Road and Bridge	265,156	1,239,153	1,350,765	153,544
Assessment	828	67,123	67,914	37
Law Enforcement Training	254	1,276	657	873
Prosecuting Attorney Training	81	246	100	227
Sheriff Fees	1,484	5,667	6,055	1,096
Recorder's User Fee	7,804	2,298	4,702	5,400
Health Center	307,844	342,462	521,505	128,801
Circuit Clerk Interest	1,088	1,706	1,274	1,520
Prosecuting Attorney Crime	1,235	896	862	1,269
Children's Trust	1,259	180	0	1,439
Law Library	389	410	328	471
Total	\$ 589,490	2,161,906	2,455,264	296,132

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

Exhibit B

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 103,400	107,230	3,830	122,000	134,957	12,957
Sales taxes	220,000	205,984	(14,016)	235,000	206,537	(28,463)
Intergovernmental	4,600	9,308	4,708	12,500	11,510	(990)
Charges for services	88,894	85,450	(3,444)	91,267	90,731	(536)
Interest	5,000	2,694	(2,306)	6,000	3,633	(2,367)
Other	19,404	15,289	(4,115)	25,850	16,463	(9,387)
Transfers in	34,363	34,363	0	39,258	36,658	(2,600)
Total Receipts	475,661	460,318	(15,343)	531,875	500,489	(31,386)
DISBURSEMENTS						
County Commission	40,253	41,612	(1,359)	36,840	36,519	321
County Clerk	43,872	43,916	(44)	41,363	40,601	762
Elections	0	470	(470)	10,000	9,911	89
Buildings and grounds	73,450	48,856	24,594	52,632	50,145	2,487
Employee fringe benefits	41,000	29,585	11,415	36,700	36,932	(232)
County Treasurer	18,633	18,602	31	15,366	15,038	328
County Collector	44,997	44,953	44	42,785	43,232	(447)
Circuit Clerk and Ex Officio Recorder of Deeds	15,112	11,267	3,845	14,104	11,863	2,241
Associate Circuit Court	4,700	1,698	3,002	4,600	1,562	3,038
Court administration	1,081	558	523	2,113	1,239	874
Public Administrator	17,363	21,030	(3,667)	15,402	15,661	(259)
Sheriff	0	0	0	72,025	75,161	(3,136)
Jail	0	0	0	40,444	37,593	2,851
Prosecuting Attorney	45,446	45,433	13	40,741	40,306	435
Juvenile Officer	32,952	35,156	(2,204)	35,301	37,846	(2,545)
County Coroner	7,499	4,391	3,108	6,675	4,125	2,550
Public Defender	46,250	31,810	14,440	35,252	30,425	4,827
Other	3,300	350	2,950	4,000	3,824	176
Court Reporter	365	151	214	342	119	223
Transfers out	23,410	67,750	(44,340)	26,923	9,000	17,923
Total Disbursements	459,683	447,588	12,095	533,608	501,102	32,506
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,978	12,730	(3,248)	(1,733)	(613)	1,120
CASH, JANUARY 1	1,455	1,455	0	2,068	2,068	0
CASH, DECEMBER 31	\$ 17,433	14,185	(3,248)	335	1,455	1,120

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

Exhibit C

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 299,500	295,957	(3,543)	287,700	286,231	(1,469)
Sales taxes	110,000	102,902	(7,098)	115,000	103,284	(11,716)
Intergovernmental	543,569	574,902	31,333	881,234	770,577	(110,657)
Interest	12,000	11,660	(340)	15,000	18,580	3,580
Other	64,000	87,641	23,641	24,500	60,481	35,981
Total Receipts	<u>1,029,069</u>	<u>1,073,062</u>	<u>43,993</u>	<u>1,323,434</u>	<u>1,239,153</u>	<u>(84,281)</u>
DISBURSEMENTS						
Salaries	254,064	232,496	21,568	250,000	245,224	4,776
Employee fringe benefits	44,000	32,280	11,720	42,000	41,608	392
Supplies	118,250	100,764	17,486	122,600	113,868	8,732
Insurance	15,000	500	14,500	11,000	12,383	(1,383)
Road and bridge materials	355,000	314,877	40,123	333,000	424,929	(91,929)
Equipment repairs	15,000	33,942	(18,942)	20,000	12,321	7,679
Rentals	5,000	4,047	953	20,000	61,010	(41,010)
Equipment purchases	132,000	131,447	553	202,000	138,821	63,179
Construction, repair, and maintenance	69,069	132,637	(63,568)	415,934	259,565	156,369
Other	1,350	752	598	1,350	1,028	322
Transfers out	34,363	34,363	0	39,158	40,008	(850)
Total Disbursements	<u>1,043,096</u>	<u>1,018,105</u>	<u>24,991</u>	<u>1,457,042</u>	<u>1,350,765</u>	<u>106,277</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,027)	54,957	68,984	(133,608)	(111,612)	21,996
CASH, JANUARY 1	153,544	153,544	0	265,156	265,156	0
CASH, DECEMBER 31	<u>\$ 139,517</u>	<u>208,501</u>	<u>68,984</u>	<u>131,548</u>	<u>153,544</u>	<u>21,996</u>

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

Exhibit D

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 59,661	60,052	391	48,074	57,654	9,580
Interest	469	363	(106)	1,160	469	(691)
Transfers in	16,310	12,850	(3,460)	26,923	9,000	(17,923)
Total Receipts	<u>76,440</u>	<u>73,265</u>	<u>(3,175)</u>	<u>76,157</u>	<u>67,123</u>	<u>(9,034)</u>
DISBURSEMENTS						
Assessor	76,440	73,127	3,313	76,157	67,914	8,243
Total Disbursements	<u>76,440</u>	<u>73,127</u>	<u>3,313</u>	<u>76,157</u>	<u>67,914</u>	<u>8,243</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	138	138	0	(791)	(791)
CASH, JANUARY 1	37	37	0	828	828	0
CASH, DECEMBER 31	<u>\$ 37</u>	<u>175</u>	<u>138</u>	<u>828</u>	<u>37</u>	<u>(791)</u>

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

Exhibit E

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 0	528	528	0	279	279
Charges for services	980	945	(35)	950	980	30
Interest	17	0	(17)	25	17	(8)
Other	203	0	(203)	250	0	(250)
Total Receipts	<u>1,200</u>	<u>1,473</u>	<u>273</u>	<u>1,225</u>	<u>1,276</u>	<u>51</u>
DISBURSEMENTS						
Sheriff	1,500	1,510	(10)	1,225	657	568
Total Disbursements	<u>1,500</u>	<u>1,510</u>	<u>(10)</u>	<u>1,225</u>	<u>657</u>	<u>568</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(37)	263	0	619	619
CASH, JANUARY 1	873	873	0	254	254	0
CASH, DECEMBER 31	<u>\$ 573</u>	<u>836</u>	<u>263</u>	<u>254</u>	<u>873</u>	<u>619</u>

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

Exhibit F

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 310	212	(98)	375	240	(135)
Interest	10	13	3	15	6	(9)
Total Receipts	<u>320</u>	<u>225</u>	<u>(95)</u>	<u>390</u>	<u>246</u>	<u>(144)</u>
DISBURSEMENTS						
Prosecuting Attorney	310	100	210	400	100	300
Total Disbursements	<u>310</u>	<u>100</u>	<u>210</u>	<u>400</u>	<u>100</u>	<u>300</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	10	125	115	(10)	146	156
CASH, JANUARY 1	227	227	0	81	81	0
CASH, DECEMBER 31	<u>\$ 237</u>	<u>352</u>	<u>115</u>	<u>71</u>	<u>227</u>	<u>156</u>

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

Exhibit G

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 5,400	5,263	(137)	3,000	5,512	2,512
Interest	100	0	(100)	20	155	135
Total Receipts	<u>5,500</u>	<u>5,263</u>	<u>(237)</u>	<u>3,020</u>	<u>5,667</u>	<u>2,647</u>
DISBURSEMENTS						
Sheriff	<u>5,500</u>	<u>3,867</u>	<u>1,633</u>	<u>3,020</u>	<u>6,055</u>	<u>(3,035)</u>
Total Disbursements	<u>5,500</u>	<u>3,867</u>	<u>1,633</u>	<u>3,020</u>	<u>6,055</u>	<u>(3,035)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,396	1,396	0	(388)	(388)
CASH, JANUARY 1	1,096	1,096	0	1,484	1,484	0
CASH, DECEMBER 31	<u>\$ 1,096</u>	<u>2,492</u>	<u>1,396</u>	<u>1,484</u>	<u>1,096</u>	<u>(388)</u>

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

Exhibit H

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

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 2,000	1,842	(158)	2,000	1,962	(38)
Interest	350	254	(96)	500	336	(164)
Other	0	1,528	1,528	0	0	0
Total Receipts	2,350	3,624	1,274	2,500	2,298	(202)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	3,000	7,549	(4,549)	3,686	4,702	(1,016)
Total Disbursements	3,000	7,549	(4,549)	3,686	4,702	(1,016)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(650)	(3,925)	(3,275)	(1,186)	(2,404)	(1,218)
CASH, JANUARY 1	5,400	5,400	0	7,804	7,804	0
CASH, DECEMBER 31	\$ 4,750	1,475	(3,275)	6,618	5,400	(1,218)

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

Exhibit I

KNOX COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 40,000	47,818	7,818	40,000	46,218	6,218
Intergovernmental	352,671	222,561	(130,110)	376,828	272,294	(104,534)
Charges for services	7,500	4,254	(3,246)	7,500	11,930	4,430
Interest	22,000	6,553	(15,447)	1,200	9,083	7,883
Other	2,000	3,468	1,468	3,000	2,937	(63)
Total Receipts	<u>424,171</u>	<u>284,654</u>	<u>(139,517)</u>	<u>428,528</u>	<u>342,462</u>	<u>(86,066)</u>
DISBURSEMENTS						
Salaries	283,125	225,052	58,073	284,125	265,852	18,273
Office expenditures	20,700	24,688	(3,988)	26,640	18,963	7,677
Equipment and supplies	22,000	1,800	20,200	24,000	16,370	7,630
Mileage and training	14,500	10,529	3,971	14,000	12,418	1,582
Principal and interest	10,000	14,604	(4,604)	0	154,984	(154,984)
Other	73,350	43,640	29,710	79,150	52,918	26,232
Total Disbursements	<u>423,675</u>	<u>320,313</u>	<u>103,362</u>	<u>427,915</u>	<u>521,505</u>	<u>(93,590)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	496	(35,659)	(36,155)	613	(179,043)	(179,656)
CASH, JANUARY 1	127,587	128,801	1,214	291,097	307,844	16,747
CASH, DECEMBER 31	<u>\$ 128,083</u>	<u>93,142</u>	<u>(34,941)</u>	<u>291,710</u>	<u>128,801</u>	<u>(162,909)</u>

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

Exhibit J

KNOX COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 800	820	20	500	1,706	1,206
Total Receipts	800	820	20	500	1,706	1,206
DISBURSEMENTS						
Circuit Clerk	1,500	0	1,500	0	1,274	(1,274)
Total Disbursements	1,500	0	1,500	0	1,274	(1,274)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(700)	820	1,520	500	432	(68)
CASH, JANUARY 1	1,484	1,520	36	1,088	1,088	0
CASH, DECEMBER 31	\$ 784	2,340	1,556	1,588	1,520	(68)

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

Exhibit K

KNOX COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY CRIME FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 890	885	(5)
Interest	70	66	(4)
Total Receipts	960	951	(9)
DISBURSEMENTS			
Prosecuting Attorney	890	896	(6)
Total Disbursements	890	896	(6)
RECEIPTS OVER (UNDER) DISBURSEMENTS	70	55	(15)
CASH, JANUARY 1	1,269	1,269	0
CASH, DECEMBER 31	\$ 1,339	1,324	(15)

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

Exhibit L

KNOX COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CHILDREN'S TRUST FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 100	114	14
Interest	50	70	20
Total Receipts	150	184	34
DISBURSEMENTS			
Shelters	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	184	34
CASH, JANUARY 1	1,439	1,439	0
CASH, DECEMBER 31	\$ 1,589	1,623	34

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

Exhibit M

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

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	\$ 110,000	88,459	(21,541)
Interest	0	68	68
Other	0	120	120
Transfers in	7,100	54,900	47,800
Total Receipts	<u>117,100</u>	<u>143,547</u>	<u>26,447</u>
DISBURSEMENTS			
Salaries	82,353	94,974	(12,621)
Office expenditures	2,000	2,229	(229)
Equipment	3,000	884	2,116
Mileage	9,000	7,037	1,963
Board of prisoners	15,000	29,281	(14,281)
Other	5,700	8,922	(3,222)
Total Disbursements	<u>117,053</u>	<u>143,327</u>	<u>(26,274)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	47	220	173
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	<u>\$ 47</u>	<u>220</u>	<u>173</u>

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

Notes to the Financial Statements

KNOX 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 Knox 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, or the Health Center Board of Trustees. 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. 1999, 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>
Law Library Fund	1999 and 1998
Prosecuting Attorney Crime Fund	1998
Children's Trust Fund	1998

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Recorder's User Fee Fund	1999 and 1998
Law Enforcement Training Fund	1999
Prosecuting Attorney Crime Fund	1999
Law Enforcement Sales Tax Fund	1999
Sheriff Fees Fund	1998
Health Center Fund	1998
Circuit Clerk Interest Fund	1998

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

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>
Health Center Fund	1999 and 1998
Circuit Clerk Interest Fund	1999 and 1998
Children's Trust Fund	1999 and 1998
Law Library Fund	1999 and 1998

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. 1999, requires political subdivisions with authority to invest in instruments other than depository 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, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

The health center's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the health center's custodial bank in the health center's name.

Supplementary Schedule

Schedule

KNOX COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			1999	1998
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-0152	\$ 5,353	3,144
		ER0045-9152	12,883	11,075
	Program Total		<u>18,236</u>	<u>14,219</u>
U.S. DEPARTMENT OF DEFENSE				
Passed through state:				
Department of Public Safety -				
12.unknown	Surplus property	N/A	0	821
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	96-PF-19	16,232	5,602
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	97-LBG-050	0	5,220
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	697	1,204

Schedule

KNOX COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			1999	1998
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-052(10)	19,151	1,480
		BRO-052(12)	62,995	257,337
		BRO-052(13)	0	1,228
		BRO-052(14)	34,259	0
	Program Total		<u>116,405</u>	<u>260,045</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	0	733
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.534	Emergency Management - State and Local Assistance	N/A	350	3,824
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct program -				
93.268	Immunization Grants	N/A	708	0
Passed through state:				
Department of Health -				
93.268	Immunization Grants	PG0064-9152IAP	330	0
		PG0064-8152IAP	0	2,455
		N/A	6,346	3,537
	Program Total		<u>6,676</u>	<u>5,992</u>
Department of Social Services -				
93.563	Child Support Enforcement	N/A	693	28

Schedule

KNOX COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			1999	1998
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-0152C	921	0
		ERO146-9152CCH&SC	1,808	0
		ERO146-8152CCH&SC	0	1,389
		PGA067-0152S	180	0
		PG0067-9152	650	110
		PG0067-8152	0	380
	Program Total		<u>3,559</u>	<u>1,879</u>
93.991	Preventive Health and Health Services Block Grant	N/A	76	92
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-0152MCH	2,831	0
		ERO146-9152MCH	10,473	1,983
		ERO146-8152MCH	0	10,310
		N/A	378	322
			Program Total	
Total Expenditures of Federal Awards			\$ <u>177,314</u>	<u>312,274</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

KNOX COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Knox County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the Department of Public Safety - Surplus Property Program (CFDA number 12. unknown) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$6,346 and \$3,537 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$378 and \$322 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Knox County, Missouri

Compliance

We have audited the compliance of Knox County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Knox County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with

OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

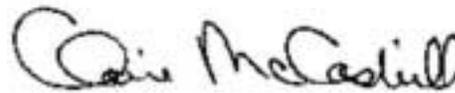
Internal Control Over Compliance

The management of Knox County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance 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 believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Knox County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 24, 2000 (fieldwork completion date)

Schedule

KNOX COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 1999 AND 1998

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable conditions identified that are not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

99-1	Federal Awards
-------------	-----------------------

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO – 052 (10); BRO – 052 (12); BRO – 052 (13); and BRO – 052 (14)
Award Year:	1999 and 1998
Questioned Costs:	\$62,161

- A. Section .310(b) of Circular A-133, *Audits of State and 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 specific procedures in place to track federal assistance for preparation of the SEFA. During the years ended December 31, 1999 and 1998, the county's SEFA understated expenditures by \$44,328 and \$19,887, respectively. The primary problem for 1999 was that federal expenditures of the Health Center totaling \$42,937 were not included on the SEFA submitted by the County Clerk. Upon our request, the Health Center prepared a SEFA for 1999.

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

- B. During the two years ended December 31, 1999, the county received reimbursements from the Missouri Department of Transportation for bridge replacement and rehabilitation expenditures under the Highway Planning and Construction Program. We noted several reimbursements were held by the county for excessive periods before the related payments were made to the contractor. For example, we noted one reimbursement of \$19,150 which was held for 306 days before the related payment was made to the contractor. Several other reimbursements were held by the county for two to three weeks. While the liability was incurred prior to the reimbursement, payment was not made to the vendor on a timely basis.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that federal funds shall be disbursed by the county within two days of receipt.

- C. The county incurred \$62,161 in engineering costs related to various county bridge projects during the audit period. These expenditures were all made to the same engineering firm. There was no documentation to indicate that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have presented the \$62,161 as questioned costs.

Conditions B and C were also noted in our prior report.

WE RECOMMEND the County Commission:

- A. And the County Clerk and the Health Center prepare a complete and accurate schedule of expenditures of federal awards.
- B. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.
- C. Resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will try to prepare a complete and accurate schedule of expenditures of federal awards in January 2001. We will obtain a schedule from the Health Center.*
- B. *Beginning with the next receipt of federal monies, we will try to minimize the time elapsed between the receipt of federal monies and the disbursement. We will consider paying bills more than once a month and will obtain receipt information from the County Treasurer.*
- C. *Beginning with our next bridge project, we will try to consider three engineering firms. If the Missouri Department of Transportation contacts us to resolve the questioned costs, we will work with them.*

The Health Center Administrator provided the following response:

- A. *In January 2001, we will provide a schedule of expenditures of federal awards to the County Clerk.*

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

KNOX 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 Knox County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1997.

4. Administrative Service Fee Transfers

At December 31, 1997, \$236,377 was due from the General Revenue Fund to the Special Road and Bridge Fund for excess administrative service fee transfers.

Recommendation:

The County Commission develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund. Additionally, the County Commission should ensure future administrative transfers do not exceed 3 percent of actual disbursements.

Status:

Partially implemented. The County Commission reduced the administrative transfers made from the Special Road and Bridge Fund to the General Revenue Fund during the two years ended December 31, 1999 by \$12,287. In addition, the 2000 budget reflects \$6,128 to be repaid to the Road and Bridge Fund. No repayment plan exists for the remaining excess administrative transfers because the General Revenue Fund is in a poor financial condition. The County Commission currently calculates administrative transfers based on 3 percent of the prior year's actual disbursements. See MAR No. 1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

KNOX COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

3.A. Federal Financial Assistance

Federal Grantor:	U. S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-052(10), BRO-052(11), and BRO-052(13)
Award Year:	1997 and 1996
Questioned Costs:	Not Applicable
Federal Grantor:	U. S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.219
Program Title:	Community Development Block Grants/Small Cities Program
Pass-Through Entity	
Identifying Number:	96-PF-19
Award Year:	1997 and 1996
Questioned Costs:	Not Applicable

Reimbursements from the Missouri Department of Transportation for Highway Planning and Construction were held for several days before the related payments were made. In addition, a reimbursement from the Department of Economic Development for a Community Development Block Grant project was held for 39 days before the related payment was made.

Recommendation:

The County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

Status:

Not implemented. See finding number 99-1.

3.B. Federal Financial Assistance

Federal Grantor:	U. S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-052(10), BRO-052(11) and BRO-052(13)
Award Year:	1997 and 1996
Questioned Costs:	\$15,450

The same engineering firm was used for all bridge projects and there was no documentation to indicate that the County Commission obtained information from other engineering firms.

Recommendation:

The County Commission resolve the questioned costs with the grantor agency and, obtain required information before contracting for engineering services.

Status:

Not implemented. See finding number 99-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the special-purpose financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 24, 2000. We also have audited the compliance of Knox County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 24, 2000.

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.

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 and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Knox 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.	Financial Condition
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As similarly noted in prior audit reports, the financial condition of the county's General Revenue Fund remains weak. It may appear the General Revenue Fund's financial condition has improved because the cash balance increased \$12,117 from January 1, 1998 to December 31, 1999; however, a review of the actual transactions reveals there are still reasons for concern.

The change in the cash balance has been effected by a half-cent law enforcement sales tax approved by county voters which became effective January 1999. The new sales tax generated receipts of approximately \$90,000 for the Law Enforcement Sales Tax (LEST) Fund. This allowed a significant amount of law enforcement expenses to be moved to the LEST Fund. It was only necessary to transfer \$54,900 from the General Revenue Fund to the LEST Fund to subsidize law enforcement expenditures of the Sheriff's department. However, even with this decrease in General Revenue Fund Sheriff's department expenditures, the cash balance has only increased \$12,117 in two years. Additionally, for 2000 the balance is expected to decrease to \$9,827.

Our prior audit report also noted that approximately \$236,377 was owed to the Special Road and Bridge Fund from the General Revenue Fund as a result of excessive administrative transfers. During the two years ended December 31, 1999, the county adjusted transfers and \$12,287 of the debt has been eliminated. The county also indicated it plans to repay \$6,128 in 2000 but does not plan to repay the remaining excess amounts due to the Special Road and Bridge Fund because the General Revenue Fund cannot afford it. Consequently, while it appears the General Revenue Fund's financial condition has stabilized, the county needs to monitor LEST Fund expenditures and the necessary subsidies. Additionally, at the expense of the Special Road and Bridge Fund and only because of non-compliance with state laws, does the county have any cash balance at all.

WE AGAIN RECOMMEND the County Commission consider the various alternatives of increasing receipts and/or reducing disbursements.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We believe that in 2000 the law enforcement sales tax is relieving the General Revenue Fund of expenditures and therefore, the General Revenue Fund cash balance should increase. However, in the future, we will need to spend General Revenue Fund monies on various courthouse improvements.

2.

County Expenditures

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

Fund	Year Ended December 31,	
	1999	1998
Law Enforcement Training	\$ 10	N/A
Sheriff Fees	N/A	3,035
Recorder's User Fee	4,549	1,016
Health Center	N/A	93,590
Circuit Clerk Interest	N/A	1,274
Prosecuting Attorney Crime	6	N/A
Law Enforcement Sales Tax	26,274	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.

The Health Center redeemed certificates of deposits totaling \$110,000 during the year ended December 31, 1998 and applied the proceeds to a bank loan. The Health Center did not budget for these loan payments.

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. 1999, 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 Commission approved some payments to vendors, including payments for rock, steel, and culverts, without requiring acknowledgment of receipt of goods or services. The County Commission has no procedures to require Road and Bridge Department employees to sign invoices to indicate the receipt of goods and/or services. As a result, the county does not always have adequate assurance it is paying for actual goods and services received.

To ensure the validity and propriety of expenditures, adequate supporting documentation, including acknowledgment that the specific goods and/or services were in fact received, should be maintained for all payments to vendors.

- C. Vendor invoices or other documentation were not available to support \$32,296 in expenditures that were approved for payment. These expenditures include the purchase of rock for \$22,296 and \$10,000 for hauling rock. The County Commission indicated invoices for these expenditures were present and properly reviewed at the time of payment but have since been lost or misfiled. At our request, the County Clerk obtained these invoices from the vendor.

WE RECOMMEND the County Commission:

- A. And the Health Center Board of Trustees 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. Require acknowledgment of receipt of goods and/or services prior to payment.
- C. Ensure supporting documentation is maintained for all expenditures.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *In the future, we will amend budgets as necessary.*
- B. *When a load of rock is received by a county employee, a ticket is signed. We will request the vendor to provide copies of the tickets with the invoices. For other goods, we will request acknowledgement of receipt.*
- C. *This will be implemented.*

The Health Center Administrator provided the following response:

- A. *In the future, budget amendments will be prepared and filed if necessary.*

3. County Financial Statements and Commission Minutes
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- A. The annual published financial statements of the county did not include the financial activity of some county funds as required. Sections 50.800 and 50.810, RSMo 1994, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. 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.
- B. The County Clerk does not prepare adequate records of County Commission meetings. During the two years ended December 31, 1999, the minutes showed who

was present and included a few sentences to document the discussions held, however, the minutes were not formally written and were not approved by the County Commissioners. In January 2000, the County Clerk discontinued preparing records of the meetings.

Section 51.120, RSMo 1994, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

In addition, Section 610.023 (part of the Sunshine Law) prescribes that each public governmental body shall make that body's public records available for inspection and copying by the public. The intent of the Sunshine Law is to ensure that public governmental bodies conduct their business in a manner that is open to public scrutiny. To comply with the Sunshine Law, each public governmental body must keep an accurate record of the business conducted.

WE RECOMMEND the County Commission:

- A. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- B. Ensure a complete record of meetings is prepared and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *When we publish the next financial statement, we will try to obtain information from the applicable officials and will request the health center to publish their own financial statement.*
- B. *We will try to implement proper procedures.*

The Health Center Administrator provided the following response:

- A. *In March of each year, we will publish the financial statements for the preceding year.*

4. Apportionment of Railroad and Utility Taxes

During our review, we noted a calculation error in the apportionment of 1999 railroad and utility taxes by the County Clerk. The County Clerk used the wrong assessed valuation for one school district. This error resulted in incorrect payments of railroad and utility taxes to

the various school districts. The following table indicates the amount over or (under) paid to the various school districts for 1999 tax collections:

<u>School District</u>	<u>Due To (From) District</u>
Knox County R-I	\$ 3,146
LaPlata R-II	(322)
Adair County R-II	(2,824)

WE RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I have already contacted the school districts and plan to adjust future apportionments.

<p>5. Personnel and Payroll Policies and Procedures</p>
--

- A. Although hourly-paid employees prepare time sheets, time sheets or other records of actual time worked are not maintained by salaried employees representing about one half of the county employees. As a result, the County Commission has no documentation to support these payroll expenditures.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time sheets should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

- B. Centralized records of leave balances and leave used and earned are not maintained. The County Clerk and County Commission indicated leave records are to be maintained by each individual officeholder but our review noted some employees maintain their own leave records. These employees are salaried and therefore are not required to prepare time sheets. As a result, there is no assurance that the leave recorded and taken by these individuals is appropriate.

Without centralized records, the County Commission cannot ensure that employees' vacation leave, sick leave, and compensatory time balances are accurate and that all employees are treated equitably. Centralized leave records also aid in determining unused vacation leave upon termination of employment.

- C. One Road and Bridge employee is allowed to use a county vehicle to commute to and from work. The County Commission indicated this employee is on-call 24 hours a

day for emergency situations; however, the county does not keep records of mileage incurred on the county vehicle for commuting purposes.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- D. Several county employees from various offices with access to money are not covered by an employee bond. Properly bonding all persons with access to monies would better protect the official and county from risk of loss.

WE RECOMMEND the County Commission:

- A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Maintain centralized records of leave earned, used, and accumulated for all county employees.
- C. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.
- D. Consider obtaining adequate bond coverage for all employees with access to monies.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *Within the next 30 days, we will request all salaried employees prepare time sheets.*
- B. *If we receive time sheets, then the County Clerk's office can maintain centralized leave records.*
- C. *It will be recommended to the Road and Bridge supervisor that a log be maintained.*
- D. *We will consider obtaining adequate bond coverage for all employees with access to monies.*

6.**County Clerk's Accounting Controls and Procedures**

- A. As noted in our three prior reports, the County Clerk neither prepares nor verifies the tax books. Both the current and back tax books are generated from the computer by the County Collector. The County Clerk stated that he believed the County Collector was doing a good job and did not plan to implement the recommendation; however state law requires the County Clerk to prepare the tax books, and charge the County Collector with those taxes. Failure of the County Clerk to verify the tax books could result in errors or intentional misstatements going undetected.
- B. 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.

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 could be used by the County Commission to verify the County Collector's annual settlements.

This condition was also noted in our two prior reports.

In addition to being required by state law, such procedures provide additional controls over the property tax system. The County Clerk should perform his statutory duties to improve the controls in this area.

WE AGAIN RECOMMEND the County Clerk:

- A. Verify the tax books generated by the County Collector's office.
- B. Establish and maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *When the tax books are generated, I will recalculate some taxes and will document my review.*

- B. *I will check with other County Clerks and will try to set up an account book when the 2000 tax books are generated. Once an account book is established, I will use it to verify the County Collector's annual settlements.*

7. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney collects cash and money orders for restitution and administrative fees on bad checks. Our review of the accounting controls and procedures indicated the following areas of concern:

- A. Receipt slips are only issued for bad check restitution monies when payments are made in cash. To ensure receipts are deposited intact and to lessen the risk of monies being misplaced or stolen, receipt slips should be issued for all monies received. The method of payment (cash, check, or money order) should be indicated on the receipt slip and monies deposited should be reconciled to the corresponding receipt slips.

This condition was noted in our prior report. During the prior audit, the Prosecuting Attorney responded that this recommendation had been implemented. However, our review indicated receipt slips were still not being issued for all monies received.

- B. Monthly bank reconciliations are not compared to the check register. The Prosecuting Attorney has a computer program that is used to reconcile the bank statement but the reconciled balance is not compared to the check register. Complete and accurate bank reconciliations are necessary to ensure accounting records are in balance and to ensure errors are identified and corrected on a timely basis.
- C. Monthly listings of open items (liabilities) are not prepared and, consequently, liabilities are not reconciled with the cash balance on a periodic basis. Monthly open item listings should be prepared and reconciled to the cash balance to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities.
- D. Receipts are not always kept in a secured location until the deposit. In addition, money orders are not restrictively endorsed until the deposit is prepared, rather than when received. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be restrictively endorsed upon receipt and kept in a secure location until deposited.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure all monies received are recorded on prenumbered receipt slips. In addition, the method of payment should be recorded on these receipt slips and reconciled to deposits.

- B. Ensure monthly bank reconciliations are performed and compared to the check register.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balances.
- D. Restrictively endorse money orders immediately upon receipt and keep receipts in a secure location until deposited.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *We will implement this.*
- B. *We have started using Quick books and this has been implemented. We no longer maintain the manual check register.*
- C. *Open items have been identified and we will document on the monthly bank reconciliation.*
- D. *Receipts are now kept in a desk drawer until deposited. We plan to purchase a stamp to restrictively endorse money orders.*

8. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The Ex Officio Recorder of Deeds accepts cash and checks for payment of fees. These receipts are recorded in the abstract of fees; however, the method of payment is not consistently indicated on the abstract of fees. In addition, monies are not deposited intact as cash refunds are made for overpayments of fees paid by check. Overpayments requiring a refund are properly recorded at the net receipt amount, however, no record is currently maintained of the actual amount received and the amount refunded.

To properly reconcile receipts to deposits and ensure all monies are deposited intact, the method of payment should be recorded on the abstract of fees and the composition of receipts should be reconciled to the composition of deposits. Depositing receipts intact and issuing any refunds by check is necessary to ensure the proper accounting of all receipts and disbursements.

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the Ex Officio Recorder of Deeds record the method of payment on the abstract of fees and reconcile the composition of receipts to the composition of bank deposits. In addition, the Ex Officio Recorder of Deeds should deposit all monies intact and write checks for refunds of overpayments.

AUDITEE'S RESPONSE

The Ex Officio Recorder of Deeds provided the following response:

We now record the method of payment on the abstract of fees and record cash refunds given. This allows us to reconcile the composition of receipts to the composition of deposits.

9.

Health Center

- A. Receipt slips are not prenumbered and are not issued for some monies received. Receipt slips are written for cash receipts but are only written for checks if requested by the payor. To adequately account for receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly.
- B. The Health Center calculates overtime worked by employees covered under the Fair Labor Standards Act at straight time rather than time and one-half. The Fair Labor Standards Act provides that all covered employees working overtime are entitled to time and one-half in wages or compensatory time.
- C. During the two years ended December 31, 1999, the Health Center did not update its property records, and did not number, tag, or otherwise identify property items. In addition, annual inventories of property were not performed.

Adequate general fixed asset records and procedures are necessary to secure better internal controls over property and provide a basis for determining proper insurance coverage. Inventories and proper tagging of property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets.

WE RECOMMEND the Health Center Board of Trustees:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of those receipt slips.
- B. Ensure overtime pay or compensatory time earned is calculated in accordance with the Fair Labor Standards Act.
- C. Maintain property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition, if applicable. In addition, an actual physical inventory of the various property items should be performed periodically.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

*A,B,
&C. These recommendations have been implemented.*

10. Sheriff's Accounting Controls and Procedures

Formal bank reconciliations were not prepared on a timely basis. As of May 2000, the sheriff's fee account had not been reconciled since May 1999. Timely preparation of bank reconciliations is necessary to ensure accounting records and bank records are in agreement and allows for timely detection and correction of errors.

WE RECOMMEND the Sheriff prepare bank reconciliations monthly and reconcile to accounting records.

AUDITEE'S RESPONSE

The Sheriff provided the following response:

This recommendation has been implemented. We have reconciled January 2000 to current.

This report is intended for the information of the management of Knox 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

KNOX 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 Knox County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. Finding numbers 3.A, 3.B, and 4 are omitted since the related follow-up appears in an earlier section of this 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. Financial Condition of Knox County

The county's General Revenue Fund was in poor financial condition.

Recommendation:

The County Commission take the necessary steps to improve the financial condition of the General Revenue Fund.

Status:

Partially implemented. A half-cent law enforcement sales tax became effective January 1999. However the cash balance has increased only \$12,117 in two years. See MAR No. 1.

2. County Expenditure Procedures and Practices

- A. Bids were not always solicited nor was bid documentation always retained for various purchases (totaling \$200,648) made by the county.
- B. The Prosecuting Attorney maintained an office outside the courthouse, which was used for both county business and his private practice. 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 private practice. In addition, the county paid part of the salary of a secretary and no timesheet was submitted to the county to document time worked on county business versus private practice business.
- C. The county had not established procedures to ensure IRS Forms 1099-MISC were issued as required by the Internal Revenue Code.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with Section 50.660, RSMo. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Enter into a written agreement with the Prosecuting Attorney and prepare and retain documentation of the allocation of resources between the county and the private practice to ensure there is a clear distinction between them. In addition, the secretary should prepare a time sheet documenting time worked and submit the time sheet monthly to the county.
- C. Establish procedures to ensure IRS Forms 1099-MISC are issued as required by the Internal Revenue Code.

Status:

- A. Partially implemented. Bids are generally solicited for purchases, however, we noted services for hauling rock were not bid and the reasons were not documented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The county has entered into a written agreement with the Prosecuting Attorney, which documents the allocation of resources between the county and the private practice. The written agreement indicates a part of the secretary's salary is to be paid by the county, however, the amount of time to be worked for the county is not noted and the secretary does not prepare a monthly time sheet. See MAR No. 5.
- C. Implemented.

3.C. Federal Financial Assistance

The county failed to bid a crawler loader that was purchased for \$34,250, of which \$9,146 was federal funds. As a result, \$9,146 was questioned.

Recommendation:

The County Commission resolve the questioned costs with the grantor agency.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Prosecuting Attorney's Accounting Controls and Procedures

- A. Receipt slips were not issued for some monies received.
- B. The method of payment was not documented on the cash control.

Recommendation:

The Prosecuting Attorney:

- A. Issue receipt slips for all monies received.
- B. Ensure the method of payment is indicated on the cash control. The composition of receipts should be reconciled to the composition of deposits.

Status:

A&B. Not implemented. See MAR No. 7.

6. County Clerk's Accounting Controls and Procedures

- A. The County Clerk did not prepare or verify the back tax books.
- B. The County Clerk did not maintain an account book with the County Collector.
- C. Procedures were inadequate to ensure fixed asset purchases were included in the general fixed asset records.

Recommendation:

The County Clerk:

- A. Prepare the back tax books or verify back tax books generated by the County Collector's office.
- B. Establish and maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

- C. Establish procedures to ensure fixed asset purchases are properly recorded on the general fixed asset records and take a complete inventory annually. This inventory should then be compared to asset records and any discrepancies investigated.

Status:

A&B. Not implemented. See MAR No. 6.

- C. Partially implemented. The County Clerk did record several fixed asset purchases on the general fixed asset records, however, we noted four sheriff radios totaling approximately \$5,000 and a donated truck were not added to the general fixed asset records. Although not repeated in the current MAR, our recommendation remains as stated above. However, based on statutory changes, effective August 28, 1999, County Commissioners or their designee now need to examine and inspect county land and buildings. Additionally, county officials or their designees need to inspect and inventory personal property of the county.

7. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The method of payment was not recorded on the abstract of fees.

Recommendation:

The Ex Officio Recorder of Deeds record the method of payment on the abstract of fees and reconcile the composition of receipts to the composition of deposits.

Status:

Partially implemented. The Ex Officio Recorder of Deeds has implemented procedures to record the method of payment on the abstract of fees, however, we noted instances where the method of payment was not indicated. See MAR No. 8.

STATISTICAL SECTION

History, Organization, and
Statistical Information

KNOX COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Knox was named after Henry Knox, a General of the American Revolution. Knox County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Edina.

Knox 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 Knox County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1999		1998	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 403,187	26	421,188	24
Sales taxes	308,886	20	309,821	18
Federal and state aid	584,210	38	782,087	45
Fees, interest, and other	237,097	16	226,546	13
Total	\$ 1,533,380	100	1,739,642	100

The following chart shows how Knox County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

USE	1999		1998	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 330,798	23	275,646	15
Public safety	116,790	8	225,456	12
Highways and roads	1,018,105	69	1,350,765	73
Total	\$ 1,465,693	100	1,851,867	100

The county received \$88,647 for the Law Enforcement Sales Tax Fund for the year ended

December 31, 1999 to be used for public safety purposes.

The county maintains approximately 500 county bridges and 521 miles of county roads.

The county's population was 5,692 in 1970 and 4,482 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1999	1998	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 29.2	28.6	26.7	13.2	11.0
Personal property	10.7	10.0	6.5	5.1	3.0
Railroad and utilities	10.2	9.5	9.0	6.1	6.2
Total	\$ 50.1	48.1	42.2	24.4	20.2

* First year of statewide reassessment.

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

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

	Year Ended December 31,	
	1999	1998
General Revenue Fund	\$.29	.27
Special Road and Bridge Fund	.62	.62
Health Center Fund	.10	.10

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. The county voluntarily rolled back the Special Road and Bridge Fund tax levy by 1 cent in 1998 and 2 cents in 1999. Taxes collected were distributed as follows:

	Year Ended February 28,	
	2000	1999
State of Missouri	\$ 15,054	14,323
General Revenue Fund	145,228	129,315
Special Road and Bridge Fund	308,446	293,671
Assessment Fund	26,940	25,665
Health Center Fund	49,683	47,327
School districts	1,791,768	1,731,033
Library district	49,683	47,327
Ambulance district	188,211	179,044
Nursing homes	73,644	56,630
Troublesome Creek Watershed	9,546	9,672
Cities	29,178	30,992
County Clerk	61	65
County Employees' Retirement	12,225	11,362
Commissions and fees:		
General Revenue Fund	40,476	38,562
Collector	204	247
Total	\$ 2,740,347	2,615,235

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	2000	1999
Real estate	93 %	95 %
Personal property	92	92
Railroad and utilities	100	96

Knox 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 %
General	.0050	2001	None
Road and Bridge Capital Improvement	.0050	2002	None
Law Enforcement Sales Tax	.0050	2002	None

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

Officeholder	2000	1999	1998
County-Paid Officials:			
L.P. Mayfield, Presiding Commissioner	\$	14,693	11,280
Terry Marble, Associate Commissioner		11,618	11,280
Michael McGinnis, Associate Commissioner		11,618	
Ann Greenley, Associate Commissioner			11,280
Bill Baker, County Clerk		23,772	23,079
William Alberty, Prosecuting Attorney		29,266	25,526
Dan Bishop, Sheriff		25,483	24,750
Allen Gudehus, County Treasurer		17,063	13,752
Allen G. Rimer, County Coroner (Son)		3,895	
A.G. Rimer, County Coroner (Father)			4,125
Kathy Poore, Public Administrator *		3,940	
Julie McCurren, Public Administrator *		15,795	15,028
Brenton Karhoff, County Collector**, year ended February 28,	27,456	26,756	
Vance Parrish, County Assessor ***, year ended August 31,		26,298	25,650

* Includes fees received from probate cases.

** Includes \$204 and \$247, respectively, of commissions earned for collecting city property taxes.

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

State-Paid Officials:

James Gibbons, Circuit Clerk and Ex Officio Recorder of Deeds		44,292	42,183
Garry Lewis, Associate Circuit Judge		87,235	85,158

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds *	1	1
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff **	6	0
County Collector	1	0
County Assessor	2	0
Associate Division	0	1
Probate Division **	0	1
Road and Bridge	15	0
Health Center *	8	0
Total	<u>35</u>	<u>3</u>

* Includes two part-time employees

** Includes one part-time employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Knox County's share of the 2nd Judicial Circuit's expenses is 11.4 percent.