



Claire McCaskill

Missouri State Auditor

December 2006

Adair County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of
Missouri State Auditor
Claire McCaskill

December 2006

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Adair, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

Adair County is required by federal regulations to prepare a Schedule of Expenditures of Federal Awards each year. The county does not have adequate procedures in place to track federal awards for the preparation of the schedule. This condition was noted in prior audit reports.

Several areas of concern were noted regarding policies and records at the Juvenile Division including no formal written policies on the proper use of vehicles, credit cards, cellular phones, and equipment. In addition, improvements were needed in procedures over travel expenses, the bulk fuel tank, and receipt handling. While the Juvenile Division had implemented many changes prior to the completion of the audit, with the lack of oversight and record keeping there is no assurance assets were not mishandled.

Problems were noted regarding receipt and disbursement classifications in county budgets. Additional budget concerns included no budget for several smaller funds and actual disbursements exceeded budgeted amounts in several funds.

Bid and other supporting documentation for disbursements was not always retained and the county had not entered into written agreements for some services.

Concerns regarding the property tax system noted in our prior audit still existed. The County Clerk does not verify the accuracy of the current and delinquent tax books as required by state statute. In addition, the County Commission and County Clerk are not providing a review of the activities of the County Collector and some tax abatements were not approved by court order.

Sheriff's office procedures relating to processing of monies, unidentified monies, old outstanding checks, and contract monitoring were in need of improvement. While some of these areas were repeated from the prior audit, the Sheriff has currently implemented all the recommendations made.

The Recorder is not fully utilizing all capabilities of the county's document recording and indexing system including the use of pre-numbered receipt slips and is not providing for

YELLOW SHEET

the timely archiving and off-site backup of system records. Additional concerns were noted regarding copy monies and written contracts with abstract companies. As indicated by the Recorder, there were three office holders during this four year term which contributed to some of the problems noted in the audit report.

As noted in our prior audit report, the Health Center budget does not reasonably reflect the Health Center's anticipated financial activity and cash balances and, therefore, lessens the effectiveness of the budget as a tool for monitoring and controlling Health Center disbursements. The budgets significantly underestimated receipts by over \$360,000 and overestimated disbursements by over \$570,000 in 2005 causing the ending cash balance to be underestimated by approximately \$940,000.

The Health Center paid the daughter of the Health Center Administrator \$36,180 for the two years ended December 31, 2005, for Nurse Practitioner services. While requests for proposals were not solicited or advertised by the Health Center for these services, the Health Center indicated they recently advertised and received no responses. In addition, the contract was signed only by the administrator. There were other recommendations to the Health Center regarding the CDC grant, disbursement approvals, collateral securities, leave policies, and meal expenses.

The audit also includes recommendations to improve procedures for the Election Reform Payments grant, personnel policies, and computer controls. Additional concerns regarding controls were noted for the Prosecuting Attorney and Circuit and Associate Courts.

All reports are available on our Web site: www.auditor.mo.gov

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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 Adair County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Adair County, Missouri, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Adair County, Missouri, as of December 31, 2005 and 2004, or the changes in its financial position for the years then ended.

In our opinion, the 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 Adair 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, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 27, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Adair County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

July 27, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Alice Fast, CPA
In-Charge Auditor: Daniel Vandersteen, CPA
Audit Staff: Heather Stiles
Carrie Rasmussen
Matthew Schulenberg
Michael Kuster, Jr.



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Adair County, Missouri

We have audited the financial statements of various funds of Adair County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Adair 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 financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Adair County, Missouri, are free of material misstatement, we performed tests of the

county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Adair County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

July 27, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

ADAIR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 233,655	1,944,954	1,886,672	291,937
Special Road and Bridge	173,833	1,376,904	1,463,115	87,622
Assessment	9,306	249,451	238,348	20,409
Self Funded Health Insurance	43,506	401,763	420,026	25,243
Financial Emergency	213,472	5,542	0	219,014
E-911	14,132	63,092	61,456	15,768
Countryside	88,499	2,201	5,000	85,700
Violence Intervention Services	965	5,924	6,889	0
Domestic Violence Shelter	10,715	2,433	10,715	2,433
Milliken Cemetery	8,043	949	125	8,867
Election Administration	10,798	966	0	11,764
HAVA Grant	15,000	77,767	88,030	4,737
Recorder Users	47,953	9,679	6,676	50,956
Recorder Technology	12,950	5,152	0	18,102
Collectors Maintenance	25,151	15,256	252	40,155
Law Enforcement Construction	341,085	683,668	595,205	429,548
Law Enforcement Center Bond	3,398	16,135	18,963	570
Law Enforcement General	15,904	1,206,731	1,218,096	4,539
Law Enforcement Training	3,355	5,977	6,515	2,817
Sheriff Civil Fees	68,485	42,514	102,029	8,970
Sheriff Helicopter	18,852	370	19,222	0
Prosecuting Attorney Training	2,088	1,093	468	2,713
Prosecuting Attorney Administration	35,962	37,274	20,782	52,454
Prosecuting Attorney Delinquent Sales Tax	4,087	545	796	3,836
Multi-County Child Support	158	125,984	124,834	1,308
Juvenile Justice System	365,836	675,009	740,899	299,946
Juvenile Grant Operations	55,475	401,550	382,487	74,538
Health Center	819,931	1,477,956	1,353,966	943,921
Sheriff Revolving	3,172	1,319	1,122	3,369
Senate Bill 40	0	47,647	7,761	39,886
Drug Task Force	6,482	336,503	334,860	8,125
Drug Court	2,684	1,946	1,911	2,719
Associate Court Interest	1,399	213	30	1,582
Circuit Clerk Interest	1,282	671	0	1,953
Law Library	313	2,682	2,793	202
Total	\$ 2,657,926	9,227,820	9,120,043	2,765,703

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

Exhibit A-2

ADAIR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 493,392	1,886,682	2,146,419	233,655
Special Road and Bridge	536,421	1,557,034	1,919,622	173,833
Assessment	95	237,853	228,642	9,306
Self Funded Health Insurance	50,601	376,087	383,182	43,506
Financial Emergency	210,000	3,472	0	213,472
E-911	16,652	54,903	57,423	14,132
Countryside	86,969	1,530	0	88,499
Violence Intervention Services	0	9,772	8,807	965
Domestic Violence Shelter	7,952	2,763	0	10,715
Milliken Cemetery	7,399	769	125	8,043
Election Administration	9,280	2,494	976	10,798
HAVA Grant	0	15,000	0	15,000
Recorder Users	50,428	9,375	11,850	47,953
Recorder Technology	13,045	4,905	5,000	12,950
Collectors Maintenance	10,707	15,078	634	25,151
Law Enforcement Construction	274,804	659,458	593,177	341,085
Law Enforcement Center Bond	11,108	46,770	54,480	3,398
Law Enforcement General	8,423	1,178,532	1,171,051	15,904
Law Enforcement Training	2,362	5,627	4,634	3,355
Sheriff Civil Fees	48,828	50,382	30,725	68,485
Sheriff Helicopter	24,455	429	6,032	18,852
Prosecuting Attorney Training	1,501	1,044	457	2,088
Prosecuting Attorney Administration	25,543	32,438	22,019	35,962
Prosecuting Attorney Delinquent Sales Tax	3,207	2,200	1,320	4,087
Multi-County Child Support	1,345	100,304	101,491	158
Juvenile Justice System	175,428	1,009,504	819,096	365,836
Juvenile Grant Operations	44,890	389,174	378,589	55,475
Health Center	723,332	1,332,940	1,236,341	819,931
Sheriff Revolving	0	3,747	575	3,172
Drug Task Force	3,900	334,341	331,759	6,482
Drug Court	1,167	2,365	848	2,684
Associate Court Interest	1,653	346	600	1,399
Circuit Clerk Interest	3,864	1,102	3,684	1,282
Law Library	1,439	2,510	3,636	313
Total	\$ 2,850,190	9,330,930	9,523,194	2,657,926

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

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 8,973,162	8,838,158	(135,004)	8,392,871	8,986,519	593,648
DISBURSEMENTS	9,895,248	8,772,688	1,122,560	9,854,788	9,182,092	672,696
RECEIPTS OVER (UNDER) DISBURSEMENTS	(922,086)	65,470	(1,257,564)	(1,461,917)	(195,573)	(79,048)
CASH, JANUARY 1	2,637,955	2,645,766	7,811	2,838,167	2,838,167	0
CASH, DECEMBER 31	1,715,869	2,711,236	995,367	1,376,250	2,642,594	1,266,344
GENERAL REVENUE FUND						
RECEIPTS						
Sales taxes	1,300,000	1,332,660	32,660	1,300,000	1,304,053	4,053
Intergovernmental	27,704	51,630	23,926	53,911	75,498	21,587
Charges for services	352,400	341,121	(11,279)	372,750	347,353	(25,397)
Interest	8,300	6,580	(1,720)	20,000	8,573	(11,427)
Other	82,825	56,686	(26,139)	74,650	54,224	(20,426)
Transfers in	105,280	156,277	50,997	112,870	96,981	(15,889)
Total Receipts	1,876,509	1,944,954	68,445	1,934,181	1,886,682	(47,499)
DISBURSEMENTS						
County Commissior	91,170	89,042	2,128	95,170	89,342	5,828
County Clerk	119,214	116,221	2,993	116,063	111,873	4,190
Elections	5,700	7,000	(1,300)	72,300	68,142	4,158
Buildings and grounds	89,900	62,195	27,705	93,367	80,701	12,666
Employee fringe benefit	147,500	150,269	(2,769)	154,000	144,744	9,256
County Treasurer	71,937	67,522	4,415	71,637	67,288	4,349
County Collector	114,080	107,819	6,261	113,080	108,911	4,169
Ex Officio Recorder of Deed	98,439	82,472	15,967	99,272	101,312	(2,040)
Circuit Clerk	42,000	31,536	10,464	48,162	49,390	(1,228)
Associate Circuit (Probate)	23,350	19,322	4,028	22,850	25,030	(2,180)
Court administration	38,309	29,117	9,192	44,926	34,483	10,443
Public Administrator	65,682	64,885	797	59,413	56,511	2,902
Prosecuting Attorney	218,005	218,644	(639)	213,680	208,225	5,455
County Coroner	20,370	20,000	370	19,200	22,000	(2,800)
Local agencies	72,665	66,729	5,936	71,660	66,056	5,604
Circuit Court Reporter	6,280	1,705	4,575	3,820	1,499	2,321
Surveyor	500	0	500	1,300	1,293	7
Miscellaneous	42,700	51,821	(9,121)	94,850	79,392	15,458
Public health and welfare service	112,010	75,759	36,251	109,500	98,231	11,269
Transfers out	611,220	589,030	22,190	676,120	731,996	(55,876)
Emergency Fund	65,000	35,584	29,416	70,000	0	70,000
Total Disbursements	2,056,031	1,886,672	169,359	2,250,370	2,146,419	103,951
RECEIPTS OVER (UNDER) DISBURSEMENTS	(179,522)	58,282	237,804	(316,189)	(259,737)	56,452
CASH, JANUARY 1	233,655	233,655	0	493,392	493,392	0
CASH, DECEMBER 31	54,133	291,937	237,804	177,203	233,655	56,452

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	560,000	547,090	(12,910)	530,000	560,317	30,317
Intergovernmental	967,500	721,703	(245,797)	899,000	836,080	(62,920)
Charges for services	80,000	74,847	(5,153)	69,500	134,172	64,672
Interest	10,000	6,544	(3,456)	30,000	12,389	(17,611)
Other	21,057	26,720	5,663	20,000	14,076	(5,924)
Total Receipts	1,638,557	1,376,904	(261,653)	1,548,500	1,557,034	8,534
DISBURSEMENTS						
Salaries	469,798	435,348	34,450	469,798	489,360	(19,562)
Employee fringe benefit	120,600	114,740	5,860	83,000	119,671	(36,671)
Supplies	142,500	189,339	(46,839)	135,000	153,095	(18,095)
Insurance	27,000	26,094	906	20,000	18,438	1,562
Road and bridge materials	330,500	373,493	(42,993)	355,500	372,907	(17,407)
Equipment repairs	55,000	56,492	(1,492)	57,000	58,219	(1,219)
Rentals	2,000	9,461	(7,461)	5,000	228	4,772
Equipment purchases	144,450	101,309	43,141	355,341	306,878	48,463
Construction, repair, and maintenance	200,000	25,933	174,067	309,000	289,182	19,818
Other	48,000	27,840	20,160	77,866	26,138	51,728
Transfers out	120,000	103,066	16,934	105,000	85,506	19,494
Total Disbursements	1,659,848	1,463,115	196,733	1,972,505	1,919,622	52,883
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,291)	(86,211)	(64,920)	(424,005)	(362,588)	61,417
CASH, JANUARY 1	173,833	173,833	0	536,421	536,421	0
CASH, DECEMBER 31	152,542	87,622	(64,920)	112,416	173,833	61,417
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	262,900	237,134	(25,766)	190,000	209,244	19,244
Interest	1,000	1,195	195	2,200	639	(1,561)
Other	1,400	2,222	822	1,250	5,970	4,720
Transfers in	36,900	8,900	(28,000)	51,800	22,000	(29,800)
Total Receipts	302,200	249,451	(52,749)	245,250	237,853	(7,397)
DISBURSEMENTS						
Assessor	233,688	216,999	16,689	215,274	206,948	8,326
Transfers out	27,500	21,349	6,151	22,000	21,694	306
Total Disbursements	261,188	238,348	22,840	237,274	228,642	8,632
RECEIPTS OVER (UNDER) DISBURSEMENTS	41,012	11,103	(29,909)	7,976	9,211	1,235
CASH, JANUARY 1	9,306	9,306	0	95	95	0
CASH, DECEMBER 31	50,318	20,409	(29,909)	8,071	9,306	1,235

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SELF FUNDED HEALTH INSURANCE FUND</u>						
RECEIPTS						
Interest	800	734	(66)	1,500	790	(710)
Other	0	55,434	55,434	1,100	39,286	38,186
Transfers in	428,690	345,595	(83,095)	379,593	336,011	(43,582)
Total Receipts	429,490	401,763	(27,727)	382,193	376,087	(6,106)
DISBURSEMENTS						
Premium	190,000	152,463	37,537	190,000	210,333	(20,333)
Claims and pharmacy	175,000	267,563	(92,563)	200,000	172,849	27,151
Total Disbursements	365,000	420,026	(55,026)	390,000	383,182	6,818
RECEIPTS OVER (UNDER) DISBURSEMENTS	64,490	(18,263)	(82,753)	(7,807)	(7,095)	712
CASH, JANUARY 1	43,506	43,506	0	50,601	50,601	0
CASH, DECEMBER 31	107,996	25,243	(82,753)	42,794	43,506	712
<u>FINANCIAL EMERGENCY FUND</u>						
RECEIPTS						
Interest	3,500	5,542	2,042	5,000	3,472	(1,528)
Total Receipts	3,500	5,542	2,042	5,000	3,472	(1,528)
DISBURSEMENTS						
Other	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,500	5,542	2,042	5,000	3,472	(1,528)
CASH, JANUARY 1	213,472	213,472	0	210,000	210,000	0
CASH, DECEMBER 31	216,972	219,014	2,042	215,000	213,472	(1,528)
<u>E-911 FUND</u>						
RECEIPTS						
Charges for service:	52,100	62,812	10,712	58,150	54,695	(3,455)
Interest	200	280	80	250	208	(42)
Total Receipts	52,300	63,092	10,792	58,400	54,903	(3,497)
DISBURSEMENTS						
E-911 Board of Directors	52,300	61,456	(9,156)	58,000	57,423	577
Total Disbursements	52,300	61,456	(9,156)	58,000	57,423	577
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,636	1,636	400	(2,520)	(2,920)
CASH, JANUARY 1	14,132	14,132	0	16,652	16,652	0
CASH, DECEMBER 31	14,132	15,768	1,636	17,052	14,132	(2,920)
<u>COUNTRYSIDE FUND</u>						
RECEIPTS						
Interest	1,500	2,201	701	2,500	1,530	(970)
Total Receipts	1,500	2,201	701	2,500	1,530	(970)
DISBURSEMENTS						
Transfers out	5,000	5,000	0	10,000	0	10,000
Total Disbursements	5,000	5,000	0	10,000	0	10,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	(2,799)	701	(7,500)	1,530	9,030
CASH, JANUARY 1	88,499	88,499	0	86,969	86,969	0
CASH, DECEMBER 31	84,999	85,700	701	79,469	88,499	9,030

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>VIOLENCE INTERVENTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	8,000	5,924	(2,076)	6,000	9,772	3,772
Total Receipts	8,000	5,924	(2,076)	6,000	9,772	3,772
DISBURSEMENTS						
Victim Support Service:	8,000	6,889	1,111	6,000	8,807	(2,807)
Total Disbursements	8,000	6,889	1,111	6,000	8,807	(2,807)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(965)	(965)	0	965	965
CASH, JANUARY 1	965	965	0	0	0	0
CASH, DECEMBER 31	965	0	(965)	0	965	965
<u>DOMESTIC VIOLENCE SHELTER FUND</u>						
RECEIPTS						
Charges for service:	2,500	2,377	(123)	2,500	2,544	44
Interest	200	56	(144)	150	219	69
Total Receipts	2,700	2,433	(267)	2,650	2,763	113
DISBURSEMENTS						
Domestic Violence Shelte	10,716	10,715	1	0	0	0
Total Disbursements	10,716	10,715	1	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,016)	(8,282)	(266)	2,650	2,763	113
CASH, JANUARY 1	10,715	10,715	0	7,952	7,952	0
CASH, DECEMBER 31	2,699	2,433	(266)	10,602	10,715	113
<u>MILLIKEN CEMETERY FUND</u>						
RECEIPTS						
Interest	100	221	121	250	133	(117)
Dividends	600	728	128	400	636	236
Total Receipts	700	949	249	650	769	119
DISBURSEMENTS						
Cemetery upkeep	125	125	0	125	125	0
Total Disbursements	125	125	0	125	125	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	575	824	249	525	644	119
CASH, JANUARY 1	8,043	8,043	0	7,399	7,399	0
CASH, DECEMBER 31	8,618	8,867	249	7,924	8,043	119
<u>ELECTION ADMINISTRATION FUND</u>						
RECEIPTS						
Charges for service:	1,200	670	(530)	3,000	2,303	(697)
Interest	150	296	146	400	191	(209)
Total Receipts	1,350	966	(384)	3,400	2,494	(906)
DISBURSEMENTS						
County Clerk	500	0	500	3,000	976	2,024
Total Disbursements	500	0	500	3,000	976	2,024
RECEIPTS OVER (UNDER) DISBURSEMENTS	850	966	116	400	1,518	1,118
CASH, JANUARY 1	10,798	10,798	0	9,280	9,280	0
CASH, DECEMBER 31	11,648	11,764	116	9,680	10,798	1,118

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HAVA GRANT FUND</u>						
RECEIPTS						
Intergovernmental	58,351	62,767	4,416	15,000	15,000	0
Transfers in	14,928	15,000	72	0	0	0
Total Receipts	<u>73,279</u>	<u>77,767</u>	<u>4,488</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
DISBURSEMENTS						
Election equipment	81,000	80,834	166	0	0	0
Computer	6,899	6,899	0	0	0	0
Training	380	297	83	0	0	0
Total Disbursements	<u>88,279</u>	<u>88,030</u>	<u>249</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(15,000)</u>	<u>(10,263)</u>	<u>4,737</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
CASH, JANUARY 1	15,000	15,000	0	0	0	0
CASH, DECEMBER 31	<u>0</u>	<u>4,737</u>	<u>4,737</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
<u>RECORDER USERS FUND</u>						
RECEIPTS						
Charges for services:	8,500	8,375	(125)	8,200	8,529	329
Interest	850	1,304	454	1,500	846	(654)
Total Receipts	<u>9,350</u>	<u>9,679</u>	<u>329</u>	<u>9,700</u>	<u>9,375</u>	<u>(325)</u>
DISBURSEMENTS						
Recorder of Deeds	6,800	6,676	124	13,200	11,850	1,350
Total Disbursements	<u>6,800</u>	<u>6,676</u>	<u>124</u>	<u>13,200</u>	<u>11,850</u>	<u>1,350</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>2,550</u>	<u>3,003</u>	<u>453</u>	<u>(3,500)</u>	<u>(2,475)</u>	<u>1,025</u>
CASH, JANUARY 1	47,953	47,953	0	50,428	50,428	0
CASH, DECEMBER 31	<u>50,503</u>	<u>50,956</u>	<u>453</u>	<u>46,928</u>	<u>47,953</u>	<u>1,025</u>
<u>RECORDER TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for services:	5,000	4,755	(245)	5,000	4,717	(283)
Interest	200	397	197	200	188	(12)
Total Receipts	<u>5,200</u>	<u>5,152</u>	<u>(48)</u>	<u>5,200</u>	<u>4,905</u>	<u>(295)</u>
DISBURSEMENTS						
Recorder of Deeds	0	0	0	5,600	5,000	600
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,600</u>	<u>5,000</u>	<u>600</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>5,200</u>	<u>5,152</u>	<u>(48)</u>	<u>(400)</u>	<u>(95)</u>	<u>305</u>
CASH, JANUARY 1	12,950	12,950	0	13,045	13,045	0
CASH, DECEMBER 31	<u>18,150</u>	<u>18,102</u>	<u>(48)</u>	<u>12,645</u>	<u>12,950</u>	<u>305</u>

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COLLECTORS MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	14,631	14,358	(273)	13,000	14,744	1,744
Interest	319	898	579	150	334	184
Total Receipts	14,950	15,256	306	13,150	15,078	1,928
DISBURSEMENTS						
County Collector	15,000	252	14,748	10,000	634	9,366
Total Disbursements	15,000	252	14,748	10,000	634	9,366
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50)	15,004	15,054	3,150	14,444	11,294
CASH, JANUARY 1	25,151	25,151	0	10,707	10,707	0
CASH, DECEMBER 31	25,101	40,155	15,054	13,857	25,151	11,294
<u>LAW ENFORCEMENT CONSTRUCTION FUND</u>						
RECEIPTS						
Sales taxes	625,000	665,993	40,993	630,000	651,786	21,786
Interest	7,000	17,675	10,675	12,000	7,672	(4,328)
Total Receipts	632,000	683,668	51,668	642,000	659,458	17,458
DISBURSEMENTS						
Bond payment	591,000	592,087	(1,087)	591,000	591,713	(713)
TIF payment	2,250	1,568	682	2,250	1,464	786
Administrative fee	0	1,550	(1,550)	0	0	0
Total Disbursements	593,250	595,205	(1,955)	593,250	593,177	73
RECEIPTS OVER (UNDER) DISBURSEMENTS	38,750	88,463	49,713	48,750	66,281	17,531
CASH, JANUARY 1	341,085	341,085	0	274,804	274,804	0
CASH, DECEMBER 31	379,835	429,548	49,713	323,554	341,085	17,531
<u>LAW ENFORCEMENT CENTER BOND FUND</u>						
RECEIPTS						
Bond proceeds	85,000	16,100	(68,900)	70,000	46,633	(23,367)
Interest	140	35	(105)	500	137	(363)
Total Receipts	85,140	16,135	(69,005)	70,500	46,770	(23,730)
DISBURSEMENTS						
Jail	20,000	0	20,000	20,000	0	20,000
Radio system	60,000	12,363	47,637	30,000	0	30,000
Annex remodel	0	0	0	20,000	52,980	(32,980)
Trust fee	1,500	0	1,500	1,500	1,500	0
Other	0	6,600	(6,600)	0	0	0
Total Disbursements	81,500	18,963	62,537	71,500	54,480	17,020
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,640	(2,828)	(6,468)	(1,000)	(7,710)	(6,710)
CASH, JANUARY 1	3,398	3,398	0	11,108	11,108	0
CASH, DECEMBER 31	7,038	570	(6,468)	10,108	3,398	(6,710)

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT GENERAL FUND</u>						
RECEIPTS						
Sales taxes	650,000	665,993	15,993	630,000	651,787	21,787
Intergovernmental	0	13,980	13,980	0	0	0
Charges for services	254,150	227,298	(26,852)	192,550	262,432	69,882
Interest	900	790	(110)	1,250	467	(783)
Other	15,480	4,448	(11,032)	200	1,346	1,146
Transfers in	294,222	294,222	0	365,000	262,500	(102,500)
Total Receipts	1,214,752	1,206,731	(8,021)	1,189,000	1,178,532	(10,468)
DISBURSEMENTS						
Sheriff	431,964	427,557	4,407	349,378	363,780	(14,402)
Jail	491,222	530,276	(39,054)	603,016	576,145	26,871
Employee fringe benefit	153,971	149,925	4,046	148,000	140,130	7,870
Transfers out	122,000	110,338	11,662	97,000	90,996	6,004
Total Disbursements	1,199,157	1,218,096	(18,939)	1,197,394	1,171,051	26,343
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,595	(11,365)	(26,960)	(8,394)	7,481	15,875
CASH, JANUARY 1	15,904	15,904	0	8,423	8,423	0
CASH, DECEMBER 31	31,499	4,539	(26,960)	29	15,904	15,875
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,850	1,855	5	1,500	1,777	277
Charges for services	3,400	4,044	644	3,200	3,802	602
Interest	50	78	28	20	48	28
Total Receipts	5,300	5,977	677	4,720	5,627	907
DISBURSEMENTS						
Sheriff	5,000	6,515	(1,515)	5,000	4,634	366
Total Disbursements	5,000	6,515	(1,515)	5,000	4,634	366
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	(538)	(838)	(280)	993	1,273
CASH, JANUARY 1	3,355	3,355	0	2,362	2,362	0
CASH, DECEMBER 31	3,655	2,817	(838)	2,082	3,355	1,273
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	48,000	41,407	(6,593)	45,000	49,423	4,423
Interest	821	1,107	286	500	959	459
Total Receipts	48,821	42,514	(6,307)	45,500	50,382	4,882
DISBURSEMENTS						
Sheriff	42,000	42,029	(29)	23,879	30,725	(6,846)
Transfers out	60,000	60,000	0	70,000	0	70,000
Total Disbursements	102,000	102,029	(29)	93,879	30,725	63,154
RECEIPTS OVER (UNDER) DISBURSEMENTS	(53,179)	(59,515)	(6,336)	(48,379)	19,657	68,036
CASH, JANUARY 1	68,485	68,485	0	48,828	48,828	0
CASH, DECEMBER 31	15,306	8,970	(6,336)	449	68,485	68,036

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF HELICOPTER FUND</u>						
RECEIPTS						
Interest	275	370	95	20	429	409
Total Receipts	275	370	95	20	429	409
DISBURSEMENTS						
Sheriff	2,500	0	2,500	12,025	6,032	5,993
Transfers out	19,222	19,222	0	0	0	0
Total Disbursements	21,722	19,222	2,500	12,025	6,032	5,993
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,447)	(18,852)	2,595	(12,005)	(5,603)	6,402
CASH, JANUARY 1	18,852	18,852	0	24,455	24,455	0
CASH, DECEMBER 31	(2,595)	0	2,595	12,450	18,852	6,402
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	950	1,031	81	900	1,012	112
Interest	30	62	32	40	32	(8)
Total Receipts	980	1,093	113	940	1,044	104
DISBURSEMENTS						
Prosecuting Attorney	980	468	512	970	457	513
Total Disbursements	980	468	512	970	457	513
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	625	625	(30)	587	617
CASH, JANUARY 1	2,088	2,088	0	1,501	1,501	0
CASH, DECEMBER 31	2,088	2,713	625	1,471	2,088	617
<u>PROSECUTING ATTORNEY ADMINISTRATION FUND</u>						
RECEIPTS						
Charges for service:	30,000	36,247	6,247	30,000	31,902	1,902
Interest	500	1,027	527	500	536	36
Total Receipts	30,500	37,274	6,774	30,500	32,438	1,938
DISBURSEMENTS						
Prosecuting Attorney	29,500	20,782	8,718	23,250	22,019	1,231
Total Disbursements	29,500	20,782	8,718	23,250	22,019	1,231
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	16,492	15,492	7,250	10,419	3,169
CASH, JANUARY 1	35,962	35,962	0	25,543	25,543	0
CASH, DECEMBER 31	36,962	52,454	15,492	32,793	35,962	3,169
<u>PROSECUTING ATTORNEY DELINQUENT SALES TAX FUND</u>						
RECEIPTS						
Intergovernmental	2,000	436	(1,564)	1,650	2,133	483
Interest	50	109	59	150	67	(83)
Total Receipts	2,050	545	(1,505)	1,800	2,200	400
DISBURSEMENTS						
Prosecuting Attorney	2,050	796	1,254	2,000	1,320	680
Total Disbursements	2,050	796	1,254	2,000	1,320	680
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(251)	(251)	(200)	880	1,080
CASH, JANUARY 1	4,087	4,087	0	3,207	3,207	0
CASH, DECEMBER 31	4,087	3,836	(251)	3,007	4,087	1,080

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
MULTI-COUNTY CHILD SUPPORT FUND						
RECEIPTS						
Intergovernmental	112,100	111,905	(195)	105,043	92,786	(12,257)
Interest	50	79	29	90	18	(72)
Transfers in	0	14,000	14,000	0	7,500	7,500
Total Receipts	112,150	125,984	13,834	105,133	100,304	(4,829)
DISBURSEMENTS						
Prosecuting Attorney	111,390	98,759	12,631	105,129	97,875	7,254
Transfers out	0	26,075	(26,075)	0	3,616	(3,616)
Total Disbursements	111,390	124,834	(13,444)	105,129	101,491	3,638
RECEIPTS OVER (UNDER) DISBURSEMENTS	760	1,150	390	4	(1,187)	(1,191)
CASH, JANUARY 1	158	158	0	1,345	1,345	0
CASH, DECEMBER 31	918	1,308	390	1,349	158	(1,191)
JUVENILE JUSTICE SYSTEM FUND						
RECEIPTS						
Intergovernmental	706,946	503,485	(203,461)	662,014	736,550	74,536
Interest	7,000	6,423	(577)	7,000	3,215	(3,785)
Other	0	14,435	14,435	0	0	0
Transfers in	150,666	150,666	0	150,666	269,739	119,073
Total Receipts	864,612	675,009	(189,603)	819,680	1,009,504	189,824
DISBURSEMENTS						
Juvenile Justice Center	713,239	581,095	132,144	731,776	721,066	10,710
Transfers out	137,821	159,804	(21,983)	91,229	98,030	(6,801)
Total Disbursements	851,060	740,899	110,161	823,005	819,096	3,909
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,552	(65,890)	(79,442)	(3,325)	190,408	193,733
CASH, JANUARY 1	365,836	365,836	0	175,428	175,428	0
CASH, DECEMBER 31	379,388	299,946	(79,442)	172,103	365,836	193,733
JUVENILE GRANT OPERATIONS FUND						
RECEIPTS						
Intergovernmental	269,870	230,872	(38,998)	235,154	257,491	22,337
Transfers in	170,678	170,678	0	124,882	131,683	6,801
Total Receipts	440,548	401,550	(38,998)	360,036	389,174	29,138
DISBURSEMENTS						
Juvenile Officer	440,547	360,375	80,172	356,712	359,004	(2,292)
Transfers out	0	22,112	(22,112)	0	19,585	(19,585)
Total Disbursements	440,547	382,487	58,060	356,712	378,589	(21,877)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1	19,063	19,062	3,324	10,585	7,261
CASH, JANUARY 1	55,475	55,475	0	44,890	44,890	0
CASH, DECEMBER 31	55,476	74,538	19,062	48,214	55,475	7,261

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	380,685	416,990	36,305	381,268	427,452	46,184
Intergovernmental	200,000	288,132	88,132	200,000	288,859	88,859
Charges for services	450,000	737,241	287,241	250,000	584,742	334,742
Interest	10,000	25,409	15,409	10,000	23,897	13,897
Other	75,000	10,184	(64,816)	50,000	7,990	(42,010)
Total Receipts	1,115,685	1,477,956	362,271	891,268	1,332,940	441,672
DISBURSEMENTS						
Salaries	1,542,805	1,035,058	507,747	1,299,600	890,032	409,568
Office expenditure:	165,000	60,417	104,583	145,000	66,023	78,977
Equipment and building	70,000	20,747	49,253	40,000	14,240	25,760
Mileage and training	60,000	36,753	23,247	40,000	39,186	814
Other professional service:	0	5,410	(5,410)	0	7,183	(7,183)
Medical supplies	0	184,355	(184,355)	0	140,521	(140,521)
Other	90,000	3,415	86,585	90,000	8,448	81,552
Transfers out	0	7,811	(7,811)	0	70,708	(70,708)
Total Disbursements	1,927,805	1,353,966	573,839	1,614,600	1,236,341	378,259
RECEIPTS OVER (UNDER) DISBURSEMENTS	(812,120)	123,990	936,110	(723,332)	96,599	819,931
CASH, JANUARY 1	812,120	819,931	7,811	723,332	723,332	0
CASH, DECEMBER 31	0	943,921	943,921	0	819,931	819,931
SHERIFF REVOLVING FUND						
RECEIPTS						
Charges for service:	744	1,240	496			
Interest	20	79	59			
Total Receipts	764	1,319	555			
DISBURSEMENTS						
Sheriff	500	1,122	(622)			
Total Disbursements	500	1,122	(622)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	264	197	(67)			
CASH, JANUARY 1	3,172	3,172	0			
CASH, DECEMBER 31	3,436	3,369	(67)			

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

Notes to the Financial Statements

ADAIR COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Adair 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. 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 accounting principles generally accepted in the United States of America. Those principles 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, 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>
Sheriff Revolving Fund	2004
Senate Bill 40 Fund	2005
Drug Task Force Fund	2005 and 2004
Drug Court Fund	2005 and 2004
Associate Court Interest Fund	2005 and 2004
Circuit Clerk Interest Fund	2005 and 2004
Law Library Fund	2005 and 2004

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Self Funded Health Insurance Fund	2005
E-911 Fund	2005
Violence Intervention Services Fund	2004
Law Enforcement Construction Fund	2005
Law Enforcement General Fund	2005
Law Enforcement Training Fund	2005
Sheriff Civil Fees Fund	2005
Multi-County Child Support Fund	2005
Juvenile Grant Operations Fund	2004
Sheriff Revolving Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Sheriff Helicopter Fund for the year ended December 31, 2005.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, 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 for the years ended December 31, 2005 and 2004, did not include the Drug Task Force Fund, the Drug Court Fund, the Associate Court Interest Fund, the Circuit Clerk Interest Fund, or the Law Library Fund.

In addition, for the Health Center Fund, the county's published financial statements for the years ended December 31, 2005 and 2004, included only those amounts that passed through the County Treasurer.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. 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. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Adair County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Of the Health Center Board's bank balance at December 31, 2005 and 2004, \$16,856 and \$38,631, respectively, was exposed to custodial credit risk because those amounts were uncollateralized.

Investments

The county's only investment is recorded in the Milliken Cemetery Fund. The investment is corporate stock with a carrying amount of \$156. Section 110.270, RSMo, 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. At December 31, 2005 and 2004, the county's other funds had no such investments. In addition, Section 30.950, RSMo, 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.

As of December 31, 2005 and 2004, the fair values of the corporate stock held for the Milliken Cemetery Fund were \$23,616 and \$21,844.

Supplementary Schedule

Schedule

ADAIR 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,	
			2005	2004
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	RI-001-0-14	\$ 691	591
10.555	National School Lunch Program	65732	18,367	15,762
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ER01640620	8,924	6,088
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.523	Juvenile Accountability Incentive Block Grant	2003-JAIBG-LG-01	3,955	26,138
16.549	JJDP Challenge	N/A	0	9,412
16.579	Byrne Formula Grant Program	2002-NCD2-040	193,245	190,648
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2005-NMDTF	91,775	91,764
State Department of Public Safety				
16.588	Violence Against Women Formula Grant	ERO1640664	10,552	0
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	0	973
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO - B001(40)	0	164,889
		BRO - B001(22)	0	341
		BRO - 41	25,933	0

Schedule

ADAIR 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,	
			2005	2004
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	1128940A	2,563	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state			
	Office of Secretary of State			
39.011	Election Reform Payment	SCS 231 S5EL0000175	77,387	0
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payment	SCS 231 S5EL0000409	6,899	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-5100L	4,796	4,865
93.268	Immunization Grants	PGA064	54,532	39,113
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	ADC05280171 ERS145-5100S	0 168,035	152,594 0
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	57,730	57,705
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	CCHC070904 PGA0674100S	2,860 0	2,303 4,630
	Department of Social Services -			
93.658	Foster Care - Title IV-E	ER01820070	1,202	6,484
93.667	Social Services Block Grant	ERO5501786	0	19,536
93.917	Ryan White Care Act Title 2	DH020083001	14,882	14,866
	Department of Health and Senior Services			
93.675	Child Care Inspection	N/A	1,640	1,405
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	ERS16140030	2,619	6,516

Schedule

ADAIR 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,	
			2005	2004
93.994	Maternal and Child Health Services Block Grant to the States	580E146F00001 PGA057-5100S ERS1466100C	18,646 21,200 60,874	20,409 0 65,691
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
83.562	State and Local All Hazards Emergency Operations Plannin	N/A	0	14,250
97.004	State Domestic Preparedness Equipment Support Progran	N/A	0	11,259
97.036	Public Assistance Grants	DR 1412	62,104	0
Total Expenditures of Federal Award:			\$ <u>911,411</u>	<u>928,232</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

ADAIR 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 Adair 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 Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2005 and 2004.

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 Adair County, Missouri

Compliance

We have audited the compliance of Adair 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 each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are 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 each of its major federal programs 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 auditing standards generally accepted in the United States of America; 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, Adair County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. 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 numbers 05-1 through 05-3.

Internal Control Over Compliance

The management of Adair 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 numbers 05-1 through 05-3.

A material weakness is a reportable 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 caused by error or fraud 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, of the reportable conditions described above, we consider finding numbers 05-1 and 05-3 to be material weaknesses.

This report is intended for the information and use of the management of Adair County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 27, 2006 (fieldwork completion date)

Schedule

ADAIR COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2005 AND 2004

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 programs:

- Material weaknesses identified? x yes 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 programs: 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 programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
16.579	Byrne Formula Grant Program
20.205	Highway Planning and Construction
39.011	Election Reform Payments
93.283	Centers for Disease Control and Prevention – Investigations and Technical

Assistance

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

Auditee qualified as a low-risk auditee? yes x 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 findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-1.	Schedule of Expenditures of Federal Awards
--------------	---

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	16.579
Program Title:	Byrne Formula Grant Program
Pass-Through Entity	
Identifying Number:	2002-NCD2-040
Award Years:	2005 and 2004
Questioned Costs:	Not applicable
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 - B001(40), BRO - B001(22), and BRO - 41
Award Years:	2005 and 2004
Questioned Costs:	Not applicable

Federal Grantor: General Services Administration
Pass-Through Grantor: State Office of Secretary of State
Federal CFDA Number: 39.011
Program Title: Election Reform Payments
Pass-Through Entity
Identifying Number: SCS 231 S5EL0000175
Award Years: 2005 and 2004
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: State Department of Health and Senior Services
Federal CFDA Number: 93.283
Program Title: Centers for Disease Control and Prevention –
Investigations and Technical Assistance

Pass-Through Entity
Identifying Number: ADC05280171 and ERS145-5100S
Award Years: 2005 and 2004
Questioned Costs: Not applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$146,212 and \$191,248 for the years ended December 31, 2005 and 2004, respectively.

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

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2005 the County Clerk failed to include federal monies of \$77,387 passed through from the state's Office of the Secretary of State under the Election Reform Payments Program. Also for 2005, the Health Center overstated federal monies by \$22,069, passed through from the state's Department of Health and Senior Services under the Centers for Disease Control and Prevention – Investigations and Technical Assistance program. For 2004, the County Clerk failed to include federal monies of \$190,648 passed through from the state's Department of Public Safety under the Byrne Formula Grant Program. The Health Center failed to include federal monies of \$82,074 and \$65,691 for 2005 and 2004, respectively, passed through from the state's Department of Health and Senior Services under the Maternal and Child Health Services Block Grant to the States program. Also for 2004, the County Clerk overstated federal monies by \$136,421, passed through the state's Highway and Transportation Commission under the Highway Planning and Construction program. In addition, the County Clerk and Health Center failed to include the required pass-through grantor's number on some of the programs that were reported. The County Clerk indicated it is not always easy to obtain the necessary information from other departments and/or officials and both he and the Health Center Administrator indicated they

do not always know whether monies received are federal in nature, and thus reportable on the SEFA. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

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 awards.

Similar conditions were noted in prior reports. Although the County Commission and County Clerk indicated they would implement the recommendations, the county has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission and County Clerk, along with the Health Center Administrator, work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

We agree with this finding and will work towards ensuring the SEFA is complete and accurate.

The Health Center Administrator indicated:

This will be implemented.

05-2.	CDC Grant
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Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	State Department of Health and Senior Services
Federal CFDA Number:	93.283
Program Title:	Centers for Disease Control and Prevention – Investigations and Technical Assistance
Pass-Through Entity	
Identifying Number:	ADC05280171 and ERS145-5100S
Award Years:	2005 and 2004
Questioned Costs:	\$1,481

Various charges totaling \$1,481 claimed by the Health Center did not appear to be related to the activities of the grant and there was no documentation indicating quarterly progress reports were reviewed and approved prior to submission to the state.

- A. A portion of office supply expenses and internet charges claimed by the Health Center against the Centers for Disease Control and Prevention – Investigations and Technical Assistance grant were not necessarily related to the activities of the grant.

Total office supply expenses of \$1,081 and internet charges of \$400 were reimbursed in 2005. Office supplies and the internet usage were not restricted to activities pertaining to the grant and are available to and used in other aspects of the Health Center's operations. As such, the charging of total office supply and internet expenses against the grant does not appear reasonable and allowable. Without adequate supporting documentation for allocating the charges to the grant, costs totaling \$1,481 appear questionable and could be disallowed by the granting agency.

- B. There was no documentation indicating quarterly progress reports required by the grant agreement were reviewed and approved by the Health Center Administrator or Health Center Board of Trustees prior to being submitted to the State Department of Health and Senior Services (DHSS). The progress reports were to contain information relating to performance expectations pertaining to the grant.

During a grant monitoring review conducted by the DHSS, the Health Center was cited for poor performance in relation to performance expectations outlined in the grant agreement and was put on grant probationary status for approximately one year. Had quarterly progress reports been subject to thorough review and approval, the degree of the Health Center's progress towards the performance expectations may have been noted and actions could have been taken on a timely basis to correct any deficiencies. Further, had such administrative oversight occurred, the findings of the DHSS may have been averted and the Health Center may have avoided its probationary period.

WE RECOMMEND the Health Center Board:

- A. Contact the granting agency to resolve the questioned costs and ensure adequate supporting documentation for cost allocations is maintained on future grants.
- B. Establish controls and procedures to ensure reports required under grant agreements are reviewed and approved prior to submission to the granting agency.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The Health Center Administrator indicated:

- A. *We no longer receive this grant. In the future, we will ensure adequate supporting documentation is maintained for cost allocations.*
- B. *This is currently being done.*

05-3.

Election Reform Payments Grant

Federal Grantor:	General Services Administration
Pass-Through Grantor:	State Office of Secretary of State
Federal CFDA Number:	39.011
Program Title:	Election Reform Payments
Pass-Through Entity Identifying Number:	SCS 231 S5EL0000175
Award Years:	2005 and 2004
Questioned Costs:	\$6,765

Grant receipts and disbursements were incorrectly reported on financial status reports submitted to the granting agency and the county did not solicit bids for equipment totaling \$6,765.

- A. The county incorrectly reported grant receipts and disbursements on its financial status report submitted to the granting agency. The granting agency requested the county prepare a financial status report on grant receipts and disbursements since the inception of the grant through December 31, 2005. The county prepared the report in June 2006 and incorrectly included on the financial status report 2006 grant receipts totaling \$11,512 and 2006 grant disbursements totaling \$21. Although the financial status report was reviewed by the County Clerk, the reporting of 2006 transactions was not noted. The county should prepare accurate financial status reports as required by the grant agreement.
- B. The county did not solicit bids for a 2005 purchase of ten Palm Pilots totaling \$6,765 as required by the Common Rule and Section 50.660, RSMo. These handheld computers are used to lookup and verify voter information at the various polling places. In addition, the county did not require the contractor to certify that they had not been suspended or debarred. Controls must be established to obtain suspension and debarment certifications from parties to ensure compliance with federal regulations. Since documentation was not available to show applicable bidding requirements were met, we question the amount of the purchase, or \$6,765.

WE RECOMMEND the County Commission:

- A. Prepare accurate financial status reports for the Election Reform Payments grant.
- B. Contact the granting agency to resolve the questioned costs and solicit bids as required by state law. Further, the County Commission should obtain certifications from parties awarded contracts that the organization and its principals are not suspended or debarred.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Commission and County Clerk indicated this will be done.*

- B. *The County Clerk indicated he originally purchased Palm Pilots at a total cost of less than \$4,500 and no bids were required. Subsequent to this purchase, the county purchased a maintenance agreement for the Palm Pilots from the same company resulting in total Palm Pilot related costs of \$6,765. At the time of the original purchase, he did not anticipate total costs to exceed \$4,500 and thus, did not bid the purchase. In the future, the County Commission will solicit bids as required by state law and obtain the necessary certifications from contractors to ensure compliance with federal regulations. Further, the County Commission will contact the granting agency to resolve the questioned costs.*

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

ADAIR 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 Adair County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2003.

03-1. County Budgets

- A. Formal budgets were not prepared for various county funds.
- B. Actual expenditures exceeded budgeted expenditures of various funds.

Recommendation:

The County Commission:

- A. Ensure that budgets are prepared for all county funds including newly established funds.
- B. Ensure that disbursements are not authorized in excess of budgeted expenditures.

Status:

A&B. Partially implemented. Some improvement was noted; however, see Management Advisory Report finding number 3.

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

ADAIR 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.

Findings - Two Years Ended December 31, 2003

03-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	01-PF-253 and 02-PF-14
Award Years:	2003 and 2002
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Health and Human Resources
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	93.288
Program Title:	Regional Public Health Emergency Planning & Prep.
Pass-Through Entity	
Identifying Number:	AOC03380025
Award Years:	2003 and 2002
Questioned Costs:	Not applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: State Department of Health
Federal CFDA Number: 93.911
Program Title: Preventive Health and Health Services Block Grant
Pass-Through Entity
Identifying Number: ERS1464100C
Award Years: 2003 and 2002
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Homeland Security
Pass-Through Grantor: State Emergency Management Agency
Federal CFDA Number: 97.042
Program Title: Emergency Management Performance Grants
Pass-Through Entity
Identifying Number: 1412
Award Years: 2003 and 2002
Questioned Costs: Not applicable

The county did not have adequate procedures in place to track federal assistance for the preparation of the schedule of expenditures of federal awards.

Recommendation:

Compilation of the SEFA requires consulting financial records and requesting information from other departments and/or officials. The Clerk should instruct the other offices on the procedures they should use to arrive at the information given to him. It appears that the County Clerk's office needs to reconcile the information obtained from the other offices with the amounts shown in the County's financial information. The Clerk should also review the County's general ledger to make sure that all federal grant programs have been reflected on the schedule.

Status:

Not implemented. See finding number 05-1.

03-3. Cash Management

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	01-PF-253 and 02-PF-14
Award Years:	2003 and 2002
Questioned Costs:	Not applicable

The County did not establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

Recommendation:

The County establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds. The County must make sure appropriate procedures are in place with any grant administrator and the department that is in charge of the project to make sure the correct information is being communicated and reported.

Status:

Implemented.

Findings - Two Years Ended December 31, 2001

01-2 Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	99-PF-11 and 98-PF-01
Award Years:	2001 and 2000
Questioned Costs:	Not Applicable

Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: State Department of Public Safety
Federal CFDA Number: 16.523
Program Title: Juvenile Accountability Incentive Block Grant
Pass-Through Entity
Identifying Number: 98-JAIBG-CB-001
Award Year: 2000
Questioned Costs: Not Applicable

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-001(19), BRO-001(21) and BRO-001(22)
Award Years: 2000 and 2001
Questioned Costs: Not Applicable

The county did not have adequate procedures in place to track federal assistance for the preparation of the schedule of expenditures of federal awards.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

Status:

Not implemented. See finding number 05-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Adair County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 27, 2006. We also have audited the compliance of Adair 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 each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 27, 2006.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. 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.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Adair County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are

required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Juvenile Division Policies
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The Juvenile Division had no formal written policies on the proper use of vehicles; credit cards; cellular phones; equipment; nor for its travel expenses.

- A. Controls over juvenile division vehicles were inadequate. The Juvenile Division had no formal written policy on the proper use of vehicles and did not maintain vehicle usage logs for its county-owned vehicles. Some juvenile division personnel were allowed to use official vehicles for commuting purposes.

During the two years ended December 31, 2005, the Juvenile Division owned and operated an average of thirteen vehicles according to its inventory records. The Juvenile Division used several methods to fuel vehicles including charge accounts at certain gas stations, charging fuel to credit cards, and a bulk fuel tank located at the Juvenile Division. Fuel purchases were \$13,787 and \$18,529 for the years ended December 31, 2005 and 2004, respectively. The following table shows the categories and amounts of fuel purchases for 2005 and 2004:

	Totals	Gas Stations	Credit Cards	Bulk Fuel Tank
2005	\$13,787	1,828	2,861	9,098
2004	18,529	2,354	3,349	12,826
Totals	\$32,316	4,182	6,210	21,924

1. The Juvenile Division had no formal written policy on the proper use of vehicles and did not maintain vehicle usage logs for their county-owned vehicles. A formal written vehicle policy should require the use of vehicle logs documenting the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and to help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

2. Some juvenile division personnel were allowed to use official vehicles for commuting purposes. While the Juvenile Division did not officially assign vehicles to specific employees, juvenile division personnel indicated that three vehicles were used primarily by the Chief Juvenile Officer/Juvenile Services Administrator, the Superintendent, and the Chief Deputy Juvenile Officer. These three individuals used county vehicles to commute to and

from home daily. The Juvenile Division did not keep records of mileage incurred on the county vehicles for commuting purposes.

A formal written vehicle policy should also address the use of official vehicles for commuting purposes and ensure such activity is accounted for in accordance with IRS guidelines. Such a policy is needed to inform juvenile division employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and ensure compliance with related IRS guidelines and reporting requirements.

3. During the two years ended December 31, 2005, juvenile office accounting records indicated the Juvenile Division paid employee mileage reimbursements amounting to approximately \$6,900. Employees were allowed to claim reimbursement for use of personal vehicles even if juvenile division vehicles were available for use. The reimbursement forms did not indicate the purpose of trips. As noted above, usage logs were not maintained for the juvenile division vehicles and employees were allowed to charge gasoline on official credit cards. Due to the weaknesses noted, the Juvenile Division could not ensure the propriety of mileage expenses paid.

In November 2005, a written policy was established indicating that juvenile division vehicles should be used for business purposes only. The Juvenile Division implemented vehicle usage logs for all juvenile division vehicles in February 2006.

- B. The Juvenile Division had not adopted formal policies and procedures for the use of its credit cards. The Juvenile Division had ten credit cards used by employees for payment of juvenile division expenses including gasoline, hotels, meals, car rentals, airline tickets, and office supplies. According to juvenile division accounting records, credit card disbursements totaled approximately \$99,000 during the two years ended December 31, 2005.

The credit card policy should address the documentation required to be submitted in support of credit card charges. As addressed in MAR No. 2 A below, payments made for credit card purchases were not always supported by the individual credit card slips, supporting invoices, or other documentation.

The credit card policy should also address proper review and approval procedures for credit card purchases. Credit card purchases were not always reviewed and approved by someone other than the credit card holder. The Chief Juvenile Officer/Juvenile Services Administrator approved his own billings. These billings should be reviewed and approved by the Circuit Judge or the County Commission.

The credit card policy should also address and require the timely payment of credit card bills. During the two years ended December 31, 2005, the Juvenile Division incurred credit card finance and late fee charges totaling \$1,376. We noted 73 of 141 (52 percent) credit card statements reviewed reflected finance or late charges. The Juvenile Division did not always submit credit card payment requests through the County Clerk's office on a timely basis, resulting in excess finance and late fee charges. Failure to pay bills promptly exposes the county to unnecessary costs.

Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees and help ensure the credit cards are used only for official business. In addition, the Juvenile Division should evaluate the need for each credit card.

- C. The Juvenile Division did not have a formal written policy regarding cellular phone usage until October 2005. Employees who were assigned phones were not required to review and approve the monthly bills and identify any personal use. The Juvenile Division had ten cellular phones issued to various employees and, according to accounting records, paid cellular phone costs amounting to approximately \$13,000 during the two years ended December 31, 2005.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy is needed regarding cellular phones. Such a policy should address which employees need a cellular phone, proper use of the phone, and a review and authorization process. The Juvenile Division should prohibit the personal use of the cellular phones, except in cases of emergency.

- D. The Juvenile Division has informally allowed employees to borrow equipment during non-working hours for personal use. No record was maintained to document such use of the equipment.

A formal written policy is needed regarding the use of equipment. Such a policy should prohibit the personal use of juvenile division equipment since it is not a prudent use of county resources.

- E. The Juvenile Division had no formal written policies for travel and meal expenses. During the two years ended December 31, 2005, accounting records indicated the Juvenile Division paid meal costs amounting to approximately \$7,700 (approximately \$5,000 on credit cards and approximately \$2,700 on expense accounts).

Some employees were allowed to pay for meals and claim reimbursement on an expense account. Other employees could also charge meals on one of the office's credit cards. Until the Office of the State Courts Administrator (OSCA) policy was adopted in August 2005, there were no established daily or meal limits. In addition, meals charged at local restaurants while an employee was not on overnight travel status were not adequately supported. For example, one juvenile division employee

charged a juvenile division credit card for five individual local meals ranging from approximately \$47 to \$71 during the two years ended December 31, 2005. These meal charges were not supported by listings of those in attendance and an explanation of the nature and purpose of the meal. The lack of a formal written meal expense policy and adequate documentation in support of meal expenses for employees not on overnight travel makes it difficult for the Juvenile Division to ensure the propriety of payments made for meal expenses.

Without written, documented policies, the types of expenses that can be incurred and the extent of those expenses that will be paid by the Juvenile Division may not be known. The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner.

WE RECOMMEND the Juvenile Division:

- A. Continue to maintain its vehicle usage policy and vehicle usage logs. In addition, the Juvenile Division should comply with IRS guidelines for reporting fringe benefits related to commuting in county owned vehicles, or adequately document their reasoning for exempting these individuals in a written policy. Finally, the Juvenile Division should cease allowing the reimbursement of mileage on personal vehicles when official vehicles are available.
- B. Evaluate the need for each credit card and cancel any cards which are determined unnecessary. The Juvenile Division should adopt formal policies and procedures for credit card use, including policies which prohibit the personal use of juvenile division credit cards, requiring all credit card slips be submitted prior to payment of invoices for the administrator's approval, and requiring that credit card bills be paid on a timely basis.
- C. Require users to review cellular phone bills before payment and identify any personal usage for reimbursement.
- D. Develop a formal written policy prohibiting the personal use of juvenile division equipment.
- E. Establish and maintain appropriate policies and procedures regarding meal and travel expenses.

AUDITEE'S RESPONSE

The Circuit Judge and Juvenile Services Administrator indicated:

GENERAL RESPONSE:

The organizational structure of the Second Circuit Juvenile Division which consisted of the Chief Juvenile Officer, Chief Deputy Juvenile Officer, Deputy Juvenile Officers, clerical and other staff, ultimately proved inadequate after the construction of the Bruce Normile Juvenile Justice Center in December 2000, and the expansion of juvenile services related to that construction. Before the Normile Center was built, the Chief Juvenile Officer was able to handle all the responsibilities of supervising and managing the daily operations and administration of the entire juvenile office. With the addition of the Normile Center with 14 detention and 16 residential beds, and with 58 employees circuit-wide, that is no longer the case. There are simply too many personnel, financial management and administrative responsibilities, as well as field services and case management responsibilities, for one person to adequately fulfill the many duties connected with the Juvenile Division and its multiple and, often, complex operations.

Upon recognizing this organizational deficiency and evaluating an appropriate solution, the position of Juvenile Services Administrator was created in 2004. While the Chief Juvenile Officer is, primarily, a field services worker and case manager with supervisory responsibilities over other field services staff and programs, the Juvenile Services Administrator is just that, an administrator, who has, as one of his primary responsibilities, the review and analysis of operational policies and procedures and recommendations for changes and improvements in those policies and procedures. After an extensive review of the dozens of policies and procedures of the Juvenile Division, most of the comments outlined in the audit report were internally identified and virtually all of the recommendations contained in the report had already been implemented by the Juvenile Services Administrator in 2005 prior to the commencement of the audit.

Also, it should be noted that the concerns identified in the report do not indicate any improper conduct by Juvenile Division personnel, but merely that the then existing policies and procedures were inadequate to insure that proper documentation was always available to justify particular expenditures or to ensure that public funds and other resources were not improperly used.

Each of the recommendations made by the Missouri State Auditor's Office have been followed and implemented at this time.

A. Vehicles

In November 2005, the vehicle policies and procedures for the Juvenile Division were revised and implemented, as follows:

- 1. Office vehicles shall be used for official juvenile division business **only**.*

2. *Only those officers who are on call are permitted to commute in official vehicles. These include the Chief Juvenile Officer, the Director of Residential Services, and the Detention Unit Coordinator. These personnel are subject to frequent calls from home to respond to emergencies during non business hours and these office vehicles are made available for their official use to respond to after hour emergencies. Office vehicles are not used for commuting by these personnel when they are not on call to respond. It appears that this use of official vehicles complies with IRS guidelines and exempts such use from reporting as a fringe benefit and the existing written policies adequately document the reason for this exempt use. Further investigation will be done to ensure IRS compliance and revisions or additions to current policies will be adopted if required for IRS compliance.*
3. *No employee shall be reimbursed for mileage when office vehicles are available for use. Mileage for personal vehicle use will be paid only upon prior authorization by the Juvenile Services Administrator.*
4. *Completion of mileage/usage logs is required for every use of each official vehicle.*

B. Credit cards

The need for credit cards was carefully evaluated in September 2005, and only one credit card is now available for official Juvenile Division use. In October 2005, written policies and procedures were implemented regarding all credit card use. They include the following:

1. *The credit card is locked in the office of the Juvenile Services Administrator or his administrative assistant and is made available to employees only upon the written authorization of the Juvenile Services Administrator.*
2. *Prior written approval from the Juvenile Services Administrator is required for all credit card purchases. All purchase requests must be in writing. Immediately upon completion of the transaction with the credit card, the employee shall return the card along with the transaction receipt(s) to the Juvenile Services Administrator.*
3. *All credit card invoices must be supported by the receipts for each purchase and are submitted to the county clerk's office for prompt payment. If a credit card payment may be late due to the fact that the county's check issuance date would fall after the payment due date, a request shall be made to have a special check issued to avoid unnecessary late charges, interest, or fees.*

C. Cellular phones

In October 2005, new cellular phone policies and procedures were adopted. They include the following:

- 1. Four cellular phones are owned by the Juvenile Division with 1,300 minutes per month shared by all four phones at a cost of approximately \$100 per month. The four phones are assigned to the on-call staff for Adair County, Knox County, and Lewis County, and the Residential Unit of the Bruce Normile Juvenile Justice Center. They are to be used only for official business and no personal use is permitted.*
- 2. The Chief Juvenile Officer, Chief Deputy Juvenile Officer, Director of Residential Services, Detention Unit Coordinator, and the Guardian Ad Litem are in supervisory positions and are subject to frequent after hours contact with the office and other employees they supervise. They secure their own cellular phone contracts and agree to use their phones for official use but may also use them for personal use. Each employee is responsible for the payment of their own cellular phone bill. Stipends of \$40 per month are paid to these employees. Monthly cellular phone invoices are required to be submitted prior to the stipend payment to verify that these expenses are personally incurred.*

D. Personal use of office property

In the fall of 2005, a formal written policy was adopted prohibiting the personal use of property owned by the Second Judicial Circuit, Juvenile Division.

E. Meals and travel expenses

In the fall of 2005, the Juvenile Division formally adopted the "Court Employee Travel Policy" of the Office of State Courts Administrator. These policies and procedures outline proper procedures regarding meals and travel expenses.

AUDITOR'S COMMENT

With the lack of oversight and records prior to the changes made, the Juvenile Division had no assurance that assets were not mishandled.

2. Juvenile Division Accounting Controls and Procedures
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Improvements are needed in the Juvenile Division's accounting controls and procedures relating to credit card and fuel purchases, its bulk fuel tank, and handling of receipts. Payments made for credit card and fuel purchases were not always supported by the individual credit card slips, supporting invoices, or other documentation. Perpetual

inventory records are not maintained for the bulk fuel tank. In addition, physical and processing controls over receipts are in need of improvement.

- A. Payments made for credit card and fuel purchases were not always supported by the individual credit card slips, supporting invoices, or other documentation. The Juvenile Division had ten credit cards used by employees for payment of juvenile division expenses. Charges to these cards included expenses for gasoline, hotels, meals, car rentals, airline tickets, and office supplies.

We noted one cash advance for \$400 on a credit card that had no supporting documentation itemizing usage of the cash. Juvenile Division officials indicated the cash advance was used for a field trip to St. Louis for juveniles. We also reviewed the line item details of ten credit card statements and noted that 62 of 137 (45 percent) line item charges reviewed did not have any supporting documentation. Further, the Juvenile Division did not always retain receipts or other documentation of fuel purchases from gas stations or on credit cards. According to juvenile division accounting records, fuel purchases from gas stations and on credit cards were approximately \$10,400 for the two years ended December 31, 2005. Since credit card receipts or other documentation of fuel purchased by each employee was not always retained, fuel purchases cannot be reconciled to monthly credit card statements prior to payment and the Juvenile Division cannot be certain about the validity and propriety of its fuel charges.

Adequate supporting documentation should be required and retained in support of all credit card and fuel purchases. Without adequate supporting documentation, the Juvenile Division cannot evaluate the necessity and reasonableness of credit card and fuel purchases.

- B. A perpetual inventory record is not maintained for the bulk fuel tank. According to juvenile division accounting records, fuel purchases for the bulk fuel tank amounted to approximately \$21,900 for the two years ended December 31, 2005.

Failure to maintain a perpetual inventory of the fuel tank by recording all additions to and usage of fuel from the tank prevents the Juvenile Division from reconciling fuel usage to fuel purchases, increasing the risk that theft or misuse of fuel could occur and not be detected. Periodic physical inventories of the bulk fuel tanks are necessary to ensure the records are accurate, identify any unrecorded additions and deletions, and detect possible loss or theft. Fuel usage information on the perpetual inventory record should be reconciled to fuel purchases on a periodic basis.

- C. Physical controls over receipts are in need of improvement and checks are not restrictively endorsed immediately upon receipt. In addition, receipt slips are not issued for some monies received at the Juvenile Division.

- 1. Physical controls over receipts are in need of improvement. Monies received are maintained in a folder on the receptionist's desk until transmitted to the

County Treasurer. In addition, checks are not restrictively endorsed immediately upon receipt. Restrictive endorsements are applied by the County Treasurer upon receipt of the transmittal from the Juvenile Division. To safeguard against possible loss or misuse of funds and to ensure that receipts are properly handled, receipts should be maintained in a secure location with restricted access until transmitted to the County Treasurer and checks should be restrictively endorsed by the Juvenile Division immediately upon receipt.

2. Receipt slips are not issued for some monies received at the Juvenile Division. Receipt slips were only issued for restitution payments received. Also, the numerical sequence of receipt slips is not accounted for properly. To help ensure receipts are accounted for properly, prenumbered receipt slips should be issued for all monies received immediately upon receipt and the receipt slip numbers should be accounted for properly.

WE RECOMMEND the Juvenile Division:

- A. Require adequate supporting documentation, including credit card charge slips, invoices, and/or other documentation, be submitted and retained in support of all credit card and fuel purchases. Further, supporting documentation for credit card purchases should be reconciled to monthly credit card statements prior to payment.
- B. Ensure bulk fuel tank perpetual inventory records are maintained which are periodically reconciled to fuel purchases. In addition, the Juvenile Division should ensure a periodic physical inventory of the fuel is performed and compared to the balance on the perpetual inventory record.
- C.1. Establish procedures to ensure access to receipts is properly restricted and require that checks be restrictively endorsed immediately upon receipt.
2. Require that prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips should be accounted for properly.

AUDITEE'S RESPONSE

The Circuit Judge and Juvenile Services Administrator indicated:

A. *Supporting documentation for credit card and fuel purchases.*

1. *This recommendation has been the policy of the Juvenile Division since October 2005. The purchasing policy of the Juvenile Division requires written purchase requests be submitted to the Juvenile Services Administrator and written approval prior to purchase. Follow up documentation regarding the purpose or justification for each purchase shall be submitted to the Juvenile Services Administrator.*

2. Receipts are collected immediately following credit card purchases and are reconciled on a monthly basis with the credit card statement. Since the implementation of this policy, every credit card receipt has been retained and supports each and every purchase.

In the event fuel is purchased, the vehicle mileage at the time of fueling is noted on the receipt along with a description of the vehicle that was fueled. A notation is also made in the mileage log of that particular vehicle by the vehicle operator.

B. Bulk fuel tank inventory

1. *In November 2005, vehicle fueling policies and procedures were revised and implemented. Fuel key control for the bulk fuel tank at the Bruce Normile Juvenile Justice Center was implemented allowing only the Juvenile Services Administrator, Chief Juvenile Officer, Director of Residential Services and the Maintenance Worker access to this pump to fuel office vehicles. In December 2005, the Chief Deputy Juvenile Officer was added to the list of employees with access to the bulk fuel pump. Each time an office vehicle is fueled at the bulk fuel pump, the employee fueling the vehicle records the identity of the vehicle fueled, the employee fueling, the date and time of fueling, and the number of gallons pumped.*
2. *The policy regarding the bulk fuel tank requires that an internal check be performed at a minimum of every time the bulk fuel tank is filled. This check is performed by either the Maintenance Worker or the Juvenile Services Administrator. The number of gallons reported to have been pumped by Juvenile Division employees shall be within 8 gallons per every 100 gallons pumped (per MFA regulations) of what the overall pump fuel meter reads.*

C. Physical control of checks and receipts

1. *Immediately upon receiving a physical check payable to the Second Judicial Circuit, Juvenile Division, the check is restrictively endorsed by the Juvenile Services Administrator "For Deposit Only". Checks are then immediately locked in the office of the Administrative Assistant to the Juvenile Services Administrator, or taken to the Adair County Treasurer's Office to be deposited on the date of receipt.*
2. *In July 2006, a revenue receipt log was implemented for the Juvenile Division. This log assigns a sequential number to each receipt, along with the date of receipt and from whom it was received.*

3.**County Budgets**

Some receipts and disbursements were not properly classified in the county's budgets and budgets were not prepared for some county funds. Information regarding several county funds was omitted from the county's annual published financial statements and the county's financial monitoring procedures are ineffective and resulted in excess disbursements.

- A. Some receipts and disbursements were not appropriately classified in the county's budgets. Budget misclassifications included inconsistent and erroneous classifications of receipts and transfers. For example, some federal and state grant reimbursement monies were classified in the Other Revenues category. As such monies are a significant source of revenue to the county, they should be appropriately classified in the county's financial statements. In addition, some transfers were not consistently reflected between county funds. For example, while the county reflected transfers in on the Self Funded Health Insurance Fund, the corresponding transfers out were not properly reflected on the General Revenue, Special Road and Bridge, Assessment, Multi-County Child Support, Juvenile Grant Operations, and Health Center Funds. They were erroneously reflected in various operating expense categories and totaled \$235,257 and \$245,015 for 2005 and 2004, respectively.

While these budget misclassifications do not have an effect on the overall accuracy of budget totals for receipts and disbursements, they do result in an inaccurate and inconsistent presentation of the county's financial activity.

Adjustments have been made to the audited financial statements to correct these errors. To ensure the information presented on the county's budget documents is complete and accurate, the County Clerk should perform thorough reviews and comparisons to supporting records. Such procedures are essential for communicating accurate financial data to county residents. Further, the county's budgets should include appropriate classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools. Similar conditions were noted in our previous audit report.

- B. The County Commission and various elected officials did not ensure that budgets were prepared for several county funds. Receipts of approximately \$389,660 and \$344,410 and disbursements of approximately \$347,000 and \$341,000 were not budgeted for the years 2005 and 2004, respectively. Included in these amounts were the receipts and disbursements of the Drug Task Force Fund. Drug Task Force Fund receipts of approximately \$336,000 and \$334,000 and disbursements of approximately \$335,000 and \$332,000 were not budgeted for the years 2005 and 2004, respectively.

Some of the unbudgeted funds were both small and new, while other funds, including the Drug Task Force Fund, were held outside the county treasury. The County Clerk indicated he requested a budget from the officials holding funds outside the county treasury but a budget was not provided.

The county has not complied with statutory provisions and cannot effectively monitor expenditures or fund balances without a comprehensive budget document.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor’s office. By preparing or obtaining budgets for all county funds, the County Commission, county boards, and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

- C. The county's annual published financial statements did not include financial activity of some funds as required. Receipts of approximately \$342,000 and \$341,000 and disbursements of approximately \$339,000 and \$340,000 were omitted from the 2005 and 2004 annual published financial statements, respectively. Included in these amounts are the receipts and disbursements of the Drug Task Force Fund as noted in Part B above. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county’s annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the county’s financial activities and show compliance with statutory requirements.

- D. Actual disbursements exceeded budgeted amounts in various funds during the years ended December 31, 2005 and 2004, as follows:

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Self Funded Health Insurance	\$ 55,026	N/A
Law Enforcement Construction	1,955	N/A
E-911	9,156	N/A
Violence Intervention Services	N/A	2,807
Election Administration	N/A	484
Law Enforcement General	18,939	N/A
Law Enforcement Training	1,515	N/A
Sheriff Revolving	622	N/A
Multi-County Child Support	13,444	N/A
Juvenile Grant Operations	N/A	21,877
Sheriff Civil Fees	29	N/A

The County Clerk and Commission indicated that although they do monitor budget and actual disbursements on a monthly basis, it is not always easy to anticipate the level of financial activity near year end and, as a result, they do not always formally amend the budgets. However, there was no evidence in the commission meeting minutes of discussions regarding the budget status.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences or revenues, and statutorily required obligations), 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. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

WE RECOMMEND the County Commission:

- A. And the County Clerk ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the county budget documents.
- B. And other county officials ensure budgets are prepared or obtained for all county funds.
- C. And other county officials ensure all required information is presented in the county's annual published financial statements.
- D. Review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. Budgets should be properly amended if necessary.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *They and the County Clerk understand and agree with this finding and will strive to implement this recommendation on future budgets.*
- B. *They agree with this finding and will ensure budgets are prepared for all funds, including those from other officials, as required.*
- C. *They agree with this finding and will try to ensure all required information, including that from other county officials, is presented in the county's annual published financial statements.*
- D. *They agree with this finding and will properly amend budgets as necessary.*

4.**County Disbursements**

The county did not always retain bid documentation for some purchases, did not always enter into formal written agreements for services, and did not always have sufficient supporting documentation for disbursements.

- A. While the county has procedures to solicit bids for major purchases, the county did not always retain bid documentation for some purchases. Examples of items purchased for which bid documentation could not be located are as follows:

<u>Item or Services</u>	<u>Cost</u>
Grader	\$ 73,650
Chevrolet Blazer	8,900
Patrol cars	23,500

While the County Commission minutes do generally discuss the opening and awarding of bids, the county did not always retain actual documentation of this process. Such documentation would include the bid specifications, the method of bid solicitation (i.e., newspaper advertisement, telephone, etc.), and the actual bids submitted by vendors. In addition to the grader purchase above, we noted three other instances where the county purchased graders for a total of \$64,125 net of trade-in and did not retain bid documentation. The County Commission indicated these items were bid; however, the bid files were inadvertently discarded when the prior County Clerk left office.

The County Commission indicated that while the prior Assessor had the practice of obtaining telephone bids, they believed he did not retain such documentation supporting the purchase of the Chevrolet Blazer. Further, the County Commission believed such documentation may not have been filed with the County Clerk. Similarly, the County Commission indicated the Sheriff does obtain quotes or bids in support of the purchase of patrol cars; however, such documentation was not always filed with the County Clerk. If the County Commission is going to delegate bid responsibilities to respective officials, the Commission should followup and ensure compliance with state law by maintaining documentation of the process.

The county and its officials should comply with state law requiring bids for certain purchases. Documentation of this process should be filed and available in the County Clerk's office to support the transactions. Further, Section 50.660, RSMo, requires bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

- B. The county did not enter into formal written agreements for transportation services for older adults and economic development for the city of Kirksville. The county paid \$1,000 and \$5,000, respectively, for these services for each of the two years ended December 31, 2005.

Written agreements provide the framework necessary to detail the services to be provided and the compensation to be paid. In addition, Section 432.070, RSMo, prohibits a county from making a contract unless it is in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party and should establish performance criteria which must be met prior to payment for work completed. Commission minutes should document approval of all agreements.

- C. As similarly noted in our prior report, supporting documentation related to some expenditures was insufficient. For example, the County Clerk could not find invoices in support of 3 of 55 (5 percent) items tested. These included a 2004 purchase of a laptop computer (\$3,745), a 2005 software lease payment (\$3,545), and a 2005 communications payment (\$4,048). The County Clerk indicated the invoices may have been misfiled.

To ensure the validity and propriety of disbursements and compliance with statutory provisions, adequate supporting documentation should be maintained for all payments to vendors.

WE RECOMMEND the County Commission:

- A. And other county officials solicit bids for all purchases in accordance with state law and maintain documentation of bids.
- B. Ensure that contracts are obtained and entered into for services received.
- C. Require adequate supporting documentation prior to approving disbursements for payment.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *This will be implemented immediately. Further, the County Commission will try to ensure future bids from other county officials are filed with the County Clerk.*
- B. *This will be implemented for all future contractual arrangements.*
- C. *They agree with this finding and will strive to fully implement this recommendation immediately.*

5.**Personnel Policies and Procedures**

The County Clerk's office does not have sufficient time records to support payroll disbursements. As noted in the prior audit report, timesheets are not submitted to the County Clerk's office on a timely basis. The Sheriff's Department submits payroll request forms to the County Clerk's office to initiate the issuance of payroll checks to department employees; however, time records to support these requests are often not submitted until one week later and are not reconciled to the payroll request. In addition, although timesheets are prepared by the court bailiff and a part time county employee in the Circuit Clerk's office, the timesheets are not submitted to the County Clerk's office. Further, the County Commission does not review and approve the monthly time sheets of the Road and Bridge Supervisor.

Detailed time sheets document hours actually worked, provide information necessary to monitor overtime worked, leave and compensatory time usage, and federal Fair Labor Standards Act (FLSA) requirements. Timesheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office in a timely manner.

WE RECOMMEND the County Commission require all employees to prepare timesheets. These timesheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk on a timely basis.

AUDITEE'S RESPONSE

The County Commission indicated they will require properly approved timesheets for all employees and request that timesheets be filed on a timely basis. In addition, they will currently begin approving the timesheets of the Road and Bridge Supervisor. Further, the County Clerk will currently begin reviewing timesheets from the Sheriff's office to ensure proper salaries have been paid.

6.**Computer Controls**

Computer systems and data are vulnerable to unauthorized use, modification or destruction. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed on the systems within the offices of the County Clerk, County Treasurer, County Collector, and County Assessor to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

WE RECOMMEND the County Commission require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

AUDITEE'S RESPONSE

The County Commission indicated they agree with this finding and will implement the recommendation as soon as possible.

7.

Property Tax System

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the current and back tax books or maintain a complete account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements or adequately review property tax additions and abatements.

- A. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector sends a letter to the property tax system vendor indicating certified tax rates for the current year and the vendor enters these rates into the property tax system. Personnel in the County Collector's office print the tax books and tax statements, and verify the accuracy of some tax statements. The County Collector also prepares the back tax books. According to the County Collector, he randomly tests the accuracy of several tax statements, and documents this procedure; however, the County Clerk is not involved in this procedure. Although the County Collector prepares and the County Clerk signs a letter indicating the County Clerk has verified the accuracy of tax statements, the County Clerk could not provide documentation of this verification.

Because the Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

- B. Controls over property tax additions and abatements are not adequate. During the two years ended February 28, 2006, additions and abatements to the tax books totaled approximately \$213,000 and \$182,000, respectively. The County Collector makes additions and abatements to the property tax system based upon court orders approved by the County Commission. In addition, the County Collector can make

changes to the property tax system without orders approved by the County Commission. During the two years ended February 28, 2006, we noted two instances totaling approximately \$630 where the County Collector abated taxes without obtaining a court order from the County Commission. No independent and subsequent review of the actual changes made to the property tax system as compared to approved change requests and/or court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

- C. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain a complete account book or other record summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements. As a result, errors or irregularities in the County Collector's settlements could go undetected.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book would summarize all taxes being charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. These amounts could then be verified by the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlement. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

Similar conditions were noted in our previous audit report.

WE AGAIN RECOMMEND:

- A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- B. The County Commission develop procedures to ensure any changes to the property tax system are properly approved and monitored.
- C. The County Clerk and County Commission monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

AUDITEE'S RESPONSE

- A. *The County Clerk indicated he could initiate the procedure by which the tax books are electronically prepared. The County Commission will make the incoming County Clerk aware of this responsibility so she can perform this function when tax books are again prepared next year. In addition, the County Clerk indicated he will be present and assist during the process of verifying the accuracy of the tax books. The County Commission will also inform the incoming County Clerk of these responsibilities.*
- B. *The County Commission and County Collector indicated they agree with this finding and the recommendation will be implemented as soon as possible.*
- C. *The County Commission and County Clerk indicated they agree with this finding and will perform more thorough reviews of future County Collector's annual settlements.*

8. Sheriff's Accounting Controls and Procedures
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Sheriff's office procedures related to processing of monies, unidentified cash balances, old outstanding checks, and contract monitoring are in need of improvement. Receipt slips are not issued for some monies received, the numerical sequence of receipt slips is not accounted for, the composition of receipt slips issued is not reconciled to the composition of deposits, monies received are not always deposited in a timely manner, checks and money orders are not restrictively endorsed immediately upon receipt, and receipts are not posted to the cash control ledger on a timely basis. The Sheriff's checking account had a balance of \$4,788 at December 31, 2005 which represented unidentified monies. Approximately \$1,556 in outstanding checks from an old inmate account have been held for over a year without adequate follow up to dispose of the checks. In addition, the Sheriff does not adequately monitor commissions received from a company it contracts with to provide telephone services to inmates.

The Sheriff's office processes approximately \$300,000 annually in civil and criminal case fees, gun permit sales, concealed carry permit sales, jail board remittances, and cash bonds.

- A.
 - 1. Receipt slips are not issued for some monies received. Receipt slips are primarily only issued for payments made in person. Sheriff personnel indicated they do not have adequate personnel or time to issue receipt slips for the high volume of checks received in the mail. Also, the numerical sequence of receipt slips is not accounted for properly. There are three different series of receipts in use by the Sheriff to cover activity at different collection points. Sheriff personnel indicated they do not review individual receipt books to ensure numerical sequence. In addition, the composition of receipt slips issued is not reconciled to the composition of deposits. Finally, receipts are not posted to the cash control ledger on a timely basis. Receipts are recorded in the cash control ledger when the deposits are prepared.
 - 2. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only two times per week. Deposit slips for April 2004 indicated deposits ranged from \$229 to \$4,188 and included cash of \$10 to \$2,500. Deposit slips for December 2005 indicated deposits ranged from \$608 to \$5,390 and included cash of \$-0- to \$5,390. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e., cash, checks, or money orders), the receipt slip numbers should be accounted for properly, and the composition should be reconciled to the bank deposits. Further, to ensure accounting records are complete, to assist in the reconciliation process, and to allow for consistent deposit procedures to be developed, receipts should be posted to the cash control ledger when written. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. Similar conditions were noted in our previous audit report.

- B. The Sheriff's checking account had a balance of \$4,788 at December 31, 2005 which represented unidentified monies. Based on the types of monies collected in the Sheriff's office, there should normally be very few, if any, open-items (liabilities) since most receipts are paid out immediately as collected or at month-end in the turnover to the County Treasurer. To ensure the propriety of this cash balance, the Sheriff should attempt to identify and appropriately distribute the monies. Any unidentified monies remaining in the account should be disposed of in accordance with state law.
- C. At the time of our review, the Sheriff's Office had approximately \$1,556 in outstanding checks from an old inmate account that had been held for over a year without adequate follow up to dispose of the checks. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Outstanding checks should be periodically reviewed to determine if the payees can be readily

located and if there is a need to reissue the checks. Various statutory provisions including Sections 447.500 through 447.995, RSMo, provide for the disposition of unclaimed monies.

- D. The Sheriff does not adequately monitor commissions received from a company it contracts with to provide telephone services to inmates. According to the contract, the Sheriff is to receive a commission at the rate of 35 percent of the company's net revenue. However, the Sheriff has not requested, nor does he receive, adequate information on the commission remittance advices to enable verification of the propriety of the commission. As a result, the Sheriff cannot be certain as to the propriety of the commissions he receives under the contract. Contractual agreements should be monitored to ensure the county is receiving proper consideration under the contract.

WE RECOMMEND the Sheriff:

- A.1. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, the Sheriff should ensure the composition of receipt slips is reconciled to deposits. Further, the Sheriff should post all receipts to the cash control ledger on a timely basis.
- 2. Deposit all monies intact on a timely basis and restrictively endorse checks and money orders immediately upon receipt.
- B. Identify and appropriately distribute the balance remaining in the checking account. Any unidentified monies remaining in the account should be disposed of in accordance with state law.
- C. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, the Sheriff should develop procedures to periodically follow up on outstanding checks so the checks can be disbursed in a timely manner.
- D. Establish procedures to ensure proper monitoring of commissions on the telephone services contract.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *These recommendations were implemented shortly after the auditors first communicated their recommendations.*
- B. *The unidentified monies have been identified and disposed of.*

- C. *Effective July 26, 2006, all monies have been turned over to the Adair County Treasurer and reported as "unclaimed money" to be forwarded on to the State of Missouri.*
- D. *The contractor has provided a new contract in more understandable contractual language and the monthly commissions are now being monitored to ensure we are receiving the proper amount.*

9. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney cannot reconcile his electronic accounting system to his check register because no cash balance is maintained on the electronic accounting system. In addition, there were errors in the disbursement totals.

The Prosecuting Attorney processes approximately \$207,000 annually in bad check restitution and fees, court ordered restitution, and delinquent tax payments. The Prosecuting Attorney uses an electronic accounting system which does not provide information regarding cash balances. However, the Prosecuting Attorney does maintain a manual check register in which cash balances are maintained and reconciled with bank balances.

During our review of system reports, we noted mathematical errors in the disbursement totals provided by the system. When brought to the attention of the Prosecuting Attorney's staff, they indicated they were aware of this and had brought it to the attention of their programmer; however, this situation has yet to be corrected.

Allowing this problem to remain uncorrected has resulted in differences between cash balances per the manual check register and cash balances calculated from electronic system information. While in some instances checks issued had been manually voided, but not voided in the electronic system, other differences remain unexplained and appear simply due to erroneous totals provided by the system. For example, the Prosecuting Attorney's year-end cash balances in the check register and as calculated from electronic system information differed as follows:

<u>Cash balance per:</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Manual check register	\$ 23,346	3,872
Electronic system information	<u>18,662</u>	<u>1,724</u>
Difference	4,684	2,148

To improve accounting controls, the Prosecuting Attorney should establish and maintain a cash control balance within his electronic system and periodically reconcile its balance to the check register balance. Any differences noted should be promptly investigated and corrected. Further, the Prosecuting Attorney should ensure technical problems in his electronic accounting system are corrected.

WE RECOMMEND the Prosecuting Attorney establish and maintain a cash control balance within his electronic system and periodically reconcile its balance to the check register balance. Any differences noted should be promptly investigated and corrected. Further, the Prosecuting Attorney should ensure technical problems in his electronic accounting system are corrected.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated that the electronic system that was inherited by this current Prosecuting Attorney on January 1, 2003, did not have the capability to reconcile balances with a cash register until a February 2006 update was released. Based upon this fact, the Prosecuting Attorney's staff created the manual register that included all deposits, checks written and any adjustments made. This manual register is balanced to the bank statements on a monthly basis. Notice of the February 2006 update was finally given to the Prosecuting Attorney's staff on Monday, November 20, 2006 and installed on the office computer system on Tuesday, November 21, 2006. The Prosecuting Attorney's staff will receive training on this reconciliation process in December 2006, and will begin using it on January 1, 2007. Any differences between the manual check register and the electronic system will be identified on a monthly basis from this point forward.

The differences outlined in the audit between the manual check register and the electronic system have been identified by the Prosecuting Attorney's staff as deposits not made in the system, disbursements more than the system reflected, manual checks not taken out of the system, system payout of Court Ordered Restitution, system payout of bad checks more than the actual amount paid and miscellaneous adjustments that could not be made to the system. All monies except \$142 have been accounted for and it is speculated that this amount is made up of miscellaneous adjustments.

10. Recorder of Deeds' Accounting Controls and Procedures
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The Recorder's procedures relating to utilization of equipment resources, processing of monies, and contracting with abstract companies are in need of improvement. The Recorder is not fully utilizing all capabilities of the county's document recording and indexing system and is not providing for the timely archiving and off-site backup of system records. The Recorder did not issue receipt slips for some monies received and did not account for the numerical sequence of receipt slips. In addition, copy monies are not recorded in a log. Written contracts do not exist to support agreements between the Recorder and local abstract companies and the rate charged to the abstract companies has not been evaluated to ensure it is sufficient to cover related costs.

During the two years ended December 31, 2005 and 2004, the Recorder of Deeds collected approximately \$147,000 annually for copies and recording marriage licenses, deeds, tax liens, and interest. In December 2003, the previously elected Recorder of Deeds passed away. A new Recorder was appointed in January 2004 and served through December 2004. The current Recorder was elected to complete the term and took office in January 2005.

- A. The Recorder is not fully utilizing all capabilities of the county's document recording and indexing system. The system contains accounting software; however, the Recorder does not use this software. The county entered into a lease purchase agreement in 2003 for computer hardware and software enabling the electronic recording and indexing of documents. Under the agreement, the county paid a one time fee of \$10,000 in 2003 and pays the contractor \$4.20 per recorded document for archival and system recovery services. As of April 2006, the county has paid a total of approximately \$35,900 in fees for archival and system recovery services.

To ensure the county is receiving full value for its investment in the recording and indexing system, the Recorder should fully utilize its capabilities, including the accounting capabilities. Using the electronic accounting system would improve the Recorder's accounting controls by providing the sequential assigning of receipt numbers. Currently, the Recorder does not issue prenumbered receipt slips for all monies received.

- B. The Recorder is not providing for the timely archiving and off-site backup of system records. In addition, the lack of timely archiving and off-site backup is not in compliance with contractual provisions allowing such activity to occur on a monthly basis.

As of April 2006, the last system archival and off-site backup performed by the Recorder covered records through May 2005. As a result, the Recorder is currently almost one year behind in obtaining adequate archival and system backup services. The Recorder indicated that the office has fallen behind because of the death of the Recorder who originally purchased the system and the turnover in officeholders and staff during the four year term.

Under the contract noted above in part A, the Recorder is to provide to the contractor tapes of system information enabling archival and off-site backup services to be provided by the contractor. While the Recorder does perform daily system backups, such backups are only stored on-site.

Backups of computer information provide a means of recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated. In addition, backups should be sent to the contractor on a monthly basis to ensure compliance with contractual agreements.

- C. Prenumbered receipt slips are not issued for some monies received. Receipt slips are only issued for payments made in person and upon request. Also, the numerical sequence of receipt slips is not accounted for. In addition, the method of payment is not always noted on the receipt slip and the composition of receipt slips issued is not reconciled to the composition of deposits. As noted above in part A, the Recorder's electronic accounting system is capable of providing the sequential assigning of

receipt numbers; however, the Recorder is not using this feature of the system. Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the Recorder cannot ensure all monies collected are ultimately recorded and deposited.

- D. As noted in the prior audit, copy monies are not recorded upon receipt in a log, and therefore, the method of payment for copies is not recorded. In addition to collecting fees for recording documents, the Recorder of Deeds collects copy fees from abstract companies and the general public. When copy monies are received from abstract companies, a separate deposit is prepared. Copy monies received from the general public are held in a box until month-end. The Recorder collected copy monies totaling approximately \$1,700 and \$1,400 during the years ended December 31, 2005 and 2004, respectively.

Failure to record all monies received increases the risk that errors, loss, or misappropriation of funds will not be identified in a timely manner. In addition, Section 59.250, RSMo, requires the Recorder of Deeds to keep a full account of all fees of every kind received. Further, the method of payment should be indicated and reconciled to the composition of deposits.

- E. No written contracts exist between the Recorder and two local abstract companies. In addition, the rate charged to the abstract companies for copies has not been evaluated to ensure it covers the related costs of providing services.

The Recorder indicated that verbal agreements have been in place for at least 10 years whereby copies are provided to two local abstract companies for \$40 per month each. The two abstract companies each received approximately 600 copies in both January and February 2006 resulting in an average rate per copy of approximately six cents. This rate has not been evaluated by the Recorder and may not be sufficient for the county to cover its related costs of providing services. The rate charged to the general public is fifty cents per copy.

Prior to entering into written agreements with the abstract companies, the Recorder should review the reasonableness of the contractual rates and ensure the county receives fair consideration in exchange for its services. Further, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

WE RECOMMEND the Recorder of Deeds:

- A. Implement usage of the accounting system capabilities of the county's document recording and indexing system.
- B. Ensure archival and off site system backup procedures are performed by submitting data tapes to the contractor on a monthly basis.

- C. Require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, the Recorder should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.
- D. Ensure that all fees and monies received by the office are properly recorded and the method of payment is documented.
- E. Review the propriety of the rate charged to abstract companies for copies and obtain written agreements with the abstract companies.

AUDITEE'S RESPONSE

The Recorder of Deeds indicated:

GENERAL RESPONSE:

The previously elected Recorder passed away in December 2003. He had been looking into a new recording system for a year or so, and had finally gotten it installed in September 2003. It took the computer company (ASC) longer than anticipated to install the system and, therefore, shortened the allotted time scheduled for training. We had a couple of days for training on this new system. This was also during one of the busiest times we had ever had and we were behind on their indexing when this system was installed.

After the first of the year in 2004, a new Recorder was appointed. In November 2004, I won the special election and took office in January 2005. We have had three recorders during this current four year term. We have also had staff changes and have been short staffed during this time.

We have had an extremely unusual turn of events during this past four years that I feel have contributed to the reasons for some of the issues you have with our office. While we have been able to catch up on areas of work that were getting ahead of us, we still have a backlog of work to do. This is a result of the changes in office holder and staff and lack of proper initial training. The personnel changes and the election situation we had to go through really made it impossible to ask our computer company to keep sending trainers to us until we knew how everything was going to turn out.

Our lack of utilizing our computer resources is a direct result of the history I've tried to give you. It is no one's fault, but a hazard due to the unfortunate circumstances that began when Mr. Murrell passed away just as we were trying to begin this new system.

It is my first concern to get this work completed. This will satisfy several areas of concern between us and ACS, and the archival and backup issues. After this problem had been taken care of, I am intending to look at some other computer systems to see if there is one that has an accounting system that "fits our format" rather than making us "fit theirs". We have never been able to get the accounting area quite right, which also affects our reports.

I am very aware of issues that need attention. The situation we have is one that cannot be solved immediately. It did not occur overnight and cannot be remedied overnight. It may take this entire term to get us to the place we need to be. Be assured that we will work toward that end.

Each of the recommendations made by the Missouri State Auditor's Office have been followed and implemented at this time:

- A. As explained to the auditing staff and above, we are aware that we are not utilizing the full potential of our current recording and indexing system. We had very little training at the time of installation, and our hope is to secure adequate training from the company, as well as internal adjustments for our accounting portion for this system, so that we can fully use this system.*
- B. Because we have had three recorders in a four year term, special election, staff shortage and changes and then training during some of the busiest years we've had in this office is the reason that we have not been able to submit data on a monthly basis as we are supposed to. This is the area of most importance to rectify and one that takes priority over anything else.*
- C. The recording portion of our system does issue numbered receipts at the time of recording. The receipt lists the type of document, recording information, how document was paid, etc. However, we do not keep the individual receipts after we balance at the end of each day. There are two reports to reflect this. When asked about this initially, we were not sure how to generate this report. Again, additional training will rectify this in the future.*
- D. Copy money has been an issue for many years. We have a small office, and as previously noted by the Auditor's Office concerning our backlog of work, we do not have the time to issue receipts for every copy made, nor stop and write in a log of each copy made. If the copy money generated was a huge amount, we might need to look into it more; however, if it continues to be too much of a problem, we will cease charging for the copies altogether.*
- E. In regard to the abstractor's copy charges, I am aware that a new agreement needs to be made, and with our current system we have the ability to burn CD's rather than continue with making hard copies. This is something I intend to look into as time permits; however, as previously stated, my first priority is to get back work completed.*

11. Circuit Court Accounting Controls and Procedures

The Circuit Court's procedures relating to processing of monies, following up on old outstanding checks, and accrued costs are in need of improvement. Monies received are not always deposited in a timely manner, approximately \$496 in outstanding checks from the civil account have been held for over a year, and accrued costs have not been billed in a timely manner.

The Circuit Court processes approximately \$350,000 annually in civil and criminal case fees, fines, and bonds.

- A. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only two times per week. A cash count performed on April 20, 2006 showed approximately \$520 in cash of undeposited collections which had been received on April 18, 2006 and not included in the deposit of April 19, 2006. This occurred because the Circuit Clerk did not account for all receipt numbers issued since the previous deposit and did not note that one clerk had not submitted their monies collected for inclusion on the deposit on April 18, 2006. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. In addition, receipt numbers issued since the previous deposit should be accounted for. Further, deposits should be more frequent if significant amounts of cash are collected.

- B. At the time of our review, the Circuit Clerk's Office had approximately \$496 in outstanding checks from the civil account that had been held for over a year without adequate follow up to dispose of the checks. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. Various statutory provisions including Sections 447.500 through 447.995, RSMo, provide for the disposition of unclaimed monies.
- C. Accrued costs have not been billed on a timely basis and may result in lost revenue to the county. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. As of April 2006, the Circuit Clerk's last billing to the state was in July 2005 for cases from January and February 2005. There are currently approximately 23 cases over a year old. In order to prevent a possible loss in revenue, accrued costs should be billed to the state on a timely basis.

By September 2006, the Circuit Clerk submitted billings to the state totaling approximately \$91,000 and apparently became current with billing accrued costs.

WE RECOMMEND the Circuit Court:

- A. Deposit all monies intact on a timely basis, account for the numerical sequence of receipt slips, and restrictively endorse checks and money orders immediately upon receipt.
- B. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory

provisions. In addition, the Circuit Court should develop procedures to periodically follow up on outstanding checks so the checks can be disbursed in a timely manner.

- C. Prepare billings for accrued costs on a timely basis.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *We will make it a goal to deposit daily and account for the numerical sequence of receipt slips, as time allows. Currently, all clerks have a stamp for restrictive endorsement and thus, this is implemented.*
- B. *This will be implemented by December 2006.*
- C. *This is currently implemented.*

12. Associate Court Accounting Controls and Procedures

Accounting duties have not been adequately segregated in the Associate Court. The Associate Court processes approximately \$600,000 annually in civil and criminal case fees, fines, and bonds.

Accounting duties have not been adequately segregated in the Associate Court. Individual deputy clerks collect monies, record transactions, prepare deposits, and prepare bank reconciliations. There are no documented reviews of the accounting records performed by the Associate Judge on a monthly basis. However, the Associate Circuit Judge does review annual receipt and disbursement data when compiling required annual reports and also reviews old outstanding checks.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

WE RECOMMEND the Associate Circuit Court segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated accounting duties have been segregated in the Associate Court. Since the implementation of the Justice Information System (JIS) in Adair County, there has only been one account for the Associate Court. It was the suggestion of the Office of State Courts Administrator in JIS training that one clerk be responsible for handling the accounting procedures. In most counties, not all of the clerks even receive training from the state in JIS accounting

procedures. Because we are a small office and there is no way to assure that a specific clerk would always be in the office at the end of the month to close the books, all Associate Circuit Clerks and the Associate Judge received training in JIS accounting. These duties have been rotated monthly between clerks so that more than one clerk has had the opportunity to use the accounting training to finish the monthly reports. This is necessary in case a clerk is on sick leave, on vacation, or otherwise absent at the end of the month. During this audit, the Auditor's Office recommended that the Associate Judge perform a monthly supervisory review of the records and document the same. This recommendation has been implemented and all accounting records have been reviewed monthly by the Associate Judge since the time of the recommendation in March 2006.

13. Health Center Accounting Controls and Procedures

Health Center procedures related to budgets are in need of improvement. Some receipts and disbursements were not properly classified in the Health Center's budgets and the Health Center's budget document did not adequately project the anticipated financial position for the Health Center Fund. Some disbursements were not approved by the board prior to payment. In addition, collateral securities were not pledged by one of the Health Center's depository banks for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

- A. Some receipts and disbursements were not appropriately classified in the Health Center's budgets. Budget misclassifications included inconsistent and erroneous classifications of receipts and transfers. For example, some monies received relating to services rendered were classified in the Other Revenues category rather than the Charges for Services category. As such monies are a significant source of revenue to the Health Center, they should be appropriately classified in the Health Center's financial statements. In addition, the Health Center's budgets did not properly reflect transfers out totaling \$7,811 and \$70,708 to the Self Funded Health Insurance Fund for 2005 and 2004, respectively. These amounts were erroneously reflected as salaries instead of transfers out.

Further, Health Center budgets also included inaccurate classifications of budgeted and actual disbursements. For example, the 2005 Health Center Fund budget erroneously reflected in the Salary Expenditure category disbursements for Family Planning, Healthy Children and Youth, and Vital Records totaling approximately \$21,000. These disbursements are more appropriately classified in the Medical Supplies category.

While these budget misclassifications do not have an effect on the overall accuracy of budget totals for receipts and disbursements, they do result in an inaccurate and inconsistent presentation of the Health Center's financial activity.

Adjustments have been made to the audited financial statements to correct these errors. To ensure the information presented on the Health Center's budget documents is complete and accurate, the Health Center Board of Trustees should perform

thorough reviews and comparisons to supporting records. Such procedures are essential for communicating accurate financial data to county residents. Further, the Health Center's budgets should include appropriate classifications of receipts and disbursements to ensure the Health Center's financial information is properly presented and to increase the effectiveness of the budget as a management tool.

- B. As noted in the prior audit report, the Health Center's budget preparation procedures do not ensure that the budget documents reasonably reflect the Health Center's anticipated financial activity and cash balances, and lessen the effectiveness of the budget as a tool for monitoring or controlling Health Center disbursements. Budget documents do not reasonably reflect the anticipated receipts, disbursements, and the ending cash balances of the Health Center Fund. The budgets significantly underestimated receipts, overestimated disbursements, and as a result, the actual ending cash balances were much higher than the projected ending cash balances as follows:

	<u>2005</u>	<u>2004</u>
Budgeted Receipts	\$ 1,115,685	891,268
Actual Receipts	<u>1,477,956</u>	<u>1,332,940</u>
Amount Receipts Underestimated	<u>362,271</u>	<u>441,672</u>
Budgeted Disbursements	1,927,805	1,614,600
Actual Disbursements	<u>1,353,966</u>	<u>1,236,341</u>
Amount Disbursements Overestimated	<u>573,839</u>	<u>378,259</u>
Budgeted Cash Balance	-0-	-0-
Actual Cash Balance	<u>943,921</u>	<u>819,931</u>
Amount Cash Balance Underestimated	<u>943,921</u>	<u>819,931</u>

The Health Center Administrator indicated the Health Center's Board of Trustees is accumulating a cash reserve in an attempt to allow for possible, but not specifically identified, contingencies. While it appears the Health Center Board's intent is to keep sufficient reserves, the current budgets do not effectively inform county residents of this intent. Such intent would be more properly communicated to county residents through a formal reserve of the cash balance.

Realistic projections of the Health Center's anticipated resources and uses of funds are essential for the efficient management of Health Center finances and for communicating accurate financial data to county residents. Unrealistically projecting the Health Center's anticipated disbursements is misleading to the public and prevents an accurate estimate of the Health Center's anticipated financial condition. Further, prudent fiscal management of Health Center funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies.

- C. Board disbursement approval procedures are limited to the Board Chairman's initials on the invoice and two signatures on a check. Board minutes do not identify the

disbursements approved by the board at the monthly meetings. In addition, the Board does not document their review of supporting documentation related to payroll disbursements monthly. Although a payroll register is printed monthly summarizing these disbursements, the Board of Directors does not document their review and approval of payroll by signing this register. Board approval of payroll is merely indicated by signature on payroll checks.

Without documentation of approval, there is no assurance any board member has adequately reviewed the disbursement and supporting documentation for propriety. Section 205.042, RSMo, requires Board approval of disbursements. The Board should establish procedures to ensure the review and approval of all disbursements and the related supporting documentation.

- D. Collateral securities were not pledged by one of the Health Center's depository banks for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. The Health Center Administrator did not monitor the bank balance at one of their banks to ensure sufficient collateral securities were pledged when the balance exceeded \$100,000. In December 2005 and 2004, the Health Center's bank balance exceeded FDIC coverage by approximately \$17,000 and \$39,000, respectively.

Section 110.020, RSMo, requires the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of bank failure.

WE RECOMMEND the Health Center Board of Trustees:

- A. Ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the Health Center budget documents.
- B. Ensure more accurate estimates are used in the budget document to more accurately reflect the Health Center's financial position. If the Board desires to build up reserves for future specific needs, this information should be documented in the budget.
- C. Ensure the board's approval is properly documented on disbursement records, and that the listing is retained. In addition, the Board should ensure it performs adequate reviews of all disbursements and the supporting documentation.
- D. Ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

- A. *This will be implemented on the 2007 budget.*

B. *We will try to present more reasonable estimates on future budgets.*

C&D. *These have been implemented.*

14. Health Center Personnel Policies and Procedures
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The Health Center paid the Health Center Administrator's daughter \$17,180 and \$19,000 in the years ended December 31, 2005 and 2004, respectively, for Nurse Practitioner services. The Health Center has established policies for earning sick leave, annual leave and overtime/compensatory time; however, the Health Center is not always complying with various policies. In addition, the Health Center's policy for meal reimbursement is not in compliance with IRS regulations.

A. The Health Center paid the Health Center Administrator's daughter approximately \$50/hour, totaling approximately \$17,180 and \$19,000 for the years ended December 31, 2005 and 2004, respectively, for Nurse Practitioner services. Requests for proposals were not solicited or advertised by the Health Center for these Nurse Practitioner services and the contract was signed only by the Health Center Administrator. The Health Center Administrator indicated that it was very difficult to find someone willing to provide this service for one day per week. Transactions between the Health Center and parties related to Health Center personnel give the appearance of a conflict of interest. Therefore, the Health Center should ensure proper procurement procedures are followed and documented in these situations.

In addition, Section 50.660, RSMo, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Payments to the Nurse Practitioner exceeded this threshold five of the eight quarters audited. Bidding procedures for major purchases provide a framework for the economical management of Health Department resources and help assure the Board of Trustees that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in Health Center business.

B. The Health Center is not following procedures as stated in the current personnel policy when determining sick leave, annual leave, and overtime/ compensatory time pertaining to the Health Center Administrator. The Health Center Administrator has been employed with the Health Center for more than fifteen years, and had accrued approximately 2,841 hours of sick leave, 2,334 hours of annual leave, and 49 hours of compensatory time as of December 31, 2005.

According to the Health Center's policy, sick leave is earned at a rate of ten hours per month, regardless of length of services, with no limit on the maximum number of hours which can be accrued. Upon termination of employment, an employee will be paid for accrued sick leave at the rate of \$10 per day (8 hours) up to a 100 day (800

hours), or \$1,000 maximum payment. The monthly number of annual leave hours earned and the maximum number of hours that can be accrued is based on the length of service and number of hours worked during the month. Employees with fifteen or more years of service are allowed to accrue a maximum of 336 hours of annual leave. The policy specifically states that monthly, unused annual leave which exceeds the accrued maximum will lapse. Further, the Health Center's personnel policy outlines three overtime categories and classifies each of its employees into one of the categories. The policy classifies the Administrator into category 0 and states "Employees in overtime category 0 do not receive overtime compensation". During 2005, the Administrator charged approximately 210 hours off against her accumulated compensatory time and zero hours off against her accumulated annual leave. Continuing to allow the Administrator to charge time off against compensatory time could result in a significant overstatement of her accumulated annual leave, and thus may result in an overpayment to the Administrator for accumulated annual leave at the time employment ceases.

Adherence to the Health Center's personnel policy regarding overtime/compensatory time is necessary to ensure compliance with the FLSA and to ensure the equitable treatment of all employees.

- C. The Health Center reimburses meal expenses for employees who travel outside of the county or attend business luncheons. Employees are not required to be on travel status for more than 12 hours to receive meal reimbursements and the Health Center does not track these reimbursements separately to be reported as taxable income.

According to Internal Revenue Service (IRS) Publication 463, Travel, Entertainment, Gift, and Car Expenses, the cost of business meals that does not involve overnight travel or travel long enough for the employees to stop for sleep or rest to properly perform their duties is a personal expense and, therefore, is not deductible as a business expense. Also, if employers reimburse employees for these business meals, federal regulations require employers to report the amount reimbursed as taxable income to the employees.

WE RECOMMEND the Health Center Board of Trustees:

- A. Review related party transactions for propriety, and in the future, avoid transactions that have the appearance of a conflict of interest. In addition, the Board of Trustees should solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official board minutes should reflect the necessitating circumstances.
- B. Ensure the Health Center's personnel policy is followed when determining sick, annual, and overtime/compensatory time.
- C. Establish a policy in compliance with IRS regulations relating to travel.

AUDITEE'S RESPONSE

The Health Center Administrator indicated:

- A. *We recently advertised for Nurse Practitioner services and received no response from an interested party. We will solicit bids for all purchases in accordance with state law.*
- B. *The Health Center Administrator is no longer earning comp time and has adjusted her annual and sick leave balances to account for comp time taken off during 2004 and 2005.*
- C. *This has been implemented.*

Follow-Up on Prior Audit Findings

ADAIR 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 Adair County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Financial Condition

Although the General Revenue Fund cash balance at December 31, 2001, had increased approximately \$322,000 since December 31, 1999, the county estimated it would deplete approximately \$214,000 of the cash balance during the year ended December 31, 2002, with increased obligations which were likely to be recurring.

Recommendation:

The County Commission closely monitor the county's financial condition and budget as effectively as possible.

Status:

Implemented. The County Commission has monitored the financial condition and budget of the General Revenue Fund as cash balances have stabilized at approximately \$250,000. The cash balances of the General Revenue Fund were approximately \$292,000 and \$234,000 at December 31, 2005 and 2004, respectively. The county's 2006 budget reflects an ending cash balance for the General Revenue Fund of approximately \$246,000.

2. County Officials' Compensation

Salaries for most elected county officials increased significantly in January 1998. Mid-term raises were in effect granted to county elected officials. The raises ranged from \$5,500 to \$12,000. Some offices began a new term in 1999 and the salary increase for those officials was in question for only one year.

Based on a Supreme Court decision on May 15, 2001, the raises given to the Associate County Commissioners, totaling approximately \$21,180 for the three years ended December 31, 2000, should be repaid and raises given to other officials within their term of office should be re-evaluated for propriety.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

Status:

Not implemented. Although their decision could not be located in the minutes, the County Commission indicated that they decided not to pursue this matter because they believed there to be a change in the law and they had been informed by the Missouri Association of Counties that they need not pursue collection. Although not repeated in the current MAR, our recommendation remains as stated above.

3. County Expenditures

- A. Billing statements were not always reconciled to invoices prior to payment nor did the County Clerk's office check the expenditure system to ensure payment had not already been made.
- B. Adequate documentation was not required by the County Commission prior to approving expenditures.

Recommendation:

The County Commission and County Clerk:

- A. Ensure payments and billing statements are supported by original invoices.
- B. Ensure adequate documentation is obtained and reviewed prior to payment.

Status:

- A. Implemented.
- B. Not implemented. See MAR finding number 4.

4. Budgetary Practices

- A. The County Commission did not adequately monitor the status of budgeted expenditure categories.
- B. Deficiencies were noted in the information presented in the budgets prepared by the County Clerk and approved by the County Commission.
- C. The 2002 and 2001 budget documents submitted to the State Auditor's office did not include a budget message prepared by the County Clerk.

Recommendation:

- A. The County Commission adequately monitor the status of budgetary categories and investigate unusual variances.
- B. The County Commission ensure that all financial information is presented in a complete and accurate manner.
- C. The County Clerk prepare a budget message to include in the consolidated budget which outlines the county's fiscal policy and describes important features of the budget, as well as information regarding significant future plans.

Status:

A&C. Implemented.

B. Not implemented. See MAR finding number 3.

5. Self-Funded Health Insurance Plan

A formal cost/benefit analysis was not performed comparing the benefits and costs of a self-funded insurance plan compared to a conventional plan, the Self-Funded Insurance Fund was not sufficiently funded, the plan was renewed for a second year without soliciting bids for other coverage, and the amount budgeted for claims during 2002 did not consider the potential liability increase to the county.

Recommendation:

The County Commission reevaluate the Self-Funded Health Insurance Plan and consider the potential financial impact on the county's resources. If, after performing a cost benefit analysis, it is determined that a Self Funded Health Insurance Plan is cost effective, the County Commission should ensure that the Self Funded Health Insurance Fund is sufficiently funded and budgeted to cover the costs of premiums, fees, and claims and to consider the cash flow requirements of payments and related reimbursements.

Status:

Partially implemented. While the county performed no cost benefit analysis, the fund was sufficiently funded and budgeted to cover costs during the two years ended December 31, 2005. Currently, the County Commission is reviewing other options for the county's insurance, including a consortium along with other counties, and whether the county can improve the financial impact on its resources. The County Commission should continue reviewing options for its insurance and make appropriate decisions for the benefit of the county's financial condition.

6. General Fixed Asset Records and Procedures

- A. The County Clerk did not periodically reconcile equipment purchases with additions to the fixed asset records and did not prepare a summary of changes in general fixed assets at each year-end reconciling beginning balances, additions, and deletions. In addition, property tags were not placed upon some general fixed asset items.
- B. Vehicle logs were not maintained in some county-owned vehicles.

Recommendation:

- A. The County Clerk reconcile equipment purchases to the fixed asset records and record all property items costing in excess of \$250. A summary of beginning balances, additions, and deletions of general fixed assets should be prepared at each year-end. Property control tags should be affixed to all fixed assets immediately upon receipt.
- B. The County Commission ensure usage logs are maintained for all county vehicles.

Status:

- A. Partially implemented. Property tags are now affixed to county fixed assets and all material property items appear to be recorded in the records. While the County Clerk does not reconcile equipment purchases to the fixed asset records or prepare a summary of beginning balances, additions, and deletions of general fixed assets, procedures are in place for updating the records when assets are purchased. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

7. Personnel Policies and Procedures

- A. Not all departments were preparing and submitting time sheets to the County Clerk on a timely basis.
- B. The County Clerk did not maintain detailed records of vacation or sick leave earned, taken, or accumulated.

Recommendation:

The County Commission:

- A. Require all county employees to complete time sheets which report actual hours worked. The records should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure a balance of leave accumulated and taken for each employee is maintained by the County Clerk.

Status:

- A. Partially implemented. Time sheets for the Sheriff's department are not being submitted on a timely basis. See MAR finding number 5.
- B. Implemented.

8. Property Tax Controls

- A. The County Clerk did not prepare the current or back tax books. Further, the County Clerk did not verify the current and back tax books for accuracy.
- B. The County Clerk did not maintain an account book with the County Collector.
- C. Controls over property tax additions and abatements were not adequate.
- D. The County Collector and the county contracted to collect taxes on behalf of various cities in the county. The contracts provided for the County Collector to receive a penalty on delinquent taxes as prescribed by law; however, there was no city ordinance in the City of Kirksville authorizing the penalty collected on delinquent taxes.

Recommendation:

- A. The County Clerk prepare the current and back tax books or at least perform an adequate verification of the accuracy of the tax books and document such verification.
- B. The County Clerk maintain an account book with the County Collector in accordance with statutes.
- C. The County Commission revise the addition/abatement process so that the County Collector does not have the capability to make changes to property tax data or ensure that independent comparisons of these changes to tax data files are performed along with a subsequent verification with the County Collector's annual settlement.

- D. The County Commission and the County Collector ensure the penalties on city taxes are collected and distributed in accordance with state law and city ordinances or resolutions.

Status:

A&C. Not implemented. See MAR finding number 7.

- B. Partially implemented. The County Clerk currently maintains an account book with the County Collector; however, the account book does not include all necessary information. See MAR finding number 7.

D. Implemented.

9. Recorder of Deeds' Records and Procedures

- A. The Recorder of Deeds over distributed approximately \$18,600 in fees to the County Treasurer during the four years ended December 31, 2001, resulting in a shortage in the official bank account.

B. Copy monies and interest received were not recorded in the fee book.

C. Monthly bank reconciliations were not performed and a checkbook balance was not maintained.

D. Accounting and bookkeeping duties were not adequately segregated.

E. The Recorder of Deeds did not deposit receipts intact.

Recommendation:

The Recorder of Deeds:

A. Ensure monthly distributions of fees are accurately calculated and distributed.

B. Ensure that all fees and monies received by the office are properly recorded in the fee book.

C. Maintain a balance in the check register and prepare monthly bank reconciliations. In addition, the Recorder of Deeds should determine the actual amounts due from and/or to county funds and make the appropriate adjustments.

D. Adequately segregate accounting and bookkeeping duties to the extent possible. At minimum, the Recorder of Deeds should perform documented reviews of the work performed.

E. Deposit all monies received intact and issue checks for all refunds.

Status:

A. Implemented. In addition, monthly distributions were withheld from the General Revenue Fund through June, 2003, at which time the situation was corrected and the account was in balance.

B. Not implemented. See MAR finding number 10.

C., D

&E. Implemented.

10. Prosecuting Attorney's Plea Bargain Controls and Procedures

For some cases in which the Prosecuting Attorney entered into plea bargains, he required the defendant to make a "donation" as a condition of the plea bargain. Other concerns were noted with the distribution of the donations, the manner in which the amounts of the donations were determined, and the donation records maintained.

Recommendation:

The Prosecuting Attorney and Associate Circuit Judge determine whether requiring donations as part of a plea bargain is acceptable. If this practice is continued the Prosecuting Attorney and Associate Circuit Judge should reevaluate the distribution of these funds. In addition, guidelines for determining donation amounts should be established and a complete and accurate record of all donations should be maintained.

Status:

Implemented. The current Prosecuting Attorney does not require defendants to make "donations" as a condition of plea bargains.

11. Prosecuting Attorney's Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated.

B. Monthly bank reconciliations had not been performed for the bank accounts maintained by the Prosecuting Attorney since he took office in January 1999. In addition, checkbook balances were not maintained.

C. Monthly listings of open items (liabilities) were not prepared and, consequently, liabilities were not reconciled with cash balances.

- D. Although receipt slips were issued for all monies received, rediform receipts slips were issued rather than official, pre-numbered receipt slips.
- E. Money orders and cashier's checks that are payable to the Prosecuting Attorney were not restrictively endorsed immediately upon receipt.
- F. The Prosecuting Attorney and his employees who handle monies were not bonded.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Maintain a balance in the check register and prepare monthly bank reconciliations.
- C. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances.
- D. Obtain and issue official pre-numbered receipt slips for all monies received.
- E. Restrictively endorse all money orders and cashier's checks received immediately upon receipt. In addition, monies should be deposited daily or when accumulated receipts exceed \$100.
- F. Acquire a bond for all employees handling assets.

Status:

A-F. Implemented.

12. Sheriff's Records and Procedures

- A. With the exception of the inmate monies, the Sheriff did not issue official prenumbered receipt slips for monies received, but instead issued rediform receipts. In addition, the method of payment received (cash, check, or money order) was not indicated on receipt slips issued.
- B. Checks and money orders received were not restrictively endorsed immediately upon receipt.
- C. Receipts were not deposited on a timely basis.
- D. Receipts were not posted to the cash control ledger on a timely basis.

Recommendation:

The Sheriff:

- A. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence on a monthly basis. The method of payment received should be indicated on all receipt slips and the composition of receipts slips should be reconciled to the composition of bank deposits.
- B. Restrictively endorse checks and money orders immediately upon receipt.
- C. Deposit receipts daily or when accumulated receipts exceed \$100.
- D. Post all receipts to the cash control ledger on a timely basis.

Status:

A-D. Not implemented. See MAR finding number 8.

13. Health Center Procedures

- A. Monies received by the health center were not deposited timely.
- B. The approved budget documents did not adequately project the anticipated balances of the Health Center Fund for two years ended December 31, 2001.

Recommendation:

The Health Center Board of Trustees:

- A. Deposit all monies received daily or when receipts exceed \$100.
- B. Ensure a more reasonable estimate of the health center's financial position is presented on the budget document.

Status:

- A. Not implemented. Currently, deposits are made approximately every other day. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 13.

STATISTICAL SECTION

History, Organization, and
Statistical Information

ADAIR COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Adair was named after General John Adair, Governor of Kentucky. Adair County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Kirksville.

Adair 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 approximately 678 miles of county roads and 260 county 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 important to the county's citizens.

The county's population was 24,870 in 1980 and 24,977 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2005	2004	2003	2002	1985*	1980**
		(in millions)					
Real estate	\$	146.9	143.3	144.1	137.8	86.4	46.4
Personal property		52.3	46.5	50.8	51.4	16.5	11.7
Railroad and utilities		22.6	21.8	20.5	21.4	23.7	11.1
Total	\$	221.8	211.6	215.4	210.6	126.6	69.2

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2005	2004	2003	2002
General Revenue Fund	\$.0000	.0000	.0000	.0000
Special Road and Bridge Fund		.2600	.2600	.2600	.2604
Health Center Fund		.2000	.2000	.2000	.2000
Senate Bill 40 Board Fund		.1500	*	*	*

* The first year for this tax was 2005.

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

	Year Ended February 28 (29),			
	2006	2005	2004	2003
State of Missouri	\$ 65,606	63,134	63,669	63,182
General Revenue Fund	4,212	3,638	3,711	3,790
Special Road and Bridge Fund	564,792	543,522	549,606	545,337
Assessment Fund	161,083	153,191	120,449	118,737
Health Center Fund	427,920	411,817	416,372	413,135
Senate Bill 40 Board Fund	306,118	0	0	0
School districts	8,950,407	8,646,994	8,523,232	8,370,181
Library district	318,078	306,117	309,479	307,075
Ambulance district	429,760	413,583	418,172	414,919
Nursing Home Districts	323,792	311,563	314,908	312,551
Advertising	287	1,203	759	226
Overplus Tax Fund	322	179	5,819	0
Tax Maintenance Fund	14,542	14,920	14,078	5,277
Cities	1,297,744	1,438,310	1,298,362	1,288,153
County Clerk	1,556	2,558	2,415	3,061
County Employees' Retirement	40,696	41,215	36,387	38,283
Commissions and fees:				
County Collector	19,243	21,481	20,373	19,402
General Revenue Fund	194,230	185,086	181,243	178,465
Total	\$ 13,120,388	12,558,511	12,279,034	12,081,774

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
Real estate	97	97	97	97 %
Personal property	96	95	94	94
Railroad and utilities	93	100	100	100

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Law enforcement services and expansion of the detention center	.0050	*	None	

* A portion of this tax rate, .0025, will expire September 30, 2012, or upon the retirement of the debt incurred for the planning, design, and construction of the new Adair County Detention Center, whichever shall first occur.

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

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	\$				
Gary W. Jones, Presiding Commissioner		29,390	29,390	29,390	29,390
Sid Osborn, Associate Commissioner		27,390	27,390	27,390	27,390
E. Gene Schneider, Associate Commissioner		27,390			
Ray Klinginsmith, Associate Commissioner			27,390	27,390	27,390
Pat Shoush, Recorder of Deeds		41,500			
Charles E. Cooper, Recorder of Deeds			38,520		
Bill Murrell, Recorder of Deeds				41,500	41,500
James D. Lymer, County Clerk		20,091			
Jon E. Cook, County Clerk		21,491	41,500	41,500	41,500
Mark L. Williams, Prosecuting Attorney		96,000	96,000	96,000	
Tom Hensley, Prosecuting Attorney					51,000
Leonard Clark, Sheriff		46,000	46,000	46,000	46,000
Lori Smith, County Treasurer		41,500	41,500	41,500	30,710
Brian C. Noe, County Coroner		14,000	14,000	14,000	14,000
Jeannette Gregory, Public Administrator		41,500			
Joan Mayberry, Public Administrator			41,500	41,500	41,500
David O. Erwin, County Collector (1), year ended February 28	60,743	62,981	61,873	60,902	
Bob Giovannini, County Assessor (2), year ended August 31		42,188	42,265	42,400	42,400
Edward A. Cleaver, County Surveyor (3)					

(1) Includes \$19,243, \$21,481, \$20,373, and \$19,402 for the years ended February 28(29), 2006, 2005, 2004, and 2003, respectively, of commissions earned for collecting city property taxes.

(2) Includes \$688, \$765, \$900, and \$900, respectively, of annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Linda Decker, Circuit Clerk	48,500	47,850	47,300	47,300
Kristie Swaim, Associate Circuit Judge	96,000	96,000	92,000	
Joyce Otten, Associate Circuit Judge				96,000