



Susan Montee, CPA

Missouri State Auditor

March 2007

Shannon County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of The
State Auditor Of Missouri
Susan Montee, CPA

March 2007

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Shannon, 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 the Missouri Constitution.

- The financial condition of the county's General Revenue Fund remains weak. At December 31, 2005, the fund's cash balance was \$214,098, and it was estimated that the cash balance was \$39,623 at December 31, 2006. Additionally, \$202,598 was owed from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 2006. County spending has increased, and although the County Commission indicated they have been monitoring the financial condition, the county needs to develop a long-term plan to ensure revenues are maximized and discretionary disbursements are closely monitored. In addition, the county should establish a plan to pay off the General Revenue Fund liability to the Special Road and Bridge Fund.
- The county's budget preparation procedures need significant improvement. The county's procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity and cash balances of the various funds. For larger county funds, some poor budget estimates caused the estimated ending cash balances to be significantly over/under estimated. For many smaller funds, estimates of receipts and/or disbursements were omitted.
- The county did not always solicit bids or retain bid documentation for some purchases. The county does not adequately monitor the use of county road and bridge property tax monies paid to cities within the county. In addition, the county does not have a formal policy for mileage reimbursements paid to county officials and employees.
- Employee time sheet information does not always agree with information entered into the county's payroll accounting system. To facilitate the preparation of employee paychecks, employee time is estimated for the last two days of the pay period, and the county does not have adequate procedures to ensure hours actually worked were compared to the hours estimated. In addition, the county's overtime policy may not comply with the Fair Labor Standards Act, and employee summary leave records are not maintained.

(over)

YELLOW SHEET

- The county's property tax system controls and procedures need improvement. The County Clerk does not maintain an account book with the County Collector, and as a result, the County Clerk and County Commission cannot adequately verify the accuracy of the County Collector's annual settlements. In addition, controls over property tax additions and abatements need improvement.
- While similar concerns have been noted in our prior audit reports, little improvement was noted in the operations of the County Collector's office. The County Collector does not deposit monies intact or on a timely basis. Monies are held from deposits for use as a change fund, which is not kept at a constant amount. Records and procedures for partial payments accepted from taxpayers need improvement. The County Collector does not reconcile the cash balance to liabilities, and as a result, approximately \$40,000 was held in the County Collector's bank account that could not be identified. In addition, the County Collector over-withheld commissions from property taxes, and approximately \$5,250 in annual commissions paid to the General Revenue Fund needs to be distributed to the various taxing authorities.
- The Sheriff does not issue receipt slips for some monies received and does not transmit receipts to the County Treasurer intact or in a timely manner. The Sheriff does not have procedures to ensure all monies received are disbursed, and as a result, the bank account had an unidentified balance of approximately \$2,000. Procedures have not been established to ensure all incarceration costs are billed and received from other political subdivisions. In addition, the Sheriff needs to improve records and procedures for county vehicle usage and seized property inventories. Similar concerns have been noted in our prior audits, and while the Sheriff previously responded that most recommendations would be implemented, little improvement was noted.
- The Circuit Clerk/Ex Officio Recorder of Deeds needs to deposit monies more frequently, follow up on old outstanding checks, maintain better records of interest earnings and petty cash transactions, close an old child support bank account, and turn over the Recorder User Fee Fund to the County Treasurer. In addition, The Circuit Clerk/Ex Officio Recorder of Deeds did not adequately reconcile liabilities to the cash balance of the Circuit Clerk's fee account, and as a result, the records indicated a potential shortage of \$3,050 in this account. The Circuit Clerk/Ex Officio Recorder of Deeds indicated this had resulted from errors in 2003 and had been corrected.
- The Prosecuting Attorney needs to make deposits and turn over fees to the county more timely, follow up on old outstanding checks, and better monitor uncollected bad checks. The Prosecuting Attorney does not have procedures to ensure all monies received are disbursed, and as a result, the bank account had an unidentified balance of approximately \$200.

Also included in our audit are recommendations related to published financial statements, collateral securities, county property records, apportionment of railroad and utility taxes, and officials' compensation and bond coverage.

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

SHANNON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>	
<hr/> <u>FINANCIAL SECTION</u> <hr/>		
State Auditor's Reports:	2-6	
Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	3-4	
Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	5-6	
Financial Statements:	7-18	
<u>Exhibit</u>	<u>Description</u>	
A-1	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds Year Ended December 31, 2005	8
A-2	Year Ended December 31, 2004	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2005 and 2004.....	10-18
Notes to the Financial Statements.....	19-23	
Supplementary Schedule:	24-26	
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2005 and 2004	25-26	
Notes to the Supplementary Schedule	27-29	
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>		
State Auditor's Report:	31-33	
Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	32-33	

SHANNON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<hr/> FEDERAL AWARDS - SINGLE AUDIT SECTION <hr/>	
Schedule:.....	34-37
Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2005 and 2004.....	35-37
Section I - Summary of Auditor's Results	35
Section II - Financial Statement Findings.....	36
Section III - Federal Award Findings and Questioned Costs	36
<u>Number</u>	<u>Description</u>
05-1. Schedule of Expenditures of Federal Awards.....	36
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	38-39
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	40-41
<hr/> MANAGEMENT ADVISORY REPORT SECTION <hr/>	
Management Advisory Report - State Auditor's Findings.....	43-71
<u>Number</u>	<u>Description</u>
1. Financial Condition.....	45
2. Budgetary Practices and Published Financial Statements	46
3. County Expenditures and Contracts	48
4. Property Tax System.....	50
5. Collateral Securities	52
6. County Property Records and Procedures	53
7. Personnel and Payroll Records and Procedures.....	53
8. Apportionment of Railroad and Utility Taxes	56
9. Officials' Compensation and Bond Coverage	56
10. County Collector's Controls and Procedures	58
11. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures	61
12. Sheriff's Controls and Procedures.....	65
13. Prosecuting Attorney's Controls and Procedures.....	69

SHANNON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
Follow-Up on Prior Audit Findings.....	72-88
<u>STATISTICAL SECTION</u>	
History, Organization, and Statistical Information.....	90-93

FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
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 Shannon 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 Shannon 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 Shannon 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 Shannon 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 November 16, 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 Shannon 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.



Susan Montee, CPA
State Auditor

November 16, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA
In-Charge Auditor: Carl Zilch, Jr.
Audit Staff: Steven Re', CPA
Zeb Tharp
Natalie McNish



SUSAN MONTEE, CPA
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 Shannon County, Missouri

We have audited the financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 16, 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 Shannon 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 Shannon 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 Shannon 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 cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

November 16, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

SHANNON 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	\$ 183,604	964,027	933,533	214,098
Special Road and Bridge	966,710	870,696	1,590,903	246,503
Assessment	677	91,829	94,765	(2,259)
Law Enforcement Training	3,831	2,248	2,965	3,114
Prosecuting Attorney Training	1,592	542	0	2,134
Shelter for Abused Victims	780	710	1,400	90
Prosecuting Attorney Sales Tax Collections	1,709	2,336	85	3,960
Sheriff Civil Fee	22,884	8,819	3,885	27,818
Local Emergency Planning Commission	5,544	6,122	8,396	3,270
Sheriff Special	17,459	27,090	44,549	0
Sheriff Building	1,730	0	0	1,730
Crime Victim Advocate	(809)	29,620	30,471	(1,660)
MoSMART	2,046	9,280	11,326	0
Title III	34,848	0	34,848	0
Recorder Technology	1,387	5,315	250	6,452
Law Enforcement Restitution	6,524	13,700	0	20,224
Help America Vote Act	15,000	4,466	4,466	15,000
2% Collector	5,503	6,799	2,180	10,122
County Clerk	1,599	2,114	2,450	1,263
Health Center	747,214	1,030,520	1,078,945	698,789
Senate Bill 40 Board	35,653	58,795	60,899	33,549
Senior Citizens Service Board	5,949	28,067	32,100	1,916
Associate Circuit Court Interest	1,379	245	1,265	359
Circuit Clerk Interest	4,842	421	0	5,263
Time Payment Fee	702	1,996	1,339	1,359
Recorder User Fee	4,346	3,944	0	8,290
Law Library	2,428	3,555	2,292	3,691
Family Services	0	1,380	0	1,380
Total	\$ 2,075,131	3,174,636	3,943,312	1,306,455

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

Exhibit A-2

SHANNON 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	\$ 39,999	1,052,929	909,324	183,604
Special Road and Bridge	1,269,742	925,216	1,228,248	966,710
Assessment	132	79,526	78,981	677
Law Enforcement Training	1,661	3,547	1,377	3,831
Prosecuting Attorney Training	699	893	0	1,592
Shelter for Abused Victims	2,150	620	1,990	780
Prosecuting Attorney Sales Tax Collections	0	3,134	1,425	1,709
Sheriff Civil Fee	11,159	12,184	459	22,884
Local Emergency Planning Commission	4,052	10,937	9,445	5,544
Recycling	(4,361)	7,123	2,762	0
Sheriff Special	17,622	22,951	23,114	17,459
Sheriff Building	1,730	0	0	1,730
Crime Victim Advocate	(1,240)	33,072	32,641	(809)
MoSMART	(618)	40,827	38,163	2,046
Title III	17,919	52,723	35,794	34,848
Recorder Technology	1,265	2,203	2,081	1,387
Law Enforcement Restitution	0	6,524	0	6,524
Help America Vote Act	0	15,000	0	15,000
2% Collector	692	7,343	2,532	5,503
County Clerk	2,197	0	598	1,599
Health Center	675,103	1,043,851	971,740	747,214
Senate Bill 40 Board	49,903	67,490	81,740	35,653
Senior Citizens Service Board	206	32,443	26,700	5,949
Associate Circuit Court Interest	2,006	286	913	1,379
Circuit Clerk Interest	4,686	156	0	4,842
Time Payment Fee	0	702	0	702
Recorder User Fee	710	3,991	355	4,346
Law Library	1,257	3,517	2,346	2,428
Total	\$ 2,098,671	3,429,188	3,452,728	2,075,131

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

Exhibit B

SHANNON 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	\$ 3,042,554	3,169,701	127,147	3,045,632	3,403,445	357,813
DISBURSEMENTS	3,452,993	3,941,020	(488,027)	3,431,914	3,450,382	(18,468)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(410,439)	(771,319)	(360,880)	(386,282)	(46,937)	339,345
CASH, JANUARY 1	2,072,792	2,072,703	(89)	2,097,733	2,097,414	(319)
CASH, DECEMBER 31	1,662,353	1,301,384	(360,969)	1,711,451	2,050,477	339,026
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	76,000	105,037	29,037	53,000	120,794	67,794
Sales taxes	400,000	454,142	54,142	400,000	433,218	33,218
Intergovernmental	173,000	192,856	19,856	172,000	228,579	56,579
Charges for service:	107,000	100,111	(6,889)	136,600	160,465	23,865
Interest	6,000	8,000	2,000	4,000	6,612	2,612
Other	46,847	47,730	883	63,846	43,495	(20,351)
Transfers in	58,000	56,151	(1,849)	33,150	59,766	26,616
Total Receipts	866,847	964,027	97,180	862,596	1,052,929	190,333
DISBURSEMENTS						
County Commissior	75,792	72,641	3,151	69,092	75,180	(6,088)
County Clerk	59,356	57,463	1,893	56,794	53,612	3,182
Elections	0	0	0	24,000	50,362	(26,362)
Buildings and grounds	141,277	164,580	(23,303)	60,878	102,640	(41,762)
Employee fringe benefit	133,900	110,136	23,764	134,000	108,303	25,697
County Treasurer	34,185	32,844	1,341	33,044	32,545	499
County Collector	62,675	64,043	(1,368)	59,037	60,268	(1,231)
Ex Officio Recorder of Deed	22,200	15,210	6,990	13,802	13,571	231
Circuit Clerk	11,200	9,394	1,806	11,200	4,324	6,876
Associate Circuit Court	9,950	2,665	7,285	8,650	8,330	320
Court administration	1,097	98	999	1,100	107	993
Public Administrator	17,200	16,593	607	16,900	17,143	(243)
Sheriff	167,420	178,834	(11,414)	165,939	170,957	(5,018)
Jail	53,800	42,386	11,414	53,800	30,663	23,137
Prosecuting Attorney	61,725	59,400	2,325	60,093	58,610	1,483
Juvenile Offices	42,196	37,871	4,325	39,236	39,919	(683)
County Coroner	13,540	10,856	2,684	13,540	13,184	356
Public Defender	1,850	2,599	(749)	2,829	2,434	395
Court Reporter	538	197	341	538	348	190
Other	46,194	40,029	6,165	50,652	52,656	(2,004)
Transfers out	15,694	15,694	0	10,000	11,468	(1,468)
Emergency Fund	16,000	0	16,000	15,878	2,700	13,178
Total Disbursements	987,789	933,533	54,256	901,002	909,324	(8,322)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(120,942)	30,494	151,436	(38,406)	143,605	182,011
CASH, JANUARY 1	183,604	183,604	0	39,999	39,999	0
CASH, DECEMBER 31	62,662	214,098	151,436	1,593	183,604	182,011

Exhibit B

SHANNON 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	140,000	130,394	(9,606)	140,000	151,316	11,316
Intergovernmental	687,000	708,892	21,892	686,500	749,307	62,807
Interest	25,000	16,343	(8,657)	30,000	23,983	(6,017)
Other	0	15,067	15,067	2,000	610	(1,390)
Total Receipts	852,000	870,696	18,696	858,500	925,216	66,716
DISBURSEMENTS						
Salaries	326,000	341,318	(15,318)	318,000	302,473	15,527
Employee fringe benefit	88,300	92,839	(4,539)	81,775	89,876	(8,101)
Supplies	345,000	495,698	(150,698)	173,000	175,867	(2,867)
Insurance	26,000	21,886	4,114	27,379	19,903	7,476
Road and bridge materials	60,700	413,198	(352,498)	198,000	193,197	4,803
Equipment repairs	55,000	1,059	53,941	17,000	18,226	(1,226)
Equipment purchases	72,905	110,118	(37,213)	163,683	197,309	(33,626)
Construction, repair, and maintenance	0	0	0	0	114,606	(114,606)
Other	26,095	61,907	(35,812)	46,163	58,450	(12,287)
Transfers out	188,000	52,880	135,120	133,150	58,341	74,809
Total Disbursements	1,188,000	1,590,903	(402,903)	1,158,150	1,228,248	(70,098)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(336,000)	(720,207)	(384,207)	(299,650)	(303,032)	(3,382)
CASH, JANUARY 1	966,710	966,710	0	1,269,742	1,269,742	0
CASH, DECEMBER 31	630,710	246,503	(384,207)	970,092	966,710	(3,382)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	78,721	74,024	(4,697)	62,323	70,262	7,939
Other	0	2,111	2,111	0	764	764
Transfers in	15,694	15,694	0	15,695	8,500	(7,195)
Total Receipts	94,415	91,829	(2,586)	78,018	79,526	1,508
DISBURSEMENTS						
Assessor	94,416	94,765	(349)	78,018	78,981	(963)
Total Disbursements	94,416	94,765	(349)	78,018	78,981	(963)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1)	(2,936)	(2,935)	0	545	545
CASH, JANUARY 1	677	677	0	132	132	0
CASH, DECEMBER 31	676	(2,259)	(2,935)	132	677	545
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	1,339	1,339	0	1,475	1,475
Charges for service	3,000	909	(2,091)	1,750	2,072	322
Total Receipts	3,000	2,248	(752)	1,750	3,547	1,797
DISBURSEMENTS						
Sheriff	0	2,965	(2,965)	3,000	1,377	1,623
Total Disbursements	0	2,965	(2,965)	3,000	1,377	1,623
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	(717)	(3,717)	(1,250)	2,170	3,420
CASH, JANUARY 1	3,831	3,831	0	1,661	1,661	0
CASH, DECEMBER 31	6,831	3,114	(3,717)	411	3,831	3,420

Exhibit B

SHANNON 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>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	500	542	42	500	893	393
Total Receipts	500	542	42	500	893	393
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	542	42	500	893	393
CASH, JANUARY 1	1,592	1,592	0	699	699	0
CASH, DECEMBER 31	2,092	2,134	42	1,199	1,592	393
<u>SHELTER FOR ABUSED VICTIMS FUND</u>						
RECEIPTS						
Charges for service:	600	710	110	600	620	20
Total Receipts	600	710	110	600	620	20
DISBURSEMENTS						
Domestic violence shelte	0	1,400	(1,400)	2,150	1,990	160
Total Disbursements	0	1,400	(1,400)	2,150	1,990	160
RECEIPTS OVER (UNDER) DISBURSEMENTS	600	(690)	(1,290)	(1,550)	(1,370)	180
CASH, JANUARY 1	780	780	0	2,150	2,150	0
CASH, DECEMBER 31	1,380	90	(1,290)	600	780	180
<u>PROSECUTING ATTORNEY SALES TAX</u>						
<u>COLLECTIONS FUND</u>						
RECEIPTS						
Charges for service:	2,500	2,336	(164)	2,500	3,134	634
Total Receipts	2,500	2,336	(164)	2,500	3,134	634
DISBURSEMENTS						
Prosecuting Attorney	0	85	(85)	0	0	0
Transfers out	0	0	0	2,500	1,425	1,075
Total Disbursements	0	85	(85)	2,500	1,425	1,075
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,500	2,251	(249)	0	1,709	1,709
CASH, JANUARY 1	1,709	1,709	0	0	0	0
CASH, DECEMBER 31	4,209	3,960	(249)	0	1,709	1,709
<u>SHERIFF CIVIL FEE FUND</u>						
RECEIPTS						
Charges for service:	10,000	8,819	(1,181)	2,000	12,184	10,184
Total Receipts	10,000	8,819	(1,181)	2,000	12,184	10,184
DISBURSEMENTS						
Sheriff	0	3,885	(3,885)	0	459	(459)
Total Disbursements	0	3,885	(3,885)	0	459	(459)
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	4,934	(5,066)	2,000	11,725	9,725
CASH, JANUARY 1	22,884	22,884	0	11,159	11,159	0
CASH, DECEMBER 31	32,884	27,818	(5,066)	13,159	22,884	9,725

Exhibit B

SHANNON 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>LOCAL EMERGENCY PLANNING</u>						
<u>COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	0	3,295	3,295	0	10,937	10,937
Other	0	1,250	1,250	0	0	0
Transfers In	0	1,577	1,577	0	0	0
Total Receipts	0	6,122	6,122	0	10,937	10,937
DISBURSEMENTS						
Equipment	0	8,396	(8,396)	0	7,611	(7,611)
Office expenses	0	0	0	0	1,063	(1,063)
Mileage and training	0	0	0	0	771	(771)
Total Disbursements	0	8,396	(8,396)	0	9,445	(9,445)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(2,274)	(2,274)	0	1,492	1,492
CASH, JANUARY 1	5,544	5,544	0	4,052	4,052	0
CASH, DECEMBER 31	5,544	3,270	(2,274)	4,052	5,544	1,492
<u>RECYCLING FUND</u>						
RECEIPTS						
Intergovernmental				9,465	4,155	(5,310)
Transfers in				0	2,968	2,968
Total Receipts				9,465	7,123	(2,342)
DISBURSEMENTS						
Salaries and fringe benefit:				784	1,613	(829)
Gasoline and oil				1,116	1,149	(33)
Total Disbursements				1,900	2,762	(862)
RECEIPTS OVER (UNDER) DISBURSEMENTS				7,565	4,361	(3,204)
CASH, JANUARY 1				(4,361)	(4,361)	0
CASH, DECEMBER 31				3,204	0	(3,204)
<u>SHERIFF SPECIAL FUND</u>						
RECEIPTS						
Intergovernmental	0	13,250	13,250	0	9,000	9,000
Charges for services:	20,000	1,514	(18,486)	5,000	13,951	8,951
Other	0	1,000	1,000	0	0	0
Transfers in	0	11,326	11,326	0	0	0
Total Receipts	20,000	27,090	7,090	5,000	22,951	17,951
DISBURSEMENTS						
Sheriff	0	44,549	(44,549)	22,622	23,114	(492)
Total Disbursements	0	44,549	(44,549)	22,622	23,114	(492)
RECEIPTS OVER (UNDER) DISBURSEMENTS	20,000	(17,459)	(37,459)	(17,622)	(163)	17,459
CASH, JANUARY 1	17,459	17,459	0	17,622	17,622	0
CASH, DECEMBER 31	37,459	0	(37,459)	0	17,459	17,459

Exhibit B

SHANNON 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 BUILDING FUND</u>						
RECEIPTS						
Other	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	1,730	1,730	0	1,730	1,730	0
CASH, DECEMBER 31	1,730	1,730	0	1,730	1,730	0
<u>CRIME VICTIM ADVOCATE FUND</u>						
RECEIPTS						
Intergovernmental	30,000	29,620	(380)	33,702	33,072	(630)
Total Receipts	30,000	29,620	(380)	33,702	33,072	(630)
DISBURSEMENTS						
Salaries	0	21,397	(21,397)	33,702	25,348	8,354
Mileage and training	0	9,074	(9,074)	0	7,293	(7,293)
Total Disbursements	0	30,471	(30,471)	33,702	32,641	1,061
RECEIPTS OVER (UNDER) DISBURSEMENTS	30,000	(851)	(30,851)	0	431	431
CASH, JANUARY 1	(809)	(809)	0	(1,240)	(1,240)	0
CASH, DECEMBER 31	29,191	(1,660)	(30,851)	(1,240)	(809)	431
<u>MOSMART FUND</u>						
RECEIPTS						
Intergovernmental	0	9,280	9,280	46,701	40,827	(5,874)
Total Receipts	0	9,280	9,280	46,701	40,827	(5,874)
DISBURSEMENTS						
Salary	0	0	0	30,301	33,214	(2,913)
Equipment	0	0	0	1,800	2,450	(650)
Mileage and training	0	0	0	14,600	784	13,816
Supplies	0	0	0	0	1,715	(1,715)
Transfer out	0	11,326	(11,326)	0	0	0
Total Disbursements	0	11,326	(11,326)	46,701	38,163	8,538
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(2,046)	(2,046)	0	2,664	2,664
CASH, JANUARY 1	2,046	2,046	0	(618)	(618)	0
CASH, DECEMBER 31	2,046	0	(2,046)	(618)	2,046	2,664

Exhibit B

SHANNON 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>TITLE III FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	22,000	52,723	30,723
Total Receipts	0	0	0	22,000	52,723	30,723
DISBURSEMENTS						
Fire departments	0	30,000	(30,000)	39,919	35,794	4,125
Transfers out	0	4,848	(4,848)	0	0	0
Total Disbursements	0	34,848	(34,848)	39,919	35,794	4,125
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(34,848)	(34,848)	(17,919)	16,929	34,848
CASH, JANUARY 1	34,848	34,848	0	17,919	17,919	0
CASH, DECEMBER 31	34,848	0	(34,848)	0	34,848	34,848
<u>RECORDER TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for service:	0	5,315	5,315	0	2,203	2,203
Total Receipts	0	5,315	5,315	0	2,203	2,203
DISBURSEMENTS						
Ex Officio Recorder of Deed	0	250	(250)	0	2,081	(2,081)
Total Disbursements	0	250	(250)	0	2,081	(2,081)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	5,065	5,065	0	122	122
CASH, JANUARY 1	1,387	1,387	0	1,265	1,265	0
CASH, DECEMBER 31	1,387	6,452	5,065	1,265	1,387	122
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for service:	0	13,700	13,700			
Total Receipts	0	13,700	13,700			
DISBURSEMENTS						
Sheriff	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	13,700	13,700			
CASH, JANUARY 1	6,524	6,524	0			
CASH, DECEMBER 31	6,524	20,224	13,700			
<u>HELP AMERICA VOTE ACT FUND</u>						
RECEIPTS						
Intergovernmental	0	4,466	4,466			
Total Receipts	0	4,466	4,466			
DISBURSEMENTS						
Equipment	0	4,466	(4,466)			
Total Disbursements	0	4,466	(4,466)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	15,000	15,000	0			
CASH, DECEMBER 31	15,000	15,000	0			

Exhibit B

SHANNON 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>2% COLLECTOR FUND</u>						
RECEIPTS						
Charges for services:	6,000	6,799	799	0	7,343	7,343
Total Receipts	6,000	6,799	799	0	7,343	7,343
DISBURSEMENTS						
County Collector	0	2,180	(2,180)	0	2,532	(2,532)
Total Disbursements	0	2,180	(2,180)	0	2,532	(2,532)
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,000	4,619	(1,381)	0	4,811	4,811
CASH, JANUARY 1	5,503	5,503	0	692	692	0
CASH, DECEMBER 31	11,503	10,122	(1,381)	692	5,503	4,811
<u>COUNTY CLERK FUND</u>						
RECEIPTS						
Intergovernmental	0	1,155	1,155	0	0	0
Charges for services:	0	959	959	0	0	0
Total Receipts	0	2,114	2,114	0	0	0
DISBURSEMENTS						
County Clerk	0	2,450	(2,450)	0	598	(598)
Total Disbursements	0	2,450	(2,450)	0	598	(598)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(336)	(336)	0	(598)	(598)
CASH, JANUARY 1	1,599	1,599	0	2,197	2,197	0
CASH, DECEMBER 31	1,599	1,263	(336)	2,197	1,599	(598)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	65,000	58,359	(6,641)	61,000	67,005	6,005
Intergovernmental	944,700	928,291	(16,409)	944,700	936,330	(8,370)
Charges for services:	27,300	27,367	67	11,500	27,368	15,868
Interest	15,000	15,643	643	18,000	12,654	(5,346)
Other	1,000	860	(140)	1,500	494	(1,006)
Total Receipts	1,053,000	1,030,520	(22,480)	1,036,700	1,043,851	7,151
DISBURSEMENTS						
Salaries	596,500	601,419	(4,919)	570,500	568,087	2,413
Fringe benefits	274,300	268,657	5,643	269,250	211,743	57,507
Office expense:	45,800	43,592	2,208	51,900	44,906	6,994
Equipment	9,000	10,358	(1,358)	19,250	23,588	(4,338)
Mileage and training	27,500	29,619	(2,119)	24,100	23,570	530
Medical supplies	10,000	16,802	(6,802)	15,000	9,577	5,423
Contracted services:	54,000	62,197	(8,197)	42,000	52,446	(10,446)
Other	45,900	46,301	(401)	44,500	37,823	6,677
Total Disbursements	1,063,000	1,078,945	(15,945)	1,036,500	971,740	64,760
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	(48,425)	(38,425)	200	72,111	71,911
CASH, JANUARY 1	747,214	747,214	0	675,103	675,103	0
CASH, DECEMBER 31	737,214	698,789	(38,425)	675,303	747,214	71,911

Exhibit B

SHANNON 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>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	69,600	58,333	(11,267)	55,000	67,111	12,111
Interest	400	462	62	0	379	379
Total Receipts	70,000	58,795	(11,205)	55,000	67,490	12,490
DISBURSEMENTS						
Programs	42,000	42,000	0	41,000	42,000	(1,000)
Construction	39,100	17,999	21,101	34,000	38,840	(4,840)
Other	900	900	0	300	900	(600)
Total Disbursements	82,000	60,899	21,101	75,300	81,740	(6,440)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,000)	(2,104)	9,896	(20,300)	(14,250)	6,050
CASH, JANUARY 1	35,653	35,653	0	49,903	49,903	0
CASH, DECEMBER 31	23,653	33,549	9,896	29,603	35,653	6,050
<u>SENIOR CITIZENS SERVICE BOARD</u>						
RECEIPTS						
Property taxes	32,442	28,067	(4,375)	27,300	32,443	5,143
Total Receipts	32,442	28,067	(4,375)	27,300	32,443	5,143
DISBURSEMENTS						
Contracted services	32,442	32,100	342	27,450	26,700	750
Total Disbursements	32,442	32,100	342	27,450	26,700	750
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(4,033)	(4,033)	(150)	5,743	5,893
CASH, JANUARY 1	5,949	5,949	0	206	206	0
CASH, DECEMBER 31	5,949	1,916	(4,033)	56	5,949	5,893
<u>ASSOCIATE CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	250	245	(5)	300	286	(14)
Total Receipts	250	245	(5)	300	286	(14)
DISBURSEMENTS						
Associate Circuit Court	500	1,265	(765)	0	913	(913)
Total Disbursements	500	1,265	(765)	0	913	(913)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(250)	(1,020)	(770)	300	(627)	(927)
CASH, JANUARY 1	1,379	1,379	0	2,006	2,006	0
CASH, DECEMBER 31	1,129	359	(770)	2,306	1,379	(927)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	0	421	421	0	156	156
Total Receipts	0	421	421	0	156	156
DISBURSEMENTS						
Circuit Clerk	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	421	421	0	156	156
CASH, JANUARY 1	4,931	4,842	(89)	4,686	4,686	0
CASH, DECEMBER 31	4,931	5,263	332	4,686	4,842	156

Exhibit B

SHANNON 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>TIME PAYMENT FEE FUND</u>						
RECEIPTS						
Charges for service:	1,000	1,996	996			
Total Receipts	<u>1,000</u>	<u>1,996</u>	<u>996</u>			
DISBURSEMENTS						
Court equipment	500	1,339	(839)			
Total Disbursements	<u>500</u>	<u>1,339</u>	<u>(839)</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	657	157			
CASH, JANUARY 1	702	702	0			
CASH, DECEMBER 31	<u>1,202</u>	<u>1,359</u>	<u>157</u>			
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for service:	0	3,944	3,944	3,000	3,991	991
Total Receipts	<u>0</u>	<u>3,944</u>	<u>3,944</u>	<u>3,000</u>	<u>3,991</u>	<u>991</u>
DISBURSEMENTS						
Ex Officio Recorder of Deed	4,346	0	4,346	3,000	355	2,645
Total Disbursements	<u>4,346</u>	<u>0</u>	<u>4,346</u>	<u>3,000</u>	<u>355</u>	<u>2,645</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,346)	3,944	8,290	0	3,636	3,636
CASH, JANUARY 1	4,346	4,346	0	1,029	710	(319)
CASH, DECEMBER 31	<u>\$ 0</u>	<u>8,290</u>	<u>8,290</u>	<u>1,029</u>	<u>4,346</u>	<u>3,317</u>

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

Notes to the Financial Statements

SHANNON 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 Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Senior Citizens Service 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>
Law Enforcement Restitution Fund	2004
Help America Vote Act Fund	2004
Time Payment Fee Fund	2004
Law Library Fund	2005 and 2004
Family Services Fund	2005

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>
General Revenue Fund	2004
Special Road and Bridge Fund	2005 and 2004
Assessment Fund	2005 and 2004
Law Enforcement Training Fund	2005
Shelter for Abused Victims Fund	2005
Prosecuting Attorney Sales Tax Collections Fund	2005
Sheriff Civil Fee Fund	2005 and 2004
Local Emergency Planning Commission Fund	2005 and 2004
Recycling Fund	2004
Sheriff Special Fund	2005 and 2004
Crime Victim Advocate Fund	2005
MoSMART Fund	2005
Title III Fund	2005
Recorder Technology Fund	2005 and 2004
Help America Vote Act Fund	2005
2% Collector Fund	2005 and 2004
County Clerk Fund	2005 and 2004
Health Center Fund	2005
Senate Bill 40 Board Fund	2004
Associate Circuit Court Interest Fund	2005 and 2004
Time Payment Fee Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the Crime Victim Advocate Fund and MoSMART Fund for the year ended December 31, 2004.

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 did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
MoSMART Fund	2005
Circuit Clerk Interest Fund	2005
Law Library Fund	2005 and 2004

In addition, for the Health Center Fund, Senate Bill 40 Board Fund, and Senior Citizens Service Board 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 depositories 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, Shannon County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and Health Center Board'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.

The Senate Bill 40 Board's and Senior Citizen Services Board's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance.

Investments

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. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The cash balances of the following funds at January 1, 2004, as previously stated, have been restated to reflect the balances reported on the auditee's accounting records.

Fund	Cash Balance as Previously Stated	Increase (Decrease)	Cash Balance As Restated
General Revenue	\$ 40,729	(730)	39,999
Special Road and Bridge	1,307,839	(38,097)	1,269,742
Prosecuting Attorney	(248)	248	0
Sales Tax Collections			
Sheriff Special	17,742	(120)	17,622
Crime Victim Advocate	(3,176)	1,936	(1,240)
Title III	(17,324)	35,243	17,919
Health Center	605,689	69,414	675,103
Senate Bill 40 Board	48,213	1,690	49,903
Senior Citizens Service	1,880	(1,674)	206
Board			
Associate Circuit Court	2,829	(823)	2,006
Interest			
Circuit Clerk Interest	7,237	(2,551)	4,686
Law Library	2,177	(920)	1,257

The Prosecuting Attorney Retirement Fund's cash balance of (\$4,030) and the Special Election Fund's cash balance of \$1,696 at January 1, 2004, were previously reported but have been removed.

Supplementary Schedule

Schedule

SHANNON 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 Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	N/A	\$ 44,016	39,465
10.559	Summer Food Service Program for Children	N/A	210	0
Office of Administration				
10.665	Schools and Roads - Grants to State	N/A	177,421	209,922
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.710	Public Safety Partnership and Community Policing Grant	N/A	20,030	36,890
Passed through:				
State Department of Public Safety				
16.575	Crime Victim Assistance	2002-VOCA-0072 2003-VOCA-0061 2004-VOCA-0061	30,471	32,641
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	N/A	0	43,271
State Department of Public Safety				
16.592	Local Law Enforcement Block Grant Program	2003-LGB-084	0	9,000
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	0	1,757
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	3,295	0

Schedule

SHANNON 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
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	1,825	0
Office of Secretary of State				
39.011	Election Reform Payment	N/A	0	1,705
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	N/A	4,466	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Health and Senior Services				
93.268	Immunization Grants	CCH722543	39,208	19,500
93.283	Centers for Disease Control and Prevention - Investigator and Technical Assistance	ERS161-40044 DH040022073 DH050032007	11,289 0 3,860	12,441 9,436 0
	Program Total		<u>15,149</u>	<u>21,877</u>
93.575	Child Care and Development Block Grant	N/A	695	935
93.994	Maternal and Child Health Services Block Grant to the State	N/A	18,671	15,827
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Program	N/A	8,010	0
97.036	Public Assistance Grants	N/A	464,195	114,607
97.051	State and Local All Hazards Emergency Operations Planning	N/A	0	2,700
	Total Expenditures of Federal Awards:		<u>\$ 827,662</u>	<u>550,097</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

SHANNON 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 Shannon County, Missouri.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. 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



SUSAN MONTEE, CPA
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 Shannon County, Missouri

Compliance

We have audited the compliance of Shannon 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, Shannon 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 an

instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

Internal Control Over Compliance

The management of Shannon 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 a certain matter involving the internal control over compliance and its operation that we consider to be reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

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, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Shannon 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.



Susan Montee, CPA
State Auditor

November 16, 2006 (fieldwork completion date)

Schedule

SHANNON 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 no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Reportable condition identified that is not considered to be a material weaknesses? 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? yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.665	Schools and Roads – Grants to States
97.036	Public Assistance Grants

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. In particular, two significant errors and omissions caused the majority of the understated expenditures. The County Clerk failed to include federal expenditures of \$177,421 and \$209,922 in 2005 and 2004, respectively, for Schools and Roads – Grants to States (CFDA# 10.665) because she indicated she was not aware that this program represented federal assistance. In addition, the County Clerk reported revenues instead of expenditures for Public Assistance Grants (CFDA# 97.036) in 2005, resulting in an understatement of federal expenditures of approximately \$418,500. The SEFA also did not include the required CFDA number or pass-through grantor's number for several programs.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission and County Clerk 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.

WE RECOMMEND the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will make every effort to ensure the SEFA is complete and accurate.

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

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

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

SHANNON 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.

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 16, 2006. We also have audited the compliance of Shannon 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 November 16, 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 Shannon 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.	Financial Condition
-----------	----------------------------

As noted in our prior report, the financial condition of the county's General Revenue Fund remains weak. The following table reflects the financial activity of the General Revenue Fund over the last five years:

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(Unaudited)				
Cash Balance,					
January 1	\$ 214,098	183,604	39,999	(2,971)	(38,638)
Receipts	883,940	964,027	1,052,929	842,158	888,665
Disbursements	<u>1,058,415</u>	<u>933,533</u>	<u>909,324</u>	<u>799,188</u>	<u>852,998</u>
Cash Balance,					
December 31	\$ <u>39,623</u>	<u>214,098</u>	<u>183,604</u>	<u>39,999</u>	<u>(2,971)</u>

Additionally our prior audit noted that the General Revenue Fund owed the Special Road and Bridge Fund \$302,598 at December 31, 2001. On August 23, 2006, the County Commission transferred \$100,000 from the General Revenue Fund to the Special Road and Bridge Fund to pay back part of this liability. The General Revenue Fund still owes the Special Road and Bridge Fund \$202,598 at December 31, 2006.

In October 2001, a voter-approved sales tax went into effect which has significantly increased fund receipts. The County Commission indicated the county has experienced a steady increase in tourism which resulted in steady increases in sales tax revenues. The significant decrease in 2003 receipts and subsequent increase in 2004 receipts is due in part to the timing of some receipts, including the County Collector's untimely distributions of forest cropland payments in 2003 (which were received in 2004). The decrease in 2006 receipts, while unaudited, again appears to be caused in part by the untimely distribution of forest cropland payments.

While receipts have generally increased, the county's spending has also increased. The significant increase in 2004 disbursements included approximately \$41,000 for election expenses, \$10,000 for roof repairs, and \$10,000 for courthouse upkeep. Most other 2004 disbursement classifications reflected minimal increases, or in many cases were below 2003 spending levels. Significant increases in 2005 disbursements were noted for utilities of \$49,000, supplies of \$28,000, and courthouse repairs of \$25,000; however, most other 2005 disbursement classifications were below 2004 spending levels. The increase in 2006 disbursements was mainly a result of the \$100,000 payment to the Special Road and Bridge

Fund as noted above. As a result, it appears the County Commission and other county officials are working together to monitor and improve the county's financial condition.

The County Commission is aware of the concern and is monitoring the county's financial condition through preparation and review of quarterly budget reports of the status of the General Revenue Fund. It is essential that the County Commission continue to address the situation both in the immediate and long-term future. Discretionary disbursements should be reviewed, contracts closely monitored, and options for maximizing revenues pursued.

WE RECOMMEND the County Commission continue to closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long-term planning and ensure revenues are maximized and discretionary disbursements are closely monitored. In addition, the County Commission should establish a plan to pay off the General Revenue Fund's liability to the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

We agree and will continue to monitor the financial condition. We also plan to pay back the liability to the Special Road and Bridge Fund whenever funds are available.

2. Budgetary Practices and Published Financial Statements
--

The county's procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity of county funds. Budget amendments were not prepared and several funds disbursements exceeded budgeted amounts. The annual published financial statements did not include financial information for some of the county funds.

- A. The county's budget preparation procedures need significant improvement, The county's procedures do not ensure that the budget documents reasonably reflect the anticipated financial activity and cash balances of the various county funds.

For the larger county funds, some poor budget estimates caused the estimated ending cash balances to be significantly over/under estimated. For example, the estimated ending cash balance of the Special Road and Bridge Fund was overstated by approximately \$384,000 for 2005. The County Commission failed to include significant road and bridge material expenditures in its estimates for 2005.

For many of the smaller county funds, estimates of receipts and/or disbursements were omitted, even though the beginning available cash balances were presented for most of these funds. For example, no receipts and disbursements were estimated for the Local Emergency Planning Commission Fund for the two years ended December 31, 2005. Many of these funds' disbursements are controlled by other county officials, and the County Clerk indicated she requests budget estimates for

these funds from the applicable officials; however, the County Clerk indicated the applicable officials often fail to provide the estimates as requested. The County Clerk and County Commission should provide budget estimates for all funds controlled by the commission, and should work with applicable officials to ensure the required budget information is provided in the budget documents.

Realistic projections of the county's anticipated resources and uses of funds are essential for the efficient management of county finances and for communicating accurate financial data to county residents. Misrepresentation of the county's anticipated receipts and disbursements is misleading to the public and prevents an accurate estimate of the county's anticipated financial condition.

- B. Actual disbursements exceeded budgeted amounts for many county funds, as indicated in Note 1.C. to the financial statements. The majority of the overspending was due to no estimates of disbursements for smaller county funds, and unreasonable estimates for some of the larger funds, as noted in Part A above. In addition, the County Commission and other officials receive budget to actual comparison reports monthly; however, there were no notations on the report copies or (except for the General Revenue Fund) evidence in the commission meeting minutes of discussion regarding the budget status. They were also unaware there was a method for amending the county budgets.

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, 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.

- C. As similarly noted in our prior report, the county's annual published financial statements did not include the financial information for some county funds and included only those amounts that passed through the County Treasurer for the Health Center Fund, Senate Bill 40 Board Fund, and the Senior Citizens Service Fund. Members of these various boards indicated they were not aware of the requirement to publish financial information for their applicable funds.

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.

WE RECOMMEND the County Commission work with the various county officials and boards to ensure:

- A. The budgets provide reasonable estimates of anticipated financial activity.
- B. Budget to actual reports are carefully reviewed and actual disbursements do not exceed budgeted amounts. When applicable, budget amendments should be prepared and approved in the same manner as the original budgets.
- C. All required information is presented in the county's annual published financial statements.

AUDITEE'S RESPONSE

- A. *We agree and will work with the other county officials as necessary to implement this recommendation.*
- B. *We agree and will work with the other county officials to prepare budget amendments when necessary.*
- C. *We agree and will work with the various county boards to publish all required financial information.*

3. County Expenditures and Contracts

The county did not always solicit bids or retain bid documentation for some purchases. The county did not enter into written agreements or monitor monies paid to local cities. In addition, the county does not have a formal mileage reimbursement policy.

- A. While a review of commission minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

<u>Item or Services</u>	<u>Cost</u>
Road grader engine	\$ 11,900
Used 1993 Mack truck	11,000
2002 dump truck	30,700
Road matting	16,150
Field roller	5,600
Windows for courthouse	13,250

In addition during 2005 and 2004, the county solicited bids for medical and life insurance. The bids were reviewed by the County Commission, and a summary of costs and plan options was provided to county employees. Commission minutes indicated the final decision regarding which bid to accept was decided by the employees of the county. While obtaining input from all county employees may be beneficial, the final decision on the winning bid should be made and documented by the County Commission.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- B. The county does not adequately monitor the use of county road and bridge property taxes paid to cities within the county. The county distributed property taxes to various cities during 2005 and 2004 totaling approximately \$16,000 and \$31,000, respectively. Section 137.555, RSMo, requires county road and bridge property taxes to only be used for road and bridge purposes; however, the county does not have written agreements with the cities requiring the taxes be spent in compliance with state law, nor does the county obtain information from the cities on how the money is spent. Section 432.070, RSMo, requires the county to have all contracts in writing.

There appears to be no statutory authority for the County Commission to make distributions to the cities without some type of contractual agreement. Written agreements, along with obtaining documentation of how the funds are spent, would help ensure that monies distributed to the cities are spent in compliance with state law and as intended by the County Commission.

- C. The county does not have policies for mileage reimbursements paid to county officials and employees. A review of reimbursement requests noted several instances where the purpose of the trips were not documented. For example, a review of the Presiding Commissioner's September 2006 mileage reimbursement claim indicated 647 round trip miles to Kansas City with no documentation of the purpose of the trip.

A written policy should be adopted to require specific information be included on mileage reimbursement requests, such as dates, total miles driven, destinations traveled, and purpose of official county business. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the establishment and enforcement of a policy which requires adequate detailed information is necessary.

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

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Enter into written contracts when appropriate and ensure that contracts contain adequate details and protections for the county. In addition, require cities receiving county funds to provide documentation of how the monies were expended.
- C. Develop and enforce a mileage reimbursement policy which requires dates, total miles driven, destination, and purpose.

AUDITEE'S RESPONSE

- A. *We agree and will attempt to better document all bidding decisions and reasons why bids were not solicited for certain purchases.*
- B. *We agree and will attempt to obtain contracts with the cities.*
- C. *We agree and are working on adopting a mileage policy.*

4.

Property Tax System

Property tax system controls and procedures need improvement. The County Clerk does not maintain an account book with the County Collector nor reconcile property tax additions and abatements to the County Collector's annual settlements. The property tax system does not generate tax book page or control totals.

- A. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other records 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.

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 or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that 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 Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

- B. The County Clerk is not reconciling total additions and abatements to the County Collector's annual settlements. Additions and abatements are prepared by the County Assessor and approved by the County Clerk as they occur, and subsequently approved by the County Commission at the next commission meeting. However, the County Clerk is not reconciling the total of these additions and abatements to the County Collector's annual settlements. As a result, errors in the County Collector's annual settlements could go undetected.

To ensure all additions and abatements have been accounted for properly and to help verify the accuracy of such activity reported by the County Collector on her annual settlements, the County Clerk should reconcile total additions and abatements to the Collector's annual settlement.

- C. The property tax system does not generate tax book page or control totals, but only a summary total at the end of each tax book. Without page totals, the ability to verify the accuracy of the tax books is limited.

Prior audit reports have addressed the inadequacy of the county's property tax books and procedures. While the County Commission and County Clerk responded in the prior audit that they would attempt to implement our recommendations, conditions have not significantly improved. Also, considering the problems related to the County Collector, which are reported in MAR finding number 10, it is important that the County Commission and County Clerk exercise their control and oversight responsibilities related to the tax collection functions.

WE AGAIN RECOMMEND:

- A. The County Clerk maintain an account book or records that summarize property tax system transactions and changes. The County Clerk and County Commission should monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.
- B. The County Clerk reconcile additions and abatements to the County Collector's annual settlements.
- C. The County Commission authorize programming changes to print future tax books with the appropriate control totals, including page totals and a summary page of all page totals.

AUDITEE'S RESPONSE

- A. *The County Clerk and County Commission agree and plan to implement this recommendation.*
- B. *The County Clerk agrees and plans to implement this recommendation.*
- C. *The County Commission will discuss this matter with the computer programmer.*

5. Collateral Securities

The county and the Health Center have not established adequate procedures to monitor collateral securities pledged by its depository banks, and as a result, county and Health Center funds were not covered by collateral securities at various times during the audit period. Collateral securities pledged by the county's depository banks to cover deposits of the County Treasurer and County Collector were insufficient by approximately \$411,000 and \$326,000 during January 2006 and 2005, respectively. Collateral securities pledged by the Health Center's depository banks were insufficient by approximately \$16,000 during January 2005 but appeared sufficient in January 2006. The high balance periods were primarily due to deposits of property tax monies collected by the County Collector and disbursed to the County Treasurer and Health Center.

Section 110.020, RSMo, requires that 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 Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Treasurer, County Collector, and Health Center monitor bank account balances and ensure adequate collateral securities are pledged.

AUDITEE'S REPOSE

The County Treasurer, County Collector, and Health Center Administrator agree and will implement the recommendation.

6. County Property Records and Procedures
--

The County Clerk’s procedures to account for county property are not sufficient and county property records are not complete.

The County Clerk has no procedure to identify property purchases throughout the year, and county property records only include Road and Bridge and Sheriff Department's vehicles and equipment. In addition, tags identifying property items as county property are not affixed to most items. None of the various county departments submit annual physical inventory reports nor explanations of significant property dispositions or changes.

The lack of complete and accurate property records increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county’s insurance coverage.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the County Clerk work with other county departments to ensure a complete and accurate record of all county property is maintained and that annual physical inventories are performed and reconciled to the permanent property records. In addition, procedures should be established for tagging all county property, tracking new property items and property dispositions throughout the year, and modifying insurance coverage promptly.

AUDITEE'S RESPONSE

I agree and will attempt to do this.

7. Personnel and Payroll Records and Procedures
--

Employee time sheets do not always agree to the county's payroll records, and supervisors are not always approving and signing employee timesheets. The county's overtime and

compensatory time policy does not appear to comply with the Fair Labor Standards Act (FLSA). Summary records of leave earned, taken, and accumulated are not maintained by the County Clerk.

- A. Information recorded on time sheets prepared by county employees does not always agree to information recorded on the county's payroll system. The county's policy is to pay employees on the 15th and the last day of each month. Employees must have time sheets turned into the County Clerk's office two days in advance of the pay date to enable the payroll to be processed. When submitting the time sheets, employees indicate actual hours worked from the beginning of the pay period through the date they are submitting their time sheet and estimate the hours they will work during the last two days of the pay period. No documentation was available to indicate that the hours actually worked were subsequently compared to the hours estimated.

Our review noted some discrepancies between information recorded on time sheets and information recorded on the county's payroll system. The County Clerk indicated these discrepancies most likely occurred because of differences between estimated time worked as originally reported by the employee and the actual time worked, and these discrepancies would have been corrected in the subsequent pay period. However, in most instances we noted there was no documentation to show that the discrepancies had been corrected. Further, supervisory review of timesheets is not always documented.

The practice of paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. The County Commission should consider implementing payroll procedures that ensure employees are paid only for actual hours worked. If the county continues to use estimated hours worked for the last days of the pay period, the county should establish procedures to obtain documentation from the employees' supervisors for any differences between estimated and actual time worked, and fully document any applicable adjustments to the employees' pay or leave records when actual time worked is different from the estimated time worked.

Proper control over payroll requires documentation, such as time sheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

- B. The county's written policy for overtime and compensatory time is not clear and may not comply with the FLSA. The policy allows for time and one half to be earned for employees working weekends, nights, and emergencies, but authorizes regular pay or straight time for employees working holidays. The County Commission indicated this policy was implemented to prevent employees from voluntarily working on holidays and earning time and one half without supervisory approval. However, it

would appear that employees may sometimes be required to work holidays and would therefore be entitled to time and one half.

The FLSA requires the county to pay overtime or provide compensatory time at time and a half to any nonexempt employees who work more than 40 hours during a normal work week. The County Commission should clarify its policy to ensure compliance with the FLSA, including a provision that overtime or compensatory time requires prior approval of the employee's supervisor. The FLSA also contains different overtime requirements for law enforcement personnel, so the county should consider adopting a separate overtime policy for sheriff's deputies.

A similar condition was noted in our prior report.

- C. Summary records of vacation leave, sick leave, and compensatory time earned, taken, and accumulated are not maintained by the County Clerk. Vacation and sick leave earned by each employee is entered into the payroll system at the beginning of the year. Leave must be used in the year earned and cannot be accumulated. As leave is used throughout the year, it is entered into the payroll system from employees' timesheets; however, the County Clerk indicated the system is unable to produce any summary leave records. The only record of leave balances is documented on the payroll stubs which are printed for each employee for each pay period, and a duplicate copy is filed by pay period in the County Clerk's office. This makes it difficult to determine the amount of leave used and available for each employee.

Complete records of leave earned, taken, and available are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the FLSA.

WE RECOMMEND the County Commission:

- A. Develop payroll procedures which require all county employees to be paid based on actual hours worked. In addition, the county should ensure all time sheets accurately reflect actual hours worked and are approved and signed by each employee's supervisor.
- B. Revise the county's overtime and compensatory time policy to ensure compliance with the FLSA.
- C. Ensure complete summary records are maintained for each employee of leave earned, taken, and balances. The County Commission should contact the software provider to determine if these records can be obtained from the county's current payroll system.

AUDITEE'S RESPONSE

- A. *We agree and will develop procedures to ensure timesheets agree to payroll records.*
- B. *We will review this policy and ensure it is updated properly.*
- C. *We will review our payroll system and prepare summary leave records for all employees.*

8. Apportionment of Railroad and Utility Taxes

The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Shannon County during the years ended December 31, 2005 and 2004. The County Clerk distributed the taxes based solely on the student population of each district, whereas state law and guidelines set by the Department of Elementary and Secondary Education (DESE) require specific calculations based on various factors, including student population and the districts' property tax rates. The following table indicates the total amounts over or (under) paid to the various school districts for 2005 and 2004 tax collections:

<u>School District</u>	<u>Over (Under) Paid</u>
Oak Hill R-I	\$ (5)
Mountain View-Birch Tree R-III	(4,191)
Southern Reynolds County R-II	250
Bunker R-III	(251)
Winona R-III	(5,603)
Eminence R-I	10,991
Summersville R-II	(1,191)

WE RECOMMEND the County Clerk consult with the various school districts and the DESE for guidance on how to correct these errors. Future apportionments should be computed in accordance with applicable laws and regulations.

AUDITEE'S RESPONSE

I agree and have already implemented this recommendation. The above errors have been corrected and the correct formulas will be used for future distributions.

9. Officials' Compensation and Bond Coverage

Supporting documentation was not adequate for a salary increase paid to the County Treasurer. The Public Administrator and County Coroner did not obtain bond coverage, and various county employees who handle money are not bonded.

- A. The County Treasurer's salary was increased \$7,904 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held in 2002 approved this increase.

House Bill 2137, effective August 28, 2002, provided for an increase in compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission may authorize the use of the alternative salary schedule. However, Section 50.333 RSMo, appears to authorize salary commissions to meet only in odd-numbered years. There was no legal documentation supporting whether the meeting complied with Section 50.333, RSMo.

As a result, without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer is in accordance with state law.

- B. The Public Administrator and County Coroner have not obtained bond coverage as required by state law. Section 473.730, RSMo, requires bond coverage of at least \$10,000 for the Public Administrator, and Section 58.050, RSMo, requires bond coverage of at least \$1,000 for the County Coroner. In addition, various county employees who handle money are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission:

- A. And the Salary Commission consult with legal counsel and review this situation to ensure the actions taken were in accordance with state law.
- B. Ensure the Public Administrator and County Coroner obtain bond coverage as required by state law. In addition, review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

AUDITEE'S RESPONSE

- A. *Two of the three current commissioners were not in office when this occurred. The one commissioner who was in office indicated the county obtained guidance from their legal counsel, who is no longer in office, but there was no written documentation. We will review this matter with our current legal counsel and take any actions deemed necessary.*
- B. *Except for the County Treasurer and County Collector who require larger bonds, we obtained a blanket bond which now covers all officials and employees.*

Some deposits are not made timely and cash is withheld from tax collections to make change. Records and procedures for partial payments need improvement, and taxes are not always distributed on a timely basis. Bank reconciliations should be performed monthly and the cash balance should be reconciled to liabilities. Commissions from current taxes were over-withheld and need to be refunded to the various taxing authorities.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2006 and 2005, property taxes and other monies totaling approximately \$2.5 million and \$2.4 million, respectively, were collected and distributed.

- A. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, and during the busy collection months of November through February, deposits are normally made daily; however, during the remaining months, deposits are normally made only six times per month. Deposit slips for June 2004 indicated deposits ranged from \$525 to \$9,700 and included cash of \$0 to \$4,900. In addition, cash receipts are sometimes withheld from deposits for use as part of the change fund. As a result, receipts are not deposited intact and individual deposits cannot be reconciled to specific receipts. The County Collector indicated the change fund was originally established with county money of \$100, and additional amounts are needed for change during busy months. No record is retained of the additional amounts withheld for change, and the change fund is not maintained at a constant amount.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

- B. Records and procedures related to the collection of partial payments are not adequate. The County Collector accepts partial payments from taxpayers who are unable to pay their tax bills in full. These monies are held in the regular checking account until the tax bill is fully paid, whereupon the taxes are recorded as paid in the tax books and the taxes are distributed. While amounts collected for each tax bill are recorded on separate sheets of paper, the County Collector does not maintain a ledger or summary record of the amounts collected or the amounts due from each taxpayer, and there is no reconciliation between the amounts collected and the amounts held in the bank account. While there are no summary records, it appears there was approximately \$4,500 in partial payments in the bank account at February 28, 2006, based on the amounts recorded on the separate sheets of paper for each

taxpayer. In addition, no follow-up action is taken to notify applicable taxpayers of amounts due, and some delinquent amounts have remained uncollected.

The County Collector should re-evaluate the practice of accepting partial payments. Accurate and detailed records should be maintained of all amounts collected and due, and the amounts collected should be reconciled to amounts held in the bank account. Further, procedures should be implemented to follow-up on delinquent amounts due.

- C. The County Collector does not always distribute taxes on a timely basis. Section 139.210, RSMo, requires all collections to be distributed to the political subdivisions by the fifteenth day of the following month. Previous audits noted untimely distributions, and our review noted the October and November 2003 collections were not distributed until January 2004. While distributions were timely for most of 2004 and 2005, the February 2006 collections were not distributed until May 10, 2006.

In addition to being required by state law, timely distributions of property tax collections are important as most political subdivisions rely heavily on property tax revenues to fund their operations.

- D. Bank reconciliations for the County Collector's account are not performed timely. The County Collector maintains a checkbook balance, and monthly reconciliations between the bank balance and the checkbook balances are normally performed two to three months late.

In addition, the cash balance is not reconciled to liabilities. A comparison at February 28, 2006, showed the reconciled bank balance exceeded identified liabilities by \$41,569 as follows:

Reconciled bank balance	\$ 193,958
February 2006 tax collections	85,119
Undistributed surtax collections	43,455
Undistributed land tax sale surplus	30,348
Partial payments held for taxpayers	4,587
Overpaid to school district	<u>(11,120)</u>
Total liabilities	<u>152,389</u>
Reconciled bank balance over total liabilities	\$ <u>41,569</u>

The unidentified cash balance has not remained constant during the two years ended February 28, 2006, and has increased significantly since our prior audit (\$20,500 at February 28, 2002). The County Collector has not determined the causes for the changes in the unidentified differences.

In addition, the lack of reconciliations has allowed some other errors and omissions (as noted in the chart above) to occur and not be detected, including an overpayment

to a school district of \$11,120 in 2004 which needs to be recovered, and excess land tax sale monies of \$30,348 received prior to 2004 which remain in the bank account and should be turned over to the County Treasurer.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. In addition, reconciling the balances to open items is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The County Collector should correct the errors noted above, investigate the unidentified differences and determine the cause, and take appropriate action to ensure the cash balance reconciles to liabilities.

Any amounts that remain unidentified should be disposed of in accordance with applicable statutory provisions.

- E. The County Collector is not properly withholding commissions from tax collections.

In previous years, the County Collector was a Bracket 2 collector for the purpose of withholding commissions from taxes (as defined in Section 52.260, RSMo), in which 2.5 percent commission was withheld from the first \$350,000 collected and 1 percent from all additional amounts collected. The basis for a Bracket 2 collector is when total annual taxes levied are less than \$2 million. However, total annual taxes levied have exceeded \$2 million as documented on the County Collector's annual settlements for the years ended February 28, 2006 and 2005. As a result, the County Collector is a Bracket 3 collector in which 1 percent commission should be withheld from all taxes collected. The County Collector continued to withhold 2.5 percent from the first \$350,000 and indicated she was not aware that this change had taken place. In addition, since annual settlements were not prepared for the years ended February 28 (29), 2004 and 2003, it is unclear when total annual taxes exceeded \$2 million.

As a result, approximately \$5,250 in annual commissions was over-withheld from tax collections, which was withheld from the various taxing authorities and paid to the county's General Revenue Fund. The County Collector should determine total commissions over-withheld and ensure those amounts are distributed to the various taxing authorities.

Conditions similar to Parts A, C, and D were noted in prior audits. While some improvement was noted, significant improvement is needed to improve controls and procedures to ensure property tax monies are adequately accounted for and properly safeguarded.

WE RECOMMEND the County Collector:

- A. Deposit all monies intact on a timely basis and if a change fund is needed, maintain it at a constant amount.

- B. Re-evaluate the practice of accepting partial payments. Accurate records should be maintained of all partial payments received and due, including reconciling amounts collected to amounts held in the bank account, and the collection of delinquent amounts due should be actively pursued.
- C. Distribute all collections timely in accordance with state law.
- D. Prepare bank reconciliations and reconcile the cash balance to liabilities on a monthly basis. The County Collector should correct the errors and omissions noted above, and investigate and resolve the unidentified balance in the bank account. Any amounts which remain unidentified should be disposed of in accordance with state law.
- E. Withhold commissions from future current taxes in accordance with state law, and work with the County Commission to ensure commissions over-withheld in prior periods are refunded from the General Revenue Fund to the various taxing authorities.

AUDITEE'S RESPONSE

A&E. We have already implemented these recommendations.

B. We have discontinued accepting partial payments.

C. We will attempt to implement this.

D. We have identified approximately \$20,000 of the unidentified amount and will continue to attempt to identify the remaining amount. Upon the end of the current collector's term on March 1, 2007, the checking account will be closed and any remaining balance will be distributed to the various taxing authorities. The new collector has already opened a new checking account which will be used on March 1, 2007.

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

Monies are not always deposited in a timely manner. Open items (liabilities) are not reconciled with the Circuit Clerk's cash balances, and recorded liabilities exceeded the cash balance by \$3,050 at December 31, 2005. Procedures need to be established to follow up on old outstanding checks, and an old inactive child support account needs to be closed. Petty cash records and procedures need improvement, and records of interest monies earned, spent, and on hand need to be improved. The Ex Officio Recorder of Deeds maintains custody of the Recorder User Fee Fund, which should be turned over to the County Treasurer.

The Circuit Clerk and Ex Officio Recorder of Deeds assumed responsibility for the Associate/Probate Division in November 2005. Circuit Clerk receipts totaled approximately \$325,300 and \$86,300 in 2005 and 2004, respectively, and Associate/Probate Division

receipts totaled approximately \$383,600 and \$662,200 in 2005 and 2004, respectively, from fines and costs for criminal cases, filing fees and court costs for civil cases, and bonds. The Ex Officio Recorder of Deeds processed approximately \$73,200 and \$68,300 in 2005 and 2004, respectively, for various fees for recording documents such as deeds and marriage licenses.

- A. Monies received by the Circuit Clerk and Associate/Probate Division are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only twice a week.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- B. Listings of open items (liabilities) are not reconciled with cash balances of the Circuit Clerk's fee account. At December 31, 2005, the balance of the fee account was \$49,519 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled \$52,569, indicating a potential shortage in the account of \$3,050. Our prior report noted that the Circuit Clerk relied on the Office of State Courts Administrator (OSCA) to perform monthly bank reconciliations and the Circuit Clerk did not keep copies of the reconciliations. The Circuit Clerk began preparing the monthly bank reconciliations in 2003, and the Circuit Clerk's records indicate a similar shortage amount starting in June 2003.

In addition, the Circuit Clerk does not disburse old open items from the Associate Division bank account on a timely basis. A review of the open items indicated several Associate Division cases which had been dismissed and the bonds monies held for these cases had not been refunded in a timely manner.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors corrected on a timely basis. The Circuit Clerk should immediately work with OSCA to investigate and resolve the current shortage in the account.

In addition, procedures should be adopted to routinely follow up on old open items and disburse amounts when the applicable case is closed. For amounts that are unclaimed, various statutory provisions provide for the disposition of unclaimed monies.

- C. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2005, the Circuit Clerk's bank account had eleven outstanding checks over one year old totaling \$471. The Associate Division bank account had thirteen outstanding checks over one year old totaling \$723. It appears several of these checks were issued to the state and to other counties, and the Circuit Clerk

should reissue these checks. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

- D. The Circuit Clerk has an old child support collections bank account with a balance of \$235 at December 31, 2005. Child support collections have been handled by the state since 2001, and this bank account is no longer used. The Circuit Clerk should dispose of the \$235 and close the account. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.
- E. The Circuit Clerk maintains a petty cash fund which is used for small purchases of postage and office supplies. The petty cash fund was established at \$50, but is not maintained at a constant amount. The Circuit Clerk periodically obtains reimbursement checks from the county which are cashed and placed in the petty cash fund; however, invoices or purchase receipts are not always submitted to the county to support or document the amount requested to replenish the fund. In addition, no record is maintained of receipts, disbursements, and cash balances for the fund.

If a petty cash fund is needed, it should be kept on an imprest basis (meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of paid invoices or vouchers should always equal the predetermined balance) and all reimbursements should be supported by vendor invoices or other documentation. In addition, the Circuit Clerk should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

- F. The Circuit Clerk does not maintain an adequate interest ledger to summarize interest receipts, disbursements, and the balance. Interest monies are earned on the Circuit Clerk's fee account, and state law allows the interest funds to be used for expenditures for the court. Interest earned can be recorded on the Circuit Clerk's JIS accounting system; however, the interest activity was not properly posted into the system. Interest monies held by the Circuit Clerk at December 31, 2005, totaled \$5,263.

An interest ledger is necessary to track the current balance of interest monies and ensure interest income and expenditures are accounted for properly.

- G. The Ex Officio Recorder of Deeds maintains custody of the Recorder User Fee Fund. Section 59.319, RSMo, requires the user fees to be kept in a special fund maintained by the County Treasurer. This condition was noted in our prior two audits, and

although the Ex Officio Recorder of Deeds responded that she would implement this by March 1, 2003, she has still not turned over custody of this fund to the County Treasurer as required by state law.

Conditions similar to Parts B, C, E, and G were noted in our prior report.

WE RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Deposit all monies on a timely basis.
- B. Prepare monthly listings of open items and reconcile to the cash balances. The shortage in the Circuit Clerk's fee account should be immediately investigated and resolved. In addition, the Circuit Clerk should attempt to identify all closed cases with open items and disburse these amounts, and any unclaimed or unidentified monies should be disposed of in accordance with state law.
- C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- D. Disburse the monies in the inactive child support bank account and close the account.
- E. Maintain the petty cash fund on an imprest basis, maintain invoices or paid receipts for all petty cash disbursements, and maintain a ledger to account for all petty cash receipts, disbursements, and cash balances.
- F. Maintain an interest ledger to record interest earned and expenditures of the interest fund monies. The ledger should be reconciled to the available cash balance monthly.
- G. Turn over custody of the Recorder User Fee Fund to the County Treasurer as required by state law.

AUDITEE'S RESPONSE

- A. *We will attempt to deposit more frequently.*
- B. *This was caused by an error in 2003. We have already corrected this error and have implemented this recommendation.*
- C. *We are working on disposing of these old outstanding checks.*
- D-F. *We have implemented these recommendations.*
- G. *We will implement this recommendation.*

12. Sheriff's Controls and Procedures
--

Accounting duties are not properly segregated, and receipting procedures need improvement, such as issuing receipt slips for all monies and making timely transmittals of receipts to the County Treasurer. The Sheriff does not have procedures to ensure all monies received are disbursed and the bank account includes some unidentified monies. The Sheriff's office does not have written contracts with political subdivisions to house prisoners, and does not have procedures in place to follow up on uncollected incarceration costs. Vehicle usage and maintenance logs are not maintained, and seized property records are not accurate or complete.

The Sheriff processed approximately \$232,000 and \$43,000 in 2005 and 2004, respectively, in civil and criminal fees, board bills, bonds, and other receipts, including a large Sheriff sale in 2005.

- A. Accounting duties have not been adequately segregated in the Sheriff's office. The Sheriff's office manager collects monies, records transactions, and transmits receipts to the County Treasurer for deposit. The County Treasurer deposits the receipts, prepares checks (which are signed by the Sheriff), prepares receipt and disbursement records, and performs bank reconciliations. The Sheriff indicated he reviews the receipt and disbursement reports and bank reconciliations prepared by the County Treasurer and inquires about the receipts that come in to the office weekly. However, he does not document his reviews and there is no independent reconciliation of the receipt source documents to deposits.

Internal controls would be improved by proper segregation of duties. Proper segregation of duties could be achieved by designating someone independent to reconcile receipts to deposits. In addition, the Sheriff should document his reviews of the records.

B. The following concerns were noted regarding receipting procedures:

1. Receipt slips are not issued for some monies received. Receipt slips are normally only issued for monies received in person and/or in cash, such as gun permits, phone cards sold to prisoners, bonds, and board bills paid in person. Receipt slips are normally not issued for checks received by mail, such as civil process fees and board bills. In addition, the method of payment is not always noted on the receipt slips and the composition of receipt slips issued is not reconciled to the composition of transmittals. Without issuing receipt slips for all monies collected and including the method of payment on all receipt slips, the Sheriff's office cannot ensure all monies collected are ultimately recorded and transmitted to the County Treasurer.
2. Monies received are not always transmitted to the County Treasurer intact or in a timely manner. Monies are normally collected each business day, but transmittals are made approximately once a week. A cash count performed on October 11, 2006 showed over seven working days of collections on hand, totaling \$434 and including \$80 in cash. Receipt slips were issued for the \$80 in cash but not for the remaining \$354 in checks. In addition, monies received are not always transmitted intact. Monies collected for serving civil and criminal papers are held by the Sheriff's office until the papers have been served. Also checks and money orders are not restrictively endorsed immediately upon receipt, as they are endorsed the day they are transmitted to the County Treasurer.

To adequately account for collections and reduce the risk of loss or misuse of funds, 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, and the composition should be reconciled to the bank deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and transmittals should be made intact on a timely basis. Transmittals should be more frequent if significant amounts of cash are collected.

C. The Sheriff does not have procedures to ensure all monies received are disbursed. All monies received by the Sheriff, which includes cash bonds and accountable fees, are normally disbursed by the end of each month and the Sheriff's bank account should zero out at the end of each month. However, on December 31, 2005, the account had a balance of \$2,104 which was unidentified.

The Sheriff should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. Any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including

Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

- D. The Sheriff provides boarding of prisoners to cities within the county. The Sheriff indicated that the county provides free boarding of prisoners to those cities when a prisoner's stay is less than 15 days. No written agreements exist with the cities regarding the compensation to be paid or the services to be provided.

Section 432.070, RSMo, requires the county to have all contracts in writing. Written agreements should be prepared with political subdivisions for services provided. The agreements should clearly specify the arrangements between parties for the services provided and be approved by the County Commission.

- E. The Sheriff's office has not established formal policies for collection efforts of incarceration costs billed to other political subdivisions (which includes amounts billed to cities as described above and amounts billed to political subdivisions that are not located within the county). The Sheriff's dispatcher tracks and bills incarceration costs for prisoners housed for other political subdivisions. Payments from the political subdivisions are received and deposited by the County Treasurer; however, neither the Sheriff's office nor the County Treasurer routinely compares prisoner board billings to subsequent payments. In addition, there are no follow-up procedures for unpaid bills. The County Treasurer's records indicate \$11,424 and \$15,824 were received for board bills for 2005 and 2004, respectively.

The Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

- F. Records and monitoring procedures for county vehicles used by Sheriff's deputies are not sufficient. The county owns four vehicles utilized by the Sheriff's office for county duties. The Sheriff does not require vehicle usage logs to be prepared for these vehicles.

Without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate the optimal number of county vehicles needed or when vehicles need to be replaced.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and evaluate

operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

- G. Adequate control over seized property has not been established. The log maintained for seized property items does not appear complete, and periodic physical inventories of the property on hand are not conducted. For example, a test of seized property noted three items that were not included on the seized property inventory log.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. The inventory log should include all seized property items, and include information such as description, persons involved, current location, case number, and disposition of such property. Periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

Similar conditions have been noted in prior reports, and the Sheriff responded that most of the recommendations in the prior reports would be implemented. While some improvements have been made, significant improvements are still needed to address the inadequate controls and procedures noted above.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties by requiring independent reconciliations of receipts to deposits and document his reviews of the accounting records.
- B.1. Require receipt slips be issued for all monies received. In addition, ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to transmittals.
2. Transmit all receipts to the County Treasurer intact on a timely basis, and restrictively endorse checks and money orders immediately upon receipt.
- C. Ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.
- D. Enter into written contracts as required by law.
- E. Maintain a complete and accurate listing of incarceration cost billings, and periodically reconcile amounts billed to amounts paid. In addition, formal procedures should be established and implemented for pursuing the collection of delinquent amounts.

- F. Require the preparation of usage logs for all vehicles, and ensure proper reviews and reconciliations are performed.
- G. Ensure a complete inventory listing of all seized property is maintained and updated for both additions and dispositions. Periodic physical inventories should be performed and reconciled to the inventory listing.

AUDITEE'S RESPONSE

A, B.1,

E&G. I agree and we will implement these recommendations.

B.2&

C. I will work with the County Treasurer (who performs some of the accounting procedures) and attempt to implement these recommendations.

D. I believe that the statutes require the county to hold city prisoners, and I do not believe that written agreements are necessary or beneficial.

F. I do not see much benefit for maintaining vehicle logs since we are a small county with few vehicles and I keep close track of where the deputies are traveling. Fuel cards are now used which help track the amount of gasoline used in each vehicle.

13.

Prosecuting Attorney's Controls and Procedures

Receipts are not deposited timely, fees are not turned over to the County Treasurer timely, and procedures are not in place to ensure all monies received are disbursed. Procedures to follow up on old outstanding checks should be established, and summary listings are not prepared for uncollected bad checks and court-ordered restitution.

The Prosecuting Attorney's office deposited approximately \$11,500 and \$22,300 in 2005 and 2004, respectively, in restitution and fees. In addition, the Prosecuting Attorney's office receives some restitution payments which are transmitted directly to the victims.

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 month. Deposit slips for February through April of 2005 indicated deposits ranged from \$624 to \$1,093 and included cash of \$0 to \$300. In addition, a cash count performed on September 20, 2006 showed over seven working days of un-deposited collections, totaling approximately \$240 and including approximately \$40 in cash.

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- B. Bad check fees received are not always disbursed to the County Treasurer on a timely basis. Fees are normally disbursed every two months. For example, July and August 2005 fees totaling \$571 were not disbursed until September 2005. Similar delays in turnovers were noted during 2005 and 2004. Section 56.340, RSMo, requires that the Prosecuting Attorney turn over all fees to the County Treasurer monthly.
- C. The Prosecuting Attorney's office does not have procedures to ensure all monies received are disbursed. All monies received are normally disbursed every other month, and the Prosecuting Attorney's bank account should zero out at the end of the turnover month. However, on December 31, 2005, the account had a balance of \$217 which was unidentified, and the unidentified amount fluctuates from month to month. Also in January 2005, a turnover to the County Treasurer of \$636 for the months of November and December 2004 was \$226 more than the amount of fees recorded as received (\$410). It appears this discrepancy was not discovered because of the lack of reconciliations between receipts and disbursements. This appears to have created a shortage in the bank account, which if corrected, would increase the unidentified balance in the account.

The Prosecuting Attorney should adopt procedures to reconcile all receipts and deposits to amounts disbursed to ensure the bank account zeroes out each month, or if any receipts cannot be disbursed at the end of the month, these amounts should be identified and reconciled to the bank balances. The shortage of \$226 noted above should be corrected, and any unidentified amounts in the bank account should be investigated and resolved. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

A similar condition was noted in our prior report.

- D. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2005, the bank account had three outstanding checks over one year old totaling \$107. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

A similar condition was noted in our prior report.

- E. Procedures to monitor uncollected bad checks and court-ordered restitution need improvement. While the Prosecuting Attorney indicated that follow-up on uncollected amounts is performed, summary listings of amounts due are not prepared and maintained.

Complete and accurate listings of amounts due for bad checks and court-ordered restitution would allow the Prosecuting Attorney to more easily review the amounts due and ensure appropriate steps are taken to ensure amounts owed are collected, and to determine if amounts are uncollectible.

WE RECOMMEND the Prosecuting Attorney:

- A. Deposit all monies intact on a timely basis.
- B. Ensure bad check fees are disbursed to the County Treasurer monthly as required by state law.
- C. Correct the \$226 error noted above, ensure all receipts are disbursed and the balance of the bank account zeroes out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be investigated, and any monies remaining unclaimed should be disposed of in accordance with state law.
- D. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- E. Prepare summary listings of uncollected bad checks and court-ordered restitution, and ensure appropriate follow-up procedures are performed to ensure all amounts are collected or written off as uncollectible.

AUDITEE'S RESPONSE

A-D. We agree and have already implemented these recommendations.

E. This will be implemented with a new computer system which we anticipate to be running in April 2007.

Follow-Up on Prior Audit Findings

SHANNON 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 Shannon 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 Expenditures

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.
- B. Invoices were not always noted as paid or otherwise canceled upon payment.
- C. Forms 1099 Miscellaneous were not prepared by the county for bridge construction services and prisoner transportation services.
- D. The county distributed road and bridge property taxes to cities in the county without written agreements and without monitoring the cities' use of these funds.
- E. The county spent \$57,938 in August and November 2000 for the purchase of asphalt and rock for the City of Birch Tree, and the invoices indicated the city owed the county \$22,382 for the city's portion of the costs. The county did not have any documentation of payment or why the reimbursement was not obtained.
- F. Vehicle logs maintained by the Sheriff's office were not always complete.
- G. The county administered three federal awards during 2002 and 2001 which were not included on the schedule of expenditures of federal awards.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Ensure invoices are properly cancelled upon payment.
- C. Ensure 1099 forms are issued in accordance with IRS regulations.

- D. Ensure monies are allocated to cities based upon written agreement which provide a method of monitoring city expenditures of road and bridge funds.
- E. Review all invoices paid on behalf of the City of Birch Tree and bill them accordingly.
- F. Ensure the Sheriff's office maintains complete mileage logs which would include the beginning and ending odometer readings.
- G. And County Clerk ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.

Status:

A&D. Not implemented. See MAR finding number 3.

B&C. Implemented.

E. The County Commission indicated they reviewed this matter and determined that these expenditures were actually incurred on a county road and this amount should not have been billed to the city.

F. Not implemented. See MAR finding number 12.

G. Not implemented. See finding number 05-1.

2. Budgetary Practices and Published Financial Statements

A. Budgets were not prepared for various county funds.

B. The county's annual published financial statements did not include the financial activity for some county funds and were not published on or before the first Monday in March as required by state law.

Recommendation:

The County Commission:

A. Ensure budgets are prepared and obtained from other county officials or boards for all county funds as required by state law.

B. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

Status:

- A. Partially implemented. For 2005 and 2004, budgets were prepared for all county funds, except for the Law Library Fund and some funds that were newly-established after the start of the applicable fiscal year. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The 2005 and 2004 financial statements were published in a timely manner; however, activity for some funds was completely omitted and the required revenue and expenditure detail was not included for some funds. See MAR finding number 2.

3. Personnel Policies and Procedures

- A. The county paid performance awards totaling \$30,500 to various road and bridge employees during the years ended December 31, 2001 and 2000. These payments appeared to represent bonuses, which appeared to violate the Missouri Constitution.
- B. Except for law enforcement officers, the county's written policy authorized regular pay instead of time and a half to be paid for compensatory time or holidays worked by nonexempt employees who work over the 40-hour work week. This policy did not appear to comply with the Fair Labor Standards Act (FLSA).
- C. Most salaried employees did not prepare timesheets, and the time sheets prepared by road and bridge employees and hourly-paid employees were not always reviewed for accuracy.

Recommendation:

The County Commission:

- A. Discontinue the practice of paying bonuses to employees.
- B. Revise the county's compensatory time policy to ensure compliance with the FLSA.
- C. Require all county employees to complete timesheets which reflect actual time worked. The records should be prepared by the employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

Status:

- A. Implemented.
- B. Not implemented. See MAR finding number 7.

- C. Partially implemented. The county requires all employees to complete timesheets; however, timesheets are not always approved by the employees' supervisors or reflect actual hours worked. See MAR finding number 7.

4. County Officials' Compensation, Meeting Minutes, and Bonding

- A. Salary increases of \$16,220 given to each of the Associate County Commissioners in 1999 and 2000 were determined by the Missouri Supreme Court to be unconstitutional.
- B. Minutes were not prepared for the 2001 salary commission meeting although various county officials indicated a meeting was held.
- C. Various county employees who handled monies were not bonded.

Recommendation:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Ensure salary commission meetings minutes are maintained in accordance with state law.
- C. Review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.

Status:

- A. Not implemented. The Associate County Commissioners repaid a total of \$420 but stopped making payments when they determined that most other counties were not requiring repayment of similar raises given. The County Commission plans no further action in collecting the overpayments but has not documented its reasons for not further pursuing this matter. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.
- C. Not implemented. See MAR finding number 9.

5. General Fixed Assets

The County Clerk had not updated the fixed asset inventory listing since 1997. In addition, annual inventories of all fixed assets and quarterly inspections of county-owned land and

buildings had not been performed, and most fixed assets were not numbered, tagged, or otherwise identified as county-owned property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, quarterly inspections of all county land and buildings should be performed, and property control tags should be affixed.

Status:

Not implemented. See MAR finding number 6.

6. Property Tax Books and Procedures

- A. The County Clerk did not maintain a property tax account book with the County Collector.
- B. The County Clerk did not prepare the current or back tax books for real estate and personal property or verify the tax book totals.
- C. The property tax computer program did not generate tax book page or control totals.
- D.1. The County Clerk did not reconcile property tax additions and abatements to the County Collector's annual settlements, and the County Commission did not approve additions and abatements on a timely basis.
 - 2. The property tax system allowed the County Collector to post property tax additions only once a year rather than when the addition occurred.
- E. The County Clerk did not prepare property tax aggregate abstracts as required by state law.

Recommendation:

- A. The County Clerk maintain an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlements.
- B. The County Clerk verify the tax books generated by the County Collector's office.
- C. The County Commission authorize programming changes to print tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.

- D.1. The County Clerk reconcile additions and abatements to the County Collector's annual settlements. In addition, the County Commission should review and approve all additions and abatements more timely, and document its approval.
- 2. The County Collector should implement controls in the property tax system to ensure additions are posted to the property tax system as they occur.
- E. The County Clerk prepare and file the Land and Personal Tax Aggregate Abstract, Back Tax Aggregate Abstract, and the Railroad and Utility Aggregate Abstract with the Department of Revenue and the State Tax Commission as required.

Status:

A&C. Not implemented. See MAR finding number 4.

B, D.2,
&E. Implemented.

D.1. Partially implemented. The County Commission reviews and approves additions and abatements at each commission meeting; however, the County Clerk does not reconcile additions and abatements to the County Collector's annual settlements. See MAR finding number 4.

7. County Collector's Procedures

- A. Taxes were not distributed on a timely basis, and some protested taxes had been held since 1992.
- B. Bank reconciliations were not performed monthly, checkbook balances were not maintained, and cash balances were not reconciled to liabilities.
- C. Deposits were not always made intact and on a timely basis, the change fund was not maintained at a constant amount, some refunds were made in cash, and cash was taken from receipts to pick up bad checks from the bank.
- D. Procedures had not been established to routinely follow up on old outstanding checks.
- E. The annual settlement for the year ended February 28, 2001 was not prepared until September 2002.
- F. Contracts to collect property taxes for cities had not been updated since 1996 and did not document some additional fees which were collected.

- G. Documentation to support adjustments made to some monthly settlements was not retained.
- H. Some records in the County Collector's office were not well organized.

Recommendation:

The County Collector:

- A. Distribute all tax collections and protested taxes plus interest. In the future, distribute all collections by the fifteenth day of the following month in accordance with state law.
- B. Prepare and document monthly bank reconciliations and maintain a book balance and reconcile it monthly with the bank balance.
- C. Deposit all receipts intact and on a timely basis, maintain the change fund at a constant amount, make all refunds by check, and have insufficient funds checks charged against the bank account.
- D. Reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions.
- E. Ensure annual settlements are filed and approved on a timely basis in accordance with state law.
- F. Ensure the county has updated written contracts with the cities to collect property taxes.
- G. Ensure supporting documentation of adjustments made to the monthly settlements is maintained.
- H. Organize the records in the County Collector's office so relevant accounting documents can be located in a timely fashion.

Status:

- A. Partially implemented. Protested taxes have been distributed when resolved, but regular monthly turnovers have not been made timely. See MAR finding number 10.
- B. Partially implemented. Checkbook balances have been maintained, but bank reconciliations are not performed timely and cash balances are not reconciled to liabilities. See MAR finding number 10.

- C. Partially implemented. Refunds are made by check and insufficient funds checks are charged to the bank account; however, deposits are not always made timely and the change fund is not maintained at a constant amount. See MAR finding number 10.
- D. Partially implemented. The County Collector resolved most of the old outstanding checks from the previous audit; however, at February 28, 2006, there were outstanding checks totaling \$310 that were more than one-year old. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Partially implemented. Annual settlements were prepared for the years ended February 28, 2006 and 2005; however, settlements for the years ended February 28 (29), 2004 and 2003, could not be located and nothing was filed with the Department of Revenue. Although not repeated in the current MAR, our recommendation remains as stated above.
- F-H. Implemented.

8. Sheriff's Accounting Controls and Procedures

- A. Receipts for park patrolling services, city dispatching fees, calendar sales, and phone commissions were deposited into the Sheriff's main bank account rather than being turned over directly to the County Treasurer. Some of these monies were used to purchase a vehicle and for other operating expenses.
- B. Accountable fees were not always remitted to the County Treasurer on a monthly basis.
- C. Receipts were not always deposited on a timely basis.
- D. Receipt slips were not always issued for monies received, receipt slips were not pre-numbered, and the method of payment was not always indicated on the receipt slips.
- E. Checks and money orders received were not restrictively endorsed immediately upon receipt.
- F. Accounting duties were not adequately segregated.
- G. A complete log of seized property was not maintained and periodic inventories of the property on hand were not conducted. In addition, seized property items were not stored in a central location and seized property items were not always tagged to identify the property to a specific case.
- H. Prisoner board billings were not reconciled to subsequent payments made to the County Treasurer, and the Sheriff had no formal follow-up procedures for unpaid board bills.

- I. No written agreements existed for board of prisoner services provided to cities within the county.

Recommendation:

The Sheriff:

- A. Cease all bank account transactions except for deposit and disbursement of bonds and deposit and monthly disbursement of accountable monies received for the performance of official duties. Ensure all monies which are presently held in the account are disbursed to the County Treasurer.
- B. Turn over all fees to the County Treasurer on a monthly basis as required by state law.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- D. Ensure pre-numbered receipt slips are issued for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- E. Restrictively endorse checks immediately upon receipt.
- F. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. In addition, the Sheriff should review and sign checks prepared by the County Treasurer and reconcile the deposit transmittal reports to the County Treasurer's records.
- G. Mark all seized property with pre-numbered property tags, identify the property to specific cases, and maintain seized property in a centralized location. In addition, a complete inventory listing of all seized property should be maintained and kept updated for both additions and dispositions.
- H. Confer with the County Treasurer to ensure procedures are in place for proper follow up of all unpaid board bills to recoup any county costs.
- I. Enter into written agreements for all services.

Status:

A&B. Implemented.

C, E,

H&I. Not implemented. See MAR finding number 12.

- D. Partially implemented. Pre-numbered receipts slips are now used; however, receipt slips are not issued for some monies received and the receipt slips do not always indicate the method of payment. See MAR finding number 12.
- F. Partially implemented. The Sheriff reviews and signs checks; however, duties are not adequately segregated, supervisory reviews are not documented, and independent reconciliations of receipts and deposits are not performed. See MAR finding number 12.
- G. Partially implemented. Seized property is marked with pre-numbered property tags and property is maintained in a central location; however, the log of seized property is not complete and accurate, and periodic inventories of the property on hand are not conducted. See MAR finding number 12.

9. County Clerk's Controls and Procedures

- A. Fees were not transmitted to the County Treasurer on a monthly basis, and fees were stored in an unlocked vault.
- B. A cash count on August 26, 2002, noted recorded receipts exceeded cash on hand by \$63. The situation was not detected by the former County Clerk because duties were not adequately segregated and the fees were not periodically counted and reconciled to recorded receipts.
- C. Receipt slips were not issued for some monies received.
- D. Checks received were not restrictively endorsed immediately upon receipt.
- E. The County Clerk maintained custody of the Special Election Fund. In addition, bank reconciliations were not prepared for the account and balances were not maintained in the checkbook registers.

Recommendation:

The County Clerk:

- A. Turn over all fees to the County Treasurer on a monthly basis as required by state law and maintain the fees collected in a safe location.
- B. Investigate the shortage, take appropriate action, and ensure adequate segregation of duties over these funds exists including a periodic count of monies on hand which should be reconciled to recorded receipts.
- C. Issue pre-numbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued.
- D. Restrictively endorse checks immediately upon receipt.

- E. Turn over control of the Special Election Fund to the County Treasurer.

Status:

- A,
C&E. Implemented.
- B. Partially implemented. Duties in the County Clerk's office are segregated; however, it appears the former County Clerk did not follow up on the \$63 shortage. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Partially implemented. The County Clerk indicated normal procedure is to endorse checks immediately upon receipt; however, a cash count noted an instance of a check which had not been endorsed. Although not repeated in the current MAR, our recommendation remains as stated above.

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

- A. Receipts were kept in an unlocked drawer until they were deposited, and checks and money orders were not restrictively endorsed upon receipt.
- B. The petty cash fund was not maintained on an imprest basis. In addition, receipt and disbursement records supporting petty cash fund activity were not maintained, and some invoices or receipts were not maintained for some petty cash expenditures.
- C.1. Bank reconciliations were not prepared for the former Circuit Clerk's bank account. In addition, the current Circuit Clerk relied on the Office of State Courts Administrator (OSCA) to perform bank reconciliations on her current account and did not generate a monthly bank reconciliation report. Further, the bank balance was not reconciled to open items (liabilities).
- 2. The Circuit Clerk did not follow up on old outstanding checks.
- D. A complete listing of accrued costs owed to the court was not maintained, and monitoring procedures related to accrued costs were not adequate.
- E. The Ex-Officio Recorder of Deeds maintained custody of the Recorder User Fee Fund, while state law required the fund to be in the custody of the County Treasurer.

Recommendation:

The Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Restrictively endorse checks and money orders immediately upon receipt, and store all receipts in a secure location until transmitted.

- B. Ensure the petty cash fund is maintained on an imprest basis. In addition, invoices should be maintained for all petty cash disbursements and a ledger should be prepared of all petty cash transactions.
- C.1. Prepare and vouch monthly bank reconciliations.
 - 2. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- D. Establish adequate procedures to monitor and collect accrued costs.
- E. Turn control of the Recorder User Fee Fund over to the County Treasurer.

Status:

- A. Partially implemented. Checks and money orders are restrictively endorsed upon receipt; however, receipts in Ex Officio Recorder of Deeds' office are kept on a desk until deposit. Although not repeated in the current MAR, our recommendation remains as stated above.

B, C.2,

- &E. Not implemented. See MAR finding number 11.

- C.1. Partially implemented. While monthly bank reconciliations are prepared for the Circuit Clerk's fee account, the account balance is not reconciled to open items (liabilities). See MAR finding number 11.

- D. Implemented.

11. Prosecuting Attorney's Controls and Procedures

- A. Listings of liabilities (open items) were not prepared for the restitution account.
- B. Accounting duties were not adequately segregated.
- C. Procedures to follow up on old outstanding checks were not established.

Recommendation:

The Prosecuting Attorney:

- A. Prepare monthly listings of open items and reconcile the listing to the cash balance.

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

Status:

- A. Not implemented. See MAR finding number 13.
- B. Implemented.
- C. Partially implemented. The current Prosecuting Attorney reissued some old outstanding checks but there are still outstanding checks that are over one year old that should be investigated. See MAR finding number 13.

12. Associate Circuit Division Controls and Procedures

- A. Some amounts on the open items listing were for cases that had been dismissed or closed but the amounts had not been disbursed.
- B. Checks and money orders received were not restrictively endorsed immediately upon receipt.

Recommendation:

The Associate Circuit Division:

- A. Adopt procedures to periodically follow up on old open items and dispose of them according to state law.
- B. Restrictively endorse checks immediately upon receipt.

Status:

- A. Not implemented. The Circuit Clerk currently is responsible for the accounting duties of the Associate Circuit Division. See MAR finding number 11.
- B. Implemented.

13. County Treasurer's Controls and Procedures

- A. The interest earned on the general fund bank account was credited solely to the General Revenue Fund and was not allocated to other funds as required by state law.
- B. The method of payment received was not always indicated on the receipt slips.

Recommendation:

The County Treasurer:

- A. Ensure interest is properly allocated to the applicable county funds.
- B. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

Status:

A&B. Implemented.

14. Recycling Services

Receipt slips were not issued, and records were not maintained for monies collected from bag sales, pick-up services, or for monies received from the recycling center for materials dropped off. In addition, no billings were prepared and sent to the various vendors. Further, the financial condition of the Recycling Fund was weak.

Also, the county received a solid waste grant administered by the Department of Natural Resources (DNR) and the local solid waste management district. The county had little or no documentation to support compliance with the grant provisions.

Recommendation:

The County Commission require appropriate records of sales and billings be prepared for the recycling activities. Further, the County Commission should take the necessary steps to improve the financial condition of the Recycling Fund and consider the necessity of providing this service to county residents. In addition, supporting documentation should be retained to support the county's compliance with grant requirements. Also, the County Commission should contact the DNR and the South Central Solid Waste Management District to resolve any problems with the grant.

Status:

Funding for the grant ended in April 2004, and the county discontinued all recycling services and closed the Recycling Fund during 2004.

15. Health Center

- A. Health center personnel did not monitor amounts spent on Comprehensive Family Planning (CFP) services. In addition, the average cost per client of providing such services was not periodically calculated and monitored as required by the CFP contract.

- B. The Health Center Board did not have a written contract with an individual providing physician services.

Recommendation:

The Health Center Board of Trustees:

- A. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health and Senior Services to resolve this situation.
- B. Enter into a written contract with all service providers detailing the responsibilities of each party involved.

Status:

- A. The CFP program ended in 2003.
- B. Implemented.

16. Senior Citizens Service Board

- A. The board elected two members, who were husband and wife, as the chairperson and treasurer. The husband and wife did not abstain from the voting of their respective spouses' office. In addition, the chairperson and treasurer were the only two authorized signatures on the board bank account and only one signature was required for disbursements. Also, some board members also served as members of other boards that received funding from the Senior Citizens Service Board.
- B. Budgets were not prepared for the year ended December 31, 2001.

Recommendation:

The Senior Citizens Service Board:

- A. Ensure Senior Citizens Service Board members abstain from voting when a relative's employment or appointment is involved and a board member independent from the board Treasurer be an authorized check signer and require two signatures for all disbursements. In addition, ensure that Senior Citizens Service Board members do not have administrative or financial ties with its funding recipients. The board should also consider adopting a code of conduct for board members.

B. Ensure formal budgets are prepared or obtained for all senior citizen services fund activities.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SHANNON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Shannon was named after George Shannon of the Lewis and Clark Expedition. Shannon County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Eminence.

Shannon 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 725 miles of county roads and 18 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 7,885 in 1980 and 8,324 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	\$	36.3	35.6	34.7	34.1	22.2	7.1
Personal property		20.6	19.1	18.6	18.3	6.2	3.6
Railroad and utilities		3.5	3.6	3.7	3.8	2.8	3.0
Total	\$	60.4	58.3	57.0	56.2	31.2	13.7

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2005	2004	2003	2002
General Revenue Fund	\$	0.1300	0.1100	0.1100	0.0500
Special Road and Bridge Fund		0.2358	0.2358	0.2358	0.2358
Health Center Fund		0.0977	0.0977	0.0975	0.0975
Senate Bill 40 Board Fund		0.0975	0.0975	0.0975	0.0975
Senior Citizens Service Board Fund		0.0490	0.0488	0.0487	0.0487

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	\$ 18,694	18,158	*	*
General Revenue Fund	133,673	120,758	*	*
Special Road and Bridge Fund	145,711	141,567	*	*
Assessment Fund	34,128	32,676	*	*
Health Center Fund	60,033	58,126	*	*
Senate Bill 40 Board Fund	59,875	58,172	*	*
Senior Citizens Service Fund	28,928	27,860	*	*
School districts	1,818,469	1,763,841	*	*
Ambulance districts	84,455	82,255	*	*
Hospital district	10,516	12,000	*	*
Fire protection district	6,255	6,376	*	*
Cities	27,684	26,967	*	*
County Clerk	102	142	*	*
County Employees' Retirement	19,940	17,801	*	*
2% Collector Fund	6,393	6,729	*	*
Commissions and fees:				
General Revenue Fund	46,188	45,411	*	*
County Collector	721	713	*	*
Total	\$ 2,501,766	2,419,553	*	*

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				%
	2006	2005	2004	2003	
Real estate	92	92	*	*	
Personal property	87	87	*	*	
Railroad and utilities	100	97	*	*	

* The County Collector did not prepare annual settlements for the years ended February 28 (29) 2004 and 2003, and this information was not summarized by the county.

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

		Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	None
General		.0050	None	50 %

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:	\$				
Tony Orchard, Presiding Commissioner		22,064	22,064	22,064	
Shane VanSteenis, Presiding Commissioner					22,064
Dale Counts, Associate Commissioner		20,064			
Dean Cox, Associate Commissioner			20,064	20,064	20,064
Herman Kelly, Associate Commissioner		20,064	20,064	20,064	20,064
Shelly McAfee, County Clerk		30,400	30,400	30,400	
Mae Ruth Bockman, County Clerk					30,400
Sandra Osborne, Prosecuting Attorney		37,050	27,788		
Bob Oberzalek, Prosecuting Attorney			9,262	37,050	37,050
Clinton (Butter) Reeves, Sheriff		36,100	36,100	36,100	36,100
Allen L. Akers, County Treasurer		30,400	30,400	30,400	22,496
Tim Denton, County Coroner		8,550	8,550	8,550	8,550
James Orchard, Public Administrator		15,000	15,000	15,000	15,000
Jennie (Johns) Cutts, County Collector (1), year ended February 28 (29),	31,121	31,113	30,972	31,058	
Summer J. Crider, County Assessor (2), year ended August 31,		31,088			
Stanley (Bear) Conway, County Assessor (3), year ended August 31,			31,165	31,300	31,300

(1) Includes \$721, \$713, \$572, and \$658 of commissions earned for collecting city property taxes for the years ended February 28 (29), 2006, 2005, 2004, and 2003, respectively.

(2) Includes \$688 annual compensation received from the state.

(3) Includes \$765, \$900, and \$900 annual compensation received from the state for the years ended August 31, 2004, 2003, and 2002, respectively.

State-Paid Officials:

Melany Williams, Circuit Clerk and Ex Officio Recorder of Deeds		48,500	47,850	47,300	47,300
Robert M. Heller, Associate Circuit Judge		96,000	96,000	96,000	96,000