



Susan Montee, CPA  
Missouri State Auditor

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September 2007

Ray County, Missouri

Years Ended  
December 31, 2006 and 2005



Office Of The  
State Auditor Of Missouri  
Susan Montee, CPA

September 2007

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

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Many of the concerns addressed in this report have been similarly discussed in one or more previous audits reports.

Payroll disbursements were approximately \$2.7 million during 2005 and \$3.1 million during 2006. Numerous problems were noted with the county's payroll procedures. Sufficient controls and oversight do not exist within the payroll process and it appears there was insufficient effort on the part of the various county officials to address problems, make changes to the payroll process, or review records for possible errors after concerns were brought to their attention. Some 2005 and 2006 salary overpayments have yet to be rectified and the county has lost some revenue due to a failure to review transactions carefully and request reimbursement timely. A thorough review of procedures needs to be performed, proper monitoring procedures implemented, documentation standards improved, and inconsistencies and errors resolved.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). As result, the county's SEFA contained several errors and omissions, and expenditures were understated by approximately \$381,000 and \$85,000 for 2006 and 2005, respectively. Additionally, federal program expenditures shown on the county's SEFA for 2003 indicated an audit may have been required by federal regulations.

Due to a lack of documentation, it is unclear whether the county followed statutory requirements when obtaining engineering services for federally funded bridge projects. As a result, we question the total engineering costs paid during 2005 and 2006 for these projects.

Significant expenditures to special road districts were made without benefit of written contracts and an independent appraisal was not obtained prior to purchasing the county jail.

Property tax system controls and procedures are not sufficient. The County Clerk does not prepare or verify the back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission perform sufficient

(over)

YELLOW SHEET

reviews of additions and abatements or verify the County Collector's annual settlements. Contracts to collect city property taxes need clarification regarding fees and penalties assessed. Due to a commissions distribution error by the County Collector, \$46,830 is due from the county's General Revenue Fund to a school district.

Controls over county vehicles need improvement. The county has no formal written policy on the proper use of county vehicles and does not maintain sufficient vehicle usage logs. Some personnel are allowed to use county vehicles for commuting purposes, but records do not distinguish between county and commuting use and there is no reporting of personal commuting mileage to the Internal Revenue Service. In addition, procedures for comparing fuel purchases to billings and monitoring bulk fuel tank inventories are lacking.

Accounting duties are not adequately segregated and the County Clerk does not provide adequate supervision or reviews of records. Facsimile signature stamps are used by the office employees without proper documentation and review. Transmittals are not always timely. Records related to various election-related monies and bank accounts need improvement, and transferring custody of these accounts to the County Treasurer should be considered.

Accounting duties are not adequately segregated in the Sheriff's department and independent reviews of various accounting functions are not performed. Reconciliation and recordkeeping procedures for the inmate and commissary accounts are not sufficient, and deposits of inmate monies are not timely. In addition, records of seized property are not up-to-date and physical inventories are not performed. Calendar advertising commissions are not accounted for by the Sheriff and some department employees are provided meals at no charge from the jail.

Accounting duties are not adequately segregated in the Prosecuting Attorney's office. Bank reconciliations are not documented and a difference exists between the reconciled bank account balance and identified liabilities. Also, procedures have not been established to ensure all accrued costs are adequately identified and pursued.

The 911 Board's receipting and depositing procedures need improvement. Also, procedures related to holding and documenting closed meetings need improvement to demonstrate compliance with state law.

The Senate Bill 40 Board's expenditure documentation and payroll procedures need improvement. Also, procedures related to holding and documenting closed meetings need improvement to demonstrate compliance with state law.

The audit also includes recommendations to the county to improve records and procedures related to county property, plat book sales, budgets and published financial statements, and closed commission meetings documentation. Additionally, Circuit Court procedures related to accrued costs, open items, and interest income are in need of improvement, and in the Recorder of Deeds' office, receipts are not deposited in a timely manner and bank reconciliations are not performed.

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RAY 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, 2006 .....	8
A-2	Year Ended December 31, 2005 .....	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2006 and 2005.....	10-18
Notes to the Financial Statements.....	19-23	
Supplementary Schedule: .....	24-26	
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2006 and 2005 .....	25-26	
Notes to the Supplementary Schedule .....	27-29	
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>		
State Auditor's Report: .....	31-34	
Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	32-34	

RAY COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>	
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>		
Schedule:.....	35-39	
Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2006 and 2005.....	36-39	
Section I - Summary of Auditor's Results .....	36	
Section II - Financial Statement Findings.....	37	
Section III - Federal Award Findings and Questioned Costs .....	37	
<u>Number</u>	<u>Description</u>	
06-1.	Schedule of Expenditures of Federal Awards.....37	
06-2.	Professional Services .....	38
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	40-41	
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133 .....	42-44	
<hr/> <u>MANAGEMENT ADVISORY REPORT SECTION</u> <hr/>		
Management Advisory Report - State Auditor's Findings.....	46-83	
1.	Payroll Procedures .....	48
2.	County Policies and Procedures .....	55
3.	Property Tax System and Collector Commissions .....	59
4.	County Vehicles and Fuel Usage.....	63
5.	County Property Records and Procedures .....	65
6.	Plat Books .....	66
7.	County Clerk's Accounting Controls and Procedures.....	67
8.	Sheriff's Accounting Controls and Procedures .....	70
9.	Circuit Clerk's Accounting Controls and Procedures.....	74
10.	Recorder of Deeds' Accounting Controls and Procedures .....	76
11.	Prosecuting Attorney's Accounting Controls and Procedures .....	77
12.	911 Board's Controls and Procedures .....	79
13.	Senate Bill 40 Board's Controls and Procedures.....	81
Follow-Up on Prior Audit Findings.....	84-95	

RAY COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<u>STATISTICAL SECTION</u>	
<hr/>	
History, Organization, and Statistical Information.....	97-101

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 Ray 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 Ray County, Missouri, as of and for the years ended December 31, 2006 and 2005. 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 Ray County, Missouri, as of December 31, 2006 and 2005, 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 Ray 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, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 17, 2007, 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 Ray 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

May 17, 2007

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
Audit Manager: Regina Pruitt, CPA  
In-Charge Auditor: Lori Bryant  
Audit Staff: Cara Hoff  
Rebecca Harris  
Rex Murdock



**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 Ray County, Missouri

We have audited the financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. 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 Ray County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Ray 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 Ray 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

May 17, 2007

## Financial Statements

Exhibit A-1

RAY COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 92,301	3,394,704	3,388,384	98,621
Special Road and Bridge	102,423	1,196,603	1,158,691	140,335
Assessment	189,809	347,880	341,424	196,265
Law Enforcement Training	2,909	3,216	3,139	2,986
Prosecuting Attorney Training	804	808	1,353	259
Special Road and Bridge Sales Tax	171,449	1,439,810	1,318,012	293,247
Noxious Weed	109,544	5,221	15,275	99,490
Collector's Tax Maintenance	19,258	42,225	54,512	6,971
Records Restoration	18,372	23,438	17,104	24,706
Sheriff's POST Certification	3	1,665	1,665	3
Prosecuting Attorney Delinquent Tax	5,328	7,459	4,449	8,338
Prosecuting Attorney Bad Check	17,214	52,273	38,938	30,549
Sheriff's Extradition	1,939	839	2,339	439
Sheriff's Account	4,132	48,349	36,353	16,128
Domestic Violence	5,491	6,042	7,105	4,428
Emergency Management	478	4,965	5,226	217
Law Library	13,135	21,669	9,692	25,112
Drug Court Program	2,218	2,609	2,947	1,880
Juvenile IV-E	2,139	0	0	2,139
Insurance Pass Through	0	50,000	50,000	0
Health Center	715,449	610,357	447,737	878,069
Emergency 911	187,777	197,787	241,749	143,815
Senate Bill 40	390,348	509,773	496,207	403,914
Circuit Clerk Interest	14,592	12,571	7,145	20,018
Circuit Clerk Passport Fees	1,740	7,650	0	9,390
Associate Circuit Interest	4,605	44	4,639	10
County Clerk Trusts	17,396	579	375	17,600
County Clerk Election Accounts	19,720	128,506	68,702	79,524
Total	\$ 2,110,573	8,117,042	7,723,162	2,504,453

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

Exhibit A-2

RAY 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	\$ 202,334	3,014,726	3,124,759	92,301
Special Road and Bridge	209,587	1,187,612	1,294,776	102,423
Assessment	155,444	285,868	251,503	189,809
Law Enforcement Training	7,527	3,302	7,920	2,909
Prosecuting Attorney Training	206	829	231	804
Special Road and Bridge Sales Tax	310,548	820,572	959,671	171,449
Noxious Weed	120,560	3,638	14,654	109,544
Collector's Tax Maintenance	4,899	37,568	23,209	19,258
Records Restoration	46,751	25,755	54,134	18,372
Sheriff's POST Certification	3	1,608	1,608	3
Prosecuting Attorney Delinquent Tax	3,625	7,071	5,368	5,328
Prosecuting Attorney Bad Check	12,893	33,675	29,354	17,214
Sheriff's Extradition	2,045	3,530	3,636	1,939
Sheriff's Account	5,746	32,345	33,959	4,132
Domestic Violence	2,538	5,550	2,597	5,491
Emergency Management	478	5,114	5,114	478
Law Library	13,305	16,473	16,643	13,135
Drug Court Program	0	2,460	242	2,218
Juvenile IV-E	2,139	0	0	2,139
Health Center	572,729	554,036	411,316	715,449
Emergency 911	127,027	198,221	137,471	187,777
Senate Bill 40	346,031	433,785	389,468	390,348
Circuit Clerk Interest	11,274	3,531	213	14,592
Circuit Clerk Passport Fees	0	1,740	0	1,740
Associate Circuit Interest	4,794	190	379	4,605
County Clerk Trusts	17,871	557	1,032	17,396
County Clerk Election Accounts	22,095	116,629	119,004	19,720
Total	\$ 2,202,449	6,796,385	6,888,261	2,110,573

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

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>TOTALS - VARIOUS FUNDS</b>						
RECEIPTS	\$ 7,927,798	7,917,692	(10,106)	6,714,740	6,671,278	(43,462)
DISBURSEMENTS	8,445,648	7,592,301	853,347	7,424,125	6,767,391	656,734
RECEIPTS OVER (UNDER) DISBURSEMENTS	(517,850)	325,391	843,241	(709,385)	(96,113)	613,272
CASH, JANUARY 1	2,058,834	2,052,520	(6,314)	2,139,141	2,144,276	5,135
CASH, DECEMBER 31	1,540,984	2,377,911	836,927	1,429,756	2,048,163	618,407
<b>GENERAL REVENUE FUND</b>						
RECEIPTS						
Sales taxes	1,725,790	1,706,561	(19,229)	1,664,570	1,706,880	42,310
Intergovernmental	1,058,260	863,823	(194,437)	351,560	600,358	248,798
Charges for services	633,643	625,488	(8,155)	638,467	601,189	(37,278)
Interest	7,000	12,610	5,610	3,800	7,716	3,916
Other	10,500	24,173	13,673	19,700	10,012	(9,688)
Transfers in	113,647	162,049	48,402	143,653	88,571	(55,082)
Total Receipts	3,548,840	3,394,704	(154,136)	2,821,750	3,014,726	192,976
DISBURSEMENTS						
County Commissior	140,940	151,501	(10,561)	138,816	133,738	5,078
County Clerk	121,268	120,062	1,206	118,731	118,948	(217)
Elections	36,458	39,389	(2,931)	36,858	34,929	1,929
Buildings and grounds	164,300	123,612	40,688	155,300	103,002	52,298
Employee fringe benefit	50,503	50,552	(49)	47,678	49,095	(1,417)
County Treasurer	58,249	56,520	1,729	58,606	57,656	950
County Collector	148,520	149,265	(745)	138,404	139,585	(1,181)
Recorder of Deeds	120,841	119,745	1,096	122,572	118,712	3,860
Circuit Clerk	25,456	42,369	(16,913)	21,930	22,270	(340)
Associate Circuit Court	4,650	1,290	3,360	4,550	3,300	1,250
Associate Circuit (Probate)	40,309	24,252	16,057	41,244	37,294	3,950
Court administration	5,000	1,090	3,910	3,500	1,177	2,323
Public Administrator	83,587	83,482	105	82,773	82,632	141
Sheriff	521,947	474,145	47,802	509,714	491,795	17,919
Jail	1,397,393	1,301,348	96,045	767,989	1,108,437	(340,448)
Prosecuting Attorney	355,320	349,838	5,482	327,150	326,793	357
Juvenile Offices	26,178	10,311	15,867	26,178	9,448	16,730
County Coroner	27,225	23,134	4,091	27,309	23,434	3,875
Court Reporter	0	0	0	2,400	0	2,400
Planning and Zoning	68,715	69,736	(1,021)	73,018	68,601	4,417
University of MO Extension	36,954	30,795	6,159	33,800	33,790	10
Insurance and bonds	92,250	120,520	(28,270)	90,000	84,909	5,091
Public health and welfare service	10,750	10,750	0	13,250	13,250	0
Other	21,985	15,541	6,444	26,535	25,964	571
Transfers out	0	10,000	(10,000)	0	0	0
Emergency Fund	82,000	9,137	72,863	151,192	36,000	115,192
Total Disbursements	3,640,798	3,388,384	252,414	3,019,497	3,124,759	(105,262)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(91,958)	6,320	98,278	(197,747)	(110,033)	87,714
CASH, JANUARY 1	92,301	92,301	0	197,747	202,334	4,587
CASH, DECEMBER 31	343	98,621	98,278	0	92,301	92,301

Exhibit B

RAY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	279,000	328,247	49,247	280,000	312,662	32,662
Intergovernmental	870,100	834,048	(36,052)	853,900	831,900	(22,000)
Interest	7,800	9,038	1,238	5,000	7,780	2,780
Other	35,000	25,270	(9,730)	30,000	35,270	5,270
Total Receipts	1,191,900	1,196,603	4,703	1,168,900	1,187,612	18,712
<b>DISBURSEMENTS</b>						
Salaries	468,940	424,956	43,984	410,873	447,943	(37,070)
Employee fringe benefit	233,149	186,428	46,721	117,464	201,492	(84,028)
Supplies	132,200	119,498	12,702	125,000	127,399	(2,399)
Road and bridge materials	20,000	33,991	(13,991)	171,000	150,816	20,184
Equipment repairs	115,000	39,959	75,041	120,000	119,598	402
Rentals	300	235	65	2,500	280	2,220
Equipment purchases	0	86,300	(86,300)	150,000	35	149,965
Construction, repair, and maintenance	0	1,805	(1,805)	56,000	0	56,000
CART distributions to road district	206,000	193,239	12,761	195,000	205,620	(10,620)
Other	83,000	6,968	76,032	29,150	13,784	15,366
Transfers out	35,643	65,312	(29,669)	0	27,809	(27,809)
Total Disbursements	1,294,232	1,158,691	135,541	1,376,987	1,294,776	82,211
RECEIPTS OVER (UNDER) DISBURSEMENTS	(102,332)	37,912	140,244	(208,087)	(107,164)	100,923
CASH, JANUARY 1	102,423	102,423	0	209,039	209,587	548
CASH, DECEMBER 31	91	140,335	140,244	952	102,423	101,471
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	281,490	330,078	48,588	281,840	276,892	(4,948)
Interest	6,500	12,543	6,043	2,275	6,912	4,637
Other	1,500	5,259	3,759	2,510	2,064	(446)
Total Receipts	289,490	347,880	58,390	286,625	285,868	(757)
<b>DISBURSEMENTS</b>						
Assessor	375,370	341,424	33,946	297,120	251,503	45,617
Total Disbursements	375,370	341,424	33,946	297,120	251,503	45,617
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,880)	6,456	92,336	(10,495)	34,365	44,860
CASH, JANUARY 1	189,809	189,809	0	155,444	155,444	0
CASH, DECEMBER 31	103,929	196,265	92,336	144,949	189,809	44,860

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	3,700	3,216	(484)	8,700	3,302	(5,398)
Total Receipts	3,700	3,216	(484)	8,700	3,302	(5,398)
<b>DISBURSEMENTS</b>						
Sheriff	6,000	3,139	2,861	5,500	7,920	(2,420)
Total Disbursements	6,000	3,139	2,861	5,500	7,920	(2,420)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,300)	77	2,377	3,200	(4,618)	(7,818)
CASH, JANUARY 1	7,499	2,909	(4,590)	7,527	7,527	0
CASH, DECEMBER 31	5,199	2,986	(2,213)	10,727	2,909	(7,818)
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	830	808	(22)	1,300	829	(471)
Total Receipts	830	808	(22)	1,300	829	(471)
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	800	1,353	(553)	2,500	231	2,269
Total Disbursements	800	1,353	(553)	2,500	231	2,269
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	(545)	(575)	(1,200)	598	1,798
CASH, JANUARY 1	804	804	0	206	206	0
CASH, DECEMBER 31	834	259	(575)	(994)	804	1,798
<b><u>SPECIAL ROAD AND BRIDGE SALES TAX FUND</u></b>						
<b>RECEIPTS</b>						
Sales taxes	800,867	767,019	(33,848)	770,300	777,554	7,254
Intergovernmental	697,307	661,173	(36,134)	301,000	35,306	(265,694)
Interest	0	11,618	11,618	5,000	7,712	2,712
Total Receipts	1,498,174	1,439,810	(58,364)	1,076,300	820,572	(255,728)
<b>DISBURSEMENTS</b>						
Sales tax distributions to road district	257,000	253,040	3,960	257,000	256,515	485
Road and bridge constructor	967,007	755,952	211,055	650,000	69,263	580,737
Road and bridge materials	400,000	260,308	139,692	479,000	607,236	(128,236)
Transfers out	45,534	48,712	(3,178)	0	26,657	(26,657)
Total Disbursements	1,669,541	1,318,012	351,529	1,386,000	959,671	426,329
RECEIPTS OVER (UNDER) DISBURSEMENTS	(171,367)	121,798	293,165	(309,700)	(139,099)	170,601
CASH, JANUARY 1	171,449	171,449	0	310,548	310,548	0
CASH, DECEMBER 31	82	293,247	293,165	848	171,449	170,601

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>NOXIOUS WEED FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	300	51	(249)	3,900	219	(3,681)
Interest	4,000	5,170	1,170	1,100	3,419	2,319
Total Receipts	4,300	5,221	921	5,000	3,638	(1,362)
<b>DISBURSEMENTS</b>						
Salaries	11,017	9,911	1,106	10,791	8,953	1,838
Supplies	8,250	3,554	4,696	7,500	2,591	4,909
Equipment repair	2,000	0	2,000	2,000	1,369	631
Mileage	500	0	500	500	0	500
Insurance	1,200	1,060	140	1,100	991	109
Transfers out	750	750	0	750	750	0
Total Disbursements	23,717	15,275	8,442	22,641	14,654	7,987
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,417)	(10,054)	9,363	(17,641)	(11,016)	6,625
CASH, JANUARY 1	109,544	109,544	0	120,560	120,560	0
CASH, DECEMBER 31	90,127	99,490	9,363	102,919	109,544	6,625
<b><u>COLLECTOR'S TAX MAINTENANCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	40,000	41,397	1,397	35,000	36,900	1,900
Interest	0	828	828	0	508	508
Other	0	0	0	0	160	160
Total Receipts	40,000	42,225	2,225	35,000	37,568	2,568
<b>DISBURSEMENTS</b>						
County Collector	28,230	27,491	739	30,400	17,285	13,115
Transfers out	11,770	27,021	(15,251)	4,600	5,924	(1,324)
Total Disbursements	40,000	54,512	(14,512)	35,000	23,209	11,791
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(12,287)	(12,287)	0	14,359	14,359
CASH, JANUARY 1	19,258	19,258	0	4,899	4,899	0
CASH, DECEMBER 31	19,258	6,971	(12,287)	4,899	19,258	14,359
<b><u>RECORDS RESTORATION FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	30,000	21,984	(8,016)	40,000	24,430	(15,570)
Interest	0	1,454	1,454	0	1,325	1,325
Total Receipts	30,000	23,438	(6,562)	40,000	25,755	(14,245)
<b>DISBURSEMENTS</b>						
Recorder of Deeds	30,000	12,701	17,299	40,000	45,134	(5,134)
Transfers out	0	4,403	(4,403)	0	9,000	(9,000)
Total Disbursements	30,000	17,104	12,896	40,000	54,134	(14,134)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,334	6,334	0	(28,379)	(28,379)
CASH, JANUARY 1	18,372	18,372	0	46,751	46,751	0
CASH, DECEMBER 31	18,372	24,706	6,334	46,751	18,372	(28,379)

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SHERIFF'S POST CERTIFICATION FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	2,000	1,665	(335)	2,000	1,608	(392)
Total Receipts	2,000	1,665	(335)	2,000	1,608	(392)
<b>DISBURSEMENTS</b>						
Sheriff	2,000	1,665	335	2,000	1,608	392
Total Disbursements	2,000	1,665	335	2,000	1,608	392
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	3	3	0	3	3	0
CASH, DECEMBER 31	3	3	0	3	3	0
<b><u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	7,500	6,895	(605)	4,000	6,630	2,630
Interest	0	564	564	0	441	441
Total Receipts	7,500	7,459	(41)	4,000	7,071	3,071
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	7,500	4,449	3,051	4,000	5,368	(1,368)
Total Disbursements	7,500	4,449	3,051	4,000	5,368	(1,368)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,010	3,010	0	1,703	1,703
CASH, JANUARY 1	5,328	5,328	0	3,625	3,625	0
CASH, DECEMBER 31	5,328	8,338	3,010	3,625	5,328	1,703
<b><u>PROSECUTING ATTORNEY BAD CHECK FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	35,000	52,273	17,273	30,000	33,675	3,675
Total Receipts	35,000	52,273	17,273	30,000	33,675	3,675
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	35,000	23,087	11,913	30,000	29,354	646
Transfers out	0	15,851	(15,851)	0	0	0
Total Disbursements	35,000	38,938	(3,938)	30,000	29,354	646
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	13,335	13,335	0	4,321	4,321
CASH, JANUARY 1	17,214	17,214	0	12,893	12,893	0
CASH, DECEMBER 31	17,214	30,549	13,335	12,893	17,214	4,321
<b><u>SHERIFF'S EXTRADITION FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	5,000	445	(4,555)	8,000	2,040	(5,960)
Other	0	394	394	0	1,490	1,490
Total Receipts	5,000	839	(4,161)	8,000	3,530	(4,470)
<b>DISBURSEMENTS</b>						
Sheriff	5,000	2,339	2,661	8,000	3,636	4,364
Total Disbursements	5,000	2,339	2,661	8,000	3,636	4,364
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(1,500)	(1,500)	0	(106)	(106)
CASH, JANUARY 1	1,939	1,939	0	2,045	2,045	0
CASH, DECEMBER 31	1,939	439	(1,500)	2,045	1,939	(106)

Exhibit B

RAY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SHERIFF'S ACCOUNT FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	35,000	30,522	(4,478)	35,000	32,185	(2,815)
Interest	0	285	285	0	160	160
Other	0	17,542	17,542	0	0	0
Total Receipts	35,000	48,349	13,349	35,000	32,345	(2,655)
<b>DISBURSEMENTS</b>						
Sheriff	35,000	36,353	(1,353)	35,000	33,959	1,041
Total Disbursements	35,000	36,353	(1,353)	35,000	33,959	1,041
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	11,996	11,996	0	(1,614)	(1,614)
CASH, JANUARY 1	4,132	4,132	0	5,746	5,746	0
CASH, DECEMBER 31	4,132	16,128	11,996	5,746	4,132	(1,614)
<b><u>DOMESTIC VIOLENCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	5,625	5,478	(147)	4,460	5,171	711
Interest	0	564	564	250	379	129
Total Receipts	5,625	6,042	417	4,710	5,550	840
<b>DISBURSEMENTS</b>						
Domestic violence shelte	2,600	7,105	(4,505)	5,000	2,597	2,403
Total Disbursements	2,600	7,105	(4,505)	5,000	2,597	2,403
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,025	(1,063)	(4,088)	(290)	2,953	3,243
CASH, JANUARY 1	5,491	5,491	0	2,538	2,538	0
CASH, DECEMBER 31	8,516	4,428	(4,088)	2,248	5,491	3,243
<b><u>EMERGENCY MANAGEMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	5,200	4,965	(235)	9,978	5,114	(4,864)
Total Receipts	5,200	4,965	(235)	9,978	5,114	(4,864)
<b>DISBURSEMENTS</b>						
Mid America Regional Council	5,200	5,226	(26)	9,978	5,114	4,864
Total Disbursements	5,200	5,226	(26)	9,978	5,114	4,864
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(261)	(261)	0	0	0
CASH, JANUARY 1	0	478	478	478	478	0
CASH, DECEMBER 31	0	217	217	478	478	0

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW LIBRARY FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	0	4,545	4,545	0	0	0
Charges for service:	16,500	15,555	(945)	22,327	15,465	(6,862)
Interest	0	1,513	1,513	0	882	882
Other	0	56	56	0	126	126
Total Receipts	16,500	21,669	5,169	22,327	16,473	(5,854)
<b>DISBURSEMENTS</b>						
Law library	14,500	9,692	4,808	13,650	16,643	(2,993)
Total Disbursements	14,500	9,692	4,808	13,650	16,643	(2,993)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	11,977	9,977	8,677	(170)	(8,847)
CASH, JANUARY 1	13,135	13,135	0	13,305	13,305	0
CASH, DECEMBER 31	15,135	25,112	9,977	21,982	13,135	(8,847)
<b><u>DRUG COURT PROGRAM FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	0	2,609	2,609			
Total Receipts	0	2,609	2,609			
<b>DISBURSEMENTS</b>						
Circuit Clerk	0	2,947	(2,947)			
Total Disbursements	0	2,947	(2,947)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(338)	(338)			
CASH, JANUARY 1	2,218	2,218	0			
CASH, DECEMBER 31	2,218	1,880	(338)			
<b><u>JUVENILE IV-E FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	2,139	0	(2,139)			
Total Receipts	2,139	0	(2,139)			
<b>DISBURSEMENTS</b>						
Juvenile Officer	2,139	0	2,139			
Total Disbursements	2,139	0	2,139			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	2,139	2,139	0			
CASH, DECEMBER 31	2,139	2,139	0			

Exhibit B

RAY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>HEALTH CENTER FUND</b>						
<b>RECEIPTS</b>						
Property taxes	226,000	242,446	16,446	220,000	227,767	7,767
Intergovernmental	229,000	263,385	34,385	237,900	245,813	7,913
Charges for services	60,000	42,213	(17,787)	25,000	39,967	14,967
Interest	7,000	30,394	23,394	6,000	11,138	5,138
Other	24,000	31,919	7,919	23,500	29,351	5,851
Total Receipts	546,000	610,357	64,357	512,400	554,036	41,636
<b>DISBURSEMENTS</b>						
Salaries	355,000	324,545	30,455	347,000	300,785	46,215
Office expenditures:	86,500	66,868	19,632	81,400	53,805	27,595
Equipment	13,000	2,874	10,126	13,000	6,804	6,196
Mileage and training	19,000	19,045	(45)	18,500	15,278	3,222
Other	48,500	34,405	14,095	52,500	34,644	17,856
Total Disbursements	522,000	447,737	74,263	512,400	411,316	101,084
RECEIPTS OVER (UNDER) DISBURSEMENTS	24,000	162,620	138,620	0	142,720	142,720
CASH, JANUARY 1	715,449	715,449	0	572,729	572,729	0
CASH, DECEMBER 31	739,449	878,069	138,620	572,729	715,449	142,720
<b>EMERGENCY 911 FUND</b>						
<b>RECEIPTS</b>						
911 phone tax	189,000	189,198	198	201,000	189,139	(11,861)
Interest	3,600	6,875	3,275	2,200	4,296	2,096
Other	2,000	1,714	(286)	4,050	4,786	736
Total Receipts	194,600	197,787	3,187	207,250	198,221	(9,029)
<b>DISBURSEMENTS</b>						
Salaries	53,391	45,250	8,141	64,719	25,378	39,341
Office expenditures:	40,566	36,787	3,779	23,930	20,883	3,047
Equipment	62,679	75,734	(13,055)	25,239	17,542	7,697
Mileage and training	10,500	8,347	2,153	8,500	2,886	5,614
Insurance	5,500	5,165	335	7,456	1,750	5,706
MARC Coordination	61,715	63,711	(1,996)	57,000	56,377	623
Other	9,900	6,755	3,145	12,008	12,655	(647)
Total Disbursements	244,251	241,749	2,502	198,852	137,471	61,381
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,651)	(43,962)	5,689	8,398	60,750	52,352
CASH, JANUARY 1	189,979	187,777	(2,202)	127,027	127,027	0
CASH, DECEMBER 31	140,328	143,815	3,487	135,425	187,777	52,352

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>SENATE BILL 40 FUND</b>						
<b>RECEIPTS</b>						
Property taxes	420,000	439,613	19,613	420,000	412,182	(7,818)
Charges for service:	40,000	55,075	15,075	9,500	3,734	(5,766)
Interest	6,000	11,560	5,560	6,000	6,907	907
Other	0	3,525	3,525	0	10,962	10,962
<b>Total Receipts</b>	<b>466,000</b>	<b>509,773</b>	<b>43,773</b>	<b>435,500</b>	<b>433,785</b>	<b>(1,715)</b>
<b>DISBURSEMENTS</b>						
Salaries	81,800	118,593	(36,793)	60,300	71,161	(10,861)
Legal and accounting	6,000	5,318	682	6,000	3,600	2,400
Office expenditure:	33,000	31,834	1,166	27,400	28,616	(1,216)
Equipment	20,000	17,487	2,513	33,100	15,069	18,031
Mileage and training	155,000	142,959	12,041	145,000	144,684	316
Insurance	37,000	33,508	3,492	34,000	36,998	(2,998)
Repairs - building & equipmen	20,000	38,211	(18,211)	20,000	8,604	11,396
Mental Health Trust Fund	135,000	85,541	49,459	90,000	78,173	11,827
Other	2,200	22,756	(20,556)	4,200	2,563	1,637
<b>Total Disbursements</b>	<b>490,000</b>	<b>496,207</b>	<b>(6,207)</b>	<b>420,000</b>	<b>389,468</b>	<b>30,532</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(24,000)</b>	<b>13,566</b>	<b>37,566</b>	<b>15,500</b>	<b>44,317</b>	<b>28,817</b>
<b>CASH, JANUARY 1</b>	<b>390,348</b>	<b>390,348</b>	<b>0</b>	<b>346,031</b>	<b>346,031</b>	<b>0</b>
<b>CASH, DECEMBER 31</b>	<b>366,348</b>	<b>403,914</b>	<b>37,566</b>	<b>361,531</b>	<b>390,348</b>	<b>28,817</b>

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

Notes to the Financial Statements

RAY 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 Ray 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, the Noxious Weed Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from 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>
Drug Court Program Fund	2005
Juvenile IV-E Fund	2005
Insurance Pass Through Fund	2006
Circuit Clerk Interest Fund	2006 and 2005
Circuit Clerk Passport Fees Fund	2006 and 2005
Associate Circuit Interest Fund	2006 and 2005
County Clerk Trusts Fund	2006 and 2005
County Clerk Election Accounts Fund	2006 and 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	2005
Law Enforcement Training Fund	2005
Prosecuting Attorney Training Fund	2006
Collector's Tax Maintenance Fund	2006
Records Restoration Fund	2005
Prosecuting Attorney Delinquent Tax Fund	2005
Prosecuting Attorney Bad Check Fund	2006
Sheriff's Account Fund	2006
Domestic Violence Fund	2006
Emergency Management Fund	2006
Law Library Fund	2005
Drug Court Program Fund	2006
Senate Bill 40 Fund	2006

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

D. Published Financial Statements

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

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Insurance Pass Through Fund	2006
Emergency 911 Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Circuit Clerk Passport Fees Fund	2006 and 2005
Associate Circuit Interest Fund	2006 and 2005
County Clerk Election Accounts Fund	2006 and 2005

For the Health Center Fund and the Senate Bill 40 Fund, the county's published financial statements for the years ended December 31, 2006 and 2005, included only those amounts that passed through the County Treasurer. Additionally, the county's

published financial statements did not include some required revenue details and required expenditure details were lacking for some county funds.

## 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, Ray County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by commercial insurance provided through a surety bond, by an irrevocable standby letter of credit issued by a Federal Home Loan Bank, or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's, Emergency 911 Board's and Senate Bill 40 Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the boards' custodial bank in the boards' name.

### 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. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase

agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Supplementary Schedule

Schedule

RAY 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,	
			2006	2005
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	N/A	\$ 715	358
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	56,392	65,045
U. S. DEPARTMENT OF DEFENSE				
Passed through state Department of Public Safety				
12.AAG	Drug Interdiction and Counter Drug Activities	N/A	2,043	0
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.607	Bulletproof Vest Partnership	N/A	4,212	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-089(16)	390,908	28,585
		BRO-089(19)	263,119	8,303
	Program Total		<u>654,027</u>	<u>36,888</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Secretary of State				
39.011	Election Reform Payment	N/A	0	43,324
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	N/A	0	5,803
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	N/A	1,500	0
93.268	Immunization Grants	N/A	73,109	67,273

Schedule

RAY 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,	
			2006	2005
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc  Department of Social Services -	N/A	3,500	3,500
93.563	Child Support Enforcemen  Department of Health and Senior Services -	N/A	45,526	36,171
93.575	Child Care and Development Block Gran  Office of Secretary of State	N/A	4,275	3,045
93.617	Voting Access for Individual With Disabilities - Grants to States  Department of Health and Senior Services	N/A	4,334	0
93.994	Maternal and Child Health Services Block Grant to the States  U.S. DEPARTMENT OF HOMELAND SECURITY  Passed through state Department of Public Safety	AOC06380126 DH060022003 DH060010002	43,144	28,809
97.042	Emergency Management Performance Grant	N/A	10,265	0
97.067	Homeland Security Grant Program	2005-GE-T5-0022	32,000	0
Total Expenditures of Federal Award:			\$ <u>935,042</u>	<u>290,216</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

RAY 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 Ray 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 Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Drug Interdiction and Counter Drug Activities (CFDA number 12.AAG) represent the estimated fair market value of property at the time of

receipt. Amounts for Homeland Security Grant Program (CFDA number 97.067) represent the original acquisition cost of equipment received.

Amounts for the Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services for the year ended December 31, 2006. The amount for the Immunization Grants for the year ended December 31, 2005, includes both cash disbursements and the original acquisition cost of vaccines.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$419,493 to a subrecipient under the Highway Planning and Construction (CFDA number 20.205) during the year ended December 31, 2006 and 2005.

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 Ray County, Missouri

Compliance

We have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with 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, Ray County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

### Internal Control Over Compliance

The management of Ray 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Ray County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Ray 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

May 17, 2007

Schedule

RAY COUNTY, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
 YEARS ENDED DECEMBER 31, 2006 AND 2005

**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
- Significant deficiencies 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 program:

- Material weakness identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

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

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

Identification of major program:

CFDA or Other Identifying <u>Number</u> 20.205	<u>Program Title</u> Highway Planning and Construction
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In addition, although the county's SEFA for 2003 shows that federal program expenditures exceeded \$300,000, the county did not obtain an audit as required by federal regulations. Given the concerns noted above, it is possible the 2003 SEFA information is not accurate. However, the County Commission should carefully review the SEFA included with each budget document, evaluate amounts for accuracy, and determine whether an audit is required. These procedures and the resulting decision should be documented.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. Section .200 of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires non-federal entities that expend \$500,000 (\$300,000 for fiscal years ending before December 31, 2004) or more in a year in federal awards to obtain an audit for that year.

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 federal awards are properly identified and 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.

A similar condition was noted in our three prior reports.

**WE RECOMMEND** the County Commission and County Clerk work to ensure the SEFA is complete and accurate, and ensure that audits are obtained whenever federal program expenditures exceed the threshold provided by federal regulation.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*We will work to ensure the SEFA is complete and accurate in the future. Some efforts toward obtaining audit services were undertaken, but a decision was made not to have an audit performed. We will continue to evaluate the need for audits and maintain documentation regarding our considerations and decisions.*

<b>06-2.</b>	<b>Professional Services</b>
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction

Pass-Through Entity  
Identifying Number: BRO-089(16) and (19)  
Award Years: 2006 and 2005  
Questioned Costs: \$70,832

It is unclear whether the county followed statutory requirements when obtaining engineering services totaling approximately \$70,832 for certain bridge projects. A letter to the state Department of Transportation identified the three engineering firms considered by the County Commission, but there was no documentation in the county's records to show the various considerations or criteria used for selecting the firm chosen. The county commissioners indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects. We question costs of \$70,832, which represents total engineering costs paid during 2005 and 2006 for projects BRO-089(16) and (19).

The federal OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating for such engineering services, and should be followed in order to comply with federal guidelines.

**WE RECOMMEND** the County Commission obtain information as required by law when contracting for professional services and resolve the questioned costs with the grantor agency.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The county has always considered different engineering firms for BRO projects and, in the future, documentation of this process will be maintained.*

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

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

Because Ray County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2004, this section does not report the status of any prior audit findings.

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

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

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

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

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

Ray County, Missouri, did not obtain an audit of its financial statements and federal awards for the two years ended December 31, 2004.

The disposition of the finding from the audit report for the two years ended December 31, 2002, is as follows:

02-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children

Pass-Through Entity	
Identifying Numbers:	ERS045-3189W, ERS045-2189W, and ERS045-1189W
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	2001-PF-11
Award Year:	2002
Questioned Costs:	Not applicable

Federal Grantor: U.S. Department of Transportation  
Pass-Through Grantor: Highway and Transportation Commission  
Federal CFDA Number: 20.205  
Program Title: Highway Planning and Construction  
Pass-Through Entity  
Identifying Numbers: BRO-089(13), BRO-089(17), and BRO-089(18)  
Award Years: 2002 and 2001  
Questioned Costs: Not applicable

The county did not adequately track or report federal assistance on the schedule of expenditures of federal awards (SEFA). The 2002 and 2001 SEFA schedules understated total expenditures by \$81,209 and \$157,370, respectively.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 06-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

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

We have audited the financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. We also have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007.

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 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 Ray County or of its compliance with the types of compliance requirements applicable to its major federal program 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*. Ray County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

<b>1. Payroll Procedures</b>
------------------------------

Numerous problems were noted with the county's payroll procedures. Sufficient controls and oversight do not exist within the payroll process and it appears there was insufficient effort on the part of the various county officials to address problems, make changes to the payroll process, or review records for possible errors after concerns were brought to their attention. A thorough review of procedures needs to be performed, proper monitoring procedures implemented, documentation standards improved, and inconsistencies and errors resolved.

The County Commission became aware of possible problems with the payroll process and personnel issues in the County Clerk's office in early 2006. Personnel changes occurred and eventually a lawsuit was filed against the county which raised various concerns regarding the county's payroll process. In May 2006, the County Commission sent a letter to our office requesting an audit of the County Clerk's office with particular emphasis on the payroll records. Although a special audit was not started at that time, the county's regularly scheduled audit (which includes audit work in the County Clerk's office) began in early 2007. While it is apparent the County Commission and County Clerk were aware of concerns with the payroll process, it appears no significant procedural changes were made. Our review of the records and procedures determined there is minimal segregation of duties or supervisory oversight built into the process. Changes affecting payroll (i.e., changes in pay rates, deductions, number of withholdings) were sometimes made without supporting documentation and there was no documented review or written authorization of such changes prior to the preparation of payroll checks. We identified numerous payroll errors during the audit period.

The county handles payroll in a separate agency fund held by the County Treasurer. Disbursements from this fund were approximately \$2.7 million during 2005 and \$3.1 million during 2006. It is clear that payroll constitutes a significant portion of the county's expenditures and is one of the more important processes. Following is a description of procedural problems and various identified errors.

- A. Sufficient controls and oversight do not exist within the payroll process. One of the deputy county clerks serves as the payroll clerk and is responsible for essentially all payroll functions. After hours worked are entered into the payroll system, the payroll clerk generates a calculation payroll check register report which is reviewed by another deputy county clerk. However, this review is not documented. Various elected officials review and sign the payroll checks. However, checks are signed without a formal review of the payroll reports or register that support the check amounts. The County Clerk indicated he looks at some random items on the current

payroll report when signing checks; however, this does not appear to be a regular process and, as such, it is unlikely to provide effective results.

Our review of the various payroll records and selected payroll transactions identified several errors and documentation weaknesses, including the following:

- 1) The county does not maintain written authorization for some employee salary rates (whether salaried or hourly), promotions, terminations, changes in pay rates, and current position. The County Commission indicated salaries are authorized each year within the county's budget; however, this document provides no individual employee information.

Neither the County Clerk nor the County Commission perform a review of individual payroll amounts and any changes from month to month. A review of the monthly pay rate and payroll check register reports would highlight changes and provide an opportunity for more timely follow up regarding any unusual changes or transactions.

Without proper written authorizations in the files, there is no documentation to support the amounts paid to employees. Also, without periodic reviews of individual payroll amounts and changes, errors could occur and go undetected.

- 2) Several problems were noted with the payroll clerk's timesheets, deductions, and net pay amounts.
  - Of the 24 monthly time sheets prepared during the audit period, two were stamped approved using a facsimile stamp of the County Clerk, six were missing the County Clerk's signature, and two were missing the employee's signature. Time sheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time worked each month.
  - A comparison of hours recorded on the payroll clerk's time sheets to hours for which she was actually paid according to the payroll register identified some discrepancies. Problems were noted in months where the payroll clerk worked less than the standard work hours without taking leave. The calculation method was not always consistent, incorrect hours were used in some calculations, and other miscellaneous errors were made. Based on a recalculation, it appears the payroll clerk was overpaid by approximately \$440 in total during 2006 and 2005. We also noted some discrepancies between sick leave hours recorded on timesheets as compared to the sick leave information in the payroll system.
  - In December 2006, the payroll clerk did not deduct the employee portion of the health insurance premium from her paycheck. She

indicated she was considering dropping the insurance coverage for 2007. Rather, the county's payment was increased to cover her portion. In January 2007, it appears she decided to retain the insurance and double the premium amount was withheld from her paycheck. There is no documentation to show that this issue was reviewed and approved by a supervisor. Changes in coverage and premium amounts also occurred for other employees and were not always well documented.

- A review of the payroll register showed numerous changes in credit union deductions from the payroll clerk's checks. An authorization form, dated August 2004, was on file and supported the monthly deduction amount through May 2005. However, the amount deducted was changed 14 times from June 2005 through December 2006. No forms were on file to support these changes. We also noticed numerous months during 2006 where the payroll register indicated a significant portion of the payroll clerk's wages were deducted; however, there was no written authorization on file to support these deductions which varied from month to month.
- 3) A part-time jailer submitted a time sheet showing he worked 56 hours during May 2006 and was paid \$1,387, which represents an overpayment of approximately \$939. While the payroll clerk indicated she brought this to the county's attention shortly after it occurred, this error has yet to be rectified and the county commissioners did not appear to be aware of this situation when we brought it to their attention. Had better review procedures been in place this error could have been readily identified and addressed more timely.
  - 4) Federal tax withholdings were not deducted from a deputy sheriff's paychecks from September 2005 (first full month he worked for the county) to January 2006 even though this was not consistent with the W-4 form he completed and filed with the county. This occurred due to an undetected error and was not corrected until February 2006 when the employee spoke to the County Clerk's office.
  - 5) Sufficient documentation was not retained to show how final pay checks for terminated employees were calculated. Because these amounts are often significant, differ from the employee's regular salary, and involve payments for accrued leave balances, it is important that calculations be retained and available for review by those authorizing the payroll disbursement. For example, we reviewed final payments to two employees totaling \$11,945 (net payroll) and while various documents were available, there were no summary worksheets to show data used and the overall calculation. As a result, a review of these payments is difficult.

The lack of adequate review procedures increases the potential for errors to go undetected. County Officials have a fiduciary responsibility to perform thorough reviews over the expenditures of county funds. Many of the errors and discrepancies noted could have been readily identified and corrected had a formal review procedure been in place.

B. Various concerns were noted with time reporting and monitoring procedures.

- 1) Time sheets prepared by county employees include estimated hours worked instead of actual hours worked for the last few days of the pay period. The county's policy is to pay employees on the last day of each month. Employees must have time sheets turned into the County Clerk's office four 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 day of the pay period. With the exception of 911 dispatchers time records, no documentation was available to indicate that the hours actually worked were subsequently compared to the hours estimated.

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 few days of the pay period, the county should establish standard procedures to obtain documentation from the employees' supervisors for any differences between estimated and actual time worked so that any applicable adjustments to the employees' pay or leave records can be made 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.

- 2) Sufficient documentation is not required from some part-time employees prior to approving monthly payroll. The planning and zoning building inspector and the assistant prosecuting attorney are salaried part-time employees, and are paid approximately \$1,200 and \$2,200, respectively, each month from the county's General Revenue Fund. However, the county does not receive time sheets or require either of these employees to submit documentation of hours/days worked and tasks performed prior to approving monthly payments. The County Commission indicated these individuals are expected to work the number of hours needed to complete required tasks.

While the assistant prosecuting attorney does prepare time sheets which are used in determining the reimbursement the county receives for child support enforcement activities, these are not filed with the County Clerk's office. The payroll costs associated with the assistant prosecuting attorney are included on the reimbursement claim to the state and the county is fully reimbursed from the U.S. Department of Health and Human Services through the Missouri Department of Social Services' Title IV-D Program. Concerns related to reimbursements from this program were discussed in the prior report and county officials have an obligation to ensure reimbursements from any source (local, state, or federal) are for valid costs with adequate support.

While amounts paid may be reasonable as compared to services rendered, the County Commission cannot evaluate this without more information. Additional documentation should be required and used when approving monthly payments and to periodically evaluate the arrangement and related compensation.

- 3) Centralized compensatory time records are not maintained for county employees by the County Clerk. Currently, each department maintains its own records of compensatory time earned and used and procedures differ significantly between departments. As a result, the County Clerk's office does not have sufficient records to ensure the validity of payroll disbursements and monitor compensatory time balances.

Without centralized records, the County Commission cannot ensure that employees' compensatory time usage and balances are accurate. Also, centralized records aid in ensuring adherence to county policy regarding overtime/compensatory time, equitable treatment of employees, and compliance with federal regulations.

- C. From January 2005 through July 2005, the county paid the monthly salary of an employee of the North Missouri Central Drug Task Force and was subsequently reimbursed. At the request of the task force, the county made two payments, totaling approximately \$2,703, to this individual for compensatory time earned. The county had no documentation that it was reimbursed for these additional compensatory amounts paid. Apparently, county personnel did not compare amounts disbursed by the county to amounts reimbursed by the task force, and was unaware of the discrepancy. Because the task force is no longer in operation, it appears the county has lost the unreimbursed amount. In the future, the county needs to ensure that such arrangements are carefully reviewed to ensure all county funds are reimbursed as appropriate.
- D. Instead of receiving overtime pay, deputy county clerks and/or other county employees who serve as election workers during off hours are paid \$20 per hour from County Clerk's election account. During 2006, payments for these tasks totaled at least \$1,240. Because these payments are not processed through the normal

county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 forms.

Any full-time county employee serving as an election worker during off hours should be compensated under normal county payroll procedures, documenting hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

The FLSA requires employers to keep accurate records of actual time worked by employees including compensatory time earned, taken, or paid. It also requires that all covered employees working overtime are entitled to time and one-half in wages or in compensatory time.

- E. According to the Missouri Coroners' and Medical Examiners' Association, the County Coroner did not attend the required training for 2004 and 2005. The County Coroner received the full amount of salary even though no training certificate or exemption from training was filed with the county. Thus, it appears the County Coroner was overpaid \$2,000 for the two years ended December 31, 2005. Section 58.095, RSMo requires the County Coroner to attend training to receive \$1,000 of his annual salary.

In addition, a portion of the other county elected officials' salaries are also dependent upon obtaining required annual training. A review of the County Clerk's records showed that training certificates were on file for only some county officials and no training exemptions were on file. Without such documentation, the county cannot be certain elected officials are due their full salary. The County Clerk's office needs to implement a procedure to require that training certificates or exemptions be provided each year, and these should be retained to support salary payments and demonstrate compliance with statutory requirements. In addition, the county needs to follow up with all elected officials for which training information is not currently on file to determine if compensation was appropriate or additional requests for reimbursement are necessary.

**WE RECOMMEND** the County Commission:

- A. Work with the County Clerk to establish a formal payroll review and monitoring process and ensure appropriate documentation and authorizations are on file to support payroll transactions and changes. In addition, errors and discrepancies should be followed up on to ensure their proper resolution.
- B.1. Develop payroll procedures which require county employees to be paid based on actual hours worked.
- 2. Require sufficient documentation from salaried part-time employees to support payroll amounts and provide a method for periodically re-evaluating compensation arrangements.

3. Require compensatory time records which are approved by supervisors to be submitted to the County Clerk. In addition, the County Clerk should maintain centralized compensatory time records for all employees.
- C. Ensure similar future arrangements are more carefully monitored so that the county is reimbursed for all amounts as appropriate.
- D. And the County Clerk review this situation. Employees who serve as election workers during off hours should be paid their normal salary for the amount of time spent and all payments should be included on W-2 forms.
- E. Seek reimbursement of \$2,000 from the County Coroner and follow up with other elected officials to ensure no other reimbursement requests are needed. Also, the county should implement procedures to require that proper training documentation is filed annually.

### **AUDITEE'S RESPONSE**

*The County Commission and County Clerk provided the following responses:*

- A. *We plan to review the overall process and identify the best way to monitor payroll. This will require cooperation with all county officials.*
- B.1,  
B.2,  
&D. *We will take these recommendations under consideration and develop procedures that best fit the county's situations.*
- B.3. *We will consult with other county officials and consider options for tracking compensatory time and efforts will be made to track this time using the county's computerized payroll system.*
- C. *In the future, any similar arrangements will be more closely monitored.*
- E. *We do not intend to seek reimbursement from the County Coroner. With the assistance of all elected officials, we will ensure that training certificates are filed with the County Clerk's office in the future.*

*The County Clerk provided the following additional responses:*

*With 5.8 million dollars in payroll for 2005 and 2006 there will be some errors. If an auditor or a payroll clerk say there are no mistakes they would be telling a lie. Not enough errors were made to warrant a lawsuit which was proven.*

*A.1. There were verbal authorizations for the employees you mention. Each office holder sets each employee's salary they have working for them and it is not difficult to figure the salaries off the budget.*

*A.2. The auditors only used timesheets for their findings; however, we also use desk calendars as a back up for keeping track of hours worked. When using both records, the auditor's figures were not true or accurate.*

*This is a standard process for all employees with any health insurance changes or new employees (including elected officials) whether there is one change or many.*

*The audit failed to look at other employees' and elected officials' deductions. For example, the Prosecuting Attorney changed deductions three times in two pay periods. Here again the audit only looks at one employee. All employees have the option to meet some of their financial obligations through payroll.*

*A.3. Employee documents were not given to the payroll clerk in the proper time frame from the jail. The error was recognized by the next pay period but no action was taken by a supervisor.*

*A.4. The W-4 showed 7 deductions on line H and then on line 5, which states total deductions claimed from line H above. The number also looked like a seven.*

*B.3. This is the responsibility of each office holder/supervisor, not the payroll clerk who is only at one location.*

*D. I believe these payments are being handled properly and do not intend to make changes to this procedure.*

**2.****County Policies and Procedures**

Significant expenditures were made without benefit of written contracts or an independent appraisal. Several budgets were overspent and the published financial statements did not present all required information. Also, procedures and documentation related to holding and documenting closed meetings need improvement.

- A. As discussed in our previous three audit reports, payments were made to road districts without proper written contracts. During the two years ended December 31, 2006, the county distributed a portion of its County Aid Road Trust (CART) and road and bridge sale tax revenues to the six special road districts within the county. Payments totaling \$398,859 and \$509,555 were made from the Special Road and Bridge Fund and Special Road and Bridge Sales Tax Fund, respectively, to the special road districts during this period. The county did not enter into written contracts with the special road districts related to these distributions. While the special road districts provide annual detailed expenditure reports for inclusion in the county's overall published financial statement, the County Commission does not document a review of this information and has no other monitoring procedures in place.

Constitutional and statutory provisions restrict the use of CART monies to construction, reconstruction, maintenance, and repair of county roads, bridges, and highways; and, require that these funds be expended under the control and supervision of the county commission. Written agreements, along with monitoring procedures, would help ensure monies are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

- B.1. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31	
	2006	2005
General Revenue Fund	\$ N/A	105,262
Law Enforcement Training Fund	N/A	2,420
Prosecuting Attorney Training Fund	553	N/A
Collector's Tax Maintenance Fund	14,512	N/A
Records Restoration Fund	N/A	14,134
Prosecuting Attorney Delinquent Tax Fund	N/A	1,368
Prosecuting Attorney Bad Check Fund	3,938	N/A
Sheriff's Account Fund	1,353	N/A
Domestic Violence Fund	4,505	N/A
Emergency Management Fund	26	N/A
Law Library Fund	N/A	2,993
Drug Court Program Fund	2,947	N/A
Senate Bill 40 Fund	6,207	N/A

2. While budget to actual comparison reports are generated, it appears the information is not effectively used by county officials to monitor fund expenditures or balances. Also, some of the approved budget amounts had not been entered correctly into the county's accounting computer system for the General Revenue Fund. Budgeted revenues were understated by \$43,015 and \$128,090, while budgeted expenditures were overstated by \$71,660 and \$4,252, for 2006 and 2005, respectively. Such inaccuracies decrease the effectiveness of budget to actual comparison reports generated by the system as a planning and monitoring tool.

Case law indicates that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences or revenues, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports should be provided to all county officials responsible for administering county funds and utilized when making spending decisions throughout the year. A careful review and comparison of budgeted amounts entered into the computer system to the final approved budget document should be performed.

A similar condition was noted in our prior report.

- C. Information presented in the annual published financial statements was not consistent for the various county funds. As discussed in our prior report, no financial information was provided for some county funds, most of which are held outside the county treasury by another county official or board, and only amounts that passed through the County Treasurer were presented for the Health Center Fund and the Senate Bill 40 Fund. Also, the information presented in the county's published financial statements did not include all required receipt and disbursement details. The various sources of receipts are not presented. Amounts by vendor represented combined amounts for multiple funds and contained amounts only for those funds for which checks are generated via the accounts payable computer system, but not for those funds for which checks are manually prepared by the County Treasurer. As a result, for several funds only a summary showing the beginning cash balance, receipts, transfers in, expenditures, transfers out, and the ending cash balance was shown. In addition, the County Clerk is not including required signed certification as to the completeness and accuracy of the published financials.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to

adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

- D. The County Commission's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. Open meeting minutes did not always document specific reasons for closing the meeting or the final disposition of certain matters discussed in closed meetings.

Without proper documentation regarding closure of meetings and subsequent documentation of actions taken in closed meetings, there is less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements.

- E. In April 2005, the county entered into a lease-purchase agreement to purchase a jail for \$700,000 without obtaining an independent appraisal on the property. The County Commission indicated the purchase price seemed reasonable based on the amount the property had been sold for a few months previous. According to County Assessor's office records, the value of the property is approximately \$349,000. While the County Commission believes the amount paid was reasonable, a written appraisal from an independent appraisal company should have been obtained prior to the purchase and used to provide the basis for negotiations. This would have helped to better ensure the amount paid was reasonable.

**WE RECOMMEND** the County Commission:

- A. Obtain written agreements, which specifically state what services are to be provided to the county. In addition, the written agreements should allow the County Commission to monitor the special road districts' expenditures of the county monies.
- B. And other county officials and boards review budget to actual comparison reports carefully and refrain from approving disbursements which exceed budgeted amounts. Budgets should be properly amended if necessary. In addition, procedures should be established to ensure approved budgeted amounts are accurately entered into the computer system.
- C. Work with the various boards to ensure all required information is presented in the county's annual published financial statements and ensure financial statements include the appropriate information and details required by law.
- D. Ensure that procedures for closing meetings are proper and clearly documented, and that the final disposition of matters discussed in closed meetings is made public as required by state law.
- E. Ensure independent appraisals are obtained for all future real estate purchases.

## **AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *We will work on entering into written agreements with the special road districts.*
- B. *The overrun of the 2005 General Revenue Fund budget related to the start up of the new jail. The budgetary impact was not known or considered during the initial budget process and no budget amendments were made when the situation changed. We will review budgets more closely and work with other elected officials and boards to avoid overspending budgets in the future. Additional steps were taken to ensure the 2007 budgeted amounts were correctly entered into the computer system.*
- C. *We acknowledge that more information is required and will work toward ensuring it is included.*
- D. *We will do a better job of documenting the reason for and closure of meetings and ensure final disposition of matters is made public.*
- E. *At the time of this purchase, there were no like-kind properties from which to base an appraisal. We believe this was the first time a jail had gone from private ownership to public ownership by a third class county. Typical costs incurred by the county for housing prisoners elsewhere, the possible costs for building a new jail, and other matters were considered when making the decision to purchase the jail.*

<b>3. Property Tax System and Collector Commissions</b>
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Property tax system controls and procedures are not sufficient. The County Clerk does not prepare or verify the back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission perform sufficient reviews of additions and abatements or verify the County Collector's settlements. Contracts with cities for collection of city property taxes need clarification regarding fees and penalties assessed. The Collector incorrectly disbursed a significant amount in commissions to the county rather than the appropriate school district.

- A. The County Collector generates the back tax books. The County Clerk does not sum the tax book charges, verify individual entries, or perform any other procedures to test the accuracy of the back tax books.

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

Section 140.050, RSMo, requires the County Clerk to prepare the back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he should

verify the accuracy and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

- B. Additions and abatement duties are not properly segregated and there is no comparison of actual changes to the property tax data files to records from which the process was initiated or to court orders approved by the County Commission.

The county's property tax system requires the Assessor, rather than the County Clerk, to make changes to the property tax records for additions and abatements occurring throughout the year. When this occurs, the Assessor provides addition and abatement forms to the County Collector. Court orders of abatements and additions are prepared by the County Collector, and submitted to the County Clerk's office. Detailed reports of additions and abatements are generated by the County Collector and provided to the County Commission for review and approval monthly. No comparisons of the court orders or monthly reports to Assessor's office addition and abatement forms and actual changes to the property tax data file are performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

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

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

- C. Neither the County Commission nor the County Clerk provides a review of the activities of the County Collector. As similarly discussed in our prior report, 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, back credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help 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.

- D. In 2006, the county entered into a written contract which provides for the county to bill and collect property taxes for a city in the county. The contract provides for the County Collector to receive a fee of 2 percent withheld from all taxes collected (approximately \$6,000 a year) and to receive penalties as prescribed by law which are collected from the taxpayers (approximately \$1,000 a year). These fees are retained personally by the County Collector. In addition, the county assesses a fee of 3 percent to be withheld from all taxes collected and paid to the county for use of county employees and equipment and preparation of appropriate property tax records, and a fee of 1 percent to be withheld from all taxes collected and paid to the County Clerk for printing current tax books. The 3 percent fee is deposited into the county's General Revenue Fund (approximately \$9,000 a year), while the 1 percent fee is retained personally by the County Clerk (approximately \$3,000 a year) .

While the 7 percent add on penalty is being assessed as provided for by state law, it is not being distributed as outlined by state law. The other fees assessed are not based on either state law or city ordinance.

A similar contract was entered into with another city in the county and will take effect in November 2007.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. However, fees and add on penalties assessed to city taxpayers should be based on state law or city ordinance. The contracts with the cities should clearly define the amount of fees and penalties to be assessed, describe how all amounts should be distributed, and provide a basis for the amounts and handling.

- E. Our review of commissions withheld by the County Collector and paid to the county during the two years ended February 28, 2007, identified a significant error impacting the county's General Revenue Fund and the Excelsior Springs 40 School District. Incorrect revisions to formulas in spreadsheets utilized for computing school commissions, resulted in \$46,830 being incorrectly withheld from the school district's January and February 2006 property taxes and disbursed to the county's General Revenue Fund. The County Collector agrees with the amount cited above and plans to make corrections later in 2007.

**WE RECOMMEND:**

- A. The County Clerk prepare the back tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- B. The County Clerk compare actual property tax system changes to the various authorizing records (i.e., assessor initiating forms, court orders, and monthly reports).
- C. 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.
- D. The County Commission and other county officials re-evaluate and amend the contracts to clarify the basis for fees and penalties assessed and their subsequent distribution.
- E. The County Collector ensure future school district commissions are computed correctly and withhold commissions of \$46,830 from the General Revenue Fund to be distributed to the Excelsior Springs 40 School District.

**AUDITEE'S RESPONSE**

*The County Clerk and County Commission provided the following responses:*

- A. *The County Clerk will work with the County Collector to implement this recommendation.*
- B. *The County Clerk will meet with the County Assessor and County Collector to evaluate procedures and develop a method for reviewing such changes.*
- C. *A review of monthly settlements is regularly performed by the County Clerk's office. Efforts to develop an account book are in process and this record will be used to more thoroughly review the County Collector's annual settlement.*
- D. *Contracts with cities will be reviewed with the County Prosecuting Attorney and County Collector. Modifications will be made if deemed appropriate.*

*The County Collector provided the following responses:*

- D. *Two new city contracts have been entered into and the wording has been modified to clarify the assessment and handling of the add on penalties.*
- E. *The commission error will be corrected when November 2007 property tax collections are distributed.*

**4.****County Vehicles and Fuel Usage**

Controls over county vehicles need improvement. The county has no formal written policy on the proper use of vehicles and does not maintain sufficient vehicle usage logs for county-owned vehicles. Some personnel are allowed to use county vehicles for commuting purposes. In addition, procedures for comparing fuel purchases to billings and monitoring bulk fuel tank inventories are lacking.

The county owns 38 road and bridge department vehicles (including pick up trucks, dump trucks, graders, tractors, and loaders), 20 Sheriff's department vehicles, 1 Assessor's office vehicle, and 1 Planning and Zoning office vehicle. During the two years ended December 31, 2006, the county disbursed approximately \$244,000 for "gas and oil" for the road and bridge department and approximately \$109,000 for the Sheriff's department. The Road and Bridge Department has three bulk fuel pumps which are used to dispense the fuel into the vehicles and equipment. All other fuel is purchased at local vendors where the county has accounts.

- A. The county has no formal written policy on the proper use of county vehicles and recordkeeping and reporting requirements have not been established. A review of usage and fuel records maintained by the various departments showed inconsistencies and areas needing improvement.

While fuel usage logs are maintained for road and bridge and Sheriff's department vehicles, sufficient information is not provided to monitor overall vehicle use. The fuel usage logs prepared by the road and bridge supervisors show only the date and number of gallons of fuel pumped; not all dates used, odometer readings, destination, and purpose or other maintenance information. Sheriff's department logs show odometer readings for each fill up and other maintenance information; however, details are only provided for days when fuel is purchased rather than each day the vehicle is used, and no destination or purpose information is shown. On the other hand, vehicle usage logs maintained for the Assessor's and Planning and Zoning office vehicles provide daily trip information and mileage incurred either by trip or for the month, but do not provide fuel use or other maintenance information.

A formal written vehicle policy should require the use of vehicle usage logs and outline the reporting requirements as appropriate for the various county departments. Consideration could be given to developing standard forms for use by county employees. Logs should be reviewed by a supervisor to ensure vehicles are used only for county business and to help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

- B. Sheriff's department deputies and road and bridge department supervisors are allowed to use county vehicles to commute to and from home daily. As discussed in

part A above, logs maintained by these departments are not sufficient to show mileage incurred for either county business or commuting purposes. Also, the county does not have a written policy addressing the use of county vehicles for commuting purposes and did not include the value of the commuting miles on employees' W-2's.

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

- C. Although fuel purchases represent a significant cost to the county, procedures to evaluate the reasonableness of fuel expenditures and verify vendor billings are not adequate. An inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained and no procedure is performed to periodically test the amount of fuel on hand. Also, gas tickets obtained for fuel purchases at local vendors are not compared to vendors' billings or fuel log information prior to approval for payment.

The failure to compare fuel usage records and gas tickets to vendor billings and analyze vehicle mileage as compared to fuel usage, increases the possibility the county may pay improper billing amounts and theft or misuse of fuel could occur and go undetected.

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

**WE RECOMMEND** the County Commission:

- A. Develop a written county vehicle policy which requires the preparation of vehicle usage logs and outlines the required recordkeeping and reporting requirements. In addition, the County Commission needs to ensure that proper reviews of vehicle usage logs are performed.
- B. Perform a cost/benefit analysis regarding commuting use of county vehicles and evaluate the reasonableness of continuing this practice, develop a policy regarding such use if appropriate, and ensure the county complies with IRS guidelines for reporting personal commuting mileage.
- C. Ensure fuel usage and purchase records are reviewed for completeness and reasonableness of usage, and used to verify vendor billings. In addition, the County Commission should ensure inventory records of bulk fuel tanks are maintained.

**AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*We concur and will work on implementing these recommendations.*

<b>5. County Property Records and Procedures</b>
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Procedures and records to account for county property are not adequate. Most departments did not perform periodic inspections and inventories or submit required reports.

Currently, each county official is expected to perform inspections and physical inventories and submit inventory listings to the County Commission annually. However, a review of the county commission files showed that only the Assessor, Collector, and Public Administrator had current reports on file. Inventory listings for most other offices dated back to 2001. Details provided on the various reports differed and some did not provide necessary information, such as acquisition dates, costs, serial numbers, tag numbers, and date and method of disposal. County vehicles utilized by the Sheriff, Assessor, and Planning and Zoning departments were not included on their inventory listings. The assistant to the County Commission provides prenumbered property tags to the various offices, but does not keep a record of which numbers have been assigned and to what office. As a result, the effectiveness of the sequential numbering is diminished. The lack of complete and accurate property records and poor monitoring 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 Commission and 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 as appropriate.

**AUDITEE'S RESPONSE**

*The County Commission and County Clerk provided the following response:*

*We will request that all offices and departments begin submitting annual inventories along with their budget requests. In addition, procedures for assigning tags and monitoring property transactions will be improved.*

<b>6. Plat Books</b>
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Accounting procedures are not sufficient, some plat books cannot be accounted for, and it appears the county will not recoup the initial cost of the plat books.

The county used Special Road and Bridge Fund monies to purchase 750 plat books costing \$21,030 (approximately \$28 per book) in March 2005. Plat books were to be sold for \$30 each, although records indicated the price was sometimes lowered when several copies were purchased. Also, county personnel explained that some plat books are given away but no record is maintained. Monthly reports prepared by the county commissioners' secretary showed that 387 plat books were sold from March 2005 through March 7, 2007, and total receipts were \$11,541. There were 195 books on hand on March 7, 2007, resulting in 168 plat books (totaling \$5,040) unaccounted for. If the remaining 195 books are sold for \$30 each, overall plat book receipts will be \$17,391 or \$3,639 below the original cost of the books. Considering the \$30 price set by the county, 55 plat books could have been given away and the county would have still broken even.

The county commissioner's secretary is responsible for all accounting duties, including receipting, recording, and transmitting monies to the County Treasurer. No independent review of the records is performed.

To ensure all plat books are accounted for adequately, the County Commission should reconcile the number of plat books on hand to the total number of plat books sold or given away. Any differences should be investigated. In addition, monies received from the sale of plat books should be monitored to ensure the selling price is appropriate and costs recouped as planned, and that all monies are properly accounted for.

**WE RECOMMEND** the County Commission ensure their secretary maintain adequate records of the number of plat books sold, given away, or used by the county and periodically reconcile the number of plat books reported on the inventory to the number of plat books on hand. In addition, the County Commission needs to perform reviews of the records and follow up on the 168 unaccounted for plat books.

## **AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*Efforts are being made to follow up on the unaccounted for plat books. Future plat book purchases and sales will be monitored more closely.*

<b>7. County Clerk's Accounting Controls and Procedures</b>
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Accounting duties are not adequately segregated and the County Clerk does not provide adequate supervision or perform adequate reviews of records. Problems with facsimile stamps and transmittals were identified. In addition, records and procedures related to various election monies need improvement.

The County Clerk's office maintains four bank accounts for processing various election monies and also receives clerk fees which are periodically transmitted to the County Treasurer. Approximately \$122,000 and \$18,000 in election and fee monies, respectively, are processed annually. Also, the County Clerk maintains several bank accounts and certificates of deposit for school and cemetery trust funds, which had little activity during the audit period.

- A. Adequate oversight of accounting functions and records is not provided by the County Clerk. Each of the three deputy county clerks has certain areas of responsibility (elections; trust funds and accounts payable; and budget and payroll). While all clerks collect receipts and have access to monies received and may perform other duties during another clerk's absence, each is primarily responsible for performing all the related accounting and recordkeeping duties for their areas. There are no documented independent reviews performed.

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

- B. Facsimile signature stamps of the County Clerk's signature are maintained by two employees in the County Clerk's office, and are used by employees of the County Clerk's office to document the County Clerk's approval on various forms and checks. The County Clerk generally does not review the documents stamped and employees do not always provide their initials to identify the user of the stamp. Although checks written from the various elections accounts require two signatures, the same employee can sign the checks and use the facsimile stamp for the other required signature. The use of the facsimile stamps, unrestricted access to the stamps, and

lack of review by the County Clerk diminishes the controls intended by approval signatures. The County Clerk should evaluate the need for the stamp, and if he decides to continue the practice of using the facsimile stamp, controls over the stamp should be established.

- C. Monies received are not transmitted to the County Treasurer on a timely basis. During the audit period, transmittals were generally made approximately once a month and approximately twice a month during the summer when liquor licenses are renewed. In addition, checks and money orders are not restrictively endorsed until the County Treasurer's deposit is prepared. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted on a timely basis, particularly when large amounts are on hand, and restrictively endorsed upon receipt.
- D. The County Clerk maintains a checking account for Help America Vote Act (HAVA) grant monies received from the Secretary of the State's office; a checking account for elections services monies which are 5 percent contributions from political subdivisions and restricted to disbursements for training programs, supplies or equipment to improve the conduct of elections; and, a checking account used for prorating costs among various political subdivisions and paying most of the county's election costs. In July 2006, a pooled bank account was opened and currently all election monies received, regardless of their source, are deposited into this account. and transfers are made to the other election accounts when expenditures are required. However, monies deposited into the pooled account are not identified by type of revenue (i.e., monies received from a political subdivision are not segregated by cost reimbursement as compared to 5 percent contribution) and the balance is not periodically reviewed to determine specifically what monies it is comprised of.

HAVA grant guidelines, Section 115.065, RSMo and Section 115.077, RSMo, provide guidance on the handling and allowable uses of the various election monies and authorize the establishment of separate funds or accounts to track these monies. While the County Clerk's office maintains ledgers that list receipts and disbursements and account balance information for each bank account, there are no summary records by fund maintained to monitor overall activity, interest income, and fund balances related to the various election monies. As a result, neither the transactions nor the balances on hand which pertain to the different election functions can be readily determined. Also, the co-mingling of these various monies and the poor records make demonstrating compliance with federal grant requirements and statutory provisions more difficult.

At our request, the County Clerk attempted to provide a breakdown of activity by fund for 2006 and 2005; however, the amounts provided were not accurate. Thus, these three funds are shown combined as the County Clerk Election Accounts Fund for reporting purposes.

Our prior report recommendation that the County Clerk transfer custody of election monies to the County Treasurer was not implemented. Further, there is no statutory authority that allows the County Clerk to hold the HAVA account outside the county treasury. For compliance reasons and because controls and accountability over the various elections monies are lacking, the County Clerk should consider turning over the custody of various elections bank accounts to the County Treasurer.

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

**WE RECOMMEND** the County Clerk:

- A. Provide adequate oversight for the accounting functions performed by employees.
- B. Evaluate the need for the facsimile signature stamp, and if he decides to continue the practice of using the facsimile stamp, controls over the stamp should be established.
- C. Transmit all monies on a timely basis. In addition, checks should be restrictively endorsed immediately upon receipt.
- D. Ensure activity and balances related to the various county elections funds are properly accounted for and give consideration to transferring custody of elections accounts to the County Treasurer.

**AUDITEE'S RESPONSE**

*The County Clerk provided the following responses:*

- A. *Reviews of records are performed, but not documented. In the future, such reviews will be documented with a signature.*
- B. *I believe there is a need for a facsimile stamp to be available; but controls over facsimile stamp usage will be re-evaluated and improved.*
- C. *Efforts will be made to transmit monies more timely, particularly in those months where more monies are received. An endorsement stamp will be purchased so that checks can be restrictively endorsed immediately.*
- D. *Additional details have been added to the pooled account check register to identify the source of funds. The County Treasurer has been added as an authorized signature on the election services account.*

**8.****Sheriff's Accounting Controls and Procedures**

Accounting duties are not adequately segregated and independent reviews of various accounting functions are not performed. Reconciliation and recordkeeping procedures for the inmate and commissary accounts are not sufficient, and deposits of inmate monies are not timely. In addition, records of seized property are not up-to-date and physical inventories are not performed. Calendar advertising commissions are not accounted for by the sheriff and sheriff department employees are provided meals at no charge from the jail.

The Sheriff's Department processed monies totaling approximately \$400,000 and \$435,000 during the years ended December 31, 2006 and 2005, respectively, in civil and criminal case fees and reimbursements, board bills, bonds, inmate and commissary monies, gun permits, and miscellaneous receipts.

- A. As similarly discussed in the prior audit report, cash custody and recordkeeping duties are not adequately segregated. There are three clerks and each have their own area of responsibility (civil, bond, and inmate monies). Each is primarily responsible for collecting monies, recording transactions, preparing deposits, disbursing monies, and reconciling the bank accounts. Supervisory or independent reviews are not performed. The Sheriff indicated that he reviews bank reconciliations occasionally and performs spot checks every month on some accounting records; however, these reviews are not documented.

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

- B. Procedures related to inmate and commissary bank accounts and commissary inventory need improvement.
1. Bank reconciliations are not being prepared for either the inmate or commissary accounts. At March 30, 2007, the inmate bank account balance was \$3,619 and the commissary bank account balance was \$5,807. Upon our request, bank reconciliations as of March 2007 were performed. While the commissary account reconciled cash balance agreed to the check register balance, some problems were noted with the inmate account reconciliation. Checks returned by the post office, totaling approximately \$1,100, were not included as a reconciling item and a review of the outstanding check list showed that it was incomplete and older checks had not been considered. In addition, the inmate account balance is not reconciled to the total of the individual inmate balances. Individual inmate balance sheets are prepared to track inmate monies, commissary purchases, and refunds to inmates upon

release. Although we requested a reconciliation of individual inmate account balances to the account balance be completed, this was not performed.

Bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to correct any identified book or bank errors, and allow prompt follow up on outstanding or returned checks. In addition, reconciliation to individual inmate balances is necessary to ensure receipt of inmate monies, commissary purchases, and eventual refunds are accounted for properly.

2. Deposits into the inmate account are not made timely. Also, some monies deposited into the inmate account were not recorded on the receipt log and some monies recorded on the receipt log are returned to the inmate that same day prior to deposit without any notation in the records. Deposit slips do not provide any details regarding individual transactions being deposited, with only total cash and total money orders listed. In addition, money orders are not restrictively endorsed. Because of the various discrepancies, limited details in the records, and other procedural problems, there is less assurance that inmate monies have been properly handled and accounted for. Inmate monies received should be posted to the receipt log immediately upon receipt and deposited intact. If monies are returned to the inmate prior to deposit, this should be noted on the receipt log. Proper details should be included on deposit slips and comparisons of receipt log details to bank deposits (i.e., composition of receipts) performed. In addition, money orders should be restrictively endorsed immediately upon receipt.
3. Inmate balance sheets, which provide a record of inmate monies received, commissary transactions, and refund of monies upon inmate release, are only retained for a short period of time after release and then discarded. Also, commissary items listings, which list commissary purchases by inmates and provide support for weekly transfers checks from the inmate account to the commissary account, are discarded immediately after the transfer check is issued. These records provide support for transactions within the bank accounts and might be necessary for referral should questions arise.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail and account for all monies received. Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

4. A running inventory (perpetual inventory) of commissary items purchased, sold to inmates, and inventory balances is not maintained. In addition to items which can be ordered weekly by inmates, the sheriff's department purchases snacks, candy, and personal hygiene products which they keep on hand as an inventory for the inmates to purchase.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.

- C. Calendar advertising commissions are not deposited into a bank account or otherwise accounted for by the Sheriff. During the years ending December 31, 2006 and 2005, the Sheriff received \$800 and \$840, respectively, as commissions from the sale of advertising space on calendars featuring the Sheriff's department. The Sheriff indicated the commission checks were cashed and the monies were used to pay for the department's Christmas dinner. No records of receipt or disbursement of these monies were maintained. Such expenditures do not appear necessary for the operation of the department and do not appear to be a prudent use of public monies. In addition, these monies are accountable fees and should be deposited into the county treasury and expended as provided for in the official county budget.

Section 50.370, RSMo, requires county officials to file a report with the County Commission and pay monies received for official services to the County Treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

- D. While some recordkeeping changes were made to address recommendations made in our prior audit, controls regarding seized property still need some improvement. The Sheriff's department implemented a computerized inventory record and now has an evidence officer responsible for updating this record. When evidence is seized during an investigation, the property is recorded by the applicable deputy on an evidence report and placed in the evidence locker. The Evidence Officer is responsible for transferring the property from the evidence locker to the evidence room, and tagging and recording the property on a computer inventory control record. The Evidence Officer indicated he was at least a year behind in entering property on the computer inventory. As a result, much of the property has not been tagged and recorded. In addition, periodic physical inventories of the property on hand are not conducted.

Failure to properly secure and inventory seized property increases the risk of theft or misuse of the stored items. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

- E. Although the Sheriff and County Commission responded they had made changes or were already working on implementing the prior report recommendation, some Sheriff's department employees continued to be provided meals at no cost from the jail and county policy was not amended to address this arrangement. According to a record maintained by the jail cook, 371 such meals were provided for December

2006. For this same month 8,824 inmate meals at an average cost of \$1.38 per meal were served.

The county should utilize meal count and cost information to evaluate this arrangement, determine if this is advantageous to the county and a benefit that should be provided, identify under what conditions eating a meal at no charge is appropriate, and incorporate such information into the county's personnel policy as applicable.

**WE RECOMMEND** the Sheriff:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B.1. Ensure bank reconciliations are prepared for the inmate and commissary accounts each month, and reconcile individual inmate balances to the total of the monies in the bank account.
  - 2. Require all inmate monies received be posted to the receipt log and deposited intact on a timely basis. Also, ensure that records and deposit slips provide sufficient details so that comparison of receipt logs to deposits can be performed. Finally, money orders need to be restrictively endorsed upon receipt.
  - 3. Maintain inmate balance sheets and commissary items listings to support bank account activity.
  - 4. Maintain a running inventory of commissary items and perform periodic physical inventories.
- C. Discontinue the practice of maintaining calendar sale monies outside the county treasury. Turn over the monies received from calendar advertising to the County Treasury and expend these monies through the normal budgetary process, while maintaining documentation of the expenditures.
- D. Prepare and maintain complete and up-to-date inventory records of seized property, and perform periodic physical inventories.
- E. And the County Commission evaluate this practice and determine whether sheriff department employees should be provided meals at county expense; and, if necessary, update the county personnel policy.

## **AUDITEE'S RESPONSE**

*The Sheriff provided the following responses:*

- A. *This recommendation has been implemented. Additional segregation is likely not possible, but supervisory reviews of bank statements and reconciliations will be performed as time permits.*
- B.1. *Bank reconciliations are now being performed. Efforts will be made to compare individual inmate balances to total monies in the inmate account.*
  - 2. *All monies will be recorded on the receipt log and efforts will be made to deposit more timely. Procedures will be developed to better identify whether transactions were included in deposits or returned to an inmate prior to deposit. Money orders are being endorsed upon receipt.*
  - 3. *A form is being developed to document inmate account and commissary activity. It will be retained in individual inmate files.*
  - 4. *This recommendation will be implemented in the very near future.*
- C. *Calendars will continue to be printed yearly. However, the Sheriff will allow the calendar company to retain all advertising monies and his department will no longer receive any commissions.*
- D. *This recommendation has been implemented.*
- E. *It is typically jailers that are eating meals at the jail. They are required to stay on the premises during their entire shift. Deputies generally do not eat at the jail.*

*The County Commission provided the following response:*

- E. *We will re-visit this issue with the Sheriff.*

<b>9. Circuit Clerk's Accounting Controls and Procedures</b>
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Procedures related to accrued costs, open items, and interest income are in need of improvement. The Circuit Clerk processed receipts totaling approximately \$1,050,000 and \$330,000 during the years ended December 31, 2006 and 2005, respectively, in civil and criminal case fees, fines, and bonds.

- A. A significant amount of accrued costs are due to the Circuit Court. A listing of accrued costs is maintained in the court's computer system, (JIS); however, the Circuit Clerk was not aware this information was available or that a report could be generated. At our request, the Circuit Clerk contacted the Office of State Courts

Administrator (OSCA) to find out how to generate the report. As of February 15, 2007, the Circuit Court's accrued cost balance which was over 60 days overdue was approximately \$1,600,000, with court-ordered restitution accounting for approximately \$920,000 of this amount. One case reviewed showed accrued costs totaling approximately \$76,000; however, the case docket indicated a dismissal was ordered in 2004 and this case should have no longer been on the listing.

The Circuit Clerk should periodically generate a list of accrued costs and review for accuracy and completeness. Such a procedure would allow the Circuit Clerk to more easily monitor the amounts due to the court and to take appropriate steps to ensure amounts owed are collected. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

- B. The Circuit Clerk does not make adequate efforts to review the status of older open items. As of December 31, 2006, the open items (liabilities) listing totaled \$195,202 and agreed to the reconciled bank account balance. The listing contained numerous cases with the last receipt date ranging from December 2001 to December 2005.

The failure to routinely review open items and apply available monies when appropriate increases the volume of cases which must be monitored and deprives the state, county or others the use of those monies. A procedure to routinely review case open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the Circuit Clerk needs to perform a current comprehensive review of old open items and dispose of monies as appropriate.

- C. The Circuit Clerk does not maintain an overall record of interest monies earned, spent, and the balance of the interest fund. While the majority of interest monies are earned on the JIS bank account and tracked within the JIS system, interest monies are also held in various other bank accounts. At our request, the Circuit Clerk prepared an overall record of interest income and transactions with the assistance of the Office of the State Court Administrator. At December 31, 2006, interest monies available totaled approximately \$20,000.

An interest ledger is necessary to track the current balance of interest monies and ensure interest income and expenditures are accurately recorded and accounted for. Such a record would also be useful in preparing a budget for the Circuit Clerk Interest Fund.

Similar conditions were noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Establish procedures to monitor and collect accrued costs.
- B. Routinely review open items and disburse or dispose of monies as appropriate.
- C. Maintain an interest ledger to record monies received and expenditures.

**AUDITEE'S RESPONSE**

*The Circuit Clerk provided the following responses:*

- A. *My office has addressed the issue of accrued costs by participating in the tax offset and debt collection program offered by the State. I know there are cases that do not have payment plans set up at this time, but this office will work on the report and set up payment plans for eligible cases. All cases disposed of at this time, whether old or new, have payment plans set up at time of disposition.*
- B. *My office will review all older open items and disburse funds within the next 8 weeks. The open items report will then be monitored on a monthly basis to ensure all funds are paid out in an appropriate timeframe.*
- C. *All old accounts are now closed and all interest money is monitored in the JIS in a debit account. A new ledger will be set up to indicate the monthly interest earned and money spent. Beginning for 2008, I will set up a budget for the interest account.*

*In June 2005, Ray County started the process of consolidating our courts. In that time, there were many extra duties and special projects to complete. Due to the additional work, several matters were not dealt with in a timely manner. The recommendations of the Auditor will be completed by December 31, 2007.*

<b>10. Recorder of Deeds' Accounting Controls and Procedures</b>
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Receipts are not deposited in a timely manner and bank reconciliations are not performed. The Recorder of Deeds' office processed receipts totaling approximately \$270,000 and \$250,000 during the years ended December 31, 2006 and 2005, respectively, in recording fees, copy charges, and interest income.

- A. Receipts are not always deposited on a timely basis. While deposit slips are prepared for the daily receipts; deposits are not generally taken to the bank each day. A review of the December 2006, January 2007, and March 2007 bank statements showed that most deposits were comprised of multiple days' receipts. For example, although sixteen deposit slips were prepared for December 2006 receipt activity, deposits were only made on two days. Total amounts deposited were \$5,807 on

December 6 and \$8,892 on December 20. A January 3, 2007, cash count identified 17 checks on hand which had not been restrictively endorsed. Checks are not restrictively endorsed until deposits are prepared.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt, and deposits should be made on a timely basis.

- B. The bank account is not reconciled each month. A review of bank statements for the entire audit period showed that a bank reconciliation had been documented for December 2006 only and the balance was not being reconciled to liabilities. However, at our request, the Recorder prepared bank reconciliations for January through March 2007 and compared the reconciled bank balance to liabilities. For each month the reconciled bank account balance exceeded identified liabilities by \$290.

Monthly bank reconciliations and comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists. Any amounts which remain unidentified should be disposed of in accordance with state law.

**WE RECOMMEND** the Recorder of Deeds:

- A. Restrictively endorse checks immediately upon receipt and make more timely deposits.
- B. Ensure formal bank reconciliations are prepared monthly, and attempt to identify and properly dispose of the unidentified monies in the bank account.

### **AUDITEE'S RESPONSE**

*The Recorder of Deeds provided the following responses:*

- A. *This recommendation has been implemented.*
- B. *This recommendation has been implemented. The unidentified amount has remained the same for several months. At the end of the year this amount will be turned over to the County Treasurer for proper disposition.*

<b>11. Prosecuting Attorney's Accounting Controls and Procedures</b>
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Accounting duties are not adequately segregated. Bank reconciliations are not documented and procedures have not been established to ensure all accrued costs are adequately identified and pursued. The Prosecuting Attorney's Office processed receipts totaling approximately \$215,000 and \$300,000 during the years ended December 31, 2006 and 2005, respectively, in bad check restitution and fees.

- A. Cash custody and recordkeeping duties are not adequately segregated. The Prosecuting Attorney's bad check clerk collects monies, records transactions, prepares deposits and transmittals, and makes disbursements. There are no documented reviews of the accounting or bank records performed by the Prosecuting Attorney.

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

- B. The office clerk indicated bank reconciliations are performed using the electronic bad check accounting system; however, the bank reconciliations are not printed and retained. The bad check accounting system will not allow the clerk to print these at a later date. At our request, the clerk generated a copy of the February 15, 2007, reconciliation which showed a \$111 discrepancy between the bad check system balance and the reconciled bank balance. It appears the discrepancy is due to several unexplained adjustments made to the accounting system during 2003, which had not been resolved. Also, a comparison of the reconciled bank balance to identified liabilities (bad check collections ready for payment to victim) for this same date indicates the bank account is short by approximately \$275.

Discrepancies identified during the monthly bank reconciliation process should be followed up on and resolved. Also, monthly reconciliations of the cash balance to liabilities are necessary to ensure the cash balance is sufficient to cover liabilities. Without proper reconciliations and follow up, there is less assurance that cash receipts and disbursements have been properly handled and recorded.

- C. A listing of accrued costs owed related to bad checks for which charges were filed with the court is maintained in the bad check electronic accounting system. As of January 30, 2007, the accrued cost balance was approximately \$176,500. Three cases reviewed showed accrued costs totaling \$36,862; however, because the cases had been dismissed or prosecution waived for various reasons, these cases should not have been included on the January 2007 listing. Apparently the office clerk had failed to show these cases as satisfied in the bad check system. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is accurate and improve the ability to effectively monitor case balances.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Ensure proper month end reconciliations are performed and documented, and any discrepancies resolved timely.
- C. Establish procedures to ensure the accrued cost listing is reviewed and case balances updated as appropriate based on case status.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney provided the following responses:*

- A. *This recommendation has been implemented. We have established procedures for supervisory reviews and these efforts will be documented.*
- B. *This recommendation has been implemented. Monthly bank reconciliations are being performed and printed, and retained for future reference.*
- C. *This recommendation has been implemented.*

<b>12. 911 Board's Controls and Procedures</b>
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The 911 Board's receipting and depositing procedures need improvement. Procedures and documentation related to closed meetings did not comply with law. The 911 Board receives approximately \$198,000 a year in telephone surcharges and interest.

- A. The following concerns related to the 911 Board's receipting procedures:
  - 1) The 911 Board is funded by a telephone surcharge which is collected by telephone companies and paid to the board periodically. Receipt slips are not issued for monies received. Although a spreadsheet is maintained to keep track of payments from each telephone company, the spreadsheet is not reconciled to deposits. We identified at least one payment which was deposited but was not included on the spreadsheet.  
  
To safeguard receipts and reduce the risk of loss, or misuse of funds, the spreadsheet of telephone surcharge receipts should be reconciled to deposits.
  - 2) Deposits are not always made on a timely basis. For example, a \$2,588 telephone surcharge amount was recorded in the ledger on January 19, 2007, but not deposited until February 8, 2007. There were no deposits made in

January. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis.

- B. The board's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. Open meeting minutes did not always document the related vote to close the meeting, specific reasons for closing the meeting, or the final disposition of certain matters discussed in closed meetings. In addition, minutes were not available for some closed meetings. Finally, the minutes are not signed by a board member to attest to their completeness and accuracy.

Without minutes of closed meetings, proper documentation regarding closure of meetings, and subsequent documentation of actions taken in closed meetings, there is no record of the discussions held or support for decisions made and less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, requires minutes to be kept for all closed meetings, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements. Sufficiently detailed records are needed to demonstrate compliance with statutory provisions and support important decisions made. Minutes should be signed by a board member to document that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

**WE RECOMMEND** the 911 Board:

- A.1. Reconcile the spreadsheet of telephone surcharge receipts to deposits.
2. Deposit all monies intact on a timely basis.
- B. Ensure that procedures for closing meetings comply with state law and are properly documented.

**AUDITEE'S RESPONSE**

*The 911 director provided the following responses:*

- A.1.  
&B. *We plan to implement these recommendations.*
- A.2. *This recommendation has been implemented.*

**13.****Senate Bill 40 Board's Controls and Procedures**

The Senate Bill 40 (SB40) Board's expenditure documentation and payroll procedures need improvement. Procedures and documentation related to closed meetings did not comply with law. The SB40 board received approximately \$510,000 in 2006 and \$435,000 in 2005 from property taxes, interest income, and Medicaid reimbursements.

- A.1. For some expenditures tested, the documentation provided for our review was not sufficient to support the amount paid and/or amounts paid did not appear consistent with contract terms. For example, the SB40 Board issued a reimbursement check for \$4,340 to a not-for-profit agency in March 2005. This amount pertained to a variety of expenses itemized on the billing. However, invoices or other supporting documentation related to \$3,655 of this amount were not provided to us for review. Another instance was noted where the SB40 Board issued a payment to the Mental Health Trust Fund which was approximately \$212 less than the amounts listed on the supporting documents. We also noted that a company providing transportation services charged an additional fee for an individual to ride along and provide assistance to a client. For the month reviewed, the additional amount charged was \$7.30 an hour for 32 hours. However, this additional charge is not covered in the contract with the SB40 Board.

To ensure obligations were actually incurred and that disbursements represent appropriate uses of public funds, all disbursements should be supported by proper supporting documentation and should be consistent with contract provisions unless an explanation is provided.

A similar condition was noted in our prior report.

2. In December 2006, all Senate Bill 40 board employees were paid a \$50 bonus. There was no documentation that these bonuses were approved by the board. In addition, one employee was paid an additional \$1,000 bonus which was approved by the board in April 2007, as documented in the board minutes. These bonuses appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."
- B. Timesheets are not prepared by administrative employees. While timesheets are prepared by field employees, the review and approval of these timesheets by field supervisors is not documented. Timesheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to

monitor hours worked. The board should require detailed time sheets be prepared by all board employees and ensure supervisory approval is documented.

- C. The board's procedures related to holding and documenting closed meetings need improvement to ensure compliance with statutory provisions. Open meeting minutes did not always document the related vote to close the meeting, specific reasons for closing the meeting, or the final disposition of certain matters discussed in closed meetings. In addition, minutes were not available for some closed meetings.

Without minutes of closed meetings, proper documentation regarding closure of meetings, and subsequent documentation of actions taken in closed meetings, there is no record of the discussions held or support for decisions made and less assurance to the public that the various statutory provisions are being followed. The Sunshine Law, Chapter 610, RSMo, requires minutes to be kept for all closed meetings, provides guidance on topics that are allowed to be discussed in closed meetings, and outlines the various documentation requirements. Sufficiently detailed records are needed to demonstrate compliance with statutory provisions and support important decisions made.

**WE RECOMMEND** the Senate Bill 40 Board:

- A.1. Ensure adequate supporting documentation is maintained for all disbursements and amounts paid are consistent with contract terms.
  - 2. Refrain from granting bonuses to employees.
- B. Require time sheets be prepared by all employees which reflect actual time worked. In addition, the approval by direct supervisor should be documented on the time sheets.
- C. Ensure that procedures for closing meetings comply with state law and are properly documented.

**AUDITEE'S RESPONSE**

*The Senate Bill 40 Board President provided the following responses:*

- A.1. *The \$4,340 to a not-for-profit agency in March 2005 was for the monthly contractual funding to Ideal Industries. Documentation for that amount can be found in the March 2005 minutes. The amount includes \$2,432, pertaining to wages, which was paid to Ideal Industries to fund an employee to spend full time in preparation for obtaining CARF accreditation for Ideal Industries, Inc. Documentation is found in the March 2005 minutes as well as on Ideal Industries payroll records.*

*The payment of \$7.30 per hour for 32 hours on the month reviewed was for a bus monitor, to control the behavior of a person being transported. We will amend the contract with RCT to include the potential for a bus monitor.*

2. *The decision to pay a Christmas bonus of \$50 to board employees was an executive decision made by the Executive Director and the Board Chairman. The board meets on the second Tuesday of each month and the executive decision was made in lieu of calling a special board meeting to approve the bonus for employees. The accountant treated the bonus amounts as wages.*

*The decision to pay a \$1,000 bonus to an employee was made by the board for the employee's outstanding leadership in introducing a new program that was over and above her job description. Our error was in labeling the \$1,000 as a bonus instead of an increase in salary. Our accountant withheld the proper taxes and treated the transaction as regular salary.*

- B. *We will institute the practice of timesheets for salaried employees, as per your suggestion, which reflect actual time worked as of September 15, 2007.*
- C. *Over its 22 years of existence, the Ray County Board has rarely needed to go into closed session. Consequently, we were somewhat vague on the proper procedures of reporting. The results of the first closed session were incorporated into the regular meeting minutes. Subsequently, the board has gone through the recognized standard procedure of calling the roll to leave the regular session, and upon completion of the closed meeting, call the roll again to return to regular session. The results of the decisions, or non-decisions, are then entered into minutes of the closed session.*

## Follow-Up on Prior Audit Findings

RAY 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 Ray County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. 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. Budgetary Practices

- A. The actual receipt and disbursement amounts shown in the county budgets contained incorrect amounts and numerous misclassifications.
- B. Budgets were not prepared for various county funds. In addition, the county's annual published financial statements presented no information for some county funds.
- C. The County Commission approved expenditures in excess of budgeted amounts for various funds.

Recommendations:

The County Commission:

- A. Ensure that budget documents contain complete and accurate information about the county's finances, agree to the County Treasurer's records, and have adequate descriptions. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and made public.
- B. And the County Clerk ensure budgets are prepared for all county funds and include all county funds in the published financial statements as required by state law.
- C. Refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was adopted, the County Commission should amend its budget by following procedures required by state law.

Status:

- A. Partially implemented. While there were no problems found with the actual receipt and disbursement amounts shown in the county budgets, numerous reclassifications were still required. Although not repeated in the current MAR, our recommendation remains as stated above.

- B. Partially implemented. Improvements were noted in the county's budgetary process, but some funds were still not budgeted. Also, the published financial statements omitted several county funds and did not present some other information required by law. See MAR finding number 2.
- C. Not implemented. See MAR finding number 2.

2. Officials' Salaries and Payroll Procedures

- A. Associate County Commissioners received mid-term salary increases in 1999. A subsequent Missouri Supreme Court decision held the statute unconstitutional. The County Commission adopted a resolution not requiring repayment of these raises, but this action was not supported by a written legal opinion.
- B. The Treasurer received a salary increase in 2003. However, the salary commission did not meet or authorize the use of an alternative higher salary schedule for the County Treasurer in 2002, and the County Commission did not obtain a written legal opinion to support the increase.
- C. The County Commission and the former Prosecuting Attorney approved a policy exempting the Prosecuting Attorney's employees from the Fair Labor Standards Act (FLSA); however, it was unclear how these employees were exempt from the FLSA.

Recommendation:

The County Commission:

- A&B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.
- C. Review the current overtime and compensatory time policies to ensure such policies comply with the FLSA.

Status:

- A&B. Not implemented. The County Commission responded in the prior report that they would obtain a written opinion from the Prosecuting Attorney; however, this was not done. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. Current overtime and compensatory time policies appear to comply with the FLSA. However, we did note instances where overtime worked by some employees was not processed through the county's normal payroll process. See MAR finding number 1.

3. Microfilm Sales

- A. The amounts charged and collected by the former Recorder of Deeds for microfilm sales did not always appear correct.
- B. Receipt slips were not issued by the former Recorder of Deeds for payments received from microfilm sales.
- C. Bids were not solicited and a written contract was not entered into for microfilming services.
- D. The sale of microfilm to one title company was not handled consistent with sales to other title companies.

Recommendation:

The Recorder of Deeds:

- A. Ensure adequate documentation is maintained to support the amounts charged for microfilm sales.
- B. Issue receipt slips to account for all microfilm sales. In addition, the Recorder of Deed's should obtain receipts from the County Treasurer for monies forwarded to the County Treasurer or issue payment by official check to account for the ultimate disposition of all microfilm receipts received.
- C. Solicit bids for all items in accordance with state law and ensure all contracts are in writing and signed by each of the parties involved.
- D. Ensure microfilm sales are consistently handled and attempt to determine why payment for one sale of microfilm was billed by the microfilm company, rather than the Recorder of Deeds. In addition, the County Commission should review this situation with the Prosecuting Attorney and determine any action to be taken.

Status:

- A-C. Implemented.
- D. Partially implemented. Microfilm sales were no longer handled after May 2005. While the County Commission indicated the situation was reviewed with the Prosecuting Attorney, there was nothing in writing to document this or any subsequent actions as a result. Although not repeated in the current MAR, our recommendations remain as stated above.

4. Child Support Enforcement

Child Support Enforcement (Title IV-D) reimbursements claimed by the former Prosecuting Attorney during 2002 and 2001 were inaccurate.

Recommendation:

The County Commission and Prosecuting Attorney work with the grantor agency to resolve the questioned costs. The Prosecuting Attorney should ensure Title IV-D claim forms are accurate and report all hours worked by the employees of his office.

Status:

Implemented. The state withheld \$10,023 from subsequent reimbursement claims.

5. County Treasurer's Controls and Procedures

Adequate supporting documentation was not always obtained for some expenditures from officials' restricted funds and others had insufficient detail to support the expenditure.

Recommendation:

The County Treasurer ensure adequate supporting documentation is obtained for all expenditures and checks are not signed in advance. In addition, the Prosecuting Attorney should ensure all future expenditures represent a prudent use of public monies.

Status:

Partially implemented. Checks are not being signed in advance and expenditures from Prosecuting Attorney's funds were supported. However, the County Treasurer does not always obtain original invoices as supporting documentation for expenditures from the Sheriff's Account. Although not repeated in the current MAR, our recommendations remain as stated above.

6. Expenditures

A. Bids were not always solicited by the County Commission nor was bid documentation always retained for some purchases.

B. Some emergency planning monies made payable to the county were not maintained in a bank account controlled by the County Treasurer.

C. Payments were made to road districts without proper written contracts.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Ensure all county funds are in the custody of the County Treasurer and disbursed through the county's expenditure system.
- C. Enter into proper written contracts, which specifically state what services are to be provided to the county.

Status:

- A. Partially implemented. Improvements were noted in the county's bidding procedures. For most purchases reviewed, bids were received and bid awards were documented in the commission minutes; however, sole source or emergency procurements were not always documented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Emergency planning monies are now being turned over to the County Treasurer. However, we noted one instance in which a \$7,875 insurance company claim check was endorsed over to a local bank to pay off a Sheriff Department patrol car, rather than being deposited into a county fund and processed through the county's expenditure system. Although not repeated in the current MAR, our recommendations remain as stated above.
- C. Not implemented. See MAR finding number 2.

7. County Vehicles

Vehicle logs were not maintained for county vehicles and the gasoline log did not include all necessary information. Two road and bridge employees were allowed to use county vehicles to commute to and from work and the county did not include the value of the commuting miles or vehicles on these employees' W-2 forms.

Recommendation:

The County Commission require vehicle logs be maintained for all county vehicles. If applicable, these logs should reflect business and personal miles driven and should be reviewed periodically for reasonableness. In addition, the county should comply with IRS guidelines for reporting fringe benefits relating to personal vehicle use, or adequately document their reasoning for exempting these individuals.

Status:

Not implemented. See MAR finding number 4.

8. Property Tax Controls

The County Clerk did not maintain an account book with the County Collector.

Recommendation:

The County Commission ensure the County Clerk establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

Status:

Not implemented. See MAR finding number 3.

9. Senate Bill 40 Board

- A. The SB40 Board did not adequately monitor contractual payments.
- B. Bids were not solicited for four different vehicle purchases.
- C. Vehicle logs were not maintained for the five vehicles owned and maintained by the SB40 Board.
- D. General fixed asset records were not maintained and property tags were not affixed to all assets.

Recommendation:

The Senate Bill 40 Board:

- A. Adequately monitor contracts to ensure not-for-profit organizations are spending monies as intended by the SB40 Board and ensure adequate supporting documentation is obtained and reviewed for all expenditures.
- B. Solicit bids for all items in accordance with state law.
- C. Require detailed vehicle logs be maintained for all vehicles and review this log periodically for reasonableness.
- D. Establish records to account for general fixed assets, and identify all fixed assets with a number, tag, or similar identifying device.

Status:

- A. Not implemented. See MAR finding number 13.
- B. Implemented.
- C. Implemented. The vehicles owned by the board are no longer being driven by employees of a not-for-profit organization. Rather, they are now being driven by SB40 board employees and vehicle logs are maintained.
- D. Partially implemented. A listing of general fixed assets is now being maintained; however, the fixed assets have not been identified with a number, tag, or similar identifying device. Although not repeated in the current MAR, our recommendation remains as stated above.

10. County Clerk's Controls and Procedures

- A. The County Clerk maintained custody of the County Clerk Election Fund which was used for paying most of the county election costs.
- B. All employees in the County Clerk's office collected receipts and had access to monies received. There were no documented reviews of the accounting records performed by the County Clerk.
- C. Monies received were not transmitted to the County Treasurer on a timely basis, receipts were kept in an unlocked office, and checks and money orders were not restrictively endorsed until the deposit was prepared.

Recommendation:

The County Clerk:

- A. Ensure all county funds are held in the custody of the County Treasurer and are disbursed through the county's expenditure system.
- B. Provide adequate oversight for the accounting functions performed by employees.
- C. Transmit monies intact daily or when accumulated receipts exceed \$100. In addition, the County Clerk should keep receipts in a secure location until deposited and restrictively endorse checks and money orders immediately upon receipt.

Status:

Not implemented. See MAR finding number 7.

11. Circuit Clerk's Controls and Procedures

- A. The monthly open items listing was not reconciled with the cash balance.
- B. The Circuit Clerk did not maintain a centralized record of interest monies earned, spent, and the balance of the interest account.
- C. A listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.

Recommendation:

The Circuit Clerk:

- A. Ensure monthly listing of open items reconciles to the cash balance. All differences should be investigated and resolved on a timely basis. In addition, the Circuit Clerk should establish and implement procedures to ensure monies are disbursed in a timely manner on cases that have been resolved.
- B. Maintain an interest ledger to record interest earned and expenditures of interest fund monies for all accounts. The ledger should be reconciled to the available cash balance monthly. In addition, the Circuit Clerk should reduce the number of bank accounts maintained.
- C. Maintain a listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

Status:

- A. Partially implemented. The Circuit Clerk is reconciling monthly listings of open items to the cash balance; however, she has not implemented procedures to ensure monies are disbursed in a timely manner on cases that have been resolved. See MAR finding number 9.
- B. Not implemented. See MAR finding number 9.
- C. Partially implemented. In late 2004, the Circuit Clerk's office installed the Judicial Information System (JIS). She has begun participating in the state's tax offset and debt collections programs in an effort to collect on more accrued costs. However, these efforts focus primarily on newer cases since the JIS system was installed and there is still a need for the Circuit Clerk to follow up on older cases. See MAR finding number 9.

12. Sheriff's Controls and Procedures

- A. Sheriff's department employees were provided meals at no cost from the jail but the county's personnel policy did not address whether employees of the sheriff's department were to be provided meals by the county.
- B. A different clerk performed all cash custody and record-keeping for civil, criminal, and bonds. There were no documented reviews of the accounting records performed by the Sheriff.
- C. The petty cash fund was not maintained on an imprest basis.
- D. Adequate controls over evidence had not been established. An evidence log was not maintained and periodic inventories of the property on hand were not conducted.

Recommendation:

The Sheriff:

- A. And County Commission review whether sheriff department employees should be provided meals at county expense and if necessary, update the county personnel policy.
- B. Provide adequate oversight for the accounting functions performed by employees.
- C. Maintain the petty cash fund on an imprest basis and ensure the monies are adequately accounted for.
- D. Maintain an inventory record of all evidence seized, including information such as description, current location, case number and disposition of such property. A periodic inventory of all items on hand should be performed to ensure that items are properly identified, tagged, and logged. In addition, the Sheriff should make timely and appropriate dispositions of evidence.

Status:

- A&B. Not implemented. See MAR finding number 8.
- C. Implemented.
- D. Partially implemented. While some changes to records and procedures have been made to address prior audit recommendations, improvements are still needed. See MAR finding number 8.

13. Assessor's Controls and Procedures

Receipt slips were not issued for some monies received and transmittals to the County Treasurer were not made intact. In addition, cashiers' checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The Assessor issue prenumbered receipt slips for all monies received and reconcile the composition of the receipts to transmittals to the County Treasurer. If a petty cash fund is needed, it should be maintained at a constant amount. In addition, the Assessor should restrictively endorse cashiers' checks and money orders immediately upon receipt.

Status:

Implemented.

14. Juvenile Office's Controls and Procedures

A control listing detailing amounts due, paid, and transmitted to victims was not maintained.

Recommendation:

The Juvenile Office maintain a control listing of amounts due, paid, and transmitted to victims.

Status:

Not implemented. However, at the present time, there are only three cases being handled by the Juvenile Office which have restitution amounts still due. Although not repeated in the current MAR, our recommendation remains as stated above.

15. Planning and Zoning Controls and Procedures

A. Adequate oversight of the accounting functions performed by the Planning and Zoning administrator was not provided by the County Commission.

B. Monies were not transmitted timely to the County Treasurer or restrictively endorsed immediately upon receipt.

Recommendation:

The County Commission:

A. Provide adequate oversight of the accounting functions performed by employees.

- B. Ensure all monies received are transmitted daily or when receipts exceed \$100. In addition, the County Commission should ensure cashiers' checks and money orders are restrictively endorsed immediately upon receipt.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. While not transmitted daily or when receipts exceeded \$100, transmittals were made on a regular basis and monies were held in a secure location until transmittal. Cashiers' checks and money orders are still not restrictively endorsed upon receipt. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

RAY COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1820, the county of Ray was named after John Ray, a member of the state constitutional convention of 1820. Ray County is a county-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Richmond.

Ray 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 465 miles of county roads and 113 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 21,378 in 1980 and 23,354 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	174.7	166.9	158.8	153.7	71.8	39.6
Personal property		58.9	57.5	53.3	52.9	15.1	9.9
Railroad and utilities		27.8	28.1	28.4	27.9	19.1	15.3
Total	\$	261.4	252.5	240.5	234.5	106.0	64.8

\* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.0000	.0000	.0000	.0000
Special Road and Bridge Fund *		.2464	.2464	.2464	.2464
Noxious Weed Fund		.0000	.0000	.0000	.0000
Health Center Fund		.0947	.0947	.0947	.0947
Senate Bill 40 Board Fund		.1704	.1704	.1704	.1704
Tri-County Mental Health Fund		.0948	.0948	.0948	.0948
Hospital		.1704	.1704	.1704	.1704

\* The county retains all tax proceeds from areas not within road districts. The county has six road districts that receive four-fifths of the tax collections from property within these districts and the Special Road and Bridge Fund retains one-fifth. Two road districts also have an additional levy approved by the voters.

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),			
	2007	2006	2005	2004
State of Missouri	\$ 81,279	74,933	73,443	72,003
General Revenue Fund	33,542	30,685	24,302	25,784
Special Road and Bridge Fund	346,942	321,870	316,090	321,191
Assessment Fund	200,490	190,626	175,556	139,238
Health Center Fund	251,830	234,349	228,596	224,279
Senate Bill 40 Board Fund	452,714	421,765	411,336	403,570
Noxious Weed Fund	40	208	2,627	8,131
Tax Maintenance Fund	41,369	39,063	39,019	38,031
School districts	11,381,335	10,896,853	9,969,537	9,711,806
Ambulance districts	640,605	593,517	598,681	589,932
Special road districts	474,180	429,003	406,518	397,005
Fire protection districts	668,384	612,802	437,958	462,882
Cities	355,194	47,412	53,337	47,820
Nursing home district	377,460	351,315	342,629	336,144
Tri County Mental Health	252,094	234,638	228,836	224,515
Library district	277,362	258,153	251,770	247,013
Hospital district	453,145	421,765	411,336	403,570
Drainage and levee districts	500,009	489,616	479,184	465,774
County Employees' Retirement	137,709	129,153	123,236	119,142
Tax Sale Surplus Fund	38,317	4,923	20,751	357
Sur tax	131,390	100,304	101,898	101,369
Clerk fees	265	289	342	312
Investment interest	43,432	24,096	12,741	7,035
Commissions and fees:				
General Revenue Fund	276,367	301,189	238,278	232,906
County Collector	15,260	8,082	7,461	7,367
County Clerk	2,123	-	-	-
Total	\$ 17,432,837	16,216,609	14,955,462	14,587,176

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				%
	2007	2006	2005	2004	
Real estate	93.8	93.5	93.4	92.8	
Personal property	84.3	85.2	85.5	84.2	
Railroad and utilities	100.0	100.0	100.0	100.0	

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ .0050	None	50	%
General	.0050	None	*	
Road and bridge capital improvements	.0050	None	None	

\*This sales tax eliminated the property tax levy of the General Revenue Fund.

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Jeffrey Adams, Presiding Commissioner		29,390	29,390	29,390	29,390
Allen Dale, Associate Commissioner		27,390	27,390	27,390	27,390
Clifford Crist, Associate Commissioner		27,390	27,390	27,390	27,390
Shirley O'Dell, Recorder of Deeds		41,500	41,500	41,500	41,500
Paul Lynn Rogers, County Clerk (1)		41,830	41,500	41,500	41,500
James Thompson, Prosecuting Attorney		96,000	96,000	96,000	96,000
Samuel E. Clemens, Sheriff		46,000	46,000	46,000	46,000
JoAnn Burnine, County Treasurer		41,500	41,500	41,500	41,500
Dale Dean Snow, County Coroner (2)		14,000	14,000	14,280	14,000
Kenneth A. Nolker, Public Administrator		41,500	41,500	41,500	41,500
Margie Bowman, County Collector (3), year ended February 28 (29),	61,905	55,497	54,936	54,679	
Kent Wollard, County Assessor (4), year ended August 31,		42,188	42,188	42,265	42,400
Terry M. McCanless, County Surveyor (5)		0	9,000	0	0

- (1) Includes of \$330 in commissions earned from collection of city property taxes in 2006.
- (2) Erroneously received \$280 for a cost of living raise in 2004.
- (3) Includes \$7,824, \$8,089, \$7,528 and \$7,271, respectively, of commissions earned for collecting drainage property taxes for the years ended February 28 (29), 2007, 2006, 2005, and 2004, respectively. During the year ended February 28, 2007, she also earned \$6,673 in from collection of city property taxes.
- (4) Includes \$688, \$688, \$765, and \$900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.
- (5) Compensation on a fee basis. In 2005, he was paid by the county for contracted services.

State-Paid Officials:

Carolynne Conner, Circuit Clerk	49,470	48,500	47,900	47,300
David L. Busch, Associate Circuit Judge	96,000	96,000	96,000	96,000

In March 2005, Ray County contracted with Community Bank of Missouri to finance the purchase of a county jail building. The county entered into a 10-year lease-purchase agreement for \$700,000 (principal amount) with the bank to pay for the building. Rental payments made from April 2005 through December 2006 totaled \$175,350.