



Susan Montee, CPA
Missouri State Auditor

December 2007

Marion County, Missouri

Years Ended

December 31, 2006 and 2005



Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

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

Budgetary and financial statement procedures are in need of improvement. The approved budget document did not adequately project anticipated disbursements and the ending cash balance for some county funds. For several funds, budgets included erroneous classifications of receipts, disbursements, and transfers. The County Commission and various elected officials did not ensure budgets were prepared for some county funds. Also, actual disbursements exceeded budgeted amounts for several funds. The county's annual published financial statements did not include financial information for some county funds held by various elected officials, the Health Department, and the Emergency Telephone Service (E911) Board.

The county has not adopted procedures to monitor or assess the results of the actual sales tax rollbacks and to consider any differences noted in prior years when calculating the current year's rollback. Although the County Clerk believes that the voluntary property tax reductions should be considered in calculating the excess, these reductions were clearly designated as voluntary and not sales tax reductions on tax forms.

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$655,500 and \$232,400 for the years ended December 31, 2006 and 2005, respectively.

The E911's controls and procedures for the State Domestic Preparedness Equipment Support Program were not adequate to ensure compliance with federal requirements. The E911 Board paid \$356,447 from December 2005 to June 2006 for equipment which will not be received until the new building is constructed. The E911 Board also does not have adequate procedures for capital assets purchased through the State Domestic program.

The county does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. There was no evidence the County Commission examined and approved the additions and abatements of property taxes or the County Collector's annual settlements. In addition, the county has not obtained bond coverage for the Assessor as required by state law and various county employees who handle money. Furthermore, the county does not clearly document for which years allowable administrative transfers are included in the budgeted transfer amount each year.

(over)

YELLOW SHEET

Timecards are not submitted to the County Clerk's office for Highway Department employees. As a result of the summary timesheets prepared by the Highway Department not agreeing with the original timecards, one employee's compensatory balance was overstated by 3.5 hours. Also, timesheets are not prepared by the part-time Emergency Management Director, the county's policy regarding the accumulation of compensatory time is not clear, and the County Coroner's compensation did not appear to comply with statutory provisions.

The E911 Fund budget document does not adequately project the fund's financial condition. The budgets do not include a beginning or estimated ending cash balance. In addition, the two previous years' actual amounts are not shown on the budget document as required. The E911 disbursement procedures related to documenting approval of invoices, maintaining adequate supporting documentation for credit card purchases, and paying additional compensation to employees need improvement. In addition, board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy and do not clearly indicate whether decisions made during the closed session were announced during the open session.

The Health Department receipt and disbursement controls and procedures are in need of improvement. The Health Department gave gift cards and paid additional compensation to some employees without adequate documentation. In addition, bank reconciliations are not complete or adequately documented. Board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy and do not clearly indicate whether decisions made during the closed session were announced during the open session. The Health Department does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized nor do they have a conflict of interest or financial disclosure policy.

The county does not have a written agreement with the Extension Council for the sale of county plat books and maps. The county purchases the books and maps, with the understanding that all monies collected by the Extension Council are paid to the 4H Council, who reimburses the county for the cost of each item sold. No one monitors to ensure all costs are properly reimbursed to the county.

The audit also includes recommendations to improve records and procedures for bids, agreements with not-for-profit organizations, county vehicles and fuel usage, and capital assets. Additional concerns regarding controls were noted for the County Treasurer, Sheriff, Circuit Clerks, Prosecuting Attorney, Public Administrator, Juvenile Justice Center, Assessor, County Coordinator, and Highway Department.

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MARION COUNTY, MISSOURI

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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 Marion 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 Marion 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 Marion 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 Marion 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 November 1, 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 Marion County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

November 1, 2007

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
In-Charge Auditor: Julie Vollmer, CPA
Audit Staff: Julie M. Moore
Zeb Tharp
Deborah S. Whitis



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 Marion County, Missouri

We have audited the financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 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 Marion 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.

Our consideration of internal control over financial reporting 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 financial reporting that we consider to be significant deficiencies.

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. 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 financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies referred to above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Marion 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Marion 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 Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

November 1, 2007

Financial Statements

Exhibit A-1

MARION 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	\$ 111,976	4,742,243	4,327,548	526,671
Special Road and Bridge	54,379	1,613,720	1,497,543	170,556
Assessment	603	347,331	325,504	22,430
Law Enforcement Training	4,505	7,630	8,440	3,695
Sheriff's Civil Fees	43,822	49,134	45,960	46,996
Drug Enforcement	993	8,844	8,844	993
Sheriff's Revolving	1,388	4,600	1,736	4,252
Domestic Violence	3	2,492	2,450	45
Prosecuting Attorney Training	798	1,580	1,149	1,229
Prosecuting Attorney	1,048	10,872	7,445	4,475
Capital Improvements	189,026	812,760	882,593	119,193
Veterans Road	361,495	1,150,382	1,537,457	(25,580)
L.E.P.C.	22,661	10,818	12,016	21,463
Recorder's Preservation	78,068	14,607	1,005	91,670
Recorder's Technology	19,351	7,029	4,342	22,038
Election Services	77	5,071	1,826	3,322
Collector's Tax Maintenance	18,936	25,867	12,252	32,551
Continued Progress	818,572	2,934,299	3,444,958	307,913
Law Enforcement Restitution	20,702	39,738	0	60,440
Election HAVA	8,089	123,271	127,778	3,582
Health Department	982,184	1,913,345	1,739,293	1,156,236
Emergency Telephone Service (E911)	310,881	1,294,685	1,275,814	329,752
Circuit Clerk Interest - District I	16,527	1,111	881	16,757
Circuit Clerk Interest - District II	14,163	6,418	14,508	6,073
Law Library	3,833	6,046	3,720	6,159
Juvenile Justice Center	1,053	2	0	1,055
Sheriff's Jail Inmate	8,777	98,158	95,189	11,746
Circuit Clerk Passport Fees - District II	4,146	7,080	0	11,226
Drug Court - District II	1,024	6,880	839	7,065
Juvenile Victims - District I	846	0	333	513
Juvenile Victims - District II	8,984	835	0	9,819
Total	\$ 3,108,910	15,246,848	15,381,423	2,974,335

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

Exhibit A-2

MARION 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	\$ 58,021	4,263,948	4,209,993	111,976
Special Road and Bridge	78,332	1,673,746	1,697,699	54,379
Assessment	2,952	305,583	307,932	603
Law Enforcement Training	4,664	7,300	7,459	4,505
Sheriff's Civil Fees	20,087	53,550	29,815	43,822
Drug Enforcement	378	10,000	9,385	993
Sheriff's Revolving	0	2,614	1,226	1,388
Domestic Violence	79	2,209	2,285	3
Prosecuting Attorney Training	578	1,153	933	798
Prosecuting Attorney	565	6,384	5,901	1,048
Capital Improvements	912,746	30,173	753,893	189,026
Veterans Road	517,661	4,682	160,848	361,495
L.E.P.C.	36,509	11,002	24,850	22,661
Recorder's Preservation	80,018	13,237	15,187	78,068
Recorder's Technology	23,896	6,745	11,290	19,351
Election Services	688	2,861	3,472	77
Collector's Tax Maintenance	19,164	25,607	25,835	18,936
Continued Progress	768,769	2,680,000	2,630,197	818,572
Law Enforcement Restitution	0	20,702	0	20,702
Election HAVA	0	15,694	7,605	8,089
Health Department	1,009,085	1,731,031	1,757,932	982,184
Emergency Telephone Service (E911)	265,285	884,581	838,985	310,881
Circuit Clerk Interest - District I	16,393	467	333	16,527
Circuit Clerk Interest - District II	17,220	1,796	4,853	14,163
Law Library	2,113	4,793	3,073	3,833
Juvenile Justice Center	1,125	41	113	1,053
Sheriff's Jail Inmate	7,162	142,113	140,498	8,777
Circuit Clerk Passport Fees - District II	0	4,146	0	4,146
Drug Court - District II	0	1,245	221	1,024
Juvenile Victims - District I	771	75	0	846
Juvenile Victims - District II	8,608	618	242	8,984
Total	\$ 3,852,869	11,908,096	12,652,055	3,108,910

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

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 16,184,390	15,120,318	(1,064,072)	11,011,914	11,737,108	725,194
DISBURSEMENTS	16,946,903	15,265,953	1,680,950	14,337,945	12,495,117	1,842,828
RECEIPTS OVER (UNDER) DISBURSEMENTS	(762,513)	(145,635)	616,878	(3,326,031)	(758,009)	2,568,022
CASH, JANUARY 1	1,756,492	3,049,557	1,293,065	2,525,108	3,799,477	1,274,369
CASH, DECEMBER 31	993,979	2,903,922	1,909,943	(800,923)	3,041,468	3,842,391
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	318,697	308,177	(10,520)	200,000	212,464	12,464
Sales taxes	1,900,000	2,075,225	175,225	1,600,000	1,710,493	110,493
Intergovernmental	1,025,033	1,042,641	17,608	1,016,681	884,033	(132,648)
Charges for services	749,100	782,408	33,308	726,355	733,405	7,050
Interest	4,000	10,207	6,207	3,500	3,790	290
Other	75,125	99,194	24,069	71,750	49,278	(22,472)
Transfers in	424,391	424,391	0	670,485	670,485	0
Total Receipts	4,496,346	4,742,243	245,897	4,288,771	4,263,948	(24,823)
DISBURSEMENTS						
County Commissioner	158,477	158,988	(511)	153,782	150,507	3,275
County Clerk	207,500	204,109	3,391	202,500	188,768	13,732
Elections	165,000	142,061	22,939	100,000	109,396	(9,396)
Buildings and ground	167,543	166,167	1,376	187,747	174,098	13,649
Employee fringe benefit	18,000	110,223	(92,223)	15,500	18,186	(2,686)
County Treasurer	56,197	55,155	1,042	55,648	53,468	2,180
County Collector	221,945	225,082	(3,137)	217,497	211,968	5,529
Recorder of Deeds	97,233	96,596	637	94,036	83,234	10,802
Circuit Clerk	46,500	18,905	27,595	13,200	17,326	(4,126)
Associate Circuit Court	10,243	4,096	6,147	10,183	3,394	6,789
Associate Circuit (Probate)	8,100	5,218	2,882	77,299	52,217	25,082
Court administrator	25,700	40,678	(14,978)	22,425	25,638	(3,213)
Public Administrator	152,020	155,373	(3,353)	159,973	151,988	7,985
Sheriff	601,507	569,810	31,697	549,292	545,367	3,925
Jail	1,575,950	1,542,147	33,803	1,517,997	1,559,127	(41,130)
Prosecuting Attorney	282,863	255,227	27,636	277,075	261,086	15,989
Juvenile Officer	151,633	128,961	22,672	151,845	123,124	28,721
County Coroner	50,221	37,880	12,341	71,132	64,415	6,717
Planning and zoning	39,663	20,974	18,689	39,518	26,204	13,314
Child support enforcement	80,067	78,903	1,164	81,448	76,748	4,700
Tax increment financing	55,140	62,368	(7,228)	40,350	47,507	(7,157)
Public health and welfare services	1,500	1,334	166	3,000	2,803	197
Other general county government	259,512	238,449	21,063	300,051	243,424	56,627
Transfers out	36,500	8,844	27,656	11,400	20,000	(8,600)
Emergency Function	135,000	0	135,000	130,000	0	130,000
Total Disbursements	4,604,014	4,327,548	276,466	4,482,898	4,209,993	272,905
RECEIPTS OVER (UNDER) DISBURSEMENTS	(107,668)	414,695	522,363	(194,127)	53,955	248,082
CASH, JANUARY 1	111,976	111,976	0	58,021	58,021	0
CASH, DECEMBER 31	4,308	526,671	522,363	(136,106)	111,976	248,082

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	975,000	1,018,089	43,089	940,000	930,047	(9,953)
Intergovernmental	572,235	558,330	(13,905)	572,500	569,037	(3,463)
Interest	2,400	6,981	4,581	3,500	2,341	(1,159)
Other	29,000	30,320	1,320	41,000	72,321	31,321
Transfers in	0	0	0	0	100,000	100,000
Total Receipts	1,578,635	1,613,720	35,085	1,557,000	1,673,746	116,746
DISBURSEMENTS						
Salaries	719,213	695,928	23,285	707,728	701,959	5,769
Employee fringe benefits	397,322	341,958	55,364	385,767	358,321	27,446
Supplies	176,400	212,528	(36,128)	138,400	136,293	2,107
Insurance	49,735	45,533	4,202	42,000	41,268	732
Road and bridge materials	67,500	18,954	48,546	197,500	75,947	121,553
Equipment repairs	125,000	79,340	45,660	175,000	82,855	92,145
Rentals	500	6	494	500	0	500
Equipment purchases	20,000	25,884	(5,884)	550,000	230,448	319,552
Construction, repair, and maintenance	500	0	500	500	47	453
Other	76,750	77,412	(662)	91,750	38,922	52,828
Transfers out	0	0	0	31,639	31,639	0
Total Disbursements	1,632,920	1,497,543	135,377	2,320,784	1,697,699	623,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	(54,285)	116,177	170,462	(763,784)	(23,953)	739,831
CASH, JANUARY 1	54,379	54,379	0	78,332	78,332	0
CASH, DECEMBER 31	94	170,556	170,462	(685,452)	54,379	739,831
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	299,900	344,591	44,691	297,200	293,311	(3,889)
Interest	500	1,096	596	400	618	218
Other	2,000	1,644	(356)	1,500	1,654	154
Transfers in	28,000	0	(28,000)	1,400	10,000	8,600
Total Receipts	330,400	347,331	16,931	300,500	305,583	5,083
DISBURSEMENTS						
Assessor	328,588	325,504	3,084	300,500	307,932	(7,432)
Total Disbursements	328,588	325,504	3,084	300,500	307,932	(7,432)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,812	21,827	20,015	0	(2,349)	(2,349)
CASH, JANUARY 1	603	603	0	2,952	2,952	0
CASH, DECEMBER 31	2,415	22,430	20,015	2,952	603	(2,349)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	7,500	7,630	130	8,000	7,300	(700)
Total Receipts	7,500	7,630	130	8,000	7,300	(700)
DISBURSEMENTS						
Sheriff	12,000	8,440	3,560	12,000	7,459	4,541
Total Disbursements	12,000	8,440	3,560	12,000	7,459	4,541
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	(810)	3,690	(4,000)	(159)	3,841
CASH, JANUARY 1	4,505	4,505	0	4,664	4,664	0
CASH, DECEMBER 31	5	3,695	3,690	664	4,505	3,841

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	50,000	49,134	(866)	47,000	53,550	6,550
Total Receipts	50,000	49,134	(866)	47,000	53,550	6,550
DISBURSEMENTS						
Sheriff	50,000	45,960	4,040	50,000	29,815	20,185
Total Disbursements	50,000	45,960	4,040	50,000	29,815	20,185
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,174	3,174	(3,000)	23,735	26,735
CASH, JANUARY 1	43,822	43,822	0	20,087	20,087	0
CASH, DECEMBER 31	43,822	46,996	3,174	17,087	43,822	26,735
<u>DRUG ENFORCEMENT FUND</u>						
RECEIPTS						
Other	0	0	0	200	0	(200)
Transfers in	8,500	8,844	344	9,800	10,000	200
Total Receipts	8,500	8,844	344	10,000	10,000	0
DISBURSEMENTS						
Northeast Missouri Narcotics Task Force	8,500	8,844	(344)	10,000	9,385	615
Total Disbursements	8,500	8,844	(344)	10,000	9,385	615
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	615	615
CASH, JANUARY 1	993	993	0	378	378	0
CASH, DECEMBER 31	993	993	0	378	993	615
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for services	3,000	4,600	1,600	3,000	2,614	(386)
Total Receipts	3,000	4,600	1,600	3,000	2,614	(386)
DISBURSEMENTS						
Sheriff	3,000	1,736	1,264	3,000	1,226	1,774
Total Disbursements	3,000	1,736	1,264	3,000	1,226	1,774
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,864	2,864	0	1,388	1,388
CASH, JANUARY 1	1,388	1,388	0	0	0	0
CASH, DECEMBER 31	1,388	4,252	2,864	0	1,388	1,388
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	2,300	2,484	184	2,600	2,204	(396)
Interest	0	8	8	0	5	5
Total Receipts	2,300	2,492	192	2,600	2,209	(391)
DISBURSEMENTS						
Shelters	2,300	2,450	(150)	2,600	2,285	315
Total Disbursements	2,300	2,450	(150)	2,600	2,285	315
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	42	42	0	(76)	(76)
CASH, JANUARY 1	3	3	0	79	79	0
CASH, DECEMBER 31	3	45	42	79	3	(76)

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,500	1,580	80	1,300	1,153	(147)
Total Receipts	1,500	1,580	80	1,300	1,153	(147)
DISBURSEMENTS						
Prosecuting Attorney	1,500	1,149	351	1,500	933	567
Total Disbursements	1,500	1,149	351	1,500	933	567
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	431	431	(200)	220	420
CASH, JANUARY 1	798	798	0	578	578	0
CASH, DECEMBER 31	798	1,229	431	378	798	420
<u>PROSECUTING ATTORNEY FUND</u>						
RECEIPTS						
Charges for services	5,000	10,872	5,872	7,000	6,384	(616)
Total Receipts	5,000	10,872	5,872	7,000	6,384	(616)
DISBURSEMENTS						
Prosecuting Attorney	6,048	7,445	(1,397)	7,565	5,901	1,664
Total Disbursements	6,048	7,445	(1,397)	7,565	5,901	1,664
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,048)	3,427	4,475	(565)	483	1,048
CASH, JANUARY 1	1,048	1,048	0	565	565	0
CASH, DECEMBER 31	0	4,475	4,475	0	1,048	1,048
<u>CAPITAL IMPROVEMENTS FUND</u>						
RECEIPTS						
Sales taxes	0	0	0	100	14	(86)
Intergovernmental	550,000	10,300	(539,700)	400,000	24,058	(375,942)
Interest	2,500	2,400	(100)	10,500	5,079	(5,421)
Other	1,000	60	(940)	1,000	1,022	22
Transfers in	911,000	800,000	(111,000)	800,000	0	(800,000)
Total Receipts	1,464,500	812,760	(651,740)	1,211,600	30,173	(1,181,427)
DISBURSEMENTS						
Salaries	70,421	68,863	1,558	57,412	57,770	(358)
Employee fringe benefits	35,300	35,551	(251)	33,908	31,499	2,409
Office	14,000	2,812	11,188	14,000	3,096	10,904
Equipment	2,500	3,021	(521)	2,000	1,399	601
Mileage and training	4,591	4,579	12	4,509	3,337	1,172
Roads and bridges	1,280,000	658,467	621,533	1,720,000	484,826	1,235,174
Building repair	23,000	29,696	(6,696)	23,000	21,402	1,598
Other	30,000	526	29,474	30,000	16,504	13,496
Transfers Out	79,078	79,078	0	134,060	134,060	0
Total Disbursements	1,538,890	882,593	656,297	2,018,889	753,893	1,264,996
RECEIPTS OVER (UNDER) DISBURSEMENTS	(74,390)	(69,833)	4,557	(807,289)	(723,720)	83,569
CASH, JANUARY 1	189,026	189,026	0	912,746	912,746	0
CASH, DECEMBER 31	114,636	119,193	4,557	105,457	189,026	83,569

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>VETERANS ROAD FUND</u>						
RECEIPTS						
Interest	0	1,452	1,452	4,712	4,682	(30)
Transfers in	2,000,000	1,148,930	(851,070)	0	0	0
Total Receipts	2,000,000	1,150,382	(849,618)	4,712	4,682	(30)
DISBURSEMENTS						
Engineering	10,000	0	10,000	80,000	45,415	34,585
Construction	2,036,000	1,533,374	502,626	335,000	6,509	328,491
Legal services	2,000	0	2,000	2,000	0	2,000
Other	2,000	4,083	(2,083)	2,000	5,550	(3,550)
Transfers out	0	0	0	103,374	103,374	0
Total Disbursements	2,050,000	1,537,457	512,543	522,374	160,848	361,526
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50,000)	(387,075)	(337,075)	(517,662)	(156,166)	361,496
CASH, JANUARY 1	361,495	361,495	0	517,662	517,661	(1)
CASH, DECEMBER 31	311,495	(25,580)	(337,075)	0	361,495	361,495
<u>L.E.P.C. FUND</u>						
RECEIPTS						
Intergovernmental	10,000	10,734	734	10,000	10,430	430
Other	0	84	84	0	572	572
Total Receipts	10,000	10,818	818	10,000	11,002	1,002
DISBURSEMENTS						
Office supplies	3,000	465	2,535	3,000	0	3,000
Equipment	7,000	1,654	5,346	5,000	8,500	(3,500)
Training	10,000	9,728	272	8,000	12,804	(4,804)
Mileage and registration	4,500	169	4,331	3,500	3,546	(46)
Total Disbursements	24,500	12,016	12,484	19,500	24,850	(5,350)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,500)	(1,198)	13,302	(9,500)	(13,848)	(4,348)
CASH, JANUARY 1	22,661	22,661	0	36,509	36,509	0
CASH, DECEMBER 31	8,161	21,463	13,302	27,009	22,661	(4,348)
<u>RECORDER'S PRESERVATION FUND</u>						
RECEIPTS						
Charges for services	9,100	13,072	3,972	12,000	12,312	312
Interest	900	1,535	635	1,000	925	(75)
Total Receipts	10,000	14,607	4,607	13,000	13,237	237
DISBURSEMENTS						
Recorder of Deeds	88,000	1,005	86,995	92,000	15,187	76,813
Total Disbursements	88,000	1,005	86,995	92,000	15,187	76,813
RECEIPTS OVER (UNDER) DISBURSEMENTS	(78,000)	13,602	91,602	(79,000)	(1,950)	77,050
CASH, JANUARY 1	78,068	78,068	0	80,018	80,018	0
CASH, DECEMBER 31	68	91,670	91,602	1,018	78,068	77,050

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for services	5,500	6,654	1,154	5,800	6,509	709
Interest	200	375	175	400	236	(164)
Total Receipts	5,700	7,029	1,329	6,200	6,745	545
DISBURSEMENTS						
Recorder of Deeds	25,000	4,342	20,658	30,000	11,290	18,710
Total Disbursements	25,000	4,342	20,658	30,000	11,290	18,710
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,300)	2,687	21,987	(23,800)	(4,545)	19,255
CASH, JANUARY 1	19,351	19,351	0	23,896	23,896	0
CASH, DECEMBER 31	51	22,038	21,987	96	19,351	19,255
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for services	6,000	5,071	(929)	3,000	2,861	(139)
Total Receipts	6,000	5,071	(929)	3,000	2,861	(139)
DISBURSEMENTS						
Elections	6,000	1,826	4,174	3,675	3,472	203
Total Disbursements	6,000	1,826	4,174	3,675	3,472	203
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,245	3,245	(675)	(611)	64
CASH, JANUARY 1	77	77	0	688	688	0
CASH, DECEMBER 31	77	3,322	3,245	13	77	64
<u>COLLECTOR'S TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	23,700	25,301	1,601	23,800	25,338	1,538
Interest	300	566	266	200	269	69
Total Receipts	24,000	25,867	1,867	24,000	25,607	1,607
DISBURSEMENTS						
County Collector	19,100	7,252	11,848	18,250	20,835	(2,585)
Transfers out	5,000	5,000	0	5,000	5,000	0
Total Disbursements	24,100	12,252	11,848	23,250	25,835	(2,585)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	13,615	13,715	750	(228)	(978)
CASH, JANUARY 1	18,936	18,936	0	19,164	19,164	0
CASH, DECEMBER 31	18,836	32,551	13,715	19,914	18,936	(978)

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CONTINUED PROGRESS FUND</u>						
RECEIPTS						
Sales taxes	1,237,500	1,255,928	18,428	1,200,000	1,209,753	9,753
Interest	10,000	11,676	1,676	5,000	10,900	5,900
Reimbursements from COPS	2,226,159	1,666,695	(559,464)	0	1,459,347	1,459,347
Total Receipts	3,473,659	2,934,299	(539,360)	1,205,000	2,680,000	1,475,000
DISBURSEMENTS						
Highway department building	30,000	67,009	(37,009)	100,000	1,657,544	(1,557,544)
Capital improvements	0	0	0	800,000	0	800,000
Debt service	545,462	533,099	12,363	482,353	476,241	6,112
Jail improvements	0	555,607	(555,607)	0	0	0
Transfers out	3,301,313	2,289,243	1,012,070	496,412	496,412	0
Total Disbursements	3,876,775	3,444,958	431,817	1,878,765	2,630,197	(751,432)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(403,116)	(510,659)	(107,543)	(673,765)	49,803	723,568
CASH, JANUARY 1	818,572	818,572	0	768,769	768,769	0
CASH, DECEMBER 31	415,456	307,913	(107,543)	95,004	818,572	723,568
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for services	50,000	39,738	(10,262)	500	20,702	20,202
Total Receipts	50,000	39,738	(10,262)	500	20,702	20,202
DISBURSEMENTS						
Sheriff	50,000	0	50,000	500	0	500
Total Disbursements	50,000	0	50,000	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	39,738	39,738	0	20,702	20,702
CASH, JANUARY 1	20,702	20,702	0	0	0	0
CASH, DECEMBER 31	20,702	60,440	39,738	0	20,702	20,702
<u>ELECTION HAVA FUND</u>						
RECEIPTS						
Intergovernmental	115,750	123,125	7,375			
Interest	0	146	146			
Total Receipts	115,750	123,271	7,521			
DISBURSEMENTS						
Elections	115,750	127,778	(12,028)			
Total Disbursements	115,750	127,778	(12,028)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(4,507)	(4,507)			
CASH, JANUARY 1	8,089	8,089	0			
CASH, DECEMBER 31	8,089	3,582	(4,507)			

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH DEPARTMENT FUND						
RECEIPTS						
Property taxes	445,000	452,871	7,871	441,000	433,230	(7,770)
Intergovernmental	1,070,530	1,259,536	189,006	956,731	1,114,416	157,685
Charges for services	150,820	124,036	(26,784)	81,700	126,721	45,021
Interest	17,000	45,629	28,629	10,000	16,099	6,099
Other	30,100	31,273	1,173	17,300	40,565	23,265
Total Receipts	1,713,450	1,913,345	199,895	1,506,731	1,731,031	224,300
DISBURSEMENTS						
Salaries and fringe benefits	1,131,193	1,134,041	(2,848)	1,100,095	1,093,556	6,539
Office	45,407	53,888	(8,481)	52,100	49,135	2,965
Equipment purchases and repairs	117,000	97,384	19,616	22,000	21,428	572
Mileage and training	46,000	54,509	(8,509)	34,868	46,282	(11,414)
Contracted services	172,820	178,563	(5,743)	62,020	166,894	(104,874)
Building	36,200	30,981	5,219	136,398	173,844	(37,446)
Medical supplies	40,000	54,077	(14,077)	40,000	42,575	(2,575)
Insurance	29,500	21,743	7,757	29,500	33,670	(4,170)
Vehicle	16,000	2,303	13,697	18,000	19,252	(1,252)
Grant	47,930	81,448	(33,518)	42,450	76,943	(34,493)
Other	31,400	30,356	1,044	219,300	34,353	184,947
Total Disbursements	1,713,450	1,739,293	(25,843)	1,756,731	1,757,932	(1,201)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	174,052	174,052	(250,000)	(26,901)	223,099
CASH, JANUARY 1	0	982,184	982,184	0	1,009,085	1,009,085
CASH, DECEMBER 31	0	1,156,236	1,156,236	(250,000)	982,184	1,232,184
EMERGENCY TELEPHONE SERVICE (E911) FUND						
RECEIPTS						
Sales taxes	825,000	837,248	12,248	800,000	806,625	6,625
Intergovernmental	0	452,231	452,231	0	73,405	73,405
Charges for services	0	0	0	0	31	31
Interest	3,150	5,105	1,955	2,000	3,137	1,137
Other	0	101	101	0	1,383	1,383
Total Receipts	828,150	1,294,685	466,535	802,000	884,581	82,581
DISBURSEMENTS						
Salaries and fringe benefits	496,676	507,703	(11,027)	501,450	504,682	(3,232)
Insurance	500	5,624	(5,124)	3,500	3,676	(176)
Equipment	29,500	375,996	(346,496)	2,000	177,289	(175,289)
Professional services	3,000	93,047	(90,047)	6,600	32,317	(25,717)
Office	16,692	14,091	2,601	11,360	10,796	564
Mileage and training	25,000	9,102	15,898	28,500	20,900	7,600
Advertising	1,500	200	1,300	4,800	600	4,200
Building and utilities	0	0	0	31,360	0	31,360
Maintenance agreements	10,000	0	10,000	28,220	0	28,220
Telephone	77,500	75,681	1,819	80,000	75,540	4,460
Land	115,000	114,031	969	0	1,999	(1,999)
Debt repayment	0	0	0	96,624	0	96,624
Other	10,200	80,339	(70,139)	7,000	11,186	(4,186)
Total Disbursements	785,568	1,275,814	(490,246)	801,414	838,985	(37,571)
RECEIPTS OVER (UNDER) DISBURSEMENTS	42,582	18,871	(23,711)	586	45,596	45,010
CASH, JANUARY 1	0	310,881	310,881	0	265,285	265,285
CASH, DECEMBER 31	\$ 42,582	329,752	287,170	586	310,881	310,295

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

Notes to the Financial Statements

MARION 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 Marion 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 Department Board of Trustees, the Emergency Telephone Service (E911) Board, or the Law Enforcement Restitution 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>
Election HAVA Fund	2005
Circuit Clerk Interest - District I Fund	2006 and 2005
Circuit Clerk Interest - District II Fund	2006 and 2005
Law Library Fund	2006 and 2005
Juvenile Justice Center Fund	2006 and 2005
Sheriff's Jail Inmate Fund	2006 and 2005
Circuit Clerk Passport Fees - District II Fund	2006 and 2005
Drug Court - District II Fund	2006 and 2005
Juvenile Victims - District I Fund	2006 and 2005
Juvenile Victims - District II 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>
Assessment Fund	2005
Drug Enforcement Fund	2006
Domestic Violence Fund	2006
Prosecuting Attorney Fund	2006
L.E.P.C. Fund	2005
Collector's Tax Maintenance Fund	2005
Continued Progress Fund	2005
Election HAVA Fund	2006
Health Department Fund	2006 and 2005
Emergency Telephone Service (E911) Fund	2006 and 2005

Deficit budget balances are presented for General Revenue Fund, Special Road and Bridge Fund, and Health Department Fund for the year ended December 31, 2005. However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

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>
Health Department Fund	2006 and 2005
Emergency Telephone Service (E911) Fund	2006 and 2005
Circuit Clerk Interest - District I Fund	2006 and 2005
Circuit Clerk Interest - District II Fund	2006 and 2005
Law Library Fund	2006 and 2005
Juvenile Justice Center Fund	2006 and 2005
Sheriff's Jail Inmate Fund	2006 and 2005
Circuit Clerk Passport Fees - District II Fund	2006 and 2005
Drug Court - District II Fund	2006 and 2005
Juvenile Victims - District I Fund	2006 and 2005
Juvenile Victims - District II Fund	2006 and 2005

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, Marion County will not be

able to recover its deposits or recover collateral securities that are in an outside party's possession.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not insured by the FDIC are pledged to the county rather than to specific county officials.

The county's deposits at December 31, 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial banks in the county's name. At December 31, 2005, the reported amount of the county's deposits was \$7,132,464 and the bank balance was \$7,541,262. Of the bank balance, \$446,071 was exposed to custodial credit risk because that amount was uncollateralized.

Of the Health Department Board's bank balance at December 31, 2006 and 2005, \$116,537 and \$4,153, respectively, was exposed to custodial credit risk because those amounts were uncollateralized.

The Emergency Telephone Service (E911) 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 board's custodial banks in the board's 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.

3. Prior Period Adjustment

The General Revenue Fund's cash balance at January 1, 2005, as previously stated has been increased by \$716,701, to reflect the cash balance shown in the county's records.

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

<u>Fund</u>	<u>Balance</u>
Health Department Fund	\$ 1,009,085
Emergency Telephone Service (E911) Fund	265,285
Circuit Clerk - District I Interest Fund	16,393
Circuit Clerk - District II Interest Fund	17,220
Law Library Fund	2,113
Juvenile Justice Center Fund	1,125
Sheriff's Jail Inmate Fund	7,162
Juvenile Victims - District I Fund	771
Juvenile Victims - District II Fund	8,608

Supplementary Schedule

Schedule

MARION 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	\$ 504	1,382
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5164 ERS045-6164 ERS045-7164	0 98,250 23,658	71,244 17,834 0
	Program Total		<u>121,908</u>	<u>89,078</u>
10.559	Summer Food Service Program for Children	ERS046-6164i	70	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Services:				
14.231	Emergency Shelter Grants Program	ERS01640643 ERS01640755	0 9,256	8,570 0
	Program total		<u>9,256</u>	<u>8,570</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.523	Juvenile Accountability Incentive Block Grant	2002-SUP-JABG-09 2003JABG-SUP-11	0 8,516	15,673 0
	Program Total		<u>8,516</u>	<u>15,673</u>
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	43-6001552	3,800	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-064(14)	9,516	13,187
20.600	State and Community Highway Safety	BPC03-26-Z	902	0

Schedule

MARION 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
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	2,995	2,522
Office of Secretary of State				
39.011	Election Reform Payment	N/A	14,503	7,605
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	HAVA-2002-FED	113,275	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects	ERS146-5164L	0	4,191
	State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-6164L	2,637	7,643
	Program Total		<u>2,637</u>	<u>11,834</u>
93.268	Immunization Grants	N/A	97,670	53,353
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	AOC05380158	0	83,092
		AOC07380229	58,099	0
		AOC07380045	16,688	0
	Program Total		<u>74,787</u>	<u>83,092</u>
Department of Social Services -				
93.563	Child Support Enforcement	N/A	58,051	51,567
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA 067-4164C NUR	0	990
		PGA 067-5164S SAN	0	3,085
		PGA 067-6164C	2,500	0
		AOC0638	2,766	0
	Program Total		<u>5,266</u>	<u>4,075</u>

Schedule

MARION 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
Department of Health and Senior Services				
93.778	Medical Assistance Program	AOC05380196	38,984	32,474
93.945	Assistance Programs for Chronic Disease Preventio and Control	AOC04380022 AOC04380236	33,100 0	1,375 21,099
	Program Total		<u>33,100</u>	<u>22,474</u>
93.991	Preventive Health and Health Services Block Gran	AOC04380017 AOC04380140	11,191 12,579	27,155 0
	Program Total		<u>23,770</u>	<u>27,155</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4164M	34,046	31,635
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Progran	2003-MU-T3-0003	365,683	179,358
	Total Expenditures of Federal Award:		\$ <u><u>1,019,239</u></u>	<u><u>635,034</u></u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

MARION 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 Marion 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 the prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for the Immunization Grants (CFDA number 93.268)

represent the original acquisition cost of vaccines obtained by the Health Department through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$9,256 and \$8,570 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2006 and 2005, respectively.

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 Marion County, Missouri

Compliance

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

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

As described in finding number 06-4 in the accompanying Schedule of Findings and Questioned Costs, Marion County, Missouri did not comply with requirements regarding allowable costs, equipment management, and procurement and suspension and debarment that are applicable its State Domestic Preparedness Equipment Support Program. Compliance with such requirements

is necessary, in our opinion, for Marion County, Missouri, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Marion County, Missouri, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-3.

Internal Control Over Compliance

The management of Marion 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 06-3 and 06-4 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. However, we consider the significant deficiencies referred to above, finding numbers 06-3 and 06-4, to be material weaknesses.

The responses of Marion 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 Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Susan Montee". The signature is written in a cursive style with a large initial 'S'.

Susan Montee, CPA
State Auditor

November 1, 2007

Schedule

MARION 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 programs:

- Material weaknesses 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 programs: Unqualified for all major programs except CFDA number 97.004, which was qualified

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
97.004	State Domestic Preparedness Equipment Support Program

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

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

06-1. Budgets and Published Financial Statements

Budgetary and financial statement procedures are in need of improvement.

A. Budgetary procedures need improvement. The following problems regarding budgets were noted:

1. The approved budget document did not adequately project anticipated disbursements and the ending cash balance of the Capital Improvements Fund and Veterans Road Fund, for the years ended December 31, 2006 and 2005, and the Special Road and Bridge Fund for the year ended December 31, 2005. The budgets significantly overestimated disbursements, and as a result the actual ending cash balances were much higher than the projected ending balances, as follows:

		Year Ended December 31,					
		2006			2005		
		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Road and Bridge Fund							
Disbursements	\$	1,632,920	1,497,543	135,377	2,320,784	1,697,699	623,085
Cash Balance		94	170,556	170,462	(685,452)	54,379	739,831
Capital Improvements Fund							
Disbursements		1,538,890	882,593	656,297	2,018,889	753,893	1,264,996
Cash Balance *		114,636	119,193	4,557	105,457	189,026	83,569
Veterans Road Fund							
Disbursements		2,050,000	1,537,457	512,543	522,374	160,848	361,526
Cash Balance		311,495	(25,580)	(337,075)	0	361,495	361,495

* For the Capital Improvement Fund, the county also significantly overestimated receipts for 2006 and 2005, as a result the difference in the cash balance was lessened.

As evidenced by the amounts presented above, the County Commission does not adequately review historical cost data when preparing the budget. The County Commission indicated for the funds noted above it is difficult to estimate the disbursements because time constraints or weather may not allow them to perform all of the planned projects. Failure to approve a realistic budget and monitor the budget to actual data reduces the effectiveness of the budget as a management tool. Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operation and current financial condition, the budgets should reflect reasonable estimates of disbursements and the anticipated ending cash balance.

2. Budget misclassifications for several funds included erroneous classifications of receipts, disbursements, and transfers. Some transfers were not consistently reflected between county funds. For example, while the county reflected transfers in the General Revenue Fund, Special Road and Bridge Fund, Capital Improvements Fund, and Veterans Road Fund the corresponding transfers out were not properly reflected on the Continued Progress Fund. Transfers out, totaling \$2,289,243 and \$496,412 for 2006 and 2005, respectively, were erroneously combined with various operating

expense categories or were not clearly labeled as transfers. For example, one transfer to the General Revenue Fund was labeled as “Law Enforcement”.

While these budget misclassifications do not have an effect on the overall accuracy of budget totals for receipts and disbursements, they do result in an inaccurate presentation of the county's financial activity. Adjustments have been made to the audited financial statements to correct these errors.

To ensure the information presented on the county's budget documents is complete and accurate, the County Clerk should perform thorough reviews and comparisons to supporting records. Such procedures are essential for communicating accurate financial data to county residents. Further, the county's budgets should include appropriate classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

- B. The county's annual published financial statements did not include financial information for several county funds held by various elected officials. In addition, the Board of Trustees for the Health Department and the E911 Board did not publish their annual financial statements in 2006 or 2005. Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

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.

Similar conditions to A.1. and B were noted in the prior two reports.

WE RECOMMEND the County Commission:

- A.1. Ensure that budgets provide reasonable estimates of anticipated financial activity.
- 2. And County Clerk ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the county budget documents.
- B. Ensure all required funds are presented in the county's annual published financial statements. In addition, the Board of Trustees for the Health Department and E911 Board should publish their financial statements annually as required by state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and the County Clerk indicated:

- A.1. *The Road and Bridge Fund was changed in 2006 to more accurately reflect anticipated financial activity. The Veteran's Road Fund will soon be closed out. The County Clerk stated that it is very difficult at the beginning of the year to anticipate activity of the Capital Improvements Fund. Such things as weather, construction companies' other activities, and revising of bridge replacement priorities by the County Commission can have a great impact on Capital Improvements Fund activities later in the year.*

- 2. *The County Clerk's Office will do additional reviews in the future to ensure the budget classifications are correct.*

The County Clerk indicated:

- B. *We have not received these budgets although they have been requested. We would publish their financial statements if the budgets were received.*

The President of the Health Department Board of Trustees and the Health Department Administrator indicated:

- B. *We will review this recommendation to ensure it is required for the Health Department.*

The E911 Director and Chairman of the Board indicated:

- B. *This recommendation will be implemented.*

06-2.	County Sales Taxes
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The county has not adopted procedures to monitor or assess the results of the actual sales tax rollbacks and to consider any differences noted in prior years when calculating the current year's rollback.

The county is required to compute the annual property tax levy to meet the 50 percent rollback requirement, and certify to the State Auditor's Office the annual property tax levy including the amount the levy is required to be rolled back, as well as any voluntary rollback. For 2003 through 2006, the county certified the sales tax reduction and voluntary reductions as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Sales tax reduction	\$.1778	.1870	.2518	.2484
Voluntary reduction	.1500	.1661	.1313	.1347

The County Clerk believes that the voluntary reduction should be considered in calculating the excess; however, these amounts were clearly designated as voluntary reductions not sales tax reductions. In addition, the September 2006 minutes indicated the county had voluntarily rolled back the General Revenue tax levy to offset the \$.15 levy for the Health Department per their “gentlemen’s agreement” when voters passed the separate levy for the Health Department. If the voluntary reduction is included, the county rolled back approximately \$1.5 million more than required during these four years. However, utilizing the amounts certified as sales tax reduction, property tax collections were not sufficiently offset by 50 percent of sales taxes collected, resulting in excess collections of approximately \$561,800 at December 31, 2006. If the county considers the voluntary reduction to be part of the sales tax reduction calculation, it should certify it as sales tax reduction to the State Auditor’s Office to clearly show compliance with state law.

In addition, the County Clerk does not compare his estimated rollback amounts to actual amounts to ensure the sales tax rollback complied with state law. Without this type of calculation, the County cannot consider any excess tax collections when computing the current year’s rollback as required.

It is unclear if sales tax monies distributed to the city TIF district should have been considered in the rollback calculation, thus it has not been included. The county distributed sales taxes of approximately \$62,228, \$47,367, \$37,211 and \$56,219 from the General Revenue Fund to the city TIF District during the years ended December 31, 2006, 2005, 2004, and 2003, respectively.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Marion County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The County should review their past designations of sales tax rollback and voluntary rollback to determine if these were misclassified and ensure future certifications properly reflect their position on the rollbacks purpose. In addition, the County Clerk should consult the Prosecuting Attorney to determine the effect distribution of sales tax monies to TIF districts has on rollback calculations.

WE RECOMMEND the County properly distinguish between sales tax and voluntary reductions on certified tax forms to clearly show compliance with state law. In addition, the county should consult the Prosecuting Attorney to determine the effect of sales tax distributions to TIF districts on the calculations.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated:

I do not completely disagree with the auditor notations; however, I would point out that the form provided by the State of Missouri is quite vague, and lacking in direction about how to properly use it. In reality, the procedure is not being abused and Marion County actually has the lowest property tax rates throughout northeast Missouri.

Section III - Federal Award Findings and Questioned Costs

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

06-3.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Numbers:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERS045-5164, ERS045-6164, and ERS-0457164
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Numbers:	93.283
Program Title:	Centers for Disease Control and Prevention - Investigations and Technical Assistance
Pass-Through Entity	
Identifying Number:	A0C05380158, A0C07380229, and A0C07380045
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Numbers:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity	
Identifying Number:	2003-MU-T3-0003
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$655,500 and \$232,400 for the years ended December 31, 2006 and 2005, respectively.

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

Office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards and properly account for their awards on the SEFA. The following problems regarding the SEFA were noted:

- The County Clerk and Health Department reported revenues instead of expenditures for several programs.
- In 2006 and 2005, the County Clerk included only the county's portion of the grant for State Domestic Preparedness Equipment Support Program which resulted in the grant being understated by approximately \$356,100 and \$167,800. The County Clerk indicated he was not aware the E911 Board had received federal monies that were required to be reported.
- The Health Department did not report the value of vaccines received for Immunization Grants (CFDA #93.268), which understated federal expenditures by approximately \$97,600 and \$53,300 for 2006 and 2005, respectively.
- In 2006, the County Clerk failed to include federal monies of \$113,270 for the Help America Vote Act Requirements Payments Program.
- The Juvenile Justice Center included state grants incorrectly on the SEFA.
- The County Clerk failed to include the required pass-through grantor's number on most of the programs that were reported.

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

Similar conditions were noted in our two prior reports. Although the County Commission, County Clerk, Health Department, and Juvenile Justice Center indicated they would implement the recommendations, the county has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission, County Clerk, Health Department, Juvenile Justice Center, and E911 Board prepare a complete and accurate schedule of expenditures of federal awards. In addition, the County Commission and County Clerk should ensure that the correct contract numbers are included on the schedule.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

We will attempt to do better in the future.

The President of the Health Department Board of Trustees and the Health Department Administrator, E911 Director and the Chairman of the Board, and the Juvenile Officer indicated:

This recommendation will be implemented.

06-4. State Domestic Preparedness Equipment Support Program

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Numbers:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity	
Identifying Number:	2003-MU-T3-0003
Award Years:	2006 and 2005
Questioned Costs:	\$356,447

The county's controls and procedures did not comply with requirements regarding allowable costs, equipment management, and suspension and debarment, that are applicable to the State Domestic Preparedness Equipment Support Program. Marion County and E911 Board disbursements for this program were approximately \$545,000 in 2006 and 2005. The E911 Board disbursed the majority of the monies for the State Domestic program.

- A. From December 2005 to June 2006, the E911 Board made three payments totaling \$356,447, to a communications company for the prepayment of equipment. The E911 Board will not receive this equipment until the new building is constructed due to lack of storage space. As of October 2007, the E911 Board had not received the equipment because construction has not started on the new building. The E911 Director indicated these grant monies were expended prior to receiving the equipment because of the grant deadline. As a result, these payments do not appear to have been for allowable costs and we have questioned costs of \$356,447 which is the total paid for equipment that has not been received by the E911 Board. In addition, the E911 Board did not enter into a written agreement with the communications company regarding this equipment being delivered to the new E911 building for the monies prepaid.

Section .300(c) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to “comply with laws, regulations, and the

provisions of contracts or grant agreements related to each of its Federal programs”. Prepaying for goods and services violates the Missouri Constitution. Article VI, Section 23 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money to any corporation, association, or individual. It is not prudent to prepay for goods or services to be received at a later date which could result in paying for goods or services not received. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- B. The E911 Board does not have adequate procedures for capital assets purchased through the State Domestic program. A GPS system and USB printer costing \$5,992 received in 2005 were not added to the E911 Board capital asset records. See MAR finding number 6 regarding recommendations for overall E911 Board capital assets.

Grants Common Rule §105-71.132 specifies that states will use, manage, and dispose of equipment acquired under a grant in accordance with state laws and procedures. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more.

- C. The board did not ensure the vendors providing equipment totaling \$69,415 under the grant had not been debarred or suspended by the federal government. The Common Rule requires entities receiving federal awards to determine that vendors receiving procurement contracts equal to or exceeding \$25,000 and their principals are not suspended or debarred. The E911 Director was not aware of this requirement and did not verify the standing of the consulting or project vendors. The General Service Administration's Excluded Parties List System showed the vendors were eligible for contracts.

WE RECOMMEND the Emergency Telephone Service (E911) Board:

- A. Consult with the grantor agency to resolve the questioned costs and determine if other action is needed. In the future, the E911 Board should ensure future funds are only used for allowable costs and discontinue the practice of prepaying for items.
- B. Ensure capital assets purchased through the State Domestic program are accounted for properly.
- C. Establish procedures to ensure vendors are not suspended or debarred.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The E911 Director and the Chairman of the Board indicated:

- A. *We partially disagree with these findings. The majority of the grant money that was received by the 911 Board was used to purchase equipment that will be installed in a new 911 communications center that was in the early planning stages when the grant was awarded. Since the grant deadline arrived well before the building was completed, we were faced with the challenge of what to do with the new equipment until it was ready to be installed.*

We requested and received several grant extensions by the State until we were notified of the final deadline. We were told by the State that we were in jeopardy of losing the remaining grant money if it was not spent before the summer of 2006. The State was kept informed as to our situation and we were told by the State that we could store the equipment until the new building was ready and that there were no requirements that the equipment had to be immediately placed into service. The 911 Board does not have adequate storage space available and would have needed to rent space in order to store the equipment. The vendor agreed to store our equipment in a secure and environmentally controlled warehouse at no cost to the Board until we were ready to install the equipment in the new building. Much of this equipment is not kept in the vendor's ordinary stock and had to be special ordered (and paid for) at the time of purchase. The vendor has been ready to deliver any of the equipment that we have purchased at anytime that we are ready to install it. Spending public tax dollars on storage space until the new building is completed just doesn't make good fiscal sense when someone is willing to store the equipment for us at no cost.

It is our position that the equipment was purchased in accordance to the grant specifications and guidance provided by the State and we disagree with the auditors conclusion that these payments were not for allowable costs. We simply have been able to store the equipment at no cost to the tax payers until it is ready to be installed, without losing out on this rare opportunity to improve emergency 911 services to the public. We most certainly would have preferred that the new building was completed and ready for the equipment in 2006, or that additional grant extensions could have been given, unfortunately, this was not the case and our only option was to purchase and store the equipment - or to forfeit the grant money. Under the circumstances we feel that we made the best decisions we could with the options that were available to us.

We will follow up with the SEMA grant manager to discuss the concerns that have been raised by the auditor.

- B. *This recommendation will be implemented.*
- C. *The E911 Board was not aware of this requirement. This will be done if future federal monies are received.*

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

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Marion County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2004.

- 04-1. The Associate Circuit Division District I and the Circuit Clerk Division District II did not have proper reconciliations for cash accounts.

Recommendation:

The prior report did not include a recommendation.

Status:

Not implemented. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005, in both districts. See MAR finding number 10 and 11.

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

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

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

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

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 2007. We also have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for the State Domestic Preparedness Equipment Support Program (CFDA number 97.004).

Because the Board of Services for the Developmentally Disabled is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information for the years ended June 30, 2006 and June 30, 2005.

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 and the county board 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 Marion County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Marion 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.

1. County Commission Procedures
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The County Commission records and procedures related to budgets, closed meeting minutes, review of the property tax system, bond coverage and documentation of administrative transfers are in need of improvement.

A. Budgetary procedures need improvement as follows:

1. The County Commission and various elected officials did not ensure budgets were prepared for nine county funds held by various elected officials. Receipts of approximately \$126,500 and \$155,300 and disbursements of approximately \$115,500 and \$149,300 were not budgeted for the years 2006 and 2005, respectively. Although the County Clerk requested budgets for these funds, he apparently did not provide some elected officials with the proper budget forms. As a result, budget information submitted to the County Clerk was not complete for some funds. The officials indicated they did not know the required information for a budget. The county has not complied with statutory provisions and cannot effectively monitor disbursements or fund balances without a comprehensive budget document.

Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's Office. By preparing or obtaining budgets for all county funds, the County Commission and other county officials present a complete financial plan to

the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

A similar condition was noted in our prior report.

2. Actual disbursements exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31,	
	2006	2005
Assessment	\$ N/A	7,432
Prosecuting Attorney	1,397	N/A
L.E.P.C	N/A	5,350
Collector's Tax Maintenance	N/A	2,585
Continued Progress	N/A	751,432
Election HAVA	12,028	N/A
Emergency Telephone Service (E911)	490,246	37,571

The County Commission and E911 Board periodically review budget to actual comparison reports. The County Commission and the E911 Board indicated that not amending the budget was an oversight.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

- B. The County does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. The County Treasurer's and County Collector's combined deposits were uncollateralized by approximately \$4,529,000 and \$446,000 during January 2007 and December 2005, respectively, when significant property taxes were received and distributed. The County relies on the bank to ensure they have pledged adequate collateral securities. The securities are released by the County Clerk.

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

- C. The County Commission occasionally held closed meetings; however, minutes of these meetings are not adequate. The closed meeting minutes did not include sufficient detail of matters discussed and actions taken. The only closed meeting minutes were notes jotted down by the County Clerk which included both the open and closed session. These notes were not signed by the preparer or the County Commission.

Section 610.020, RSMo, requires minutes of closed meetings be taken and retained by all governmental bodies and to indicate the date, time, place, members present, members absent, and a record of votes taken. Minutes of closed meetings constitute the record of proceedings of the County Commission. They help show that the closed discussions or business related to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo, and document important facts considered in reaching significant decisions regarding county business.

- D. County Commission procedures for review of the property tax system are in need of improvement. The following problems regarding County Commission review of the property tax system were noted:

1. Additions and abatements of property taxes are not reviewed or approved by the County Commission. The Assessor makes changes to the property tax system for additions and abatements. The County Collector then prints the court order for the additions and abatements which is given to the County Clerk's office annually.

Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission. In addition, court orders should be approved, at least monthly, by the County Commission for all additions and abatements to the property tax system.

2. There was also no evidence the County Commission and County Clerk examined and approved the County Collector's annual settlements. The County Clerk maintains an account book that summarizes property tax amounts that the County Collector is charged with collecting (original property tax bills and subsequent additions to the tax books) and the corresponding credits for these amounts (monthly tax collections, abatements, protested taxes, and delinquent taxes). Although the County Clerk's office personnel indicated the account book was compared to the County Collector's annual settlements, this was not documented.

Reconciling the account book to the County Collector's records and investigating discrepancies would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements.

Such procedures are intended to establish checks and balances related to the collection of property taxes. Furthermore, Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

- E. The Assessor has not obtained bond coverage as required by state law. The County Clerk is responsible for purchasing county bonds and indicated he did not believe this bond was necessary because of the small amount of monies collected. Section 53.040, RSMo, requires bond coverage of at least \$1,000 for the Assessor. In addition, various county employees who handle money are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees and officials handling monies should be adequately bonded.

- F. The county does not clearly document which years allowable transfers are included in the budgeted transfer amount each year. The County Clerk maintains a spreadsheet of the allowable transfers calculated for each year and notes if the transfer is made by the county. When funds are needed by the General Revenue Fund, the County Clerk determines which of the amounts from prior years, which the county has not yet taken, should be transferred in the current year. For example, the amount transferred from the Capital Improvements Fund in 2005 was the administrative transfer calculated for 1998 and 1999.

During the audit period, administrative transfers were transferred to the General Revenue Fund as follows:

Fund	Year Ended December 31,	
	2006	2005
Special Road and Bridge	\$ N/A	31,639
Capital Improvements	79,078	104,060
Veteran's Road	N/A	103,374

The county did not budget for an administrative transfer in 2006, but transferred \$79,078 for 2001 and 2002 from the Capital Improvements Fund to the General Revenue Fund. There is no documentation in the budget indicating the county may decide to take the allowable administrative transfers in future years instead of forgoing the allowable transfer when it is not budgeted for a year.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the Special Road and Bridge Fund and specific purpose capital improvements funds. It appears questionable to forgo the administrative transfers in the appropriate years and later rescind the decision and recoup the amounts when the General Revenue Fund experiences financial difficulties. For citizens to be aware of the county's administrative transfer procedures, all decisions should be clearly documented in the budget document or noted at the budget hearing and documented in the minutes.

WE RECOMMEND the County Commission:

- A.1. And other officials ensure budgets are prepared for all county funds. In addition, the County Clerk should provide the proper budget forms to the various elected officials.
- 2. And the E911 Board review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.
- B. Work with the County Treasurer and the County Collector to develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.
- C. Ensure minutes of closed meetings clearly document all business conducted and are properly signed.
- D.1. Review and approve all additions and abatements on a timely basis.
- 2. And County Clerk perform a review of the County Collector's annual settlements using the County Clerk's account book. Any discrepancies should be investigated and resolved.
- E. Ensure the Assessor obtain bond coverage as required by state law. In addition, review current bonds and ensure there is adequate bond coverage for all county employees with access to monies.
- F. Require all information regarding administrative transfers be documented in the budget document. In addition, the County Commission should adequately budget for administrative transfers.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A.1. *The County Clerk believes his letter to other elected officials requesting the budgets for these nine county funds is sufficient for them to respond with their budget information for these lesser known funds. Further, he believes that if he is to be responsible for these funds, he should be given the role of administering their receivables and payables the same way that all other funds, such as the General Revenue, Special Road and Bridge, and Assessment Funds are administered.*

2. *We discovered our own error in the Continued Progress Fund and corrected it in 2006. Obviously, there is always room for improvements for tracking everything.*

C&F. These recommendations will be implemented.

D.1

&E. These recommendations have been implemented.

D.2. We have always reviewed these, but will document our review in the future.

The Collector and the County Treasurer indicated:

B. We are working with the bank to develop procedures to monitor collateral securities.

The E911 Director and the Board President indicated:

A.2. This recommendation will be implemented.

2.	Disbursements
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The county does not have adequate procedures regarding the procurement of major purchases and professional services. In addition, the county has not developed an effective method of monitoring the services provided by several not-for-profit (NFP) organizations.

- A. While a review of commission meeting minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

Concerns were noted related to the following purchases:

Items or Services	Year Ended December 31,	
	2006	2005
Kitchen and cleaning supplies	\$ 38,512	106,236
Prescriptions	6,871	88,847

The Chief Deputy and Deputy County Clerk indicated the above items were not bid because the individual items were not over \$4,500. They were unaware of the bidding requirement applied to all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days.

In addition to the above items, there were other instances in which the county is not adequately bidding and/or documenting factors related to purchases:

- The county paid \$282,952 for the pipeline owner to move a pipeline for a construction project. The County Clerk indicated this was a sole source purchase. However, this was not documented.
- Although a \$101,400 disbursement for election equipment was bid, the county did not document why a bid which was \$8,460 less was not accepted. The County Clerk indicated the lowest bid was not selected because the election equipment was incompatible with the other election equipment.
- The county spent approximately \$15,000 for heating and cooling services for the Sheriff's Department. Although the Chief Deputy indicated the services were required due to an emergency, there was no documentation regarding this.
- A trailer costing approximately \$4,600 was purchased by the Emergency Management Director. Although the Director indicated he solicited prices via phone calls, documentation of these calls was not retained.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- B. The county has not developed an effective method of monitoring the services provided by several not-for-profit (NFP) organizations. Although agreements with the NFPs allow the county to require documentation on the use of the requested funds, the county has not required such documentation. During 2006, the county paid the NFPs approximately \$28,000 for these funding requests for various services (such as meals for senior citizens, recycling, etc.).

The monitoring efforts used by the county do not provide adequate assurance as to how monies are being spent. At a minimum, the county should ensure documentation is received regarding the specific services to county residents in exchange for funding provided by the county.

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Adequately monitor the use of monies provided to NFP organizations.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A. *In 2007, we began outsourcing the kitchen supplies and prescriptions so this will no longer be a problem. We will try to document bid decisions better in the future.*
- B. *This recommendation will be implemented in the future.*

3. County Treasurer Controls and Procedures
--

The County Treasurer procedures relating to unclaimed monies and outstanding checks are in need of improvement.

- A. In 2006 and 2005, the County Treasurer deposited approximately \$2,700 of unclaimed monies in the county's General Revenue Fund, rather than turning the monies over to the state Unclaimed Property Section as required by state law. The unclaimed monies included old outstanding checks. The County Treasurer indicated her procedures were consistent with those of the past as she believed these monies should be retained by the county not the state.

Sections 447.500 through 447.595, RSMo, requires unidentified monies be turned over to the state Unclaimed Property Section. The County Treasurer should review these sections of state law and take appropriate action.

- B. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2006, the County Treasurer's bank account had 59 outstanding checks, totaling \$2,584, which dated back to 2002. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

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

WE RECOMMEND the County Treasurer:

- A. Distribute approximately \$2,700 from the General Revenue Fund to the state Unclaimed Property Section. In addition, the County Treasurer should establish procedures for turning over unidentified amounts to state Unclaimed Property.
- B. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The County Treasurer indicated:

I will take these recommendations under advisement.

4. Payroll Procedures and Official's Salaries
--

Records and procedures regarding timecards and timesheets are in need of improvement. In addition, the county's policy regarding the accumulation of compensatory time is not clear and the County Coroner's salary did not appear to comply with statutory provisions. Marion County disburses approximately \$2.8 million annually for payroll costs. The County Commission is responsible for approving payroll related disbursements, and the County Clerk is responsible for maintaining adequate records to support these disbursements.

- A. Timecard and timesheet records and procedures are in need of improvement. The following problems regarding timecards and timesheets were noted:

- 1. Timecards are not submitted to the County Clerk's office for Highway Department employees. The Highway Department's secretary prepares summary timesheets using the original timecards. Although the summary monthly timesheets are apparently reviewed for accuracy by the Highway Department Superintendent before they are submitted to the County Clerk's office, the summary timesheets did not always agree with the timecards. One employee's compensatory balance was overstated by 3.5 hours due to errors on the summary.

Submission of detailed time records to the County Clerk's office, which are approved by supervisors, would provide support for payroll processed by the county. The county cannot adequately document the legitimacy of payroll amounts and leave balances without adequate documentation.

- 2. Timesheets are not prepared by the Emergency Management Director. The county pays the Emergency Management Director \$7,500 annually as a part-

time employee, but he is also paid by the Health Department and Ralls County. County Clerk personnel indicated he is considered to be a salaried employee who does not earn any leave and is not required to submit timesheets. The county has no documentation indicating the number of hours worked, or how such hours relate to those charged to the other entities.

Detailed timesheets document hours actually worked; provide information necessary to monitor overtime worked, leave and compensatory time usage and balances; and, are beneficial in demonstrating compliance with county policy and federal Fair Labor Standards Act (FLSA) requirements. Timesheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office.

- B. The county's policy regarding the accumulation of compensatory time is not clear. Section A of the County Personnel Policy Manual states "Overtime compensation for time worked in excess of 40 hours within the work week is computed at the rate of 1.5 times the number of hours worked in excess of 40 hours"; whereas, section C states "Overtime compensation for time worked, sick leave, vacation or compensatory time over eight hours per day or in excess of 40 hours within the work week is rewarded at the rate of 1.5 times the usual rate of pay in the form of compensatory time off." Currently the county awards overtime compensation for time worked, sick leave, vacation, or compensatory time over eight hours per day except in unusual situations. County Clerk personnel indicated this has been the compensatory time policy that has been followed for several years.

Complete and detailed written policies are necessary to provide guidance for the effective and consistent management of the county's employees. The County Commission should review and update their policies.

- C. In addition to the salary set by state statute, the County Coroner received a fee of \$200 for each death scene that she reviewed. Between 2003 and 2005, the County Coroner received approximately \$54,000 for death scene reviews. Beginning in 2006, the County Commission stopped paying this additional compensation, because they believed the County Coroner was being paid twice for the same work performed. The Salary Commission had not approved this additional compensation for the County Coroner.

Section 58.095, RSMo, states that the County Coroner's annual salary will be based upon the county's assessed valuation and decisions made by the Salary Commission.

Similar conditions to A and B were noted in our prior report.

WE RECOMMEND the County Commission:

- A.1. Require detailed time records which are approved by supervisors to be submitted to the County Clerk's office.
2. Require all county employees to prepare timesheets. These timesheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk's office.
- B. Review the current county practice and policies regarding compensatory time to determine the proper policies are established and followed.
- C. Consult the Prosecuting Attorney to obtain an opinion on the legality of the additional compensation and seek repayment of any excess salary payments.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will take these recommendations under advisement.*
- B. *We will review this.*
- C. *We have consulted with the Prosecuting Attorney and decided not to pursue repayment of these monies.*

5. County Property Records and Procedures
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Procedures and records to account for county property are not adequate. In addition, records and monitoring procedures for county vehicles and fuel are not sufficient.

- A. Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. The County Clerk maintains a capital asset listing for each office and indicated each county official or their designee was responsible for performing periodic inventories and inspections. At December 31, 2006, county property not including vehicles and buildings was valued at \$5.7 million on the county insurance policy. The following problems regarding county property records and procedures were noted:
 - The County Clerk does not send a memo to county departments requesting they perform inspections and physical inventories, and submit inventory reports to document these efforts. As a result, the Highway Department in

2006 was the only inventory submitted to the County Clerk's office during the audit period.

- Although the capital asset listing showed property items were disposed of since the previous reporting period, the explanation in the inventory reports did not identify pertinent details, such as reasons for disposal, method of disposal, to whom disposed, or amount received. For example, the department inventory records indicated an AS400 mainframe (\$30,545) was disposed of and a computer (\$1,712) was no longer in use. The County Clerk indicated county property is normally disposed of by either destroying or selling it.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. Additionally, the completeness and accuracy of the overall county property records is questionable, and some changes to the records are not supported. These problems increase the possibility of undetected theft and inadequate insurance coverage.

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. Section 49.093, RSMo also 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.

- B. Records and monitoring procedures for county vehicles and fuel used by various officials are not sufficient as follows.
1. Mileage/usage logs are not maintained for Sheriff's Office vehicles. Although the Highway Department and County Coordinator do maintain mileage/usage logs, such information is not reconciled to fuel purchases. As a result, fuel usage cannot be reviewed for reasonableness and cannot be reconciled to invoices received and paid by the County Clerk's office. During the two years ended December 31, 2006, the county paid for fuel purchases totaling approximately \$82,300 for the Sheriff's Office, \$19,700 for the Highway Department, and \$1,100 for the County Coordinator.

Mileage/usage logs are necessary to document appropriate use of the vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings (or hours of use for equipment), and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for county business, are being properly utilized, and help identify vehicles and

equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs.

A similar condition was noted in our prior report.

2. Records of diesel fuel usage for Highway Department vehicles and equipment are not adequately reviewed. During the two years ended December 31, 2006, the county expended about \$265,600 for diesel fuel for vehicles and equipment used by the Highway Department. Employees dispense fuel from tanks located at the Highway Department and record the date, vehicle description, and gallons pumped on logs. Mileage/usage logs are maintained by the Highway Department for their vehicles; however, these are not reconciled to the periodic invoices received by the county when the vendor fills the bulk fuel tanks. In addition, a complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained. The failure to perform proper reconciliations increases the possibility that improper billing amounts will be paid and the risk that theft or misuse of fuel could occur and not be detected.

Complete fuel inventory records and usage logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel usage and disbursements, the fuel usage logs should be periodically reviewed and recorded usage reconciled to fuel purchased and on hand. Failure to account for fuel usages could result in theft, or misuse.

WE RECOMMEND:

- A. The County Clerk implement a procedure for tracking new property items throughout the year in order to modify insurance coverage promptly. The County Clerk should also work with other county departments to ensure physical inventories are conducted and reports submitted. In addition, the County Clerk should ensure the county property records include all applicable information.
- B.1. The County Commission and Sheriff ensure complete and accurate mileage/usage and maintenance logs are maintained for all vehicles. The logs should be reviewed by a supervisor periodically for completeness and reasonableness. Information on the logs should be reconciled to fuel purchases and other maintenance costs.
2. The County Commission ensure the Highway Department maintains complete fuel inventory records, and that fuel usage logs are periodically reviewed for completeness and reasonableness of usage and reconciled to fuel purchased and on hand.

AUDITEE'S RESPONSE

The County Clerk indicated:

- A. *We will no longer keep track of assets that are less than the required amount. We will request inventories from the official who would have assets in excess of this amount.*

The County Commission indicated:

B.1

- &2. We will take these recommendations under advisement.*

The Sheriff indicated:

- B.1. This recommendation will be implemented.*

6. Emergency Telephone Service (E911) Accounting Controls and Procedures

The Emergency Telephone Service (E911) procedures related to budgets, related party transactions, disbursements, minutes, and capital assets are in need of improvement. The E911 Fund received approximately \$1.3 million and \$885,000 from sales tax, grants, and interest income during 2006 and 2005, respectively.

- A. The E911 Fund budget document does not adequately project the fund's financial condition. The budgets do not include a beginning or estimated ending cash balance. In addition, the two previous years' actual amounts are not shown on the budget document as required. Although the E911 compiles an annual financial statement, these statements are not filed with their budget documents, and different classifications are used. For 2006 and 2005, the amounts shown on Exhibit B were obtained from the E911 Board's financial reports.

The budgets should accurately reflect the beginning and ending cash balances to be of maximum assistance to the board and to adequately inform the public. Section 50.590, RSMo, requires budgets to include the figures for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year. Complete and accurate financial information in the budget document is also essential for communicating accurate financial data to county residents. Further, the board's budgets should include appropriate and consistent classifications of receipts and disbursements to ensure the board's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

- B. The E911 Board paid approximately \$10,290 and \$2,890 in 2006 and 2005, respectively, to a legal firm partially owned by a board member's brother. This legal firm was selected prior to this board member being elected to the E911 board; however, the E911 Board did not enter into a written contract. The board member

has signed checks totaling approximately \$10,350 to the legal firm after approval of the bills by the E911 Director. However, since the Board does not formally approve disbursements, it is unclear whether the board member abstained from voting on payment of these services.

To help prevent conflicts of interest or the appearance of conflict of interest, discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented so that the public has assurance that no official has benefited improperly. The E911 Board should consider establishing a policy which addresses these types of situations. Section 432.070, RSMo, also requires contracts of political subdivisions to be in writing.

C. Disbursement controls and procedures are in need of improvement as follows.

1. The E911 Director did not document his approval of some invoices paid. The E911 Board has given the director the authority to approve disbursements, and after the accounting firm prepares the checks, two board members sign the checks. Examples of items without documentation of approval include a mapping system (\$69,415) and telephone services (\$3,577).

Disbursements made from E911 funds should be reviewed and approved by the E911 Director before payment is made to ensure all disbursements represent valid operating costs.

2. Adequate supporting documentation was not received or retained for some credit card purchases. The E911 has two credit cards used by board members and employees for travel and other purposes. Credit card disbursements totaled approximately \$18,250 for 2006 and 2005. Approximately \$1,100 of credit card charges reviewed did not have adequate documentation. The E911 did not have supporting documentation for some credit card disbursements, other than the monthly billing from the credit card company.

The E911 Board should require the users of the E911 credit cards to submit invoices or other documentation for all charges.

3. In 2006 and 2005, the E911 Board paid additional compensation to its employees totaling \$2,350. There was no explanation or support for these payments in the payroll records, however the E911 Board approved this additional compensation as holiday pay.

Article III, Section 39 of the Missouri Constitution prohibits counties from granting any extra compensation, fee or allowance to employees for services already rendered.

D. Board meeting minutes need improvement.

1. Board minutes are not signed by the preparer or by a board member to attest to their completeness and accuracy. Minutes should be signed by the preparer and a board member to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.
2. The minutes do not clearly indicate whether decisions made during the closed session were announced during the open session.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote; requires sufficient documentation of discussions held in closed meetings to demonstrate compliance with statutory provisions, and support important decisions made; and requires certain votes taken in closed session to be disclosed in open session.

E. Capital assets procedures are not sufficient and capital asset records are not complete.

The capital asset listing does not include acquisition dates, descriptions, or values for some items. As a result, capital asset purchases can not be reconciled to additions per the capital asset records. In addition, the capital asset listing does not appear to be complete. Land purchased in 2006 for \$114,032 was not included on the capital asset list as of August 2007. In addition, the E911 does not conduct an annual physical inventory.

Adequate capital asset records and monitoring procedures by the E911 are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over E911 property. The comparison of periodic inventories to overall E911 capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, record, and insure new capital assets are necessary to properly protect E911 assets.

Similar conditions to C.2, C.3, and E were noted in the prior report.

WE RECOMMEND the Emergency Telephone Service (E911) Board:

- A. Ensure complete and accurate budgets are prepared and filed with the State Auditor's Office. In addition, ensure all receipts and disbursements are consistently reported in

the county budget documents and financial reports.

- B. Review the related party transactions for propriety, and in the future, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. The E911 Board should consider adopting a policy to address these types of situations. In addition, the E911 Board should enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the E911 Board.
- C.1. Require the Director's approval be documented on all invoices prior to payment.
 - 2. Require adequate supporting documentation for all credit card charges be submitted prior to payment, such as detailed invoices.
 - 3. Discontinue the practice of paying additional compensation to employees.
- D.1. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.
 - 2. Ensure complete and accurate minutes of the board's meetings are maintained including, but not limited to, a record of any votes taken and other information required by state law.
- E. Implement a procedure for tracking new capital assets throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

The E911 Director and the Chairman of the Board indicated:

- A. *This recommendation will be implemented with the 2008 budget.*
- B. *This legal firm is no longer used by the E911 Board. The Board member is no longer on the Board. This potential conflict of interest no longer exists. The E911 Board will consider a conflict of interest policy.*
- C.1. *We will ensure this approval is documented in the future. These were just due to unusual circumstances.*
 - 2. *This was an isolated instance where one board member failed to retain receipts. In the future, we will try to avoid this situation.*
 - 3. *We will continue to do this in order to retain employees.*
- D. *These recommendations will be implemented.*

E. *Capital asset procedures will be developed.*

7. Health Department Accounting Controls and Procedures
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The Health Department policies and procedures related to receipts, bank reconciliations, disbursements, minutes, property, collateral securities, and conflict of interest are in need of improvement. The Health Department received approximately \$1.9 and \$1.7 million from property taxes, charges for services, grants, and interest during 2006 and 2005, respectively.

A. The Health Department receipt controls and procedures are in need of improvement as follows.

1. Cash custody and recordkeeping duties have not been adequately segregated. One clerk receives monies, records transactions, prepares deposits, and prepares bank reconciliations. Although the Board Treasurer indicated that he reviews the bank reconciliation, there is no documented supervisory review or comparison of the receipt slips issued to deposits.

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 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.

2. The method of payment is not always noted on receipt slips and the composition of receipt slips issued is not reconciled to the composition of deposits. Without including the method of payment and reconciling the composition, the Health Department cannot ensure all monies collected are ultimately recorded and deposited.

B. Bank reconciliations are not complete or adequately documented. The account clerk posts the bank transactions to their computer system and prints lists of outstanding checks and deposits in transit, and a reconciliation summary. However, the reconciliation summary does not indicate the book balance. The reconciled bank balance exceeded the book balance by approximately \$260 at January 4, 2007. The account clerk indicated this difference was due to a bank error when the banks merged, which had been corrected; however, she could not provide documentation noting the difference or showing it had been corrected. In addition, the bank reconciliations reflected numerous old outstanding checks. The January 4, 2007 reconciliation included 13 checks, totaling \$6,608, which some dated back to 2003.

Complete and well documented bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. The Health Department should investigate any differences noted and take appropriate action.

C. The Health Department disbursement controls and procedures are in need of improvement

1. While a review of board meeting minutes and bid files indicated the Health Department bid numerous items, the Department did not always solicit bids, or bid documentation was not always retained for various purchases. In addition, neither the board minutes nor the disbursement records contained adequate documentation of the Department's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

Concerns were noted related to the following purchases in 2006 and 2005:

<u>Items or Services</u>	<u>Amount</u>
Physical therapy	\$ 207,717
Flu vaccines	29,927
Van	17,882

Although Health Department personnel indicated they solicited prices for the vaccines and advertisements via phone calls, documentation of these calls was not retained. In addition, Health Department personnel indicated the van was purchased through a state contract; however, documentation was not retained.

Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days. Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Health Department has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in department business. Documentation of the various proposals received, and the Health Department's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

2. Gift cards totaling \$1,390 were purchased during the two years ended December 31, 2006 for employees. These purchases do not appear to be necessary or a prudent use of Department funds. The Health Department should ensure that funds are only spent on items which are necessary and beneficial to county residents.
3. In 2005, the Health Department Board paid additional compensation or incentives to four of its employees totaling \$2,000 who were at the top of their pay scale. The employee timesheets provided no explanation or support for these payments. The Health Department Administrator indicated these payments were employee incentives for completion of a particular project; however, this was not documented. In addition, the Health Department does not have a policy regarding this type of incentive payment.

Article III, Section 39 of the Missouri Constitution prohibits counties from granting any extra compensation, fee or allowance to employees for services already rendered.

D. Meeting minutes need improvement. The following problems regarding meeting minutes were noted:

1. Board minutes are not consistently signed by the preparer. In addition, the minutes are not signed by a board member to attest to their completeness and accuracy. Minutes should be signed by the preparer and a board member to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.
2. Open session minutes typically indicate that the meeting is being closed, but the vote to close the meeting is not always documented. The Health Department Board held numerous closed sessions over the past several years. Separate minutes are not prepared for closed meetings. In two instances, the open minutes did not include a summary of what had been discussed in the closed session. In addition, the open session minutes do not clearly indicate whether any decisions made during the closed session were announced during the open session.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote; requires sufficient documentation of discussions held in closed meetings to demonstrate compliance with statutory provisions, and support important decisions made; and requires certain votes taken in closed session to be

disclosed in open session.

Minutes are required to include, but not limited to, the date, time, place, members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board.

- E. The Health Department's procedures to account for capital assets are not sufficient and the capital asset records are not complete. As of December 31, 2006, the Health Department capital assets, not including vehicles and buildings, was valued at approximately \$213,600 on the Health Department insurance property.

The capital asset listing does not include acquisition dates or values for some items. As a result, capital asset purchases can not be reconciled to additions per the capital asset records. In addition, the capital asset listing does not appear to be complete. A van purchased in 2005 for \$17,882, was not included on the capital asset list as of September 2007. Although, Health Department personnel indicated an annual physical inventory was performed, it appears procedures were not adequate to determine that all items had not been recorded.

Adequate capital asset records and monitoring procedures by the Health Department are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over Health Department property. The comparison of periodic inventories to overall Health Department capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, record, and insure new capital assets are necessary to properly protect Health Department assets.

- F. The Health Department does not have adequate procedures to monitor and ensure bank accounts are sufficiently collateralized. In the month of January 2007, the Health Department's deposits were uncollateralized by approximately \$3,800, and on December 31, 2006 and 2005 by approximately \$116,500 and \$4,100, respectively. The Health Department Administrator indicated she relies on the bank to ensure they have pledged adequate collateral securities. In addition, the Health Department does not have a depositary agreement with one of the banks used.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC. Inadequate collateral securities leave the Health Department's funds unsecured and subject to loss in the event of a bank failure. Written depositary contracts should be prepared so that both the bank and the Health Department understand and can comply with the requirements of the agreement. The contracts should include agreements to ensure collateral securities are pledged by the bank to secure Health Department monies.

- G. The Health Department has not established a conflict of interest or financial disclosure policy.
- One board member, whose husband owns a Confined Animal Feeding Operation (CAFO), voted to rescind a controversial ordinance on CAFO's.
 - One board member was appointed to a committee to select an attorney to represent the Health Department on a lawsuit filed by his brother.

The minutes did not clearly document these situations or how such possible conflict of interests were avoided.

Board members should avoid any type of involvement in board decisions that relate to themselves or their families. Discussions and decisions where potential conflicts of interest exist should be completely documented so that the public has assurance that no official has benefited improperly. In addition, the Board of Trustees should consider establishing a policy which addresses these types of situations and provides a code of conduct for board members.

WE RECOMMEND the Health Department Board of Trustees:

- A.1. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
2. Ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.
- B. Ensure complete bank reconciliations are prepared on a monthly basis. In addition, the Health Department should investigate any old outstanding checks and differences noted.
- C.1. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
2. Avoid purchases of unnecessary items.
3. Discontinue the practice of paying additional compensation to employees.
- D.1. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.
2. Ensure complete and accurate minutes of the board's meeting are maintained including, but not limited to, a record of any votes taken and other information required by state law.

- E. Implement a procedure for tracking new capital assets throughout the year, and follow up on discrepancies identified during the annual physical inventory process.
- F. Enter into depositary agreements with all banks used and develop monitoring procedures to ensure adequate collateral securities are pledged by all depositary banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.
- G. Avoid actual or apparent conflicts of interest. Also, the Board should establish a policy that ensures compliance with statutes and avoids the appearance of a conflict of interest.

AUDITEE'S RESPONSE

The President of the Health Department Board of Trustees and the Health Department Administrator indicated:

- A. *This recommendation has been implemented.*
- B&D. *These recommendations will be implemented.*
- C.1. *This will be better documented in the future.*
 - 2. *The Board and Administrator plan to continue to give the employees gift cards in order to help retain employees.*
 - 3. *We no longer do this. The Board did approve the additional compensation, which was noted in the minutes.*
- E. *We will review the capital asset policy.*
- F. *We will consider developing new procedures for this area.*
- G. *We will consider developing a conflict of interest policy. We have obtained a written legal opinion regarding the CAFO situation, which indicated this was not a conflict of interest.*

8. Inmate Commissary Accounting Controls and Procedures
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The Sheriff's controls and procedures for the commissary account need improvement. This account is used for personal monies of inmates, commissary purchases made by inmates, purchases using commissary profits, and other fees charged to inmates. The Sheriff's Office records the monies received for each inmate in the commissary computer program provided by the independent vendor. The vendor is then contacted by the inmates to make commissary purchases which are recorded in the commissary computer program. The Sheriff's Office deducts the commissary profit from the amounts paid to the vendor for

inmate purchases. In addition, the Sheriff's office purchases some additional commissary items from local vendors (that are sold to the inmates) and items for his office from the commissary profits.

All of the activity in the commissary account and inmate monies are included in the Jail Inmate Fund. The Sheriff's office processes approximately \$120,000 annually through the commissary account.

A. Bank reconciliations and open items procedures are not adequate. The following problems regarding bank reconciliations and open items were noted:

1. Bank reconciliations for the commissary account are not documented. Although the Sheriff's clerk indicated she reconciles the bank account, formal bank reconciliations are not prepared. Upon our request, the December 31, 2006 and 2005, bank reconciliations were prepared.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely.

2. Monthly listings of open items (liabilities) are prepared for the inmate monies; however, they are not reconciled with cash balances. Although ledgers for the checking account and the medical fees receipts are maintained, a ledger for the commissary profits, interest income, and disbursements of commissary profit/medical fees is not maintained. As a result, the Sheriff's Jail Inmate Fund includes both inmate and Sheriff activity. The Sheriff's Office believes that all monies exceeding the total of the inmate monies are profits or fees that can be spent by the Sheriff. At December 31, 2006, the balance in this fund exceeded the inmate open items listing by approximately \$9,400. Without a ledger of commissary profits, medical fees, interest income and purchases, the Sheriff can not reconcile to cash balances, and ensure that the records are correct.

In addition, commissary profits are not remitted to the county treasury. Section 50.330, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasurer.

B. Some necessary personal items (toilet paper, etc.) are sold to inmates by the Sheriff's Office. These fees are county fees that should be credited to the General Revenue Fund (see A.2. above). The Sheriff's Office personnel indicated the fees for personal items were charged because inmates should pay for the entire cost of their stay in jail. However, the Sheriff could not provide any statutory authority authorizing the collection of these fees. These fees are charged in addition to the regular daily rate for board.

C. Receipt procedures for the commissary account are in need of improvement.

1. The numerical sequence of receipt slips issued is not accounted for properly. The Sheriff's Office issues manual receipt slips for inmate monies received, which are numbered by the clerks before the books are used. There were several instances noted where the numbering was incorrect and numbers were used twice. There were several receipts slips missing (entire pages had been removed from the receipt book). Also, the method of payment is not noted on some receipt slips and the composition of receipt slips issued is not reconciled to the composition of deposits.

In addition, the numerical sequence of the transaction numbers assigned by the commissary computer system are not accounted for properly. A transaction number is assigned by the computer system for each manual receipt slip posted to the system. Sheriff's personnel indicated that they could not generate any reports which listed the transaction numbers.

To ensure all monies collected have been posted to the computer system and deposited, the numerical sequence of receipt slips and transaction numbers should be accounted for properly.

2. Monies received are not always deposited intact or in a timely manner. The Sheriff's Office sometimes holds inmates monies for several days before they are deposited. If sheriff personnel believe the inmate will only be held a short while, the monies are held and returned to the inmate upon his release. (see 3 below). If the inmate is not released the monies are then deposited. A cash count performed on July 18, 2007, showed a receipt that was held for fourteen days before being deposited. In addition, checks are not restrictively endorsed immediately upon receipt.
3. The Sheriff's Office does not obtain a signature from inmates to verify the return of monies or cash refunded upon their release. Some monies collected are held and then returned to the inmate upon his/her release. In addition, the Sheriff's Office disburses petty cash to inmates who are released with a balance of less than \$3.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip/transaction numbers should be accounted for, and the composition should be reconciled to the bank deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. In addition, if monies are returned or refunded in cash to the inmate, the inmate's signature should be obtained for documentation to indicate the inmate received the monies due to them.

Similar conditions to A.2 and C.1 were noted in the prior report.

WE RECOMMEND the Sheriff:

- A.1. Require bank reconciliations be prepared on a monthly basis.
 - 2. Ensure the monthly open items listing is reconciled to the accounting records and any differences are investigated and corrected. The Sheriff should discontinue the practice of maintaining county charges and commissary profit outside the county treasury. If these monies continue to be maintained in the Sheriff's commissary account, a ledger should be maintained detailing the amounts received and spent.
- B. Review the charging of fees for personal items with the Prosecuting Attorney to ensure the fees are appropriate.
- C.1. Ensure receipt slips are prenumbered by the printer and the numerical sequence of receipt slips issued and transactions posted can be accounted for properly. In addition, the Sheriff should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.
 - 2. Deposit all monies intact on a timely basis and restrictively endorse checks and money orders immediately upon receipt.
 - 3. Obtain documentation from the inmates when monies are distributed to them.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A.1. *The new computer system should do this.*
 - 2. *We will open a separate bank account for the commissary profits, interest income, and fees for non-commissary items. This will allow us to implement this recommendation.*
- B. *We plan to continue to charge for the necessary personal items because we feel inmates should pay for all costs. This also reduces the cost to the county for each inmate.*

C.1. *We will purchase prenumbered receipt slips for the commissary. The new computer system should allow us to account for transaction numbers.*

2&3. *All monies will be deposited intact and a check will be issued to return monies to the inmate.*

AUDITOR'S COMMENT

B. All costs to the county should be included in the daily rate charged for board. In addition, written contracts with the various entities should clearly indicate what services are included in the daily rate.

9. Sheriff Accounting Controls and Procedures
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The Sheriff's Office procedures related to receipts, segregation of duties, open items, board bills, and seized property are in need of improvement. The Sheriff's Office processes approximately \$930,000 annually in the Sheriff's general account which includes summons fees, bonds, gun permits, and other general receipts.

A. Some monies collected in the Sheriff's Office in Palmyra are not adequately accounted for and secured. Prenumbered receipt slips are not issued for civil receipts received in the mail and the numerical sequence of the receipt slips which are issued are not accounted for properly. In addition, receipts collected are not maintained in a secure location or transmitted in a timely manner to the Hannibal Office for deposit. Checks and money orders collected are kept in a basket on the clerk's desk until they are transmitted. A \$500 cash bond was held for six days before it was transmitted to the Hannibal Office. Also, checks are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt and the receipt slip numbers should be accounted for properly. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and transmittals should be made intact on a timely basis. Transmittals should be more frequent if significant amounts of cash are collected. Also, monies should be stored in a secure location until transmitted.

A similar condition was noted in our prior report.

B. Procedures regarding segregation of duties, receipts, and open items for the Sheriff's Office in Hannibal are in need of improvement.

1. Cash custody and recordkeeping duties have not been adequately segregated. The Sergeant receives all monies, records transactions, prepares deposits,

and prepares bank reconciliations. Although the Sheriff or the Chief Deputy will review the bank reconciliation, there is no supervisory review or comparison of the receipt slips issued to deposits.

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 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.

2. Monies received are not deposited in a timely manner. During December 2006, the office made eight deposits averaging approximately \$3,500. In addition, the composition of receipt slips issued is not reconciled to the composition of deposits.

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

3. An open items listing is not prepared for the general account. The general account balance exceeded the amounts disbursed for the month by approximately \$2,650 and \$2,900 at December 31, 2006 and 2005, respectively. Sheriff's Office personnel indicated they did not know of any additional items which should have remained in the account.

Preparation of a monthly open items listing and reconciliation to the balance in the account is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Sheriff's Office should investigate any differences noted and take appropriate action.

- C. The Sheriff's Office houses prisoners for other counties and cities and bills the various entities for these services. The Sheriff's Office processed approximately \$428,700 and \$399,600 in 2006 and 2005, respectively, for these services.

1. Accounting duties are not adequately segregated for billing and collecting prisoner board bills. One deputy is primarily responsible for billing, receiving, depositing, and disbursing monies and maintaining the account records related to the board bills.

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 billing, collecting, and following up on unpaid prisoner board bills. If proper segregation of duties cannot be

achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

2. Follow-up procedures for past due prisoner billings have not been established. Although Sheriff's Office personnel indicated they sometimes send out additional requests for unpaid amounts, they did not have any documentation of follow up on past due billings. In July 2007, the Sheriff's office had an unpaid bill from one county in the amount of \$1,050, that was for services from March and April 2006. Unpaid board bills should be monitored and appropriate follow up action taken to ensure county costs are recouped.
3. The Sheriff's Office does not have current written agreements with Ralls County and the City of Hannibal although they receive monies for boarding of their prisoners. Section 432.070, RSMo, requires the county to have all contracts in writing. Written agreements should be prepared with all political subdivisions for services provided. The agreements should be updated periodically, clearly specify the arrangements between parties for the services provided, and be approved by the County Commission.

- D. The Sheriff withheld and retained \$445 accountable fees from a partition sale. The Sheriff indicated that he relied on the heir's attorney to calculate the fee. Based on our calculation, the fees in this case should have been \$265, and should have been turned over to the county.

To ensure all accountable fees are properly collected, the Sheriff's Office should calculate the Sheriff's fees on partition sales, retain supporting documentation, and ensure the proper fees are collected and distributed. Attorney General's Opinion No. 108, 1970 to Holman, provides that commissions on partition sales are accountable fees and should be paid into the county's General Revenue Fund. The Sheriff should ensure that all accountable fees withheld from partition sale proceeds are properly disbursed to the county.

- E. Seized property records and procedures need improvement as follows.

1. The seized property log is not complete and periodic physical inventories of the property on hand are not conducted. Three items selected from the seized property room were not included on the seized property log and \$807, recorded on the log in 1996, was missing from the seized property room. Sheriff's personnel stated that these monies were disposed of; however, no disposition was noted on the seized property log and no documentation of the actual disposition or the order to dispose of these monies could be provided.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. The seized property log should include all

seized property items, and include information such as description, persons involved, current location, case number, and disposition of such property. Periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

2. Procedures have not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases have been disposed in court are currently being stored. According to the seized property log, property is on hand dating back to 1996.

Section 542.301, RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

WE RECOMMEND the Sheriff:

- A. Ensure prenumbered receipt slips are issued for all monies received and accounted for properly. In addition, receipt slips issued should be reconciled to monies transmitted to Hannibal for deposit. Ensure monies received are stored in a secure location until transmitted. In addition, transmit monies to the Hannibal office on a timely basis and restrictively endorse checks and money orders immediately upon receipt.
- B.1. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
 2. Ensure monies are deposited on a timely basis. In addition, the Sheriff should ensure the composition of receipt slips is reconciled to deposits.
 3. Ensure open items are reconciled to the account balances monthly and investigate any unidentified monies.
- C.1. Adequately segregate accounting duties relating to board bills to the extent possible or ensure periodic supervisory reviews are performed and documented.
 2. Establish procedures to adequately monitor and collect unpaid board of prisoner accounts receivable.
 3. And the County Commission should enter into current written agreements for the boarding of prisoners.

- D. Review the calculation of the partition sale fees and return any monies to be redistributed as appropriate. In addition, the Sheriff should ensure all fees from future sales are properly computed, documentation is maintained to support the calculation, and the fees are turned over to the county.
- E.1. Ensure a complete inventory listing of all seized property is maintained and updated for both additions and dispositions. In addition, a periodic physical inventory should be performed and reconciled to the inventory listing.
 - 2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *We will review these procedures.*
 - B.1. *I will ensure this is done in the future.*
 - 2. *I will ensure deposits are made more timely.*
 - 3. *I will review this recommendation.*
 - C.1 & 2. *These recommendations have been implemented.*
 - 3. *I do not believe this is necessary due to the office's working relationship with these entities.*
- D. *I will obtain documentation of the fee calculation from the attorney in the future. I do not agree that these fees should be turned over to the county. I will research this further.*
- E.1. *We are currently working on an inventory of seized property. This \$807 was from a prior administration and there is no way to know if these monies were in the seized property room when I took office.*
 - 2. *This recommendation will be implemented.*

10. Circuit Clerk Accounting Controls and Procedures (Hannibal)
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The Circuit Court - District II procedures related to bank reconciliations, open items, old bank accounts, and receipts are in need of improvement. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005. The Circuit Court started using the Justice Information System (JIS) computer system in September

2005. The Circuit Court processed approximately \$914,000 and \$1,269,000 in 2006 and 2005, respectively, in civil and criminal case fees, fines, and bonds.

A. JIS bank reconciliation and open item controls and procedures for the Circuit Court need improvement.

1. The bank reconciliation for December 2006 was not received by the Circuit Court until September 2007. The Office of the State Court Administrator (OSCA) has been performing the bank reconciliations for the Circuit Court since the conversion to the JIS. The December 31, 2006 bank reconciliation included nine reconciling items which had not been investigated and resolved.

The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition, although the OSCA provides support to the various courts across the state, it is ultimately the Circuit Court's responsibility to perform bank reconciliations timely and to ensure differences are resolved timely. Failure to resolve differences and reconciling items timely increases the risk that other errors or misstatements will not be detected on a timely basis.

2. Listings of open items (liabilities) are not reconciled with cash balances of the Circuit Clerk's JIS account. At December 31, 2006, the balance of the JIS account was \$141,748 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled \$141,595, indicating a potential overage in the account of \$153. The Circuit Clerk could not explain this difference nor was the difference investigated.

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

B. The Circuit Clerk has two old bank accounts which have not been used for several years and have had only minimal activity. The Circuit Clerk's procedures regarding old bank accounts are in need of improvement.

- The child support account had a bank balance of \$4,684 at December 31, 2006, although the Circuit Court stopped collecting these monies in 2001. No attempt has been made by the Circuit Clerk to properly dispose of the monies in this account.

- The Circuit Clerk went on the JIS in September 2005. During this process, a new bank account (discussed in part A above) was opened to handle court transactions. As of December 2006, the old general bank account had not been closed nor had the open cases regarding this account been entered into the JIS System. The old general bank account reconciled balance as of December 31, 2006 was \$233,276.
- The December 31, 2006, reconciled bank balance of the old general account exceeded open items by \$15,538. While the Circuit Clerk was aware of this difference, she has not investigated nor could she offer a possible explanation.
- Several open items for the old general account had negative balances. The Circuit Clerk indicated this was caused by excess monies being paid out for some of the cases or receipts not being entered into the old system for some of the cases.
- The Circuit Clerk has not established adequate procedures to follow-up and resolve old outstanding checks. As of December 31, 2006, there were 15 outstanding checks, totaling \$959, that were over a year old for the old bank accounts, with some of these outstanding checks dating back to the 1998.

Old inactive cash balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. The Circuit Clerk should attempt to obtain written authorization from the court to dispose of the court monies. Overall efficiency could also be improved by reducing the number of accounts. In addition, the Circuit Clerk should take action to investigate the overage which appears to exist in the old general account

- C. Various financial records could not be located. The bank statements and canceled checks for January through July 2005 for the Associate Court account, which has since been closed, could not be located. At our request, the Circuit Clerk did obtain copies of these bank statements. In addition, they were unable to locate the one write ledger which showed various receipt and disbursement information.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states 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.

- D. Prenumbered receipt slips are not issued or recorded on a receipt log for some monies received. The Circuit Clerk receives Sheriff's fees for the serving of papers for garnishment cases. Cash and checks received are turned over to the appropriate Sheriff without recording transmittal dates in the accounting records or depositing the monies into her bank account. In addition, receipts are maintained in an unsecured location on top of a circuit court table prior to turnover.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received or recorded on a receipt log immediately upon receipt. The date of turnovers to the appropriate Sheriff should be recorded in the accounting records. In addition, receipts should be maintained in a secure location.

WE RECOMMEND the Circuit Clerk:

- A. Reconcile the accounting records to the bank accounts and a monthly detailed listing of open items on a timely basis. The Circuit Clerk should investigate and correct identified differences.
- B. Dispose of old court monies, combine any monies with similar purposes, and close unnecessary accounts.
- C. Retain financial records in a secure location to prevent misplacement or loss.
- D. Issue prenumbered receipt slips for all monies received or record receipts on a receipt log. The transmittal date should be recorded in the accounting records. In addition, maintain receipts in a secure location until deposited or transmitted.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *We are now doing more timely bank reconciliations, and are working on resolving the various reconciling items. We will begin printing, reviewing, and reconciling open items.*
- B. *We are working on this.*
- C. *This was before I took over the division. All records will be retained.*
- D. *We are working on developing proper procedures for these fees.*

11. Circuit Clerk Accounting Controls and Procedures (Palmyra)

The Circuit Court - District I procedures related to bank reconciliations, open items, old bank accounts, and accrued costs are in need of improvement. The Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005. The Circuit Court started using the Justice Information System (JIS) computer system in September 2005. The Circuit Court processed approximately \$436,260 and \$690,890 in 2006 and 2005, respectively, in civil and criminal case fees, fines, and bonds.

A. The controls and procedures regarding bank reconciliations for the Circuit Court need improvement.

- Bank reconciliations for the JIS bank account are not performed on a timely basis. The last attempted bank reconciliation for the JIS account was performed in May 2007 for May 31, 2006.
- Bank reconciliations are not complete and the bank balance is not reconciled to a monthly listing of open items (liabilities). Although the May 31, 2006 bank reconciliation prepared by the Circuit Clerk reconciled with the book balance, the Circuit Clerk was unable to provide supporting documentation for some of the adjustments on the bank reconciliation. As a result, the supported reconciled bank balance was \$1,020 more than the book balance.
- At May 31, 2006, the book balance of the JIS account was \$93,815 while the open items listing prepared from the Circuit Clerk's accounting system (JIS) totaled \$95,563, indicating a potential shortage in the account of \$1,748. In addition, the Circuit Clerk does not generate or review a detailed open items listing from JIS.

Reconciling the accounting records to the bank account and an open items listing ensures that the records are in balance and sufficient funds are available for the payment of all liabilities. Differences should be reviewed monthly and appropriate adjustments should be made to correct the records.

B. The court does not have adequate procedures to review the status of old open items. The June 18, 2007 open items listing included approximately 100 cases and totaled over \$37,000. For the two cases reviewed, the monies collected should have been applied to the case when the defendant was sentenced on October 21, 2005 and when the case was closed on November 9, 2005.

The failure to routinely review open items and prorate 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 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 court needs to perform a comprehensive review of old open items and dispose of monies as appropriate.

A similar condition was noted in our last report.

C. The Circuit Clerk maintains five old bank accounts which have not been used for several years and have had only minimal activity. The Circuit Clerk's procedures regarding old bank accounts are in need of improvement.

- The Circuit Division, Associate Division, Probate Division, and bond accounts have not been used for court monies since 2005 with book balances of \$12,979, \$1,926, \$600, and \$10,953, respectively, at December 31, 2006. No attempt has been made by the Circuit Clerk to properly dispose of the monies in these accounts. At our request, the Circuit Clerk was able to identify open items (liabilities) for all of the old bank accounts.
- The child support account which has not been used since 2001 has a bank balance of \$1,813 and negative book balance of \$155 at December 31, 2006.
- The Circuit Clerk has not established adequate procedures to follow-up and resolve old outstanding checks. As of December 31, 2006, there were 78 outstanding checks, totaling \$5,858, that were over a year old for the old bank accounts, with some of these outstanding checks dating back to the 1980's.

Old inactive cash balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. The Circuit Clerk should attempt to obtain written authorization from the court to dispose of the court monies. Overall efficiency could also be improved by reducing the number of accounts. In addition, the Circuit Clerk should take action to investigate the shortage which appears to exist in the child support account.

D. Accrued costs have not been billed on a timely basis and may result in lost revenue to the county. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. As of October 2007, the Circuit Clerk's last billing to the state was in September 2007 for cases from July through September 2005. There are currently approximately 10 cases over a year old. For three cases, the Circuit Clerk missed filing before the two-year filing period deadline had expired which resulted in lost revenues of \$10,480.

To ensure that revenues are maximized, the Circuit Clerk should implement procedures to track all reimbursable board of prisoner costs and submit timely reimbursement claims to the state.

WE RECOMMEND the Circuit Clerk:

- A. Reconcile the accounting records to the bank accounts and a monthly detailed listing of open items on a timely basis. In addition, the Circuit Clerk should investigate and correct identified differences.
- B. Routinely review open items and disburse or dispose of monies as appropriate.
- C. Dispose of old court monies, combine any monies with similar purposes, and close unnecessary accounts. In addition, the Circuit Clerk should refrain from having negative balances and ensure monies are available to cover all outstanding checks.
- D. Establish and implement procedures to track reimbursable board of prisoner costs and submit applicable reimbursement claims to the state in a timely manner.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *This recommendation will be implemented.*
- B. *This recommendation has already been implemented.*
- C. *I will do this when time is available.*
- D. *This will be done on a timely basis.*

12. Prosecuting Attorney Accounting Controls and Procedures
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The Prosecuting Attorney's office does not have an adequate system to account for the receipt and eventual disposition of all bad checks. Currently, Marion County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. If payment is collected by the 10 day deadline, the complaint form and information regarding the handling of the case is not recorded on the case log, thus only complaints not paid within the deadline are recorded on the case log and assigned a sequential number. The bad check case files which have been paid are filed separately from pending cases. No identifying or tracking numbers are assigned to some complaint forms or bad checks in a manner that allows all bad check complaint forms to be accounted for properly. As a result, there is no assurance all bad checks have been disposed of properly.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and this number should be used to track the status and disposition of the corresponding bad check. Information in the records should include the complaint number, merchant name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition.

A similar condition was noted in the prior report.

WE AGAIN RECOMMEND the Prosecuting Attorney develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

I will consider this recommendation.

13. Public Administrator Accounting Controls and Procedures

The Public Administrator's procedures relating to beginning inventories, annual settlements, disbursements, and real estate sales need improvement. The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. At December 31, 2006, the Public Administrator handled approximately 167 cases.

- A. Procedures have not been established to ensure the Public Administrator's beginning inventory is correct, which resulted in the one annual settlement not being complete. The Associate (Probate) Judge does not require supporting documentation to be filed with beginning inventories. In one case, the balance of a ward's bank account on the beginning inventory was overstated by \$44 and twelve days of transactions were not included on the annual settlement. By not including these transactions on the annual settlement, receipts and disbursements were understated by \$1,041 and \$998, respectively.

To ensure the financial activity of the estates is accurately reported to the Probate Court, procedures should be established to ensure all assets are properly reflected on the beginning inventory and supporting documentation should be filed with the Probate Court. All receipts and disbursements should also be accurately recorded on the annual settlements.

- B. Controls and procedures regarding disbursements are in need of improvement.
1. Original copies of voided checks were not maintained. Voided checks should be properly mutilated and retained.
 2. The Public Administrator issued checks in excess of the book balances for several wards. The Public Administrator indicated these disbursements were made prior to the monies becoming available because of the due dates on bills. As of December 31, 2006, seven wards had negative balances totaling \$942. As a result of these negative balances, several wards were charged unnecessary bank fees. For example, one ward in 2006 had five negative balances which resulted in \$42 of overdraft fees.

To prevent unnecessary bank fees, the Public Administrator should refrain from issuing checks in excess of the balance.

- C. Formal policies and procedures over the sale of real estate to the public have not been established. As a result of the lack of formal policies and procedures, real estate sales have not been handled consistently. For example, some real estate sales are advertised, while for sale signs are simply placed in the yard for others. In addition, after sealed bids are opened, the Public Administrator indicated she sometimes accepts additional verbal bids for the sale of real estate. And, the Public Administrator does not always maintain records of bids for some real estate sales.

Failure to adopt formal written policies and procedures over sales to the public could result in lost revenues. Detailed written policies are also necessary to provide guidance to the public, provide a basis for real estate sales, ensure equitable treatment among the public, and avoid misunderstandings. The Public Administrator should develop procedures to ensure all real estate sales are handled consistently and adequate records of bids are maintained for real estate sales.

WE RECOMMEND the Public Administrator:

- A. Work with the Probate Judge to establish procedures to ensure accurate and complete inventories and annual settlements are filed with the court. In addition, the Probate Judge should consider requiring supporting documentation be filed with beginning inventories.
- B.1. Maintain the original copies of voided checks.
2. Ensure procedures are in place to eliminate bank overdraft charges.

- C. Work with the Probate Judge to establish formal written policies and procedures over sales to ensure the best price is obtained and fair and equitable treatment to the public. In addition, a complete record of bids for all sales should be maintained by the Public Administrator.

AUDITEE'S RESPONSE

The Public Administrator indicated:

- A. *This was an unusual case with a lot of outstanding checks written prior to my taking over the case, thus it was difficult to determine the beginning balance. I will begin submitting a copy of the bank statement with the initial inventory.*
- B.1. *Some of these could have been lost checks which were voided and reissued. This will be better documented in the future.*
- 2. *The rental agent wanted the checks in their office by the third of each month. This procedure has now been changed.*
- C. *This recommendation will be implemented.*

14. Juvenile Justice Center Accounting Controls and Procedures

Juvenile Justice Center procedures related to accounting duties, receipts, and open items are in need of improvement, and restitution payments to victims are not always made timely. The Juvenile Justice Center processes approximately \$97,500 annually in fees from counties in the judicial circuit, state reimbursements, juvenile fees, restitution, and donations.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Juvenile Justice Center. The Bookkeeper receives monies, records transactions, and prepares deposits and bank reconciliations. Although the Chief Juvenile Officer reviews the bank reconciliation, there is no supervisory review or comparison of the receipt slips issued to deposits.

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 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. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only a couple of times per month. A \$100 cash receipt was held twelve business days before it was deposited.

Deposits should be made intact on a timely basis to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds. Deposits should be more frequent if significant amounts of cash are collected.

- C. The Juvenile Justice Center is unable to reconcile the monthly listings of open items (liabilities) to the cash balance. Although the Bookkeeper prepares a monthly listing of open items, she was unable to determine the reason for the difference between the reconciled cash balance and other identified liabilities. The account balance exceeded the identified open items by approximately \$60 and \$2,300 at December 31, 2006 and 2005, respectively. As a result, the Juvenile Justice Center has unidentified monies which are not being distributed to the various victims or counties.

Preparation of a monthly open items listing and reconciliation to the balance in the account is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Juvenile Justice Center should investigate any differences noted and take appropriate action.

- D. Restitution monies are not distributed on a timely basis. The Juvenile Justice Center usually accumulates partial payments on court ordered restitution until the total amount is received and then distributes the monies to the victim. As of December 31, 2006, the balance of the court ordered restitution monies was approximately \$12,800. This money had been collected on behalf of the victims by order of the court to pay restitution. Several cases had undistributed balances in excess of \$100. For example, on December 31, 2006, one account with a balance of approximately \$1,160 had received monies periodically beginning in November 2005, which was when the last distribution was made to the victims.

To expedite the distribution of restitution to victims and to reduce the amount of open items necessary to be accounted for, the Juvenile Justice Center should consider distributing restitution payments to the victims on a more timely basis.

WE RECOMMEND the Juvenile Justice Center:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit all monies intact on a timely basis.
- C. Ensure open items are reconciled to the account balances monthly and investigate any unidentified monies.
- D. Consider distributing restitution payments to victims on a more timely basis.

AUDITEE'S RESPONSE

The Chief Juvenile Officer indicated:

- A. *I will begin performing a documented supervisory review.*
- B. *We will try to deposit weekly when possible.*
- C. *We will attempt to implement this recommendation.*
- D. *This was always our policy in the past. We will consider establishing procedures to disburse more timely.*

15. Assessor Accounting Controls and Procedures
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Assessor procedures related to receipts, and record keeping and monitoring of outstanding copy fees are in need of improvement. The Assessor's Office transmits approximately \$1,800 annually to the County Treasurer from the sale of maps and photocopies.

- A. Receipt slips are not issued for some monies received. Receipt slips are only issued upon request. In addition, receipts are not always transmitted to the County Treasurer intact. Some cash receipts are used as a change fund or for petty cash disbursements for the office. Assessor personnel estimated they withhold approximately \$10 week, or \$520 a year for petty cash disbursements. The petty cash fund is not maintained on an imprest basis, a complete and accurate petty cash ledger is not maintained, and supporting documentation was not retained for some petty cash disbursements. Some monies from the petty cash fund are used to purchase bakery items for employees which does not appear to be a prudent use of taxpayer monies. The Assessor indicated that he often puts some of his personal funds into the petty cash fund; however, documentation could not be provided to show this.

Without issuing and accounting for prenumbered receipt slips for all monies collected, the Assessor cannot ensure all monies collected are ultimately recorded and transmitted. Section 50.370, RSMo, requires county officials to 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.

If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Further if a petty cash fund is needed, it should be kept on an imprest basis (meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of paid invoices or vouchers should always equal the predetermined

balance) and all reimbursements should be supported by vendor invoices or other documentation. In addition, the Assessor should maintain a complete and accurate petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund, retain documentation to support disbursements of the fund, and ensure all disbursements are a prudent use of taxpayers monies.

- B. Recordkeeping and monitoring procedures related to outstanding copy fees are not adequate. The Assessor allows certain companies to charge fees for copies of records, and then bills them periodically. The Assessor tracks the amounts owed by company on a page of receipt slips for copies made in his office and bills the company when the page is full. In some instances it may take a month or more to fill up a page. If payment is not received within two months of the original billing, a second request is sent. However, copies of the original or second billings are not maintained and are not clearly documented on the page of receipts. As of October 2007, based on the notations on the receipt slips, it appears there were six instances of fees still owed dating back to January 2007.

Unpaid fees could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active and timely pursuit of unpaid fees, revenues to the county could be lost.

In addition, no written contracts exist between the Assessor and the thirteen companies allowed to charge copies. Prior to entering into written agreements with the companies, the Assessor should assess the reasonableness of the current rates and ensure the county receives fair consideration in exchange for its services. Further, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

Similar conditions were noted in the prior report.

WE AGAIN RECOMMEND the Assessor:

- A. Issue official prenumbered receipt slips for all monies collected, and transmit all monies to the County Treasurer intact monthly. If a change fund or a petty cash fund is needed, it should be maintained at a constant amount or on an imprest basis. Documentation for disbursements of the office should be maintained to support reimbursement of the petty cash fund. In addition, petty cash funds should be used only for prudent county disbursements.
- B. Establish procedures to adequately record and monitor outstanding fees. The Assessor should review the propriety of the rates charged for copies and obtain written agreements with the companies. In addition, the Assessor should cease using receipt slips to record charges.

AUDITEE'S RESPONSE

The Assessor indicated:

- A. *I will try to implement this recommendation.*
- B. *I have established procedures to record and monitor accounts receivable. I will consider establishing written agreements with the companies.*

16. Plat Book Sales

The county does not have a written agreement with the Extension Council for the sale of county plat books and maps. A letter from the 4H Council indicated the county would purchase the books and maps, with the understanding that all monies collected by the University Extension Council for the sale of the books and maps would be paid to the 4H Council, who would reimburse the county for the cost of each book or map sold. In addition, the monies from sale of books and maps in the Assessor's Office have also been transmitted to University Extension Office.

In February 2005, the county paid approximately \$16,400 for plat books and maps. The county received approximately \$2,100 and \$4,800 during the years ended December 31, 2006 and 2005, respectively, in cost reimbursements from the 4H Council. No one monitors the sale of the books and maps to ensure all costs are properly reimbursed to the county.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written agreement with the not-for-profit organizations that clearly indicates the public services being provided by these organizations, this arrangement could be considered inappropriate. Written agreements should clearly outline expectations and provide a means for the county to monitor compliance with contract terms, and provide protections for the county in the event of a dispute over the terms of the agreement.

WE RECOMMEND the County Commission develop procedures to monitor the sales of plat books and maps to ensure all costs are properly reimbursed, and enter into a written agreement regarding the sale of plat books and maps. In addition, the County Commission should require entities receiving county funds to provide documentation of how the monies were disbursed.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

In the future, we will document this.

The County Coordinator's procedures for receipts and transmittals are in need of improvement. The County Coordinator transmitted \$19,258 and \$10,023 in 2006 and 2005, respectively, to the County Treasurer from the issuance of building and rezoning permits, sale of street signs, and lease of flood plain property.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the County Coordinator's office. The secretary collects monies, records transactions, and prepares transmittals. The County Treasurer ensures the transmitted monies agree with the total on the transmittal report. However, a person independent of the receiving process does not compare the receipt slips to the transmittal report to ensure its accuracy.

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 transmitting 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. Receipt procedures need improvement as follows:

1. Prenumbered receipt slips are not issued for some monies received. The November 2005 transmittal report contained two receipts, totaling approximately \$765, that were not recorded in the receipt book. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. Instead, the County Treasurer endorses them when she receives them from the County Coordinator's office once a month.

Without issuing and accounting for prenumbered receipt slips for all monies collected the County Coordinator cannot ensure all monies collected are ultimately recorded and transmitted. In addition, checks and money orders should be restrictively endorsed immediately upon receipt to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

2. Monies are normally collected each business day, but transmittals to the County Treasurer are normally made only once a month. In addition, receipt slips issued cannot be readily reconciled to the amount transmitted. The County Coordinator indicated that permit monies are not transmitted until a permit is approved, which can result in significant delays in permit monies being transmitted to the County Treasurer. For example, a \$35 receipt received on January 3, 2006, was not included in the January 6, 2006, transmittal but was instead transmitted on February 3, 2006.

To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, all receipts should be transmitted intact and on a timely basis. If a permit is denied, the county should send that individual a refund by check. Transmittals should be more frequent if significant amounts of cash are collected. Additionally, recorded receipts should be reconciled to amounts transmitted on a periodic basis.

WE RECOMMEND the County Coordinator:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B.1. Issue receipt slips for all monies received. In addition, the County Coordinator should ensure checks or money orders are endorsed immediately upon receipt.
- 2. Ensure that receipts are turned over to the County Treasurer intact and in a timely manner. In addition, recorded County Coordinator receipt slips issued should be reconciled to monies transmitted on a periodic basis.

AUDITEE'S RESPONSE

The County Coordinator indicated:

A&B. These recommendations have already been implemented.

18. Highway Department Accounting Controls and Procedures
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Highway Department procedures related to accounting duties and processing of monies are in need of improvement. The Highway Department transmitted approximately \$30,000 and \$63,600 during the year ended December 31, 2006 and 2005, respectively, to the County Treasurer from the sale of signs, culverts, road oil, and old equipment. The county installs the culverts sold in individual's driveways connecting to county roads, and applies the road oil to county roads for dust control.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Highway Department. The Highway Department Superintendent and secretary collect monies and issue a prenumbered receipt slip. The secretary records transactions and prepares transmittals. The County Treasurer ensures the transmitted monies agree with the total on the transmittal report. However, a person independent of the receiving process does not compare the receipt slips to the transmittal to ensure its accuracy.

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 transmitting 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. Monies are normally collected each business day, but transmittals to the County Treasurer are normally made only once a month. In 2006 and 2005, monthly transmittals ranged from \$247 to \$31,886. One check, for \$7,557, was received on August 11, 2005; however, it was not transmitted to the County Treasurer until September 2, 2005. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

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

WE RECOMMEND the Highway Department:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Transmit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Highway Department Superintendent indicated:

These recommendations have been implemented.

Follow-Up on Prior Audit Findings

MARION 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 Marion 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 and Published Financial Statements

- A. The approved budget did not adequately project anticipated disbursements and the ending cash balance of some funds. The budgets significantly overestimated disbursements, and as a result the actual ending cash balances were much higher than the projected ending balances.
- B. Formal budgets were not prepared for some funds.
- C. The county's annual published financial statements did not include the financial activity of some county funds.

Recommendation:

The County Commission:

- A. And the Ex-Officio Recorder review procedures used to establish annual budgets and prepare more reasonable budgets.
- B. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- C. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

Status:

- A&C. Not implemented. See finding number 06-1.
- B. Not implemented. See MAR finding number 1.

2. Federal Awards

The County Clerk's, Health Center's, and Juvenile Justice Center's schedule of expenditures of federal awards included awards that were not federal, awards that were overstated due to incorrect calculations, and awards that were understated. The County Clerk and County Commission failed to adequately review this schedule for accuracy and completeness.

Recommendation:

The County Commission, County Clerk, Health Center, and Juvenile Justice Center ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 06-3.

3. Payroll and Personnel Procedures

- A. Timecards were not always signed by employees or their supervisors. In addition, the Sheriff or his deputy did not review timesheets prepared by his employees or compare the leave recorded on the timesheets to the leave requests submitted.
- B. Compensatory time was accumulated at time and a half although 40 hours were not worked during the week. The County Personnel Policies and Procedures Manual stated that overtime compensation would be rewarded at one and a half times the usual rate of pay, in the form of compensatory time off, for hours worked in excess of 40 per week.

Recommendation:

The County Commission:

- A. Require time records be prepared and signed by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records. In addition, time sheets should be compared to leave requests and any differences investigated.
- B. Review the County Personnel Policies and Procedures Manual and ensure compliance with the policy or adopt revisions that reflect the procedures the county is following. In addition, the Commission should ensure all terms are properly defined in the policy.

Status:

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

4. Assessor

- A. Receipts were not transmitted to the County Treasurer intact on a timely basis and were not kept in a secure location until transmitted. Some cash was retained for petty cash purchases. In addition, checks were not restrictively endorsed immediately upon receipt and receipt slips were issued only upon request.
- B. The Assessor's Office issued pre-numbered receipt slips when individuals purchased plat books and/or maps regardless of whether the individuals paid at that time or charged the purchase. If the individual charged the purchase, the same receipt slip was then used to record any subsequent charges made by the individual. In addition, the Assessor's office did not regularly review charges to ensure individuals were paying their bills timely.

Recommendation:

The Assessor:

- A. Ensure pre-numbered receipt slips are issued for all monies received, receipts are stored in a secure location until transmitted, checks are restrictively endorsed upon receipt, the method of payment per receipt slips is reconciled to the composition of monies transmitted to the County Treasurer and monies are transmitted timely and intact. In addition, if necessary, a petty cash fund should be established and maintained on an imprest basis.
- B. Ensure receipt slips are issued only when monies are received and maintain an accounts receivable ledger listing of all individuals who owe the Assessor's office for plat books and maps. In addition, the Assessor should periodically review this ledger and seek payment for long overdue accounts.

Status:

- A. Partially implemented. Receipts are stored in a secure location. See MAR finding number 15.
- B. Not implemented. See MAR finding number 15.

5. Sheriff's Jail Inmate Fund

- A. The Sheriff's Jail Inmate Fund was not reconciled to the individual inmate account balances and commissary profits.
- B. The Sheriff provided commissary services to inmates which were not available through the contracted commissary vendor. An independent party did not periodically reconcile the amount of items purchased and remaining in inventory with receipts from the sale of the items.

- C. Receipt slips were not issued for some monies received and the method of payment was not always indicated on the receipt slips.
- D. The Sheriff's department petty cash fund was not maintained on an imprest basis.
- E. Formal budgets were not prepared for the Sheriff's Jail Inmate Fund.
- F. The Sheriff did not file a formal monthly report of activity in the Sheriff's Jail Inmate Fund with the County Commission.

Recommendation:

The Sheriff:

- A. Ensure the individual prisoner account balances are reconciled to the reconciled bank balance of the Sheriff's Jail Inmate Fund on a monthly basis.
- B. Ensure independent reconciliations of commissary monies received to items purchased and remaining in inventory are performed.
- C. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued. In addition, the Sheriff should ensure the method of payment is indicated on all receipt slips and the composition of receipt slips issued is reconciled to the composition of bank deposits.
- D. Ensure the petty cash fund is maintained on an imprest basis.
- E. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- F. File a monthly report of activity in the Sheriff's Jail Inmate Fund with the County Commission.

Status:

- A&C Not implemented. See MAR finding number 8.
- B&F. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Implemented.
- E. Not implemented. See finding number 06-1.

6. Sheriff

Gun permits receipts were not deposited on a timely basis.

Recommendation:

The Sheriff deposit all monies intact daily or when accumulated receipts exceed \$100.

Status:

Not implemented. See MAR finding number 9.

7. Associate Circuit Division - District II (Hannibal)

- A. Formal budgets were not prepared for the Associate Circuit Division - District II Interest Fund.
- B. Garnishment and civil receipts were not transmitted/deposited intact on a timely basis.
- C. The method of payment was not always indicated on the Associate Division's receipt slips.
- D. The Associate Division had not established procedures to routinely follow up on outstanding checks.

Recommendation:

The Associate Circuit Division:

- A. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- B. Transmit/deposit receipts intact daily.
- C. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- D. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

The District II Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

- A. Not implemented. See finding number 06-1.

- B. Partially implemented. Civil fees are deposit timely; however, garnishment fees are not transmitted to the Sheriff on a timely basis. See MAR finding number 10.

C&D. Implemented.

8. Associate Circuit Division - District I (Palmyra)

- A. Formal budgets were not prepared for the Associate Circuit Division - District I Interest Fund.
- B. The bond account included cash bond receipts which had been held in excess of one year. In addition, the open items listing maintained by the Associate Circuit Division - District I included some cases that had been dismissed or closed.
- C. Receipts were not deposited on a timely basis. In addition, neither deposit slips nor cash receipt records indicated the receipt slips comprising the deposit.
- D. The method of payment was not always indicated on the Associate Division's civil receipt slips.
- E. Checks and money orders received were not restrictively endorsed immediately upon receipt.

Recommendation:

The Associate Circuit Division - District I:

- A. Ensure formal budgets are prepared and submitted to the County Clerk yearly as required by state law.
- B. Adopt procedures to periodically follow up on old open items and dispose of them according to state law.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, the Associate Circuit Division should ensure deposit slips or cash receipt records indicate the receipts comprising the deposit.
- D. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- E. Restrictively endorse checks immediately upon receipt.

Status:

The District I Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

- A. Not implemented. See finding number 06-1.
- B. Not implemented. See MAR finding number 11.
- C&E. Implemented.
- D. Partially implemented. Although the method of payment is indicated on all receipt slips, the composition of receipts is not reconciled to the composition of bank deposits. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Vehicle Logs

The county did not require logs to be maintained documenting fuel costs and vehicle usage for ten road and bridge trucks and a sports utility vehicle, nineteen Sheriff's patrol cars and five transport vans, or the county coordinator's sports utility vehicle.

Recommendation:

The County Commission require usage logs be maintained for all county assigned vehicles and perform a periodic review of such.

Status:

Not implemented. See MAR finding number 5.

10. Computer Controls

The Ex-Officio Recorder's, Sheriff's, Public Administrator's, and Collector's passwords were not changed on a periodic basis to ensure confidentiality.

Recommendation:

The Ex-Officio Recorder, Sheriff, Public Administrator and Collector ensure passwords are periodically changed and remain confidential.

Status:

Partially implemented. Although the Sheriff and Public Administrator change passwords on a regular basis, the Recorder's and Collector's passwords are not changed on a periodic basis. Although not repeated in the current MAR, our recommendation remains as stated above.

11. Prosecuting Attorney

An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of the bad checks had not been established.

Recommendation:

The Prosecuting Attorney implement procedures to adequately account for bad checks received, as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check.

Status:

Not implemented. See MAR finding number 12.

12. Circuit Clerk - District II (Hannibal)

- A. The Circuit Clerk had not established adequate procedures to ensure her various bank accounts were sufficiently collateralized.
- B. Listings of liabilities (open items) were not prepared for the fee account.
- C. The Circuit Clerk had not established procedures to routinely follow up on outstanding checks.

Recommendation:

The Circuit Clerk:

- A. Develop procedures to monitor and ensure adequate collateral securities are pledged at all times.
- B. Prepare monthly listings of open items and reconcile the listing to the cash balance.
- C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

A&C. Implemented.

- B. Partially implemented. Although the Circuit Clerk prepares a monthly listing of open items, it is not reconciled to the cash balance. See MAR finding number 10.

13. Circuit Clerk - District I (Palmyra)

The Circuit Clerk had not established procedures to routinely follow up on outstanding checks.

Recommendation:

The Circuit Clerk establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

The District I Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

Not implemented. See MAR finding number 11.

14. County Clerk

A. Receipt slips were not issued for some monies received. In addition, the method of payment was not always indicated on the receipt slips.

B. Checks received were not restrictively endorsed immediately upon receipt.

Recommendation:

The County Clerk:

A. Ensure receipt slips are issued for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and the composition of receipts is reconciled to the turnover to the Treasurer.

B. Restrictively endorse checks immediately upon receipt.

Status:

A. Partially implemented. Although receipt slips are not always issued, the method of payment is indicated on all receipt slips issued. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

15. Collector

A. The Collector maintained fifteen bank accounts between his two offices.

B. The County Collector's bank accounts had outstanding checks that were over one

year old.

Recommendation:

The Collector:

- A. Evaluate the need for each bank account and combine any with similar purposes.
- B. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

Status:

- A. Partially implemented. The annual agreements with the drainage districts now require separate bank accounts be maintained for the drainage districts. The Collector has closed two accounts for credit card payments. The Collector could combine the partial payment and pay in advance accounts in the Hannibal Office as done for the Palmyra Office. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

6. Probate Division - District II (Hannibal)

- A. Formal budgets were not prepared for the Probate Division - District II Interest Fund.
- B. Accounting duties for the Probate Division were not adequately segregated. The duties of receiving, recording, depositing and disbursing monies were all performed by the Probate clerk. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Probate Division:

- A. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- B. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

The District II Associate Circuit Division, Probate Division, and Circuit Clerk's office were

consolidated in July 2005.

A. Not implemented. See finding number 06-1.

B. Implemented.

17. Probate Division - District I (Palmyra)

Accounting duties for the Probate division were not adequately segregated. The duties of receiving, recording, depositing and disbursing monies were all performed by the Probate clerk. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Probate Division adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

The District I Associate Circuit Division, Probate Division, and Circuit Clerk's office were consolidated in July 2005.

Partially implemented. Although duties for disbursing monies have been segregated, there is no segregation between receipting and depositing monies. Although not repeated in the current MAR, our recommendation remains as stated above.

18. Highway Department

The duties of billing, receiving, recording, and transmitting monies received for 911 signs, building permits, flood plain leases and road and bridge materials to the County Treasurer were all performed by the Highway Department's secretary. There was no independent reconciliation between the bills sent and the monies received to ensure payments have been collected. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly, transmitted to the Treasurer, and assets were adequately safeguarded.

Recommendation:

The Highway Department adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented. In addition, reconciliations between the billings and payments received should be performed periodically by an independent person.

Status:

Not implemented. See MAR finding number 18.

19. Ex-Officio Recorder

Accounting duties for the Ex-Officio Recorder's office were not adequately segregated. The duties of receiving, recording, depositing and disbursing monies were all performed by the Deputy Recorder. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Ex-Officio Recorder adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

Implemented.

20. Health Center

- A. Actual disbursements exceeded the budgeted amounts in the Health Center Fund.
- B. The county's annual published financial statements did not include the financial activity for the Health Center.
- C. The Health Center did not have a formal emergency contingency plan for the computer systems, and had not formally negotiated arrangements for backup facilities in the event of a disaster.

Recommendation:

The Health Center:

- A. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office. In addition, ensure budget amendments are made prior to incurring the actual expenditures.
- B. Publish financial statements in accordance with state law.
- C. Ensure a formal contingency plan for the Health Center's computer system is developed.

Status:

A&C. Implemented.

B. Not implemented. See finding number 06-1.

21. Emergency Telephone Service (E-911) Board

- A. The E-911 Board had not established procedures to routinely follow up on outstanding checks.
- B. The E-911 Board had not established formal policies and procedures for general fixed assets, including procedures to update property records, and number, tag or otherwise identify property items.
- C. Credit card receipts were not reconciled to the monthly credit card bill.
- D. The E-911 Board awarded each employee a gift card as a Christmas bonus. In addition, they awarded each dispatcher a gift card in appreciation of Telecommunicator's week.
- E. The E-911 Board petty cash fund was not maintained on an imprest basis. Receipts were not always retained to document expenditures made and were not submitted with the reimbursement requests. In addition, receipt and disbursement records supporting petty cash fund activity were not maintained and some invoices or receipts were not maintained for petty cash expenditures.
- F. The E-911 Board did not publish annual financial statements.

Recommendation:

The E-911 Board:

- A. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- B. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with board property. Also, property control tags should be affixed to all general fixed assets, and board owned land and buildings should be included in the general fixed asset records. In addition, actual physical inventory of the various property items should be performed periodically.
- C. Perform a documented monthly reconciliation of credit card purchases to the credit

card statement and investigate any significant discrepancies.

- D. Discontinue the practice of paying employee bonuses.
- E. Ensure the petty cash fund is maintained on an imprest basis. In addition, invoices should be maintained for all petty cash disbursements and a ledger should be prepared of all petty cash transactions.
- F. Publish annual financial statements of the E-911 Board Fund in accordance with state law.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Although there were no problems with property tags, the 911 Board still has not developed a written policy for capital assets, recorded land and buildings on the records, or performed a physical inventory. See MAR finding number 6.
- C&D. Not implemented. See MAR finding number 6.
- E. Implemented.
- F. Not implemented. See finding number 06-1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MARION COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1826, the county of Marion was named after Francis Marion of the Revolution. Marion County is a county-organized, third-class county and is part of the Tenth Judicial Circuit. The county seat is Palmyra.

Marion 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 490 miles of county roads and 109 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 28,638 in 1980 and 28,289 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	\$	199.6	200.7	192.9	188.7	88.3	76.1
Personal property		97.4	94.6	92.7	93.8	24.8	13.6
Railroad and utilities		15.0	14.6	14.4	13.9	8.7	8.8
Total	\$	312.0	309.9	300.0	296.4	121.8	98.5

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$.1153	.0900	.0600	.0600
Special Road and Bridge Fund		.3323	.3323	.3136	.3170
Health Center Fund		.1491	.1491	.1491	.1491
Senate Bill 40 Board Fund		.1391	.1391	.1391	.1391

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	\$ 98,563	95,395	91,550	90,375
General Revenue Fund	381,882	292,656	196,522	194,358
Special Road and Bridge Fund	1,045,531	1,009,419	918,321	917,729
Assessment Fund	207,841	198,108	186,080	147,125
Health Department Fund	463,886	449,030	430,912	426,357
Senate Bill 40 Board Fund	432,777	418,914	402,012	397,765
School districts	11,305,802	10,803,739	10,343,658	10,010,094
Ambulance districts	903,227	866,346	830,639	820,427
Fire protection districts	51,425	47,837	44,078	41,803
Nursing home	483,978	468,420	449,611	445,009
Water sheds	10,345	10,049	8,733	9,046
TIF	314,915	292,046	264,161	242,339
Tax Maintenance Fund	26,978	24,991	24,203	23,018
Advertising deeds	3,788	3,140	1,779	2,190
Cities	172,590	156,602	158,769	157,721
County Clerk	2,986	3,179	3,363	3,042
County Employee's Retirement	65,339	62,253	60,231	54,783
Commissions and fees:				
General Revenue Fund	398,020	379,212	359,198	348,914
Total	\$ 16,369,873	15,581,334	14,773,818	14,332,097

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	95	95	95	95	%
Personal property	95	94	95	94	
Railroad and utilities	100	100	100	100	

Marion 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	%
Capital improvements	.0038	2014	None	
Emergency Telephone Service (E911)	.0025	None	None	

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:	\$				
Lyndon Bode, Presiding Commissioner		38,713	38,267	36,499	35,638
William Richmond, Associate Commissioner		36,713	36,267	34,499	33,638
Randy Spratt, Associate Commissioner		36,713	36,267	0	0
Kenneth N. Meyers Sr., Associate Commissioner		0	0	34,499	33,638
Robert J. Ravenscraft, County Clerk		55,626	54,951	52,271	50,967
Thomas P. Redington, Prosecuting Attorney		68,074	67,247	64,410	62,803
John E. Waldschlager, Sheriff		58,716	58,002	55,284	53,904
F. Jean Buckman, County Treasurer		41,164	40,663	38,681	37,716
Peggy Porter, County Coroner (1)		18,709	38,082	32,858	35,627
Gayle Viorel, Public Administrator		52,825	52,183	49,539	48,303
Lee Viorel, County Collector (2), year ended February 28 (29),	68,963	68,930	60,483	61,010	0
Carl Zupan, County Assessor (3), year ended August 31,		53,513	52,871	50,304	45,750
John D. Janes, County Surveyor (4)		3,200	1,300	975	2,250

(1) Includes \$19,600, \$15,600, and \$18,800 in 2005, 2004, and 2003, respectively, for death scene review fees.

(2) Includes \$9,370, \$13,304, \$5,532, and \$8,739 in 2007, 2006, 2005, and 2004 respectively, of commissions earned for collecting drainage and levee property taxes.

(3) Includes \$688, \$688, \$765, and \$900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.

(4) Compensation on a fee basis.

State-Paid Officials:

John E. Yancey, Circuit Clerk, Division I and Ex Officio Recorder of Deeds	55,670	54,578	53,978	53,378
Carolyn Connors, Circuit Clerk, Division II	55,670	54,578	53,978	53,378
John J. Jackson, Associate Circuit Judge	96,000	96,000	96,000	96,000

The county entered into a lease purchase agreement with UMB Bank (the "Trustee") on August 24, 2006. The terms of the agreement call for the Trustee to provide funding for the costs of property improvements related to energy conservation at the jail and for the county to lease the justice center from the Trustee for lease payments equal to the amount due to retire the Trustee's indebtedness. Certificates of Participation bonds totaling \$584,000 were issued by the Trustee, on August 24, 2006, on behalf of the county. Construction was essentially completed during 2006 and the lease is scheduled to be paid off in 2026. The repayments were to begin in June

2007. The remaining principal and interest due at December 31, 2006, was \$810,524. The lease payments are anticipated to be paid with revenue generated from the county's capital improvements sales tax passed in April 2001.

The county entered into a lease purchase agreement with UMB Bank (the "Trustee") on December 1, 2004. The terms of the agreement call for the Trustee to provide funding for the costs to acquire, construct, improve, and maintain Phase 3 of Veterans Road and a county highway maintenance facility and for the county to lease the highway maintenance facility from the Trustee for lease payments equal to the amount due to retire the Trustee's indebtedness. Certificates of Participation totaling \$4,395,000 were issued by the Trustee, on December 1, 2004, on behalf of the county. Construction on the Highway Department Building and Veterans Road was essentially completed during 2006 and 2007, respectively, and the lease is scheduled to be paid off in 2014. The remaining principal and interest due at December 31, 2006, was \$4,290,923. The lease payments are anticipated to be paid with revenue generated from the county's capital improvements sales tax which was passed in April 2001.