



Susan Montee, CPA
Missouri State Auditor

Henry County



May 2008

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Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

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

The 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 result, the county's SEFA contained several errors and omissions. Expenditures were overstated by \$204,024 and \$123,568 for the years ended December 31, 2006 and 2005, respectively.

The county was awarded an Edward Byrne Memorial Formula Grant to fund expenses of the West Central Drug Task Force and for other law enforcement purposes. Adequate documentation was not retained to support payroll expenditures totaling \$70,420 that were reimbursed from the grant. In addition, adequate documentation was not maintained to support fuel used by vehicles of the West Central Drug Task Force and Sheriff's office totaling \$ 16,164 that was reimbursed through the grant.

The county did not always solicit bids nor was bid documentation always retained for various purchases. Adequate supporting documentation was not retained for some credit card purchases. State expense reimbursements were not always claimed timely, and the county did not always enter into formal contracts.

Budgets were not prepared for some funds, and actual disbursements exceeded budgeted amounts for several funds. The county has been significantly overestimating the amounts budgeted for Road and Bridge fund expenditures, and the purpose of numerous transfers made between funds by the Sheriff was unclear and was not always documented.

An adequate review of employee timesheets was not always performed by the County Clerk's office or the supervisory official, and as a result, numerous errors went unidentified. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained, and leave records maintained by each office were not always accurate. Several instances were identified where compensatory time (overtime) earned was not being calculated in accordance with the county's personnel policy.

Controls and procedures over the Sheriff's inmate and commissary funds need improvement. Supporting documentation was not retained for \$1,698 of cash ATM withdrawals, numerous purchases made from the inmate and commissary account do not

(over)

YELLOW SHEET

appear to be prudent or necessary uses of public or inmate funds, and a system for tracking the profit and loss from the sales of commissary has not been established. Overall bank reconciliation procedures are lacking.

Procedures have not been established by the Sheriff to track the costs of conducting carry concealment classes. Monies received by the Sheriff's office are not deposited intact or in a timely manner. The reconciled bank balance of the Sheriff's fee account was negative at December 31, 2006 and did not agree to the related liabilities listing maintained, resulting in a shortage of \$2,800. The Sheriff also lacked supporting documentation for several disbursements under his control. In addition, controls over seized property are in need of improvement.

The Ex-Officio County Collector did not include all activity on her annual settlement, and did not distribute protested taxes in a timely manner. The Ex-Officio County Collector did not correctly calculate and distribute delinquent tax and surtax commissions, and Proposition C ratios were not used to calculate the county's assessment withholdings on delinquent taxes.

Because the Health Center board did not adequately monitor the financial condition of the health center, it was not determined that various accounting records of the health center were inaccurate (including the 2006 and 2005 budgets) and numerous recording errors went undetected or unreviewed. The health center did not effectively monitor the balances of its bank accounts and issued checks when sufficient funds were not available, resulting in \$125 in overdraft charges. Expenditures exceeded budgeted amounts prior to preparation of a budget amendment.

The Health Center purchased its property and employee health insurance through a firm owned by one of its board members, and also paid the board member for grounds keeping services, which created the appearance of a conflict of interest. The health center did not adequately review the design of an RV for use as a mobile dental unit or estimate the total cost of the project to ensure it was feasible prior to entering into a purchasing contract. A vendor was overpaid because the health center does not adequately reconcile monthly vendor statements with the related vendor invoices. Other concerns with the health center included improvements needed in payroll and board minute procedures.

Also included in the report are recommendations related to county expenditures, financial statements, road maintenance plans and public access policy, the County Assessor's contract, county property records, fuel records and passport fees. The audit also suggested improvements in the procedures of the Sheriff, Public Administrator, Circuit Clerk, Juvenile Office, Prosecuting Attorney, Recorder of Deeds, County Clerk, County Assessor, Health Center Board, and Senior Citizens Service Board.

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

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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 Henry 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 Henry 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 Henry 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 Henry 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 January 8, 2008, 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 Henry 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

January 8, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Jay Ross
Audit Staff:	Roberta Bledsoe
	Candace Copley
	Natalie McNish
	Jason Kunau
	Mark Applegate
	Adam Lotz



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 Henry County, Missouri

We have audited the financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 8, 2008. 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 Henry County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Henry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

January 8, 2008

Financial Statements

Exhibit A-1

HENRY 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	\$ 224,210	2,364,054	2,314,112	274,152
Special Road and Bridge	1,115,622	1,017,073	1,034,059	1,098,636
Assessment	1,132	288,628	277,839	11,921
Central Emergency Communications	40,260	406,263	401,239	45,284
Law Enforcement Training	400	9,966	10,101	265
Prosecuting Attorney Training	101	1,551	1,377	275
Prosecuting Attorney Bad Check	14,534	51,423	48,589	17,368
Prosecuting Attorney Delinquent Tax	125	1,861	1,594	392
Tri-County Child Support	49	102,019	94,073	7,995
Emergency 911	564,155	291,321	324,929	530,547
Victims of Domestic Violence	375	15,109	15,458	26
Local Use Tax	96,461	87,545	115,629	68,377
Local Emergency Planning Commission	6,089	6,351	4,270	8,170
D.A.R.E	4,734	1,579	6,299	14
Corps of Engineers	9,035	72,483	81,449	69
Recorder Records, Storage, and Preservation	1,689	18,300	16,519	3,470
Federal Grant	9,965	130,155	136,475	3,645
Sheriff Special	3,709	58,787	60,919	1,577
Sheriff Civil	2,126	33,854	31,527	4,453
Sheriff Revolving	138	5,862	3,787	2,213
Election Services	4,065	5,879	3,518	6,426
LOG JAM CDBG	36,317	30	0	36,347
Law Enforcement Contract	1,664	301,462	294,243	8,883
Tax Maintenance	22,239	31,969	19,709	34,499
County Grant	20,530	114,689	114,606	20,613
Victims Advocate	0	32,086	27,086	5,000
Senior Citizens Service	0	18,542	0	18,542
Health Center	288,955	648,181	584,422	352,714
Circuit Clerk Interest	8,159	1,279	2,000	7,438
Law Library	4,035	11,324	11,291	4,068
Passport	2,315	33,964	31,869	4,410
West Central Drug Task Force	920	3,011	3,876	55
Total	\$ 2,484,108	6,166,600	6,072,864	2,577,844

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

Exhibit A-2

HENRY 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	\$ 284,291	2,139,742	2,199,823	224,210
Special Road and Bridge	786,520	1,028,920	699,818	1,115,622
Assessment	4,038	272,624	275,530	1,132
Central Emergency Communications	5,139	434,205	399,084	40,260
Law Enforcement Training	544	7,812	7,956	400
Prosecuting Attorney Training	545	1,348	1,792	101
Prosecuting Attorney Bad Check	18,517	39,444	43,427	14,534
Prosecuting Attorney Delinquent Tax	628	1,697	2,200	125
Tri-County Child Support	6,228	85,295	91,474	49
Emergency 911	662,704	307,154	405,703	564,155
Victims of Domestic Violence	16	17,075	16,716	375
Local Use Tax	40,248	84,913	28,700	96,461
Local Emergency Planning Commission	6,238	4,835	4,984	6,089
D.A.R.E	4,257	8,195	7,718	4,734
Corps of Engineers	794	72,932	64,691	9,035
Recorder Records, Storage, and Preservation	5,846	18,879	23,036	1,689
Federal Grant	6,738	144,124	140,897	9,965
Sheriff Special	2,778	45,252	44,321	3,709
Sheriff Civil	1,511	29,367	28,752	2,126
Sheriff Revolving	270	8,022	8,154	138
Election Services	4,740	2,627	3,302	4,065
LOG JAM CDBG	36,317	0	0	36,317
Law Enforcement Contract	8,275	295,246	301,857	1,664
Tax Maintenance	24,821	29,423	32,005	22,239
County Grant	19,499	64,736	63,705	20,530
Health Center	204,578	667,118	582,741	288,955
Circuit Clerk Interest	6,207	2,044	92	8,159
Law Library	2,023	11,545	9,533	4,035
Passport	1,026	22,053	20,764	2,315
West Central Drug Task Force	4,356	139,029	142,465	920
Total	\$ 2,149,692	5,985,656	5,651,240	2,484,108

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

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 6,410,548	6,129,625	(280,923)	5,874,635	5,824,574	(50,061)
DISBURSEMENTS	7,163,668	6,037,119	1,126,549	6,651,615	5,488,011	1,163,604
RECEIPTS OVER (UNDER) DISBURSEMENTS	(753,120)	92,506	845,626	(776,980)	336,563	1,113,543
CASH, JANUARY 1	2,474,213	2,480,873	6,660	2,142,830	2,144,310	1,480
CASH, DECEMBER 31	1,721,093	2,573,379	852,286	1,365,850	2,480,873	1,115,023
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	57,000	68,272	11,272	48,000	57,742	9,742
Sales taxes	1,170,000	1,169,429	(571)	1,142,000	1,176,414	34,414
Intergovernmental	381,111	366,936	(14,175)	366,793	336,205	(30,588)
Charges for services	484,964	550,615	65,651	510,975	493,583	(17,392)
Interest	5,000	6,248	1,248	4,000	6,081	2,081
Other	13,800	26,204	12,404	12,500	12,556	56
Transfers in	176,350	176,350	0	70,690	57,161	(13,529)
Total Receipts	2,288,225	2,364,054	75,829	2,154,958	2,139,742	(15,216)
DISBURSEMENTS						
County Commissior	114,011	113,741	270	111,124	109,603	1,521
County Clerk	95,238	93,740	1,498	92,028	89,624	2,404
Elections	108,140	101,053	7,087	31,920	29,969	1,951
Buildings and grounds	125,532	108,148	17,384	120,473	116,133	4,340
Employee fringe benefit	200,000	180,595	19,405	231,200	202,906	28,294
County Treasurer	88,911	88,303	608	89,340	86,960	2,380
County Collector	4,000	3,788	212	4,000	3,710	290
Recorder of Deeds	96,416	104,780	(8,364)	94,312	96,596	(2,284)
Circuit Clerk	29,000	27,479	1,521	29,000	28,314	686
Court administration	65,722	64,486	1,236	54,901	46,982	7,919
Public Administrator	1,417	1,407	10	900	899	1
Sheriff	329,040	374,105	(45,065)	316,668	332,363	(15,695)
Jail	230,870	268,640	(37,770)	217,123	234,390	(17,267)
Prosecuting Attorney	168,927	167,867	1,060	165,203	159,149	6,054
Juvenile Offices	371,380	282,171	89,209	353,546	327,621	25,925
County Coroner	30,980	29,423	1,557	29,455	31,048	(1,593)
Insurance	56,000	43,038	12,962	60,000	48,809	11,191
University Extensior	48,000	48,000	0	46,500	46,500	0
Telephone and fax service	42,500	37,774	4,726	40,000	39,187	813
Public health and welfare service	5,600	3,500	2,100	5,600	3,500	2,100
Other	85,740	64,124	21,616	96,530	51,110	45,420
Transfers out	135,799	107,950	27,849	132,108	114,450	17,658
Emergency Fund	70,150	0	70,150	66,650	0	66,650
Total Disbursements	2,503,373	2,314,112	189,261	2,388,581	2,199,823	188,758
RECEIPTS OVER (UNDER) DISBURSEMENTS	(215,148)	49,942	265,090	(233,623)	(60,081)	173,542
CASH, JANUARY 1	224,210	224,210	0	284,291	284,291	0
CASH, DECEMBER 31	9,062	274,152	265,090	50,668	224,210	173,542

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	92,000	97,423	5,423	89,000	92,571	3,571
Intergovernmental	1,047,000	874,390	(172,610)	1,057,200	916,195	(141,005)
Charges for services	5,000	0	(5,000)	5,000	185	(4,815)
Interest	15,000	26,219	11,219	10,000	17,111	7,111
Other	50,500	19,041	(31,459)	50,000	2,858	(47,142)
Total Receipts	1,209,500	1,017,073	(192,427)	1,211,200	1,028,920	(182,280)
DISBURSEMENTS						
Salaries	161,000	148,332	12,668	151,000	143,682	7,318
Employee fringe benefit	53,816	38,535	15,281	57,550	43,752	13,798
Supplies	55,000	44,522	10,478	45,500	34,351	11,149
Insurance	13,000	8,512	4,488	18,000	7,403	10,597
Road and bridge materials	145,000	85,132	59,868	145,000	53,935	91,065
Equipment repair	15,000	10,754	4,246	15,000	1,729	13,271
Equipment purchase	85,000	215,314	(130,314)	85,000	1,995	83,005
Road and bridge constructor	917,565	430,708	486,857	899,165	377,401	521,764
Other	9,000	2,250	6,750	9,000	2,250	6,750
Transfers out	50,000	50,000	0	50,000	33,320	16,680
Total Disbursements	1,504,381	1,034,059	470,322	1,475,215	699,818	775,397
RECEIPTS OVER (UNDER) DISBURSEMENTS	(294,881)	(16,986)	277,895	(264,015)	329,102	593,117
CASH, JANUARY 1	1,115,622	1,115,622	0	786,520	786,520	0
CASH, DECEMBER 31	820,741	1,098,636	277,895	522,505	1,115,622	593,117
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	267,533	279,010	11,477	260,907	268,361	7,454
Interest	400	698	298	350	666	316
Other	3,888	4,920	1,032	8,023	3,597	(4,426)
Transfers in	21,000	4,000	(17,000)	14,108	0	(14,108)
Total Receipts	292,821	288,628	(4,193)	283,388	272,624	(10,764)
DISBURSEMENTS						
Assessor	293,623	277,839	15,784	286,388	275,530	10,858
Total Disbursements	293,623	277,839	15,784	286,388	275,530	10,858
RECEIPTS OVER (UNDER) DISBURSEMENTS	(802)	10,789	11,591	(3,000)	(2,906)	94
CASH, JANUARY 1	1,132	1,132	0	4,038	4,038	0
CASH, DECEMBER 31	330	11,921	11,591	1,038	1,132	94

Exhibit B

HENRY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CENTRAL EMERGENCY COMMUNICATIONS FUND</u>						
RECEIPTS						
Charges for service:	143,960	143,960	0	143,960	143,960	0
Interest	200	290	90	130	245	115
Other	0	13	13	0	0	0
Transfers in	300,000	262,000	(38,000)	310,000	290,000	(20,000)
Total Receipts	444,160	406,263	(37,897)	454,090	434,205	(19,885)
DISBURSEMENTS						
Salaries and employee fringe benefit	385,862	349,068	36,794	395,340	343,934	51,406
Office supplies:	32,820	32,457	363	31,050	31,632	(582)
Equipment	16,400	12,099	4,301	18,700	13,776	4,924
Mileage and training	10,500	7,615	2,885	10,000	9,742	258
Total Disbursements	445,582	401,239	44,343	455,090	399,084	56,006
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,422)	5,024	6,446	(1,000)	35,121	36,121
CASH, JANUARY 1	40,260	40,260	0	5,139	5,139	0
CASH, DECEMBER 31	38,838	45,284	6,446	4,139	40,260	36,121
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	3,305	3,305	0	3,172	3,172
Charges for service:	7,000	6,042	(958)	10,000	4,640	(5,360)
Other	0	619	619	0	0	0
Total Receipts	7,000	9,966	2,966	10,000	7,812	(2,188)
DISBURSEMENTS						
Sheriff	7,300	10,101	(2,801)	10,500	7,956	2,544
Total Disbursements	7,300	10,101	(2,801)	10,500	7,956	2,544
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(135)	165	(500)	(144)	356
CASH, JANUARY 1	400	400	0	544	544	0
CASH, DECEMBER 31	100	265	165	44	400	356
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	2,500	1,551	(949)	1,600	1,169	(431)
Other	0	0	0	0	179	179
Total Receipts	2,500	1,551	(949)	1,600	1,348	(252)
DISBURSEMENTS						
Prosecuting Attorney	2,601	1,377	1,224	2,145	1,792	353
Total Disbursements	2,601	1,377	1,224	2,145	1,792	353
RECEIPTS OVER (UNDER) DISBURSEMENTS	(101)	174	275	(545)	(444)	101
CASH, JANUARY 1	101	101	0	545	545	0
CASH, DECEMBER 31	0	275	275	0	101	101

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for service:	30,000	48,663	18,663	25,000	34,094	9,094
Transfers in	10,375	2,760	(7,615)	5,000	5,350	350
Total Receipts	40,375	51,423	11,048	30,000	39,444	9,444
DISBURSEMENTS						
Prosecuting Attorney	44,533	39,439	5,094	43,517	30,171	13,346
Transfers out	10,000	9,150	850	5,000	13,256	(8,256)
Total Disbursements	54,533	48,589	5,944	48,517	43,427	5,090
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,158)	2,834	16,992	(18,517)	(3,983)	14,534
CASH, JANUARY 1	14,534	14,534	0	18,517	18,517	0
CASH, DECEMBER 31	376	17,368	16,992	0	14,534	14,534
PROSECUTING ATTORNEY DELIQUENT TAX FUND						
RECEIPTS						
Charges for service:	2,875	1,861	(1,014)	2,400	1,697	(703)
Total Receipts	2,875	1,861	(1,014)	2,400	1,697	(703)
DISBURSEMENTS						
Prosecuting Attorney	3,000	1,594	1,406	3,028	2,200	828
Total Disbursements	3,000	1,594	1,406	3,028	2,200	828
RECEIPTS OVER (UNDER) DISBURSEMENTS	(125)	267	392	(628)	(503)	125
CASH, JANUARY 1	125	125	0	628	628	0
CASH, DECEMBER 31	0	392	392	0	125	125
TRI-COUNTY CHILD SUPPORT FUND						
RECEIPTS						
Intergovernmental	89,860	97,819	7,959	81,275	80,039	(1,236)
Other	0	50	50	0	0	0
Transfers in	5,000	4,150	(850)	0	5,256	5,256
Total Receipts	94,860	102,019	7,159	81,275	85,295	4,020
DISBURSEMENTS						
Salaries and employee fringe benefit	77,154	77,016	138	74,853	75,546	(693)
Office supplies	8,750	10,404	(1,654)	10,150	7,734	2,416
Mileage and training	1,500	1,294	206	1,500	1,347	153
Other	2,500	4,599	(2,099)	1,000	1,498	(498)
Transfers out	5,000	760	4,240	0	5,349	(5,349)
Total Disbursements	94,904	94,073	831	87,503	91,474	(3,971)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44)	7,946	7,990	(6,228)	(6,179)	49
CASH, JANUARY 1	49	49	0	6,228	6,228	0
CASH, DECEMBER 31	5	7,995	7,990	0	49	49

Exhibit B

HENRY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services:	295,000	277,314	(17,686)	305,000	298,735	(6,265)
Interest	5,000	14,007	9,007	5,000	8,419	3,419
Total Receipts	300,000	291,321	(8,679)	310,000	307,154	(2,846)
DISBURSEMENTS						
Telephone charges	52,000	47,224	4,776	85,000	46,343	38,657
Equipment	85,000	95,600	(10,600)	100,000	151,617	(51,617)
Building maintenance	5,000	4,738	262	30,000	1,414	28,586
Training	2,000	0	2,000	2,000	95	1,905
Other	50,000	5,367	44,633	60,000	6,234	53,766
Transfers out	210,000	172,000	38,000	220,000	200,000	20,000
Total Disbursements	404,000	324,929	79,071	497,000	405,703	91,297
RECEIPTS OVER (UNDER) DISBURSEMENTS	(104,000)	(33,608)	70,392	(187,000)	(98,549)	88,451
CASH, JANUARY 1	564,155	564,155	0	662,704	662,704	0
CASH, DECEMBER 31	460,155	530,547	70,392	475,704	564,155	88,451
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	20,000	13,911	(6,089)	20,000	12,981	(7,019)
Charges for services:	1,400	1,198	(202)	1,400	1,094	(306)
Transfers in	0	0	0	0	3,000	3,000
Total Receipts	21,400	15,109	(6,291)	21,400	17,075	(4,325)
DISBURSEMENTS						
Salaries and employee fringe benefit	0	0	0	0	2,625	(2,625)
Domestic violence shelter	1,400	1,172	228	1,416	2,363	(947)
Grant expenses	20,000	13,911	6,089	20,000	11,728	8,272
Other	375	375	0	0	0	0
Total Disbursements	21,775	15,458	6,317	21,416	16,716	4,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	(375)	(349)	26	(16)	359	375
CASH, JANUARY 1	375	375	0	16	16	0
CASH, DECEMBER 31	0	26	26	0	375	375
<u>LOCAL USE TAX FUND</u>						
RECEIPTS						
Local use taxes	75,000	86,896	11,896	65,000	84,590	19,590
Interest	300	649	349	300	323	23
Total Receipts	75,300	87,545	12,245	65,300	84,913	19,613
DISBURSEMENTS						
Courthouse maintenance	10,000	4,495	5,505	40,000	0	40,000
Engineering	0	0	0	1,000	0	1,000
Other	45,000	1,134	43,866	45,000	13,300	31,700
Transfers out	110,000	110,000	0	0	15,400	(15,400)
Total Disbursements	165,000	115,629	49,371	86,000	28,700	57,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(89,700)	(28,084)	61,616	(20,700)	56,213	76,913
CASH, JANUARY 1	96,461	96,461	0	40,248	40,248	0
CASH, DECEMBER 31	6,761	68,377	61,616	19,548	96,461	76,913

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL EMERGENCY PLANNING COMMISSION FUND						
RECEIPTS						
Intergovernmental	6,500	6,351	(149)	8,000	4,835	(3,165)
Total Receipts	6,500	6,351	(149)	8,000	4,835	(3,165)
DISBURSEMENTS						
Emergency management	9,715	4,270	5,445	14,215	4,984	9,231
Total Disbursements	9,715	4,270	5,445	14,215	4,984	9,231
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,215)	2,081	5,296	(6,215)	(149)	6,066
CASH, JANUARY 1	6,089	6,089	0	6,238	6,238	0
CASH, DECEMBER 31	2,874	8,170	5,296	23	6,089	6,066
D.A.R.E FUND						
RECEIPTS						
Intergovernmental	0	575	575	0	1,537	1,537
Other	3,200	1,004	(2,196)	4,000	6,658	2,658
Total Receipts	3,200	1,579	(1,621)	4,000	8,195	4,195
DISBURSEMENTS						
Sheriff	1,500	5,299	(3,799)	4,000	7,718	(3,718)
Transfers out	6,000	1,000	5,000	0	0	0
Total Disbursements	7,500	6,299	1,201	4,000	7,718	(3,718)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,300)	(4,720)	(420)	0	477	477
CASH, JANUARY 1	4,734	4,734	0	4,257	4,257	0
CASH, DECEMBER 31	434	14	(420)	4,257	4,734	477
CORPS OF ENGINEERS FUND						
RECEIPTS						
Intergovernmental	37,500	56,262	18,762	50,821	35,942	(14,879)
Other	0	12,571	12,571	0	27,540	27,540
Transfers in	12,000	3,650	(8,350)	6,000	9,450	3,450
Total Receipts	49,500	72,483	22,983	56,821	72,932	16,111
DISBURSEMENTS						
Salaries and employee fringe benefit	35,291	51,375	(16,084)	28,989	23,920	5,069
Equipment	16,000	18,523	(2,523)	16,000	28,305	(12,305)
Uniforms	1,000	5,251	(4,251)	1,500	3,966	(2,466)
Transfers out	6,000	6,300	(300)	6,000	8,500	(2,500)
Total Disbursements	58,291	81,449	(23,158)	52,489	64,691	(12,202)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,791)	(8,966)	(175)	4,332	8,241	3,909
CASH, JANUARY 1	9,035	9,035	0	794	794	0
CASH, DECEMBER 31	244	69	(175)	5,126	9,035	3,909

Exhibit B

HENRY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER RECORDS, STORAGE, AND PRESERVATION FUND						
RECEIPTS						
Charges for services:	18,800	18,241	(559)	19,000	18,781	(219)
Interest	0	59	59	0	98	98
Total Receipts	18,800	18,300	(500)	19,000	18,879	(121)
DISBURSEMENTS						
Recorder of Deeds	10,000	6,169	3,831	3,700	10,195	(6,495)
Transfers out	10,350	10,350	0	16,690	12,841	3,849
Total Disbursements	20,350	16,519	3,831	20,390	23,036	(2,646)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,550)	1,781	3,331	(1,390)	(4,157)	(2,767)
CASH, JANUARY 1	1,689	1,689	0	5,846	5,846	0
CASH, DECEMBER 31	139	3,470	3,331	4,456	1,689	(2,767)
FEDERAL GRANT FUND						
RECEIPTS						
Intergovernmental	216,776	100,266	(116,510)	64,173	134,892	70,719
Other	58,945	29,889	(29,056)	0	6,232	6,232
Transfers in	0	0	0	0	3,000	3,000
Total Receipts	275,721	130,155	(145,566)	64,173	144,124	79,951
DISBURSEMENTS						
Salaries and employee fringe benefit	191,552	86,915	104,637	43,342	98,002	(54,660)
Vehicle maintenance and lease	42,200	18,531	23,669	13,703	23,523	(9,820)
Equipment	18,434	8,703	9,731	0	5,835	(5,835)
Training	1,000	0	1,000	1,000	0	1,000
Office expenditures:	21,737	22,326	(589)	6,128	11,537	(5,409)
Transfers out	0	0	0	0	2,000	(2,000)
Total Disbursements	274,923	136,475	138,448	64,173	140,897	(76,724)
RECEIPTS OVER (UNDER) DISBURSEMENTS	798	(6,320)	(7,118)	0	3,227	3,227
CASH, JANUARY 1	9,965	9,965	0	6,738	6,738	0
CASH, DECEMBER 31	10,763	3,645	(7,118)	6,738	9,965	3,227
SHERIFF SPECIAL FUND						
RECEIPTS						
Intergovernmental	26,648	47,487	20,839	34,147	33,252	(895)
Transfers in	12,799	11,300	(1,499)	11,898	12,000	102
Total Receipts	39,447	58,787	19,340	46,045	45,252	(793)
DISBURSEMENTS						
Salaries and employee fringe benefit	0	7,480	(7,480)	0	5,031	(5,031)
Special projects	41,199	53,439	(12,240)	44,003	39,290	4,713
Total Disbursements	41,199	60,919	(19,720)	44,003	44,321	(318)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,752)	(2,132)	(380)	2,042	931	(1,111)
CASH, JANUARY 1	3,709	3,709	0	2,778	2,778	0
CASH, DECEMBER 31	1,957	1,577	(380)	4,820	3,709	(1,111)

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF CIVIL FUND</u>						
RECEIPTS						
Charges for service:	25,000	33,854	8,854	26,000	27,367	1,367
Transfers in	0	0	0	0	2,000	2,000
Total Receipts	25,000	33,854	8,854	26,000	29,367	3,367
DISBURSEMENTS						
Vehicle leases:	27,000	22,727	4,273	24,000	28,752	(4,752)
Transfers out	0	8,800	(8,800)	2,000	0	2,000
Total Disbursements	27,000	31,527	(4,527)	26,000	28,752	(2,752)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	2,327	4,327	0	615	615
CASH, JANUARY 1	2,126	2,126	0	1,511	1,511	0
CASH, DECEMBER 31	126	4,453	4,327	1,511	2,126	615
<u>SHERIFF REVOLVING FUND</u>						
RECEIPTS						
Charges for service:	5,000	5,862	862	6,300	7,372	1,072
Other	0	0	0	0	650	650
Total Receipts	5,000	5,862	862	6,300	8,022	1,722
DISBURSEMENTS						
Sheriff	5,000	3,787	1,213	6,000	8,154	(2,154)
Total Disbursements	5,000	3,787	1,213	6,000	8,154	(2,154)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,075	2,075	300	(132)	(432)
CASH, JANUARY 1	138	138	0	270	270	0
CASH, DECEMBER 31	138	2,213	2,075	570	138	(432)
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	1,000	0	(1,000)	1,000	0	(1,000)
Charges for service:	6,250	5,879	(371)	2,750	2,627	(123)
Total Receipts	7,250	5,879	(1,371)	3,750	2,627	(1,123)
DISBURSEMENTS						
Salaries	7,000	3,314	3,686	4,845	1,869	2,976
Training	1,500	204	1,296	1,500	1,333	167
Other	2,800	0	2,800	2,000	100	1,900
Total Disbursements	11,300	3,518	7,782	8,345	3,302	5,043
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,050)	2,361	6,411	(4,595)	(675)	3,920
CASH, JANUARY 1	4,065	4,065	0	4,740	4,740	0
CASH, DECEMBER 31	15	6,426	6,411	145	4,065	3,920

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOG JAM CDBG FUND</u>						
RECEIPTS						
Interest	0	30	30	0	0	0
Total Receipts	0	30	30	0	0	0
DISBURSEMENTS						
Other	36,317	0	36,317	36,317	0	36,317
Total Disbursements	36,317	0	36,317	36,317	0	36,317
RECEIPTS OVER (UNDER) DISBURSEMENTS	(36,317)	30	36,347	(36,317)	0	36,317
CASH, JANUARY 1	36,317	36,317	0	36,317	36,317	0
CASH, DECEMBER 31	0	36,347	36,347	0	36,317	36,317
<u>LAW ENFORCEMENT CONTRACT FUND</u>						
RECEIPTS						
Charges for service:	287,804	288,917	1,113	287,804	287,862	58
Other	1,000	3,445	2,445	0	4,884	4,884
Transfers in	0	9,100	9,100	0	2,500	2,500
Total Receipts	288,804	301,462	12,658	287,804	295,246	7,442
DISBURSEMENTS						
Salaries and employee fringe benefit	258,881	256,284	2,597	255,344	264,544	(9,200)
Office supplies:	4,400	3,520	880	9,900	2,272	7,628
Equipment	23,000	29,661	(6,661)	20,000	32,287	(12,287)
Mileage and training	500	2,831	(2,331)	500	1,894	(1,394)
Other	1,250	1,947	(697)	2,000	860	1,140
Total Disbursements	288,031	294,243	(6,212)	287,744	301,857	(14,113)
RECEIPTS OVER (UNDER) DISBURSEMENTS	773	7,219	6,446	60	(6,611)	(6,671)
CASH, JANUARY 1	1,664	1,664	0	8,275	8,275	0
CASH, DECEMBER 31	2,437	8,883	6,446	8,335	1,664	(6,671)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	29,544	31,969	2,425	30,000	29,397	(603)
Other	0	0	0	0	26	26
Total Receipts	29,544	31,969	2,425	30,000	29,423	(577)
DISBURSEMENTS						
Salaries and employee fringe benefit	7,267	1,144	6,123	5,750	1,065	4,685
Office supplies and equipmen	38,433	17,172	21,261	34,800	29,700	5,100
Mileage and training	1,300	1,393	(93)	900	1,108	(208)
Other	0	0	0	0	132	(132)
Total Disbursements	47,000	19,709	27,291	41,450	32,005	9,445
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,456)	12,260	29,716	(11,450)	(2,582)	8,868
CASH, JANUARY 1	22,239	22,239	0	24,821	24,821	0
CASH, DECEMBER 31	4,783	34,499	29,716	13,371	22,239	8,868

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COUNTY GRANT FUND						
RECEIPTS						
Intergovernmental	165,000	114,149	(50,851)	59,290	48,928	(10,362)
Interest	100	540	440	0	408	408
Other	10,000	0	(10,000)	15,000	0	(15,000)
Transfer in	0	0	0	0	15,400	15,400
Total Receipts	175,100	114,689	(60,411)	74,290	64,736	(9,554)
DISBURSEMENTS						
Homeland Security	10,000	312	9,688	24,290	39,823	(15,533)
Help America Vote Ac	130,000	114,266	15,734	25,000	23,882	1,118
Other	55,000	28	54,972	44,499	0	44,499
Total Disbursements	195,000	114,606	80,394	93,789	63,705	30,084
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,900)	83	19,983	(19,499)	1,031	20,530
CASH, JANUARY 1	20,530	20,530	0	19,499	19,499	0
CASH, DECEMBER 31	630	20,613	19,983	0	20,530	20,530
VICTIMS ADVOCATE FUND						
RECEIPTS						
Intergovernmental	34,144	27,086	(7,058)			
Transfers in	5,000	5,000	0			
Total Receipts	39,144	32,086	(7,058)			
DISBURSEMENTS						
Salaries and employee fringe benefit	31,763	24,339	7,424			
Mileage and training	2,380	546	1,834			
Other	0	201	(201)			
Transfers out	5,000	2,000	3,000			
Total Disbursements	39,143	27,086	12,057			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1	5,000	4,999			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	1	5,000	4,999			
SENIOR CITIZENS SERVICE FUND						
RECEIPTS						
Property taxes	25,000	18,536	(6,464)			
Other	0	6	6			
Total Receipts	25,000	18,542	(6,458)			
DISBURSEMENTS						
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,000	18,542	(6,458)			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	25,000	18,542	(6,458)			

Exhibit B

HENRY COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	256,000	257,173	1,173	239,410	240,307	897
Intergovernmental	229,274	286,867	57,593	304,721	331,950	27,229
Charges for services	137,100	86,403	(50,697)	62,710	81,407	18,697
Interest	5,000	13,820	8,820	2,300	7,389	5,089
Other	3,648	3,918	270	1,200	6,065	4,865
Total Receipts	631,022	648,181	17,159	610,341	667,118	56,777
DISBURSEMENTS						
Salaries	375,196	362,623	12,573	382,827	374,652	8,175
Employee fringe benefit	88,841	75,363	13,478	74,449	80,680	(6,231)
Office supplies	71,875	80,136	(8,261)	75,275	80,512	(5,237)
Building maintenance	13,000	13,040	(40)	18,000	17,129	871
Equipment	15,800	22,896	(7,096)	7,500	14,572	(7,072)
Mileage and training	16,500	13,369	3,131	15,500	14,851	649
Other	2,900	10,253	(7,353)	1,000	345	655
Unidentified amount	0	6,742	(6,742)	0	0	0
Total Disbursements	584,112	584,422	(310)	574,551	582,741	(8,190)
RECEIPTS OVER (UNDER) DISBURSEMENTS	46,910	63,759	16,849	35,790	84,377	48,587
CASH, JANUARY 1	282,406	288,955	6,549	203,049	204,578	1,529
CASH, DECEMBER 31	329,316	352,714	23,398	238,839	288,955	50,116
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	1,000	1,279	279	1,000	2,044	1,044
Total Receipts	1,000	1,279	279	1,000	2,044	1,044
DISBURSEMENTS						
Circuit Clerk	8,000	2,000	6,000	6,000	92	5,908
Total Disbursements	8,000	2,000	6,000	6,000	92	5,908
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,000)	(721)	6,279	(5,000)	1,952	6,952
CASH, JANUARY 1	8,048	8,159	111	6,256	6,207	(49)
CASH, DECEMBER 31	1,048	7,438	6,390	1,256	8,159	6,903
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	11,500	11,212	(288)	11,500	11,407	(93)
Other	0	112	112	0	138	138
Total Receipts	11,500	11,324	(176)	11,500	11,545	45
DISBURSEMENTS						
Law Library	10,715	11,291	(576)	10,766	9,533	1,233
Total Disbursements	10,715	11,291	(576)	10,766	9,533	1,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	785	33	(752)	734	2,012	1,278
CASH, JANUARY 1	4,035	4,035	0	2,023	2,023	0
CASH, DECEMBER 31	4,820	4,068	(752)	2,757	4,035	1,278

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

Notes to the Financial Statements

HENRY COUNTY
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 Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Passport Fund and West Central Drug Task Force Fund for the years ended December 31, 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>
Law Enforcement Training Fund	2006
Tri-County Child Support Fund	2005
DARE Fund	2005
Corps of Engineers Fund	2006 and 2005
Recorder Records, Storage, and Preservation Fund	2005
Federal Grant Fund	2005
Sheriff Special Fund	2006 and 2005
Sheriff Civil Fund	2006 and 2005
Sheriff Revolving Fund	2005
Law Enforcement Contract Fund	2006 and 2005
Health Center Fund	2006 and 2005
Law Library Fund	2006

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 Center Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005
Passport Fund	2006 and 2005
West Central Drug Task Force 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 depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Henry County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, and the Health Center 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, by an irrevocable standby letter of credit issued by a Federal Home Loan Bank, or by collateral securities held by the county's custodial bank in the county's name.

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 adopted such a policy.

3. Prior Period Adjustments

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

<u>Fund</u>	<u>Balance</u>
Health Center Fund	\$204,578
Circuit Clerk Interest Fund	6,207
Law Library Fund	2,023
Passport Fund	1,026
West Central Drug Task Force Fund	4,356

Supplementary Schedule

Schedule

HENRY 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 Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5141	\$ 0	48,980
		ERS045-6141	49,971	20,585
		ERS045-7141	13,303	0
	Program total		<u>63,274</u>	<u>69,565</u>
10.559	Summer Food Service Program for Children	ERS146-5141I	0	70
		ERS046-6141I	210	0
	Program total		<u>210</u>	<u>70</u>
10.564	State Administrative Grants for Food Stamp Program:	AOC05380182	0	12,750
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640634	0	2,914
		ERO1640682	3,033	14,916
		ERO1640744	9,443	0
	Program total		<u>12,476</u>	<u>17,830</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.575	Crime Victim Assistance	2004-VOCA-0017	21,688	0
16.579	Edward Byrne Memorial Formula Grant Program	2002-NCD2-052	0	81,105
		2002-NCD2-060	0	9,619
		2003-NCD2-050	46,321	80,956
		2004-NCD2-047	14,627	0
	Program total		<u>60,948</u>	<u>171,680</u>
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2000DDVX0055	39,930	48,596
State Department of Public Safety -				
16.588	Violence Against Women Formula Grant:	2005-VAWA-0002	16,900	0
		2004-VAWA-0022	0	13,008
	Program total		<u>16,900</u>	<u>13,008</u>

Schedule

HENRY 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
16.592	Local Law Enforcement Block Grants Program	2004-LBG-034	0	4,500
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2005-LBGJ-038	6,660	0
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,459	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-042 (20)	0	41
		BRO-042 (22)	8,032	15,800
		BRO-042 (23)	8,572	0
	Program total		<u>16,604</u>	<u>15,841</u>
20.600	State and Community Highway Safety	06-PT-02-55	3,806	3,323
		07-PT-02-64	2,947	0
	Program total		<u>6,753</u>	<u>3,323</u>
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	3,924
GENERAL SERVICES ADMINISTRATION				
Passed through state:				
Office of Secretary of State -				
39.011	Election Reform Payments	N/A	0	15,000
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payment	HAVA2002FED	111,377	9,024
93.617	Voting Access for Individuals with Disabilities	HAVAHHSFED	5,149	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-6141L	1,004	0
		ERS146-5141L	0	454
	Program total		<u>1,004</u>	<u>454</u>

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
93.268	Immunization Grants	N/A	126,355	80,121
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistanc	CCU716971-06 CCU16971-5A DH060031098 AOC06380234 AOC06380064 CCU722795-4A CCU722795-3A	3,500 0 7,694 5,280 0 243 386	0 3,500 0 0 6,600 0 245
	Program total		<u>17,103</u>	<u>10,345</u>
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	60,237	57,467
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-6141C PGA067-5141C PGA067-6141S PGA067-5141S	1,700 0 1,805 0	0 1,700 0 1,530
	Program total		<u>3,505</u>	<u>3,230</u>
93.778	Medical Assistance Program	AOC06380234 AOC06380064 AOC05380094	6,525 2,625 0	0 2,625 2,625
	Program total		<u>9,150</u>	<u>5,250</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5141M AOC06380234 DH070001011 DH060010009 DH05000700	16,042 5,119 5,841 2,132 0	21,437 0 0 3,444 1,769
	Program total		<u>29,134</u>	<u>26,650</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Program	N/A	0	40,766
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster	1631-DR-MO	1,152	0
97.042	Emergency Management Performance Grants	N/A	5,910	5,684
	Total Expenditures of Federal Award:		<u>\$ 616,978</u>	<u>615,078</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

HENRY COUNTY
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 Henry County, Missouri.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

Amounts for Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$5,071 to a subrecipient under the Voting Access for Individuals with Disabilities program (CFDA number 93.617) during the year ended December 31, 2006.

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 Henry County, Missouri

Compliance

We have audited the compliance of Henry 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.

In our opinion, Henry 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 through 06-3.

Internal Control Over Compliance

The management of Henry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 through 06-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

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

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

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 8, 2008

Schedule

HENRY 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 a material weaknesses? yes none reported

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

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

050, Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 16.579
Program Title: Edward Byrne Memorial Formula Grant Program
Pass-Through Entity
Identifying Number: 2002-NCD2-052, 2002-NCD2-060, 2003-NCD2-
2004-NCD2-047
Award Years: 2006 and 2005
Questioned Costs: Not Applicable

Federal Grantor: Elections Assistance Commission
Pass-Through Grantor: Office of Secretary of State
Federal CFDA Number: 90.401
Program Title: Help America Vote Act Requirements Payments
Pass-Through Entity
Identifying Number: HAVA2002FED
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 Number: 93.268
Program Title: Immunization Grants
Pass-Through Entity
Identifying Number: Not Applicable
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 result, the county's SEFA contained several errors and omissions. Expenditures were overstated by \$204,024 and \$123,568 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.

Some expenditures were overstated in 2006 and 2005 because grant funds received from the State were included on the SEFA in error. Also, in 2005 federal monies of \$40,766 under the State Domestic Preparedness Equipment Support Program were not included on the SEFA. The County Clerk indicated he was not aware that these monies were required to be reported.

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

steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

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

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

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated he will make every effort to ensure the SEFA is complete and accurate.

06-2.

Procurement

Federal Grantor:	Election Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity Identifying Number:	HAVA2002FED
Award Year:	2006 and 2005
Questioned Costs:	\$109,000

The county was awarded a Help America Vote Requirement Payments Grant (HAVA) to purchase voting equipment, train polling judges, and for other election purposes. The county purchased voting equipment for \$109,000 without soliciting bids or proposals or retaining documentation to support the solicitation of bids. The County Clerk and Commission indicated that the voting equipment was purchased from a sole source provider; however, this was not documented.

OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws and Section 50.660, RSMo requires the advertisement of bids for purchases over \$4,500 (revised to \$6,000 in 2007). The county should advertise bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the county should retain documentation of these circumstances.

WE RECOMMEND the County Commission work with applicable federal grantor agencies to resolve the questioned costs. In the future, bids should be solicited for applicable purchases

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated in the future, we will document sole source providers.

**06-3. Supporting Documentation, Segregation of Duties,
and the West Central Drug Task Force Bank Account**

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.579
Program Title:	Edward Byrne Memorial Formula Grant Program
Pass-Through Entity	
Identifying Number:	2002-NCD2-052, 2002-NCD2-060, 2003-NCD2-050, and 2004-NCD2-047
Award Years:	2006 and 2005
Questioned Costs:	\$86,584

The county was awarded an Edward Byrne Memorial Formula Grant to fund expenses of the West Central Drug Task Force and for other law enforcement purposes.

- A. Adequate documentation was not retained to support payroll expenditures of the West Central Drug Task Force that were reimbursed from the grant. The County Sheriff reimbursed two police departments for salaries of an employee from each department totaling \$20,850 and \$49,570 during the years ended December 31, 2006 and 2005, respectively. The Sheriff did not require the police departments to provide time sheets or other documentation to support these payroll expenditures.

In addition, fuel usage logs were not maintained to support the fuel used by the West Central Drug Task Force and Sheriff's office that was reimbursed through the grant. The West Central Drug Task Force Fund and the Sheriff's office were reimbursed \$7,561 and \$8,603 for fuel through the grant during the years ended December 31, 2006, and 2005, respectively. Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by the Sheriff to ensure vehicles are used only for drug task force business.

Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. Without adequate supporting documentation, including timesheets and vehicle usage logs, there is no assurance that federal funds have been used in accordance with grant requirements. Due to the lack of supporting documentation, we have questioned costs totaling \$86,584 related to the Edward Byrne Memorial Formula Grant. The County Commission and Sheriff should work with applicable federal grantor agencies to resolve these questioned costs.

- B. The Sheriff maintains the West Central Drug Task Force bank account to process

some monies received from the Edward Byrne Memorial Formula Grant. The Sheriff expended \$88,222 of these grant monies from this account during the year ended December 31, 2005. Remaining grant funds received were expended through the Federal Grant Fund held by the County Treasurer.

The duties of receiving, recording, depositing, and disbursing monies, preparing reports, and reconciling the bank account are not adequately segregated. The Sheriff performs all of these duties. Further there is no statutory authority that allows the Sheriff to hold this account outside the county treasury.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. In addition, Attorney General's Opinion No. 45-92 to Henderson states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

WE RECOMMEND the County Commission and Sheriff work with applicable federal grantor agencies to resolve the questioned costs. Adequate supporting documentation (including timesheets and fuel usage logs) should be obtained for all expenditures of federal monies. In addition, ensure accounting duties are adequately segregated, and the Sheriff should turn over the custody of the West Central Drug Task Force bank account to the county treasurer.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated this fund has been closed and they will ask the Sheriff to obtain documentation to support expenditures.

The Sheriff provided the following response:

- A. *I will request timesheets and obtain documentation for payroll and fuel reimbursements.*
- B. *The West Central Drug Task Force Fund was closed in 2008.*

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

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

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

HENRY 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

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

We have audited the financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 8, 2008. We also have audited the compliance of Henry 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 January 8, 2008.

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

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

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

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

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Henry 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*. Henry 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 Expenditures
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The county did not always solicit bids nor was bid documentation always retained for various purchases. Adequate supporting documentation was not retained for some credit card purchases, and some of these purchases did not appear to be a prudent use of public monies. Invoices are typically not marked paid, the acknowledgement of receipt of goods or services is rarely indicated on invoices, and Forms 1099 were not always filed with the Internal Revenue Service (IRS) when required. Reimbursement claim forms for the Highway Planning and Construction Program were not filed in a timely manner, and the county did not require a city to provide documentation of bids obtained or an invoice to document how federal funds were spent. The county did not always enter into formal written agreements, and the county has not solicited bids for banking services and does not have a written agreement with its depository bank. While the Sheriff's office frequently utilizes text messaging, the county's written cellular phone policy and the Sheriff's cellular phone plans do not address or provide for text messaging. A review of the Tri-County child support office phone bills is not performed by the Prosecuting Attorney. County employees with access to money were not covered by an employee bond.

- A. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, document sole source procurement situations, or retain bid documentation for various purchases as discussed below:

Item or Service	Cost
Tractor	\$ 35,790
Automatic external defibrillators	6,450

Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500, (revised to \$6,000 in 2007) 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 (including sole source procurement) should be retained to demonstrate compliance with the law and support decisions made.

- B. Adequate supporting documentation was not available for some credit card expenditures, and some of these expenditures did not appear to be a prudent use of public funds. While the County Commission reviewed a summary statement of monthly credit card expenditures, detailed invoices of each purchase were not always retained and compared to the statement. For example in one month, invoices were not retained to support purchases of \$892 for office supplies and fuel. Similar omissions were noted with other credit card monthly statements. In addition, an employee's personal fuel purchase of \$44, which has not been reimbursed to the county, does not appear to be a prudent or necessary use of public funds. All expenditures should be supported by a vendor invoice to ensure the obligation was actually incurred and the expenditure represents an appropriate use of public funds.
- C. Invoices are typically not marked paid or otherwise cancelled. Instead, a requisition is marked "approved" by the Presiding Commissioner. In addition, the acknowledgement of receipt of goods or services by the receiving party is rarely indicated on invoices prior to the expenditure being approved for payment. For example, receipt of goods or services was not indicated for 30 of 37 expenditures we selected for review.

Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the county actually received the items or services being paid.

- D. The county did not prepare Forms 1099 Miscellaneous for payments made to a former deputy to perform various duties at the jail totaling \$905 and for brokerage services totaling \$5,000 during the year ended December 31, 2005. Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.
- E. The county expended \$4,690 in January 2005 related to the Highway Planning and Construction program; however, a reimbursement claim for this expenditure was not filed as of November 2007. After we brought this to the county's attention, the claim was filed and the monies were received in January 2008, three years after the county made payment.

To maximize revenues, the County Commission and County Clerk should ensure that procedures are in place to ensure requests for reimbursements are made in a timely manner. In addition, the failure to submit reimbursement claims on a timely basis results in possible unreimbursed costs to the county.

- F. The county was awarded a federal Voting Access for Individuals with Disabilities Grant to provide polling place accessibility. In May 2006, the county paid the City of Calhoun (a voting precinct) \$5,071 for the construction of handicap access to city hall. The County Clerk indicated the city obtained bids for the project, and the city paid private contractors to perform the work; however, the county did not require the city to provide the documentation. After bringing this to the attention of the county, supporting documentation was obtained from the city, but bid documentation was not obtained.

OMB Circular A-102, Common Rule, Standards for Financial Management Systems, requires supporting documentation to be maintained for all expenditures claimed for federal reimbursement. Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. Without adequate documentation there is no assurance that federal funds have been used in accordance with grant requirements.

- G. The county did not always enter into formal written agreements defining services to be provided and benefits to be received.

- The county has not entered into written agreements with three of six cities the county jail houses prisoners for, regarding the housing rate to be paid, the services to be provided, or any required notification for emergency or non routine situations. Currently, Henry County charges these cities \$35 a day to house their prisoners.
- The Sheriff contracted and paid a former deputy \$370 and \$905 in January 2006 and December 2005, respectively, to perform various duties at the jail. The deputy was paid from the Sheriff's inmate bank account, and the Sheriff subsequently requisitioned funds from the Corps of Engineers Fund to be transferred to the inmate account. No detail was provided to the county about the purpose of this transfer. While the Sheriff did enter into a written agreement with the deputy, the agreement was not approved by the County Commission nor was the county aware of the agreement. In addition, the agreement did not indicate the number of hours to be worked or the duties to be performed.

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. Further, the County Commission should approve all contracts and the contracts should be maintained at the County Clerk's office.

- H. The county has not solicited bids for banking services and does not have a written agreement with its depository bank. Currently, the County Treasurer deposits funds in various local banks.

To ensure the quality of banking services and ensure interest earnings received are maximized, the County Commission should procure its banking services through a competitive bid process. A depository agreement is necessary to ensure both the bank and the county understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged. Additionally, the contract should specify the required number of signatures on checks, and procedures for authorizing electronic transfers from the county's account. In addition, Section 432.070, RSMo, requires contracts of political subdivisions to be in writing.

- I. While the county has a written policy regarding cellular phone usage, it does not address the use of text messaging. In addition, the cellular phone plans utilized by the Sheriff office's fourteen phones do not provide for text messaging, and as a result, additional charges are often incurred. For example, during December 2006 and January 2007, the county was billed for 797 text messages, resulting in additional charges of \$80.

While cellular phones can help increase employee productivity, they are also costly. Cellular phone usage patterns should be routinely monitored to ensure each user is enrolled in the most cost-effective plan. The county should review its current and historical levels of cellular phone use and determine if there is a need for text messaging and if so, text messaging should be included in the cellular phone plans. Implementing such procedures should result in cost savings to the county.

- J. A documented review of the Tri-County child support office phone bills is not performed by the Prosecuting Attorney. We reviewed the phone bills for June through August 2006 and identified personal long distance calls that were made, but not reimbursed by an employee. While the additional charges noted were not significant, county policy prohibits the use of county funds for personal telephone usage. Effective procedures should be implemented to monitor phone usage and review detailed billings for propriety prior to approval for payment.

- K. County employees who handle monies were not covered by any employee bond. Properly bonding all persons with access to monies would better protect the officials and county from risk of loss.

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

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Ensure adequate supporting documentation is retained for all credit card purchases, and ensure expenditures are a proper use of public funds.
- C. Ensure all invoices are properly canceled, by marking the invoice 'Paid,' to reduce the possibility of duplicate payments. Also, require all invoices to be initialed or signed by a county employee to indicate acceptance of the goods or services.
- D. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the Internal Revenue Service.
- E. Ensure reimbursement claims are submitted on a timely basis.
- F. Ensure adequate documentation is obtained to support expenditures of federal funds.
- G. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received. In addition, the County Commission should review and approve all contracts.
- H. Seek competitive bids for banking services on a periodic basis and enter into a written agreement with its depository bank.
- I. Review its current and historical levels of cellular phone use and determine if there is a need for text messaging, and if so text messaging should be included in the cellular phone plans.
- J. And Prosecuting Attorney develop procedures to monitor phone usage and review detailed billings for propriety.
- K. Obtain adequate bond coverage for all county employees with access to monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We believe a state bid was utilized for the purchase of the tractor; however, we did not retain documentation of the state bid. We will solicit bids and retain documentation in the future.*
- B. *We will require adequate documentation for credit card purchases prior to approving for payment.*

- C. *We will take this under advisement.*
- D. *We will ensure that 1099s are filed with the IRS.*
- E. *This was caused by problems with the engineer. We will take steps to ensure this does not happen in the future.*
- F. *We will implement this recommendation.*
- G. *We were not aware of the contract with the former employee. We will work with the Sheriff to ensure contracts are approved by the County Commission in the future.*
- H. *We feel the County Treasurer is investing the county's monies wisely, but will require her to document various proposals received in the future.*
- I. *We will ensure the Sheriff obtains a cellular telephone plan that includes text messaging.*
- J. *We will work with the Prosecuting Attorney to ensure this issue is corrected.*
- K. *We obtained bond coverage in 2008.*

The Sheriff provided the following responses:

- G. *I will discuss this with the Commission, and I will enter into written agreements in the future.*
- I. *I have obtained cellular phone plans which include text messaging.*

The Prosecuting Attorney provided the following response:

- J. *The Prosecuting Attorney of Henry County several years ago assumed the duties of reviewing the expenditures of the Tri-county child support project although it is a joint project with two other counties. I routinely review the long distance call bills and have not noted any abuses such as unusually long telephone calls. I was not made aware of this issue until the receipt of the preliminary draft of the audit report. The employee will be asked to reimburse these monies. It should also be noted that the Tri-county project is 100% reimbursed by the Missouri Department of Social Services, Division of Child Support Enforcement.*

2. Budgets, Transfers, Financial Statements, Planning, and Public Access Policy
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Budgets were not prepared for the Passport Fund and West Central Drug Task Force Fund, and actual disbursements exceeded budgeted amounts for several funds. The county has been significantly overestimating the amounts budgeted for Road and Bridge fund expenditures for several years, and the purpose of numerous transfers made between funds was unclear and not always documented. Information regarding some county funds was

omitted from the county's annual published financial statements, and the county has not developed a documented maintenance plan for roads and bridges to accompany the budgets. The County Commission nor the County Clerk have established a records policy to ensure information requests from the public are handled in compliance with the Sunshine Law.

- A. Formal budgets were not prepared for the Passport Fund and the West Central Drug Task Force Fund maintained by the County Commission's secretary and the Sheriff, respectively, for the years ended December 31, 2006 and 2005. The Passport Fund received and expended approximately \$30,000 and \$20,000 during the years ended December 31, 2006 and 2005, respectively, to process passports. The West Central Drug Task Force Fund received and expended approximately \$140,000 during the year ended December 31, 2005 to operate a multi-organizational drug task force, and activity of this fund decreased during 2006, as funding was no longer available.

These funds were new and held outside the county treasury. In addition, because the Sheriff was not providing the required budget for the West Central Drug Task Force Fund, the County Commissioners' ability to monitor overall county financial resources and make effective budgetary decisions is hindered. While this fund was not under the direct control of the County Commission, a budget for this fund is needed to comply with state law.

Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's Office which requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

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

Fund	Year Ended December 31,	
	2006	2005
Law Enforcement Training Fund	\$ 2,801	N/A
Tri-County Child Support Fund	N/A	3,971
DARE Fund	N/A	3,718
Corps of Engineers Fund	23,158	12,202
Recorder Records, Storage, and Preservation Fund	N/A	2,646
Federal Grant Fund	N/A	76,724
Sheriff Special Fund	19,720	318
Sheriff Civil Fund	4,527	2,752
Sheriff Revolving Fund	N/A	2,154
Law Enforcement Contract Fund	6,212	14,113
Health Center Fund	310	8,190
Law Library Fund	576	N/A

For all funds listed above, except the Health Center and Law Library Funds, which are in the custody of the Health Center Board and Circuit Clerk outside the county treasury, monthly reports comparing budgeted and actual receipts and disbursements are available. While budget to actual data is provided to the various county officials, the county's procedures and reports are not resulting in effective monitoring of various budgets.

In addition, the overspending in the Law Enforcement Training, DARE, Corps of Engineers, Federal Grant, Sheriff Special, Sheriff Civil, Sheriff Revolving, and Law Enforcement Contract Funds appears to primarily be a result of excessive transfers between funds by the Sheriff. The Sheriff indicated he frequently moves money from fund to fund to pay expenses of those funds. All of these transfers are not reported as actual transfers in and out on the financial statements presented in this report. Further, it appears that some of these funds operated by the Sheriff could be consolidated to help simplify the county's records and reduce the number of funds that must be monitored and controlled.

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. In addition, the budget process provides a means to allocate financial resources in advance and more effective budgeting of transfers by the Sheriff would aid in monitoring the overall financial condition of various county funds.

- C. The county significantly overestimates the amounts budgeted for Road and Bridge Fund expenditures. As Exhibit B illustrates, budgeted expenditures exceeded actual expenditures during the years ended December 31, 2006 and 2005, by \$470,322 and \$775,397, respectively.

The practice of overestimating disbursements results in an unreasonable estimated ending fund balance and reduces the use of the budget as a management tool and as a control over disbursements. For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operations and current financial position, the budgets should accurately reflect resources on hand, reasonable estimates of receipts and disbursements, and anticipated ending cash balances.

- D. The purpose of numerous transfers made between funds was unclear and was not always documented. For example, as noted above in part B. the Sheriff frequently transferred monies from fund to fund with no clear purpose. He indicated the transfers were made to pay expenses, but then would transfer some monies back to the original fund the transfer was made from. In addition, budgets for the two years ended December 31, 2006, included both estimated and actual transfers-in and out for various funds; however, the budgets did not always include the corresponding transfers-in and out from other funds. Actual transfers in and out have been adjusted to balance on the financial statements presented in this report.

The purpose of transfers made between funds should be documented. The budget process provides a means to allocate financial resources in advance and more effective budgeting of transfers would aid in monitoring the overall financial condition of various county funds.

- E. The county's annual published financial statements did not include the Health Center Fund, Circuit Clerk Interest Fund, Law Library Fund, or the West Central Drug Task Force Fund. These funds are all held outside the county treasury. In addition, information contained in the published financial statements did not include appropriate revenue and expenditure detail for all county funds, as required by Section 50.800. Revenues are not presented by source and expenditure detail is not shown for many of the smaller county funds.

For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. In addition, Section 50.800, RSMo, requires the financial statements to show receipts, disbursements, and beginning and ending balances 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.

- F. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. More than \$1,000,000 in receipts and disbursements are processed through the county's Special Road and Bridge Fund during a typical year. However, the budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. County road maintenance is provided by the township road districts; however, the County replaces bridges and culverts for the township roads every year and prioritizes bridge construction based on safety concerns and need. Specific projects are not documented in a plan, the commission minutes, or the budget message and made available to the public.

A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by

the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

- G. The County does not have a formal policy regarding public access to county records. A formal policy regarding access to county records would establish guidelines for the county to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making county records available to the public.

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

WE RECOMMEND the County Commission:

- A. And the Sheriff ensure budgets are obtained or prepared for all county funds.
- B. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts. In addition, procedures should be implemented to ensure budgets are properly amended, the amendments are made prior to incurring the actual expenditures, and valid reasons which necessitate excess disbursements are documented. Further, a more effective method of budgeting of transfers by the Sheriff should be established, and the county and the Sheriff should consider consolidating some of the funds operated by the Sheriff.
- C. Ensure budgeted expenditures are reasonable so that a more realistic estimate of the Road and Bridge Fund's financial condition is presented and to increase the budget's effectiveness as a management tool.
- D. Ensure the purpose of all fund transfers is documented, and budgeted and actual transfers-in and out are in balance.
- E. Publish complete financial statements.
- F. Establish a formal annual maintenance plan for county roads.
- G. Establish a records policy to ensure compliance with the Sunshine law. This policy should include the need for a records custodian, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. The West Central Drug Task Force Fund was closed in 2008, and we will prepare a budget for the Passport Funds in the future.*
- B. We will encourage the Sheriff to implement this recommendation and will continue to monitor overspending.*
- C,F,
&G. We will take these under advisement.*
- D. We have established procedures to document transfers.*
- E. We will work with the other officials to ensure all funds are published.*

The Sheriff provided the following responses:

- A. The West Central Drug Task Force Fund was closed in 2008.*
- B. I will discuss this with the County Commission, County Clerk, and County Treasurer.*

The Health Center Board of Trustees provided the following response:

- E. The 2007 financial statement was published in February 2008 in all county newspapers.*

3. Payroll Records and Procedures
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An adequate review of the employee's timesheets was not always performed by the County Clerk's office or by the employee's supervisory official, and as a result, numerous errors went unidentified. Computerized employee timesheets prepared by the Sheriff's office were not signed by the employee or the Sheriff. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained, and leave records maintained by each office were not always accurate. An employee was allowed to carry over sick leave balances in excess of the maximum allowed by the county's personnel policy. Several instances were identified where compensatory time (overtime) earned was not being calculated in accordance with the county's personnel policy. Although the County Commission has historically required full time employees to work only 35 hours a week, the county's personnel policy indicates the normal work week is 40 hours. Payroll and accounting records were not properly reconciled with amounts reported on the Internal Revenue Service (IRS) Forms W-3 and the 941-quarterly wage reports. Retirement benefits related to additional compensation paid to employees of the Prosecuting Attorney's office were not paid into the County Employees' Retirement System.

- A. An adequate review of the employee's timesheets was not always performed by the County Clerk's office or by the employee's supervisory official. Time sheets are prepared by employees and submitted to the supervisory county official. Each county official then prepares a summary list of amounts to be paid and hours worked, which the County Clerk uses to prepare payroll checks. Both the summary lists and employee time sheets are submitted to the County Clerk; however, the two records are not compared for accuracy.

Numerous errors were identified on employee timesheets of various offices, and as a result, the summary lists were also inaccurate. Although the elected official or supervisor signed each of the timesheets, a detailed review of the timesheets was obviously not performed. For example, an employee's timesheet indicated they only worked from 8 a.m. to 12 p.m. and 1 p.m. to 5 p.m. or eight hours; however, they recorded nine hours in the daily total column. Another employee worked eight and a half hours and only recorded seven and a half hours in the daily total column. In a third example, an employee worked sixteen and a half hours and recorded seventeen and a half hours in the daily total column.

To ensure employees are paid correctly and receive leave benefits as allowed by law and the county's personnel policy, timesheets should be adequately reviewed by the supervisory official and the County Clerk's office for accuracy and compared to the summary lists.

- B. Computerized employee timesheets prepared by the Sheriff's office were not signed by the employee or the Sheriff. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.
- C. Centralized records of leave balances and leave used and earned are not maintained. Employees are responsible for recording and accumulating their leave balances. Each elected official is responsible for ensuring the leave records maintained by the employee are accurate; however, an adequate review of these leave records was obviously not performed by various county officials.

For example, a Sheriff's deputy's vacation leave balance was overstated by 33 hours in March 2006 due to a calculation error. In addition, an employee in the Recorder of Deeds office was allowed to carry over sick leave balances in excess of the maximum allowed by the county's personnel policy, and the amount of sick leave carried over was inaccurate. While the county's personnel policy only allows 30 days of sick leave to be carried over from one year to the next, the employee carried 42 days of sick leave over from 2005 to 2006. Further, this employee's leave record indicated a balance of only 33 days of sick leave at the end of 2005, but the employee recorded a beginning balance of 42 days of sick leave in 2006.

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

leave upon termination of employment. In addition, leave records should be carefully reviewed for consistency and mathematical accuracy to ensure that employees leave balances are correct and employees receive the proper amount of leave and overtime compensation. Also, strict compliance with leave policies and accurate records of leave are necessary to ensure employees are properly compensated for accumulated leave and are treated equitably.

D. Compensatory time (over time) is not being earned and paid in accordance with the county's personnel policy. For example:

- An employee in the Ex Officio County Collector's office earned overtime for hours worked in excess of 7 hours per day or 35 hours per week.
- Some employees earning overtime are using nonworking time (vacation, sick leave, and compensatory time taken) in their calculation to determine overtime earned.
- Personnel in the County Clerk's office record overtime worked on their timesheets each month, but are not paid for the overtime until the end of the year.
- The Recorder of Deeds submitted a request on December 11, 2007 for her employee to be paid for eleven and a half hours of overtime that she had not yet worked.

The county's personnel policy indicates overtime is based on work hours in excess of forty hours in a standard work week and will be compensated at time and a half, except for law enforcement employees. It also indicates that "an employee must meet the forty hour plus work week (not simply exceed an eight hour day)." In addition, non working time (vacation, sick leave, and compensatory time taken) should not be used in the calculation of overtime earned. Overtime should be paid or be taken as time off by the employee during the pay period earned and should not be claimed until the actual time has been worked.

E. Although the County Commission has historically required full time employees, excluding those in law enforcement, to work only 35 hours a week, the county's personnel policy indicates "the normal work week shall be forty (40) hours". The County Commission should review its current policy and practices and revise the policy if necessary.

F. Payroll and accounting records were not properly reconciled with amounts reported on the IRS Forms W-3 and the 941-quarterly wage reports in 2006, and as a result, the county over paid \$1,694 in payroll taxes. The failure to reconcile payroll records increases the risk that errors or irregularities will occur and not be detected on a timely basis.

- G. During the two years ended December 31, 2006, the Prosecuting Attorney paid \$19,400 in additional compensation to his office employees from the Prosecuting Attorney Bad Check Fund. This additional compensation was not processed through the normal county payroll process. Although these payments were reported on W-2 forms and payroll taxes were withheld by the Prosecuting Attorney, retirement benefits related to the additional compensation were not paid into the County Employees' Retirement System. The Prosecuting Attorney and County Commission should ensure that employer retirement contributions are remitted to the County Employees' Retirement System.

WE RECOMMEND the County Commission and other officials:

- A. Adequately review timesheets and the summary list prepared by each official for accuracy.
- B. Ensure all timesheets are signed by the employee and their supervisor to document approval.
- C. Maintain centralized leave records for all county employees and adequately review the leave records for accuracy. In addition, ensure compliance with the county's leave policy.
- D. Ensure employees only accrue compensatory time in accordance with the county's personnel policy and nonworking time is not used in the calculation of overtime. In addition, ensure overtime is paid or used during the pay period earned and overtime is not claimed until worked.
- E. Review the current personnel policy and practices regarding required work hours for full time employees and revise the policy if necessary.
- F. Ensure payroll and accounting records are reconciled with amounts reported to the state and federal authorities.
- G. And Prosecuting Attorney ensure that employer retirement contributions are remitted to the County Employees' Retirement System.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will review time sheets periodically.*
- B. *We will work with the Sheriff to ensure this recommendation is implemented.*
- C. *We will review records periodically for accuracy.*

- D. *We will review overtime recorded on time sheets and leave records periodically.*
- E. *We will consider this recommendation.*
- F. *This has been implemented.*
- G. *We feel this is the Prosecuting Attorney's responsibility.*

The Sheriff provided the following responses:

- B. *I will implement this recommendation.*
- C. *I have corrected this employee's leave record.*

The Prosecuting Attorney provided the following response:

- G. *This will be implemented. It should be noted that the County Clerk was aware of the additional compensation because he refused to process it through the county payroll system. This caused the Prosecuting Attorney to have to retain the services of a Certified Public Accountant who was not familiar with the county's retirement system withholdings.*

4. County Assessor's Contract

The Assessor entered into a written agreement with the City of Clinton to assess all real and personal property within the city in December 1982 for \$600 annually, and the contract has not formally been updated since. Currently, the Assessor receives \$1,200 annually for providing these services. While the Assessor sent letters to the city advising them of increases in fees, a formal updated contract signed by both parties has not been entered.

Section 432.070, RSMo, required 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.

In addition, Section 53,030, RSMo, requires the county assessor to assess all real and tangible personal property in the county. The County Commission and Assessor should review the scope of duties required under the Assessor's contract to determine whether the duties are already required of the Assessor by law.

WE RECOMMEND the County Commission and Assessor review this situation and update written agreements if necessary.

AUDITEE'S RESPONSE

The Assessor indicated that he believes the fee is justified due to the additional services being provided to the city related to planning and zoning and street improvement, and that he will update the written agreement.

5. County Property Records and Vehicles and Equipment
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The County Clerk does not reconcile property purchases to additions recorded on the physical inventory reports and tags identifying property items as county property are not always affixed to the items. Controls and procedures over fuel usage need improvement.

- A. The County Clerk does not reconcile property purchases to additions recorded on the physical inventory reports and county property records are not complete. In addition, tags identifying property items as county property are not always being assigned and affixed to the items. While each of the various county departments submitted annual physical inventory reports, some property additions were not included in the county's records including a new truck totaling \$18,600 purchased for the road and bridge department.

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

- B. The county's published financial statements indicated fuel costing approximately \$50,000 and \$14,000 annually was purchased for the Sheriff's office and road and bridge department, respectively. In addition, the Sheriff's office also purchased fuel from other accounts. The following concerns were identified relating to fuel usage:

- Fuel usage logs are not maintained for the road and bridge department's equipment and vehicles. As a result, fuel usage is not reconciled to fuel purchases. The county has one bulk diesel fuel tank that is metered, which is used for eleven pieces of road and bridge equipment. Unleaded fuel is purchased at the local distributors for use in the road and bridge department's four trucks.

Fuel usage logs are necessary to document the appropriate use of equipment and vehicles and to also support fuel charges. The vehicle logs should include the date, driver, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles.

- Vehicle mileage and fuel usage logs maintained by the Sheriff's office for its thirteen vehicles are not reconciled to fuel purchases. In addition, the mileage logs do not include the destination or the purpose of the trip, and fuel purchases are not always documented on the logs. The Sheriff indicated he periodically reviews the usage logs for accuracy; however, he has not documented his review.

Without adequate vehicle logs, the county cannot effectively monitor that vehicles are used for official business only, that fuel costs for vehicles are reasonable, and that billings to the county represent legitimate and appropriate charges. Effective monitoring procedures which include reviews of vehicle logs and comparison of log information to fuel purchases and maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel or other maintenance items occurring without being detected.

A condition similar to Part B. was noted in our prior report.

WE RECOMMEND:

- A. The County Clerk utilize the annual physical inventory reports prepared by county departments to monitor property additions and dispositions. In addition, the County Clerk should implement a procedure for tracking and tagging new property items throughout the year.
- B. The County Commission require usage logs be maintained for all county owned vehicles and equipment and for the bulk fuel tank, and fuel logs be reconciled to fuel purchases. A periodic review should be performed to ensure the reasonableness of the fuel purchases and usage. In addition, all reviews and reconciliations should be documented.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- B. *We will address this problem.*

The County Clerk provided the following response:

- A. *The County Clerk's office will comply with the statutory requirements of 49.093, RSMo.*

The Sheriff provided the following response:

B. I will document my review of the usage logs.

6.

Passport Fees

Improvement is needed over the handling of passport fees. Currently, the County Commission's secretary is authorized by the federal government to process applications for passports. She is also responsible for collecting, recording, and depositing the related fees, and reconciling the passport bank account. During the two years ended December 31, 2006, the county has processed approximately 554 passport applications and collected approximately \$55,000 in passport processing fees. The county retains \$30 of each passport fee and has collected approximately \$16,620 from these fees and forwarded \$35,826 to the federal government during the two years ended December 31, 2006. The following concerns were identified relating to passport fees:

- Receipts are not deposited in a timely manner. For example, a cash count conducted on December 12, 2007, indicated \$433 received in November 2007 was not deposited until December 13, 2007. To reduce the risk of loss or misuse of funds, deposits should be made on a timely basis.
- The duties of collecting, recording, depositing, and disbursing monies and reconciling the bank account are not adequately segregated as noted above. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- During the years ended December 31, 2006 and 2005, the County Commission authorized expenditures from passport fees for an annual Christmas party for county employees totaling \$1,486 and \$1,068, respectively. These expenditures do not appear to be a prudent use of county funds. County residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The County Commission should ensure county funds are spent only on items which are necessary and beneficial to county residents.

WE RECOMMEND the County Commission ensure passport fees are deposited in a timely manner, duties are adequately segregated, and all expenditures from passport fees are a prudent use of public funds.

AUDITEE'S RESPONSE

The County Commission indicated they will require their secretary to make deposits in a timely manner, and they will review accounting records periodically. They will take the remainder of this recommendation under advisement.

7. Sheriff's Inmate and Commissary Account

The Sheriff operates a commissary for inmates to purchase various snacks, personal items, and generic medication (Aspirin, Tylenol, etc.). The Sheriff received and expended approximately \$40,000 and \$25,000 through the inmate and commissary account during the years ended December 31, 2006 and 2005, respectively.

The Sheriff used monies deposited into the inmate and commissary account to pay operating expenses of his office. Supporting documentation was not retained for \$1,698 of cash ATM withdrawals, and numerous purchases made from the inmate and commissary account do not appear to be a prudent or necessary use of public or inmate funds. The Sheriff's office does not have a system for tracking the profit or loss from the sale of commissary items and improvements are needed in the controls and procedures over commissary inventory. Bank reconciliations are not prepared in a timely manner, procedures have not been established to follow up on old outstanding checks, and monthly listings of open items (liabilities) were not prepared. Procedures to collect or limit unpaid inmate commissary balances have not been established, and refunds of inmate balances are not made in a timely manner. Prenumbered receipt slips are not issued, and inmate receipts are not deposited in a timely manner.

Because of the various procedural problems identified, there is very little assurance that inmate monies have been properly handled and accounted for.

- A. Because the Sheriff is not adequately tracking inmate monies and profits received from commissary sales, there is no assurance that the Sheriff has not used inmate monies to pay operating expenses of his office. Supporting documentation was not retained for \$1,698 of cash ATM withdrawals, and several purchases made from the inmate and commissary account do not appear to be a prudent or necessary use of public or inmate funds.

- Debit card purchases and ATM withdrawals from the inmate account totaled \$14,548 and \$4,037 during the years ended December 31, 2006 and 2005, respectively. Most of the debit card purchases and ATM withdrawals made from the inmate and commissary account were not related to the operation of the commissary. For instance, debit card purchases included office supplies, equipment, training expenses, DARE program supplies, and bakery items.

In addition, checks written from the inmate account totaling \$7,796 during the two years ended December 31, 2006 were used to pay operating expenses of his office. Of this amount, several of these expenditures do not appear to be a prudent or necessary use of public or inmate funds. For example, meals, donuts, and bakery items (\$927), Night Out Against Crime Halloween event (\$215), a "Season Greeting" advertisement (\$179), and car show fees (\$50) paid do not appear to be a prudent use of the public funds.

In addition, these expenditures were not approved by the County Commission and were not handled through the county's normal procurement process.

Monies deposited into the inmate account represent inmate's personal monies and any profits from the sale of commissary items represent accountable fees which should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury to make purchases. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states, "...sheriff's of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." Also, all expenditures should be supported by vendor invoices to ensure the obligation was actually incurred and the expenditure represents an appropriate use of funds. Further, the county's residents also place a fiduciary trust in their public officials to expend funds in a necessary and prudent manner.

- B. The Sheriff's office does not have a system for tracking the profit or loss from the sale of commissary items. A jailer distributes order forms weekly to each inmate reflecting the items available for purchase. The jailer indicated each item for sale is marked up for a minimal profit. The jailer then records the amount of each inmate's purchases on the inmate's commissary sheet and removes the amount of the purchase from the inmate's balance. The proceeds are used to replenish the commissary inventory (See part C.) and for operating expenses of the Sheriff's office as noted in Part A.

To adequately account for activity of the commissary fund, records should be maintained in a manner to allow for the tracking of profit and loss on all sales from the commissary.

- C. Commissary inventory and the related records had the following areas of concern:
- A running inventory (perpetual inventory) of commissary items purchased, sold to inmates, and inventory balances is not maintained. To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.
 - The commissary inventory does not appear to be adequately secured. Although the commissary inventory is maintained in a storage room, all personnel have access to it. To establish accountability and adequately protect commissary inventory from loss, theft or misuse, commissary inventory should be secured in a location with access limited to the individual responsible for the inventory.

- D. Bank reconciliations are not prepared for the inmate account in a timely manner and are not properly used when completed. The reconciliation for the December 31, 2006 bank statement was not performed until February 10, 2007. In addition, several errors between the Sheriff's accounting records and bank reconciliations were identified. For example, one check totaling \$20 issued on September 9, 2006, was listed on the December 2006 outstanding check list in the amount of \$2,000. This check had also cleared the bank on September 13, 2006. There was no evidence that anyone compared the reconciled bank balance to the book balance maintained on the accounting system.

In addition, the Sheriff has not established procedures to routinely follow up on old outstanding checks for the inmate account. At December 31, 2006, eighty-four checks written on the inmate account totaling \$1,145 had been outstanding for over a year.

Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors. These old outstanding checks create additional and unnecessary record-keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued if possible. If the payee cannot be located, the monies should be disposed of as provided by state law.

- E. Two former employees who have not worked at the Sheriff's department since January 2004 and January 2007 were still authorized to sign checks on the inmate and commissary bank account as of October 25, 2007. Steps should be taken to remove the former employees from the signature card at the bank.

- F. Monthly listings of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances. At our request, a listing of open items was prepared for December 31, 2006 which totaled to a negative (\$4,186), and the cash balances totaled to \$927 which exceeded the liabilities by \$5,113. The Sheriff indicated the open items listing he prepared contained numerous negative prisoner balances because items were provided to the inmates when inmate monies were not available (See Part G). In addition, profits of the commissary account are not being tracked and considered in the reconciliation of this bank account.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities.

- G. The Sheriff has not established procedures to collect or limit unpaid inmate balances. According to the Sheriff, if an inmate does not have any monies in the inmate account, he charges the inmate's balance. Some inmates are released from jail with a negative inmate balance. Over \$4,000 of negative balances existed at December 31, 2006.

The Sheriff should establish procedures for limiting commissary purchases and for collecting balances from released inmates.

- H. Inmate records maintained by the Sheriff indicate that most inmates with balances in the inmate account at December 31, 2006 have already been released from jail. In addition, refunds of inmate and commissary balances are not made in a timely manner. For example, two inmates were released on May 20 and June 2, 2007 which left inmate balances of \$21 and \$4, respectively. As of December 11, 2007, these inmate balances had not been refunded.

According to the jail secretary, inmate monies are refunded to the inmate at the time of release (only if requested by the inmate and if the Sheriff is available to issue a check). If the Sheriff is unavailable, the inmate must later contact the Sheriff's office to request a refund. As a result of these procedures, many inmate balances are not refunded to the inmate upon their release and remain a liability of the Sheriff's inmate and commissary account.

Released inmate balances create additional and unnecessary record keeping responsibilities and if resolved and distributed could significantly aid in the reconciliation of open items to the reconciled cash balance noted above. Various statutory provisions provide for the disposition of unclaimed monies. Routine procedures should be established to resolve and distribute unclaimed balances for released inmates.

- I. Prenumbered receipt slips are not issued for monies received from (or for) inmates. Instead a printout is generated indicating the amount received from (or for) the

inmate. These printouts are not always signed by the inmate (or by the person providing monies to the inmate) and did not always identify the method of payment (i.e., cash, check, or money order). To ensure receipts are handled properly, prenumbered receipt slips should be issued for all monies received, and the method of payment should be recorded on the receipt slip, and the composition of the receipt slips issued should be reconciled to the composition of the deposit.

- J. Deposits into the inmate account are not made in a timely manner. For example, inmate monies totaling \$642 received between August 30 and September 8, 2007, were not deposited until September 13, 2007. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited in a timely manner.

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

WE RECOMMEND the Sheriff:

- A. Cease all bank account transactions except for the deposit and disbursement of inmate refunds and accountable monies. In addition, expenditures should be authorized by the Sheriff and made through the county's normal expenditure process as provided for in the budgets of various funds. Also, require supporting documentation for all expenditures, and ensure expenditures are a necessary and prudent use of public funds.
- B. Develop records to adequately track profits or losses on the commissary operations. Turn all profits over to the County Treasurer as accountable fees.
- C. Ensure perpetual inventory records are maintained and are periodically reconciled to a physical inventory. In addition, ensure commissary inventory is adequately secured.
- D. Ensure bank reconciliations are performed in a timely manner, and any differences between the accounting records and reconciliations should be investigated and resolved. In addition, attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- E. Remove former employees from the signature card at the bank.
- F. Prepare monthly listings of open items and reconcile the listing to the bank balance.
- G. Establish procedures to collect or limit unpaid inmate balances.
- H. Refund inmate balances to inmates when released from jail.

- I. Issue prenumbered receipt slips for all monies received from or on behalf of the inmates. In addition, the method of payment should be recorded and the composition of the receipts should be reconciled to the composition of deposits.
- J. Ensure inmate monies are deposited in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I am working on addressing this.*
- B. *I am looking at developing a software program that will track the profits and losses on the commissary operations.*
- C. *I am looking at developing a software program that will track the commissary inventory. In addition, there is no good way to secure the commissary inventory at this time.*
- D. *I do not always have time to do bank reconciliations in a timely manner. In addition, I am working on resolving the outstanding checks.*
- E. *This has been corrected.*
- F. *I agree with this recommendation.*
- G. *I am working on paying out positive balances and writing off negative balances.*
- H. *Costs of indigent inmates will be absorbed by commissary profits and procedures for writing off these balances will be adopted.*
- I. *I will try to implement manual prenumbered receipt slips.*
- J. *I will try to make deposits in a timely manner.*

AUDITOR'S COMMENT

- F. Given the differences identified between the open items listing and reconciled bank balance, the Sheriff needs to investigate these differences and track profits of the commissary account and include any profits in his reconciliation.

8.	Sheriff's Controls and Procedures
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Procedures have not been established to track the costs of conducting carry concealment classes, and it is unclear why a deputy was not treated as an employee and paid his regular

overtime rate to teach the classes instead of being paid \$2,856 as a contractor. In addition, these payments were not reported on the employee's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld. Monies received by the Sheriff's office are not deposited intact or in a timely manner, and checks are not restrictively endorsed immediately upon receipt. Procedures for handling gun permits are in need of improvement. The reconciled bank balance of the Sheriff's fee account was negative at December 31, 2006, and the Sheriff does not follow up on old outstanding checks. The Sheriff maintains an open items listing for the fee account; however, the reconciled bank balance does not agree to the open item listing. Controls and procedures over the Sheriff's two petty cash funds need improvement. Improvements are needed in the controls and procedures relating to uncollected paper service fees, DARE donations, and jail meals.

- A. Procedures have not been established to track the costs of conducting carry concealment classes. The Sheriff requires carry and concealment gun permit applicants to attend a firearms class. Each attendee is charged \$100 for the class. A deputy is paid \$60 per person attending to teach the class (see part B). The Sheriff's office also incurs costs for classroom rentals, shooting range fees, supplies (i.e. ammunition), and advertising. In addition, the number of attendees of each class is not documented, and the Sheriff indicated some classes are donated to attendees (i.e. local business owners).

By not adequately tracking the number of attendees and costs to conduct the classes, the Sheriff has little assurance that the carry and concealment class fee covers the actual costs. In addition, without documenting the attendees, the Sheriff cannot ensure all gun permit applicants have attended the required class.

- B. The Sheriff paid one of his deputies \$1,620 and \$1,236 (in addition to his normal salary) to teach carry and concealment classes during the years ended December 31, 2006 and 2005, respectively, from the Sheriff's Revolving Fund. The deputy was paid \$60 of the \$100 fee charged to the attendees of the classes. The Sheriff indicated the work was performed and classes were held outside the deputy's regular working hours; however, no documentation was retained to report time spent preparing and teaching the classes. It is unclear why the deputy was not treated as an employee and paid his regular overtime rate to teach the classes.

In addition, these payments were not processed through the county's payroll system. As a result, these payments were not reported on the employee's Forms W-2 or Forms 1099-MISC, and payroll deductions were not withheld from the payments.

The Internal Revenue Code (IRC) generally indicates individuals treated as employees should have all compensation reported on Forms W-2. In addition, to ensure compliance with the Fair Labor Standards Act (FLSA) and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process.

- C. The Sheriff received monies for civil and criminal fees, gun permits, board bills, local patrolling contracts, calendar sales, jail phone commissions, bonds, and other miscellaneous receipts totaling approximately \$341,000 and \$266,000 during the years ended December 31, 2006 and 2005, respectively, which are handled in the Sheriff's fee account. The following concerns were noted related to receipts:
- Monies received are not deposited intact or in a timely manner. For example, a cash count conducted on September 18, 2007 included \$340 of carry concealment weapon fees and \$400 of bonds that were not deposited until October 1, 2007 and September 20, 2007, respectively. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be made intact on a timely basis.
 - Checks received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. Procedures for handling gun permits are in need of improvement. The number of gun permits issued is not reconciled to gun permit receipts. Gun permit fees were also not always collected at the time the gun permit application was completed. Some gun permit fees were collected after the applications were approved. The receipt slips issued did not always include the date and method of payment received.
- Gun permit fees were not always posted to the accounting system in a timely manner. In addition, these fees were not always deposited timely and intact. During the month of April 2006, eleven of thirty-two permits issued were not posted to the accounting system timely. For example, one gun permit receipt was received on April 12 and was not posted to the accounting system until April 24. This same receipt was held and not deposited until April 24. Other gun permit monies were deposited during this time frame on April 14, 17, 19, and 21.
- To ensure gun permit monies are properly accounted for, gun permits issued should be reconciled to gun permit receipts, gun permit fees should be collected at the time of application, and gun permits should be posted to the accounting system when received. In addition, the method of payment should be recorded on the receipt slips, the composition of receipt slips issued should be reconciled to the composition of deposits, and deposits should be made intact and on a timely basis.
- E. The reconciled bank balance of the Sheriff's fee account was a negative (\$1,742) at December 31, 2006, and monthly listings of open items (liabilities) were prepared for the Sheriff's fee account; however, the listings were not reconciled with the cash balances of this account. For example, the listing of liabilities at December 31, 2006 was \$1,058 and exceeded the cash balance by \$2,800. This shortage could not be explained by the Sheriff.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. In addition, the Sheriff should investigate this shortage and take appropriate action.

- F. The Sheriff does not follow up on old outstanding checks of the fee account. As of December 31, 2006, there were thirty nine checks over a year old totaling \$317.

These old outstanding checks create additional and unnecessary record-keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time.

- G. The Sheriff's office two petty cash funds are not maintained on an imprest basis. According to the Sheriff, a petty cash fund of \$200 is maintained for food purchases for the jail and another petty cash fund of \$150 is maintained for office expenditures. Our count of the petty cash fund for food purchases indicated receipts of \$171 and cash on hand of \$10, resulting in a shortage of \$19. Our count of the petty cash fund for office expenditures indicated receipts of \$105 and cash on hand of \$2, resulting in a shortage of \$43. The two petty cash funds were reimbursed approximately \$1,458 and \$1,447 from the General Revenue Fund during the years ended December 31, 2006, and 2005. In addition, receipt and disbursement records supporting the petty cash funds activity were not maintained.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, receipt and disbursement records should be maintained, and the petty cash funds should only be used for their intended purpose.

- H. While the Sheriff generates a report of uncollected paper service fees each year, no follow up procedures have been established to collect these fees. The Sheriff's department frequently serves papers for courts, attorneys and individuals relating to civil cases. The Sheriff's department collects fees and mileage reimbursements in return for serving papers. During instances when additional costs are incurred, the Sheriff's department will bill the entity once the papers have been served. During the years ended December 31, 2006 and 2005, \$1,929 and \$2,479, respectively, remained uncollected. By not adequately monitoring unpaid civil paper service fees, these fees could remain uncollected and might eventually result in lost revenue.

- I. The sheriff receives donations to help fund the Drug Awareness and Resistance Education (DARE) program in order to give children the skills they need to avoid

involvement in drugs, gangs, and violence. These donations were deposited into the DARE Fund. During the year ended December 31, 2006, the Sheriff transferred \$1,000 from the DARE Fund to cover payroll expenditures of the Corps of Engineers Fund used to patrol Corps of Engineer property. The Sheriff provided no documentation to indicate that these DARE funds were spent for the DARE program.

As a result, these donations may have not been used in the manner in which the donor intended. Donors place a fiduciary trust in their public officials to expend funds in the manner in which they were intended.

- J. The Sheriff indicated that some Sheriff's office employees are provided meals prepared at the jail; however, documentation of the number of meals provided to employees is not maintained. The Sheriff's office policy indicates that on duty jailers may eat one meal prepared at the jail per shift. Additionally, the number of meals provided to employees is not included in the average meal cost thus overstating the county's average meal costs. Total meals served should also be used in determining the average meal costs.
- K. Adequate supporting documentation was not retained to support expenditures of the West Central Drug Task Force Fund maintained by the Sheriff. Adequate supporting documentation was not retained for 5 of 6 expenditures reviewed. The Sheriff indicated these payments were for Methamphetamine lab fees (\$3,659) funding of a Domestic Violence Task Force (\$2,000), an undercover operative (\$500), replacement of a windshield on a leased vehicle (\$215), and lodging (\$134). In addition, the invoices reviewed were not marked paid or otherwise cancelled, and the acknowledgement of receipt of goods or services was not indicated on the invoices prior to the expenditure being approved for payment. Also, a vehicle lease payment was not made in a timely manner, and a late payment fee of \$29.76 was assessed and paid by the Sheriff.

All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of receipt of goods or services is necessary to ensure the county actually received the items or services. Good business practices require timely payments of invoices. See finding number 06-3 for other concerns relating to the West Central Drug Task Force Fund.

A condition similar to Part D. was noted in the prior report.

WE RECOMMEND the County Commission:

- A. Track the costs to conduct the carry and concealment classes and document the number of attendees to ensure the fee charged is adequate.

- B. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk. Ensure all salary payments and wages are subject to payroll withholdings and reported on W-2 forms.
- C. Deposit all monies intact and in a timely manner, restrictively endorse all checks immediately upon receipt, and ensure all receipts are recorded in the accounting system.
- D. Ensure the number of gun permits issued is reconciled to gun permit receipts, gun permit fees are collected when the application is completed, and the date and method of payment is recorded on the receipt slips. In addition, gun permit receipts should be posted to the accounting records and deposited intact and in a timely manner.
- E. Prepare monthly listings of open items and reconcile the listing to the bank balance. In addition, the Sheriff should investigate the shortage and take the appropriate action.
- F. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- G. Ensure the petty cash funds are maintained on an imprest basis. In addition, a ledger should be prepared of all petty cash transactions.
- H. Establish adequate procedures to monitor and collect unpaid paper service fees.
- I. Ensure donations are expended as they are intended.
- J. Document the number of employee meals served at the jail and include these meals in the calculation of prisoner meal costs.
- K. Ensure adequate supporting documentation is retained for all expenditures, all invoices are properly cancelled, and require all invoices to be initialed or signed to indicate acceptance of the goods or services. In addition, ensure all invoices are paid in a timely manner.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I can itemize the costs in the future.*

- B. *I will implement this recommendation.*
- C. *My office is currently restrictively endorsing checks immediately upon receipt, and I will try to make deposits and record receipts in a more timely manner.*
- D. *My office no longer handles gun permits.*
- E. *I believe fees were overpaid to the county in April 2006 which caused the shortage. I plan to correct the shortage in April 2008.*
- F. *I will try to reissue these outstanding checks or will turn them over to the State unclaimed fees, if applicable.*
- G. *I have started tracking petty cash transactions.*
- H. *I will try to document which amounts that have been billed that I feel are uncollectible.*
- I. *I pay the DARE officer from the Corps of Engineers Fund and this transfer was made to cover a portion of her salary.*
- J. *My office will track employee meals.*
- K. *I will try to maintain supporting documentation in the future.*

AUDITOR'S COMMENT

- E. Given the shortages and other concerns identified, the Sheriff needs to investigate the shortages immediately and take appropriate action.

9.	Sheriff's Seized Property
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Controls and procedures over seized property need improvement. Under the Criminal Activity Forfeiture Act, Section 513.600, RSMo, the Sheriff may seize property after an investigation reveals that the property was purchased from proceeds of drug sales by a defendant. The Sheriff also routinely seizes property to be used as evidence for cases that are not drug-related.

- A complete listing of seized property is not maintained, and periodic inventories of property on hand are not conducted. A computerized system is used to record seized property by case; however, the Sheriff indicated the software prohibited them from having a control total. A complete manual listing of all seized property on hand is also not maintained.

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 items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

- Several items in the evidence room have been held for a long period of time. For example, hunting and fishing equipment, tools and other miscellaneous items seized in November 2005 were still on hand and have not been disposed of.

Section 542.301, (5) RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Proper disposal of such items would eliminate the significant risks of unauthorized access, use or theft, and the related potential liability of the county for such possible improper access or use.

- Seized property is not stored in one centralized location, but instead is stored at four locations including: the interrogation room in the Sheriff's office, the garage located behind the Sheriff's office, at other county property, and at local storage facility. In addition, six Sheriff's office employees have access to these seized property locations. To ensure seized property is more easily accounted for and adequately safeguarded, seized property should be stored in fewer locations and access should be limited.

WE RECOMMEND the Sheriff maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated. Also, make timely and appropriate dispositions of seized property, store seized property in fewer locations, and limit access to the seized property.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

I will look into a new software program to track seized property. In addition, I will try to dispose of old items, condense the locations where seized property is stored, and limit access.

10.**Ex-Officio County Collector and Treasurer**

The Ex-Officio County Collector did not include all activity on her annual settlement, and did not distribute protested taxes in a timely manner. The Ex-Officio County Collector did not correctly calculate and distribute delinquent tax and surtax commissions, and Proposition C ratios were not used to calculate the county's assessment withholdings on delinquent taxes collected and distributed. Improvement is needed in how the Treasurer and Ex-Officio County Collector handles old outstanding checks. Monies are not deposited intact as cash refunds are made and mailed to taxpayers for overpayments of taxes paid by check.

- A. The Ex-Officio County Collector's annual settlements for the four years ended February 28, 2007, did not include all activity of her office, and collections and distributions reported on the annual settlement did not agree. For example, collections reported on the annual settlements were approximately \$12 million while distributions were only \$6 million during the years ended February 28, 2007, 2006, 2005, and 2004, respectively.

The Ex-Officio County Collector failed to include distributions made by the township collectors, and distributions of interest earned on investments, County Employee Retirement Fund (CERF) fees, tax maintenance fees, and licenses collected by her office on the annual settlements.

In addition, distributions to each political subdivision reported by the Ex-Officio County Collector on her annual settlement appeared inaccurate and inconsistent from year to year. For example, distributions to the State reported on the annual settlements for the two years ended February 28, 2007 and 2006, were \$75,602, and \$29,371, respectively. Other inconsistencies in distributions reported on the annual settlements reviewed were noted. The Ex-Officio County Collector could not explain the discrepancies noted from year to year.

Also, the summary or total page of the annual settlement failed to include collections reported on other pages of the annual settlement from interest on taxes, penalties, interest earned on investments, licenses, late assessment charges, and tax maintenance fees which averaged approximately \$370,000 annually.

Further, charges of protested taxes and interest totaling \$213,648 and refunds of protested taxes totaling \$137,008 were not included on the annual settlement, and protested taxes held in escrow were overstated by \$284,372 for the year ended February 28, 2006.

In addition, the County Clerk's office maintains account books for the Ex-Officio County Collector and the nineteen Township Collectors; however, there is no evidence that the County Clerk and County Commission reviewed the account books to help verify the accuracy of the Ex-Officio County Collector's annual settlements.

Section 139.600.3, RSMo, states that "...the collector shall...settle her accounts of all monies received by her on account of taxes and other sources of revenue..." By not accurately reporting all sources of revenues and distributions, the Ex-Officio County Collector's annual settlement is incomplete and the County Commission cannot properly examine or approve it.

- B. The Ex-Officio County Collector did not distribute and refund protested taxes to political subdivisions or to the tax payer in a timely manner. For example, the Ex-Officio County Collector was still holding \$27,217 of protested taxes as of January 2008 related to a case which was dismissed by the State Tax Commission in October 2004. According to the Ex-Officio County Collector, she has not disbursed these protested taxes, because she has not been provided information from the County Prosecuting Attorney regarding the resolution of the case.

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

- C. The Ex-Officio County Collector did not correctly distribute delinquent tax commissions for the year ended February 28, 2007. Section 54.320, RSMo, allows a three percent commission on all licenses and taxes collected by the Ex-Officio County Collector to be withheld and distributed to the county (General Revenue Fund). The Ex-Officio County Collector correctly withheld the three percent commission; however, it was not distributed correctly to the county General Revenue Fund. Approximately 43 percent (3/7ths) and 29 percent (2/7ths) of this commission due to the General Revenue Fund was incorrectly distributed to the CERF and Tax Maintenance Funds, respectively. For example, during the month of February 2007, \$1,132 of the \$1,585 (three percent) withheld for the county (General Revenue Fund) was distributed to the CERF (\$679) and Tax Maintenance Funds (\$453). A review of monthly commissions should be performed for past years and any corrections should be made.
- D. The Ex-Officio County Collector did not correctly calculate and distribute surtax tax commissions. Section 54.320, RSMo, allows a three percent commission on all licenses and taxes collected by the Ex-Officio County Collector to be withheld and distributed to the county (General Revenue Fund). In addition, Section 137.720, RSMo, allows a one and a quarter percent commission on all ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and be deposited into the assessment fund of the county. During the year ended February 28, 2007, the Ex-Officio County Collector withheld the three percent and one and a quarter percent commissions from the total amount of surtax totaling \$4,622 and \$2,212, respectively; however, she incorrectly withheld an additional three percent and one percent commissions from the school districts in the county totaling \$3,131 and \$1,044, respectively. As a result, the various school districts in the county are owed additional tax monies. A review of surtax commissions should be performed for past years and any corrections should be made.

- E. Section 50.338, RSMo, requires adjustments of commissions and assessment fees withheld from school taxes due to a statewide education sales tax known as Proposition C. For the purposes of computing Proposition C withholdings, the Ex-Officio County Collector computes ratios of unadjusted and adjusted school tax levies. These ratios were not used to calculate the county's one and a quarter percent assessment withholdings on delinquent taxes collected and distributed during the year ended February 28, 2007. As a result, the county's Assessment fund received less withholdings than allowed. These errors apply to the Henry County R-I School District (Windsor), currently the only school district in the county whose property taxes are affected by Proposition C. A review of commissions should be performed for past years and any corrections should be made.

The Ex-Officio County Collector should review all incorrect Proposition C calculations, recalculate the proper amounts of withholdings, and make applicable adjustments to the distributions to the applicable school district and Assessment Fund.

- F. The Treasurer and Ex Officio County Collector has not established procedures to routinely follow up on old outstanding checks. No attempts have been made to reissue some old outstanding checks. Two checks issued in 2003 and two checks issued in 2005 had a stop payment placed in July 2006; however, these checks totaling \$671 have never been reissued. In addition, at February 18, 2008, nine checks issued by the Treasurer totaling \$1,857 had been outstanding since December 2006. Most of these checks were issued to political subdivisions and businesses the county regularly does business with, and it is unclear why these checks had not been reissued by the Ex Officio County Collector or Treasurer.

Old outstanding checks should be voided, a stop payment issued, and new checks be reissued immediately to payees that can be located. If the payees cannot be located, amounts remaining unclaimed should be disposed of in accordance with state law.

- G. Monies are not deposited intact as cash refunds are made and mailed to taxpayers for overpayments of taxes paid by check. To ensure receipts are deposited intact and to reduce the risk of loss or misuse of funds, all refunds should be made by check.

WE RECOMMEND the Ex-Officio County Collector and Treasurer:

- A. File complete and accurate annual settlements. In addition, the County Clerk and County Commission should review the annual settlement for accuracy and completeness.
- B. Ensure that protested taxes are disbursed in a timely manner.

- C. Recalculate commissions for past years and correct the error by withholding monies from future tax distributions or by transferring monies from the CERF and Tax Maintenance Funds to the General Revenue Fund. In addition, ensure future commission calculations are accurate.
- D. Review surtax commissions for past years and correct errors. In addition, ensure future commission calculations are accurate.
- E. Recalculate Proposition C commissions and assessment withholdings and make corrections for amounts improperly distributed to the schools and the Assessment Fund. Procedures should be adopted to ensure future Proposition C withholdings are computed properly.
- F. 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.
- G. Deposit all monies intact and write checks for refunds of overpayments.

AUDITEE'S RESPONSE

The Treasurer and Ex Officio County Collector provided the following responses:

- A. *Now that we are aware that the report was wrong, we are working to correct the annual settlement and will file an amended annual settlement.*
- B. *We can only disburse the protested taxes when we receive information from the Prosecuting Attorney regarding the resolution of the case. Once my office received a letter from the Prosecuting Attorney in February 2008, the protested taxes were disbursed with the monthly settlement.*
- C. *My office was calculating these figures how we believed the CERF auditor said that my office should. My office will go back and review these calculations.*
- D. *My office contacted the computer programmer about the problem, and he has now fixed the computer program.*
- E. *I will investigate this and correct if needed.*
- F. *We missed stopping payment on a couple of checks and did a stop payment on those checks in 2006. We deposit outstanding checks back into the account from which they came. The checks that we stop payment on are usually already paid when another bill from the same entity is then submitted to the County Commission. We are following up on all old outstanding checks and are trying to resolve them.*

- G. *If my office does write checks for all overpayments, some of the checks will only be a cent or two. My office has established a policy where any overpayments under \$2 will not be refunded.*

The Prosecuting Attorney provided the following response:

- B. *I assumed the Treasurer was aware of the disposition of the case and had disbursed the funds.*

11. Public Administrator Controls and Procedures

The Public Administrator and Associate Circuit Judge have not established a fee policy, which would ensure all estates were charged fees in an equitable manner. The Public Administrator has not established procedures to monitor collateral securities pledged by client's depository banks. Settlements were not always accurate and complete, and Forms 1099 were not prepared for individuals who were paid in excess of \$600.

The Public Administrator acts as the court appointed personal representative for wards of the Associate Circuit Division (Probate Court) and is responsible for receiving, disbursing, and accounting for the assets of those individuals. The Public Administrator collects fees from each of these estates and uses some of the fees to pay the expenses to maintain her office. During the two years ended December 31, 2006, the Public Administrator had responsibilities for approximately 115 wards.

- A. While the Public Administrator receives fees from the estates upon approval of the Associate Circuit Judge, the Public Administrator and Associate Circuit Judge have not established a formal fee policy. During the years ended December 31, 2006 and 2005 the Public Administrator received \$97,794 and \$58,727 in fees from the estates. These fees include monthly fees, transportation and hourly fees, settlement fees, and cost of check fees. In addition, in 2007, a postage and supply fee was charged to each estate.

During 2006, the Public Administrator charged a fee to all estates based on five percent of all expenditures made on behalf of the ward with a minimum fee of \$40 per month.

Transportation fees were based on mileage claimed at the IRS standard mileage rate. Hourly fees represent compensation for services deemed "beyond the scope of normal administrative fees," and the Public Administrator received hourly fees of \$40 and \$30 per hour in 2006 and 2005, respectively. For example, during 2006 the Public Administrator charged one of the larger estates transportation and hourly fees of \$2,650 in addition to the monthly fees of \$2,811 totaling \$5,461 for the year. While the Public Administrator maintains records of services performed, the related hours worked, and mileage driven and other costs for each of her wards for this additional "beyond the scope of normal administrative" fee, no basis or guidelines

have been established to define normal duties.

Annual settlements are prepared by the Public Administrator and a settlement fee is also charged. The Public Administrator indicated that a settlement preparation fee had not been established and that she charges this fee based upon her judgment. During 2006 settlement fees charged to four of the Public Administrator's largest estates ranged from \$200 to \$750 per estate.

Annual cost of check fees were \$15 and \$12 during 2006 and 2005, respectively. In addition, starting in 2007, each estate is being charged an annual \$25 postage and supply fee. Although some estates are larger than others and have more activity, each estate is being charged the same check and postage and supply fee. During our review of postage fees charged, the actual cost of postage was less than the amount charged to each estate. The Public Administrator indicated that she will not charge the estates these fees for a couple of months to off-set any over charge for postage.

In addition, some fees assessed and collected by the Public Administrator may have been excessive. For example, during our review of fees, \$1,832 of fees charged and collected by the Public Administrator were later returned to the applicable estates. The Public Administrator indicated she returned these fees because she felt she had charged the estates inappropriately.

To ensure all estates are treated equitably the Public Administrator should work with the Associate Circuit Judge to develop a fee policy. If the current practice is continued, criteria should be established for determining a basis for the various fees charged when cases are assigned to the Public Administrator. The policy should address the percentages considered appropriate, allowable rates per hour, and a rate structure for additional fees pertaining to settlement preparation, check and postage and supply fees.

- B. The Public Administrator has not established procedures to monitor collateral securities pledged by client's depository banks. The Public Administrator maintained funds in three bank accounts with balances exceeding \$100,000 as of May 1, 2006, which were not adequately covered by collateral securities. No collateral securities were pledged by the depository bank to cover the monies in excess of the FDIC coverage. 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 on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.
- C. Annual settlements prepared by the Public Administrator were not always accurate or complete. For example, a final annual settlement was filed on June 19, 2006 for an estate and an amended settlement was later filed on July 20, 2006. The amended settlement did not include all activity for the period of June 20, 2006 to July 19, 2006. For example, the ending balance reported on June 20th settlement totaled to

\$720,232 and the beginning balance on the July 19th settlement only totaled to \$452,256 resulting in activity totaling \$267,976 not being accounted for.

In addition, while the Public Administrator reported an inheritance of \$55,658 in the ending cash balance of an estate's annual settlement; it was not reported as income on the annual settlement.

To ensure the financial activity of the estates is accurately reported to the Probate Court, all receipts and disbursements should be accurately recorded on the annual settlements. If the Probate Court had adequately reviewed the settlements, these problems may have been identified.

- D. Forms 1099 were not prepared for individuals who were paid in excess of \$600 from an estate for maintenance and repairs made to the ward's property. For example, during 2006 the Public Administrator paid an individual \$1,500 to paint a ward's home and another individual was paid \$995 for repairs made to a door. Section 6041-6051 of the Internal Revenue Code requires an IRS Form 1099-MISC be completed for every payee other than corporations receiving \$600 or more in aggregate during a calendar year for services performed as a trade or business by non employees.

WE RECOMMEND the Public Administrator and Associate Judge:

- A. Establish a fee policy that will ensure all estates are charged in an equitable manner.
- B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- C. Ensure annual settlements are accurate and complete.
- D. Ensure 1099 forms are prepared in accordance with IRS guidelines.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *All fees, past and present, have been Court approved. The Henry County Probate Court has had in place several orders in the past that have addressed fees and expenses to be charged and received by the Public Administrator for services rendered and expenses incurred. Probate Court Judge Strothmann is in the process of preparing a new Court Order that encompasses the prior orders and clearly establishes guidelines for such fees and expenses. The Public Administrator has reviewed the proposed Order and finds that it is acceptable and equitable to all parties.*

The increase in annual collected fees from 2005 to 2006 cited by the Auditor's Report represents the increased number of solvent ward/protectees assigned to the Public Administrator and completion of the first annual cycle.

The Court approved check fee, saves all ward/protectees money by replacing costs paid to the bank for pre-printed checks with a lower cost for computer generated checks through this office.

The Public Administrator agrees that tracking postage on a stamp-by-stamp basis is the most accurate way of tracking ward protectee postage costs – and this has been done when there were fewer ward/protectees; however, the time and effort involved to maintain this system is cost prohibitive and would require an increase in clerical workforce. The increased clerical time required to track stamps on a stamp-by-stamp basis would far exceed the current \$2.08 per month, or 4.95 stamp per-month charge (reflecting the May 12 USPS postal increase). The per-month stamp charge is reviewed annually and adjusted as needed.

Again, all fees have been Court approved and no fees charged were excessive when charged. In rare instances, the Public Administrator has returned or refunded money to estates. This occurred when administrative errors were made and subsequently discovered or in several instances the Public Administrator refunded portions of fees that had been approved and paid when an estate would later encounter financial difficulties due to subsequent circumstances. These refunds should not be mistaken or viewed as a refund of an excessive fee; but rather was an attempt to aide an estate when circumstances cause the estate to suffer financially. This is an expense the PA would advance and is typically not recovered.

The case referenced by the Auditor's Report regarding transportation and hourly fees included labor and administrative work to market five properties located in five counties. The majority of this work was accomplished after business hours and on the weekends.

- B. The Public Administrator will monitor and ensure collateral securities are pledged for all funds on deposit in excess of FDIC coverage.*
- C. Two cases were cited in the Auditor's Report. The first involved the closing of a conservatorship and later the initial inventory of the personal representative account for the same ward/protectee. All funds were accounted for. However, because the funds referenced were pay-on-death, the funds were reflected in the conservatorship final settlement. Because those funds became the property of the inheritor upon death of the ward/protectee, the funds were not reflected in the initial inventory of the personal representative. The Public Administrator will work with the Court to ensure the disposition of conservatorship assets is more easily ascertainable from the files in these circumstances.*

The second case cited, discussed showing all monetary transfer-ins to an estate as income. All funds were accounted for. The discussion revolves around which line the funds are accounted on. The Public Administrator will show monetary transfer-ins as income in the future.

- D. *The Public Administrator will ensure 1099 forms are prepared in accordance with IRS guidelines.*

The Associate Circuit Judge provided the following responses:

- A. *The Court does have written orders which set standard fees for the Public Administrator. From time to time, the Public Administrator requests additional compensation when she feels that such fees are warranted, and the Court reviews those requests on a case-by case basis and determines what, if any, additional fees should be allowed. The Court will consider whether more formal orders should be entered that outlines in more detail the circumstances under which the Public Administrator is entitled to additional compensation from a particular estate.*
- C. *The case mentioned references a difference between the final assets in a conservatorship estate, and the initial inventory filed in that same person's decedent's estate upon their death. Not all of the assets that were in the conservatorship estate passed to the decedent's estate, due to some items being subject to a non-probate transfer (such as a transfer-on-death designation or a joint ownership). While all of the assets were accounted for, it was not easily apparent from the files why the amount differed from one estate to the other. The Court agrees that the disposition of the conservatorship assets should have been more easily ascertainable from the files. The court also agrees that settlements should clearly show all receipts and disbursements.*

12. Circuit Clerk's Accounting Controls and Procedures

A complete listing of accrued costs owed to the Circuit Court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk does not review the listing of liabilities (open items) to ensure that monies on hand have been disposed of in a timely manner. In addition, receipts are not always deposited intact or in a timely manner, and no procedures have been established to follow up on old outstanding checks. Also, the Circuit Clerk does not post interest earned to the Circuit Clerk Interest Fund in a timely manner.

The courts collected and disbursed civil and criminal case fees, fines, and bonds totaling approximately \$790,000 and \$880,000 for years ended December 31, 2006 and 2005, respectively.

- A. A complete listing of accrued costs owed to the Circuit Court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk relies on the probation and parole officers to ensure that monies owed to the court are paid. Upon our request, the Circuit Clerk ran a report of accrued costs totaling \$549,573 due to the Circuit Court as of September 2007. The following concerns were identified during our review of five cases included on this listing:

- The listing included one case with \$4,264 in criminal costs due which had not been billed to the State upon incarceration of the defendant to the Department of Corrections in January 2006.
- The listing included one case with \$4,244 due; however, amounts due were paid by the State in April 2004 and were incorrectly posted to the accounting system. The Circuit Clerk indicated the amount had been recorded as a receipt, but was not posted to this case. The case would show this as an accounts receivable balance until the defendant was released from prison.
- The listing included one case with \$93 due; however, the case file indicated the judge waived these fees in November, 2004.

The Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue. A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts owed to the court and take the appropriate steps to ensure all amounts owed are collected on a timely basis.

B. The Circuit Clerk prepares a monthly open items listings for the fee account and compares the total open items with the reconciled cash balance of this account; however, she does not review the listing to ensure that monies on hand have been disposed of in a timely manner. The December 2006 open item listing totaled \$69,702, and the following concerns were identified during our review of five open items included on the listing:

- A \$1,000 bond was received in June 2006; however, the case file indicated no charges were ever filed, and the bond was not refunded until we brought it to the attention of the Circuit Clerk on November 29, 2007.
- A \$500 bond was received in July 2004, and the defendant paid all related court costs and fines in October 2005; however, the bond was not refunded until we brought it to the attention of the Circuit Clerk on November 29, 2007.
- Two bonds in the amounts of \$183 and \$150 were received in September 2003 and November 2004, respectively. Case files do not exist for these bonds, and the court has not properly disposed of the bond monies. The Circuit Clerk indicated that charges were probably not filed related to these two bonds.

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

- C. Receipts are not always deposited intact or in a timely manner, and controls over the daily close out procedures could be improved. For example, \$1,938 of fines, court costs, and bonds received on September 11, 2007 were withheld from the deposit made on September 12, 2007 and \$794, \$874, and \$270 were not deposited until September 13, 14, and 17, 2007, respectively. Seven clerks collect receipts and the office manager prepares all deposits. The office manager indicated some daily close out sheets and the related monies were left in the safe and not deposited. The court has no procedures in place to ensure that all collection points are reporting on a daily basis.

Also, monies received for civil service fees are held and not recorded or deposited by the Circuit Clerk's office. These monies are held until the court prepares the related paper service documents and are then transmitted to the Sheriff's office for completion of the paper service. For example, three paper service receipts totaling \$75 and dated July 9, 2007 and July 18, 2007 were not transmitted to the Sheriff's office until September 17, 2007.

In addition, checks received in the mail are not always restrictively endorsed immediately upon receipt. Some clerks do not endorse checks received in the mail until the deposit is prepared.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be deposited intact on a timely basis and the court should consider improvements to daily close out procedures that would improve accountability. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. The Circuit Clerk has not established procedures to routinely follow up on outstanding checks. For example, at December 31, 2006, four checks totaling \$743 were over one year old.

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, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

- E. The Circuit Clerk does not post interest earned on her fee account to the

Circuit Clerk Interest Fund in a timely manner. For example, interest earned during the period October through December 2004 totaling \$359 was not posted to the interest fund until May 2005. In addition, November and December 2005 interest totaling \$412 was not posted until March 2006. To ensure interest monies are accounted for properly, interest should be posted to the Circuit Clerk Interest Fund when earned.

WE RECOMMEND the Circuit Clerk:

- A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection of all costs owed to the court.
- B. Establish procedures to review open items on hand, and attempt to identify all closed cases with open items and disburse these amounts. Any unclaimed or unidentified monies should be disposed of in accordance with state law.
- C. Deposit all monies intact and in a timely manner, and consider improvements to controls over daily close out procedures. In addition, restrictively endorse all checks and money orders immediately upon receipt.
- D. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- E. Post interest earned to the Circuit Clerk Interest Fund in a timely manner.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I will follow-up and review accrued costs more closely.*
- B. *I will review open items more closely and will bring these items to the Judge's attention.*
- C. *I will continue to try to ensure the daily cash close out reports are performed on a daily basis, and I may not have enough staff to process the civil service fees in a timely manner. I will try to ensure checks are restrictively endorsed immediately upon receipt.*
- D. *I will follow-up on outstanding checks more closely.*
- E. *This has been corrected.*

The Associate Circuit Judge provided the following response:

- C. *The Court will work with the Circuit Clerk to ensure that bonds are refunded in a timely manner.*

13. Juvenile Office Accounting Procedures
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The Juvenile office has not entered into a written contract with outside legal counsel who represents the office in non routine litigation. No formal tracking, follow-up, or write-off procedures exist for unpaid detention fees. Receipts are not deposited and bank reconciliations are not performed in a timely manner. The Juvenile office maintains a petty cash fund that has not been used since 2006, and a monthly open items listing for one bank account had not been prepared.

The Juvenile office collected county reimbursements for expenses incurred to operate the juvenile office, detention payments, restitution and fees, donations, grant funds, and other miscellaneous receipts during the years ended December 31, 2006 and 2005 of approximately \$204,000 and \$217,000, respectively. The Juvenile office maintains three bank accounts.

- A. The Juvenile office has not entered into a written contract with outside legal counsel who represents the office in non routine litigation. Outside legal counsel is hired when the case is more complex and requires specialized services such as the removal of parental rights. During the years ended December 31, 2006 and 2005, this attorney was paid \$20,512 and \$18,246, respectively.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- B. The Juvenile office has no tracking, follow-up, or write-off procedures for unpaid detention fees. When juveniles are detained, the office prepares a billing for the expenses incurred; however, they do not track the amount billed, paid or owed to the office. No follow-up procedures are completed and fees are never written off as uncollectible.

To maximize revenues, the Juvenile office should establish a tracking system of unpaid detention fees and adopt procedures to ensure all applicable steps have been taken to collect unpaid detention fees, and to write off balances for which collection is unlikely or the cost of collection would exceed the amount collected.

- C. Receipts are not deposited in a timely manner. For example, receipts totaling \$2,460 collected on October 15 and 19 and November 2 were not deposited until

November 6, 2007. In addition, a \$100 cash receipt for restitution was received on May 31, 2006 and was not deposited until June 7, 2006. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact and in a timely manner.

- D. Bank reconciliations are not performed in a timely manner. For example, the December 2005 Juvenile Court bank account bank reconciliation was not performed until February 2006. Timely preparation of monthly bank reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.
- E. The Juvenile office maintains a petty cash fund of \$20; however, the fund has not been used since April 2006. If it has been determined that the petty cash fund is no longer necessary, the Juvenile office should dissolve the fund and deposit the funds back into the Juvenile office account.
- F. A monthly listing of open items was not prepared for the pre-JIS Community Service Restitution Program bank account. An open items listing was prepared at our request on November 15, 2007, and it indicated \$40 of the \$94 balance was unidentified. This account had activity of approximately \$10,000 annually. To ensure proper disposition of liabilities and that the cash balance is sufficient to pay the liabilities, listings of open items should be prepared and reconciled to the cash balance monthly. In addition, any unidentified monies should be investigated and resolved.

WE RECOMMEND the Juvenile office:

- A. Enter into written agreements for all services provided.
- B. Establish a tracking system for unpaid detention fees. In addition, establish formal procedures to follow up on unpaid fees, and write off fees that may be deemed uncollectible.
- C. Ensure receipts are deposited in a timely manner.
- D. Ensure bank reconciliations are performed in a timely manner.
- E. Review the necessity of the petty cash fund, and if it is determined to be unnecessary the fund should be dissolved.
- F. Prepare open items listings monthly and reconcile the listings to the reconciled bank balance. Any unidentified monies should be investigated and resolved.

AUDITEE'S RESPONSE

The Juvenile Office provided the following responses:

A&D. We will implement these recommendations.

*B,C,
&F. We have implemented these recommendations.*

E. We no longer have a petty cash fund.

14. Prosecuting Attorney's Controls and Procedures

Accounting duties have not been adequately segregated, and receipt slips are not issued for some monies received. Checks and money orders are not kept in a secure location and are not restrictively endorsed immediately upon receipt. Receipts are not transmitted to the County Treasurer in a timely manner, and the Prosecuting Attorney often transfers funds between the bad check account and the Tri County Child Support account to cover expenses.

The Prosecuting Attorney's office collected bad check and other restitution and fees during the years ended December 31, 2006 and 2005 of approximately \$206,000 and \$170,000, respectively. Restitution payments are typically remitted directly to the victims or merchants when received, and bad check fees are transmitted to the County Treasurer to be deposited into the Prosecuting Attorney bad check fee account.

- A. Accounting duties have not been adequately segregated. The bad check clerk collects bad checks and fees, records transactions, and transmits bad checks and fees collected to the victims or merchant and the County Treasurer. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Prosecuting Attorney.
- B. Receipt slips are not issued for monies received through the mail for victims or merchant payments. During our cash count of bad check fees and restitution conducted on September 11, 2007, receipt slips were not issued for \$777 of the \$1,315 counted. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received immediately upon receipt.
- C. Checks and money orders are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the transmittal is made to the County Treasurer. In addition, receipts are not kept in a secure location. Receipts are kept in a file on the bad check clerk's desk. To reduce the risk of loss or misuse of funds,

checks and money orders should be restrictively endorsed immediately upon receipt and kept in a secure location until deposited.

- D. Receipts are not transmitted to the County Treasurer intact or in a timely manner. During a cash count conducted on September 11, 2007, a \$100 money order was held and not transmitted to the County Treasurer on September 12, 2007 with the other receipts counted. The \$100 money order was later transmitted to the County Treasurer on September 28, 2007.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be transmitted to the County Treasurer intact and in a timely manner.

- E. The Prosecuting Attorney indicated that he often transfers funds from the Prosecuting Attorney Bad Check Fund to the Tri County Child Support Fund to help cover payroll and other expenses until funds from other counties and the state are received. When funds are received, the Prosecuting Attorney either transfers monies back or deposits the reimbursement checks received into the Prosecuting Attorney Bad Check Fund. The Prosecuting Attorney should consider establishing and maintaining a balance in the Tri County Child Support bank account to eliminate the necessity of transferring monies between funds on a regular basis.

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

WE RECOMMEND the Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed.
- B. Issue receipt slips for all monies received.
- C. Ensure money orders are restrictively endorsed immediately upon receipt and are kept in a secure location.
- D. Transmit all monies to the County Treasurer intact and in a timely manner.
- E. Consider establishing and maintaining a balance in the Tri County Child Support bank account.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *Due to the limited staffing the segregation of duties recommended cannot be achieved. Periodic supervisory reviews of the hard files and the computer program are already being performed by me.*
- B. *My office does not accept cash. Receipt slips are always issued when payment is made in person by the check writer. Receipt slips were not issued for payments made through the mail but are issued now and will be issued in the future. It should be noted that the bad check software adequately accounts for those receipts. That data is protected by a double redundant backup system. I cannot comment on the September 11, 2007 sample because it was not discussed with me when the sample was made. However, many of our receipts are received by mail and I assume the funds noted were received in the mail. It should also be noted that the position of bad check clerk was occupied by a person who was relatively new at the time and that position became vacant again a few days later.*
- C. *We believe the security of the receipts was and is adequate. Because of the number of staff members in this office, all members must from time to time perform the duties of bad check clerk, so all members must have access to the receipts and records. Access to the office is restricted so the physical security of those receipts is adequately protected. However, we have begun endorsing receipts immediately.*
- D. *We believe the receipts have been transmitted in an adequately timely manner. There are a myriad of reasons why individual money orders are held for a longer time than usual such as having been made out by the maker to the wrong party. The money order mentioned in the audit report was received on September 11 by a bad check clerk whose last day of employment was two days later. Her duties had to be absorbed by other staff members and this resulted in some tasks not being performed as quickly as we would have liked.*
- E. *This recommendation is being considered.*

15. Recorder of Deeds Controls and Procedures
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Monthly listings of open items (liabilities) were not prepared and, consequently, liabilities were not reconciled to cash balances. As a result, some fees had been on hand since July 2006 and not been disbursed to the County Treasurer. At December 31, 2006 the Recorder of Deeds was holding \$1,696 of excess fees in her bank account including \$1,227 of fees collected in July 2006. In addition, the method of payment received is not always indicated on the recorded documents or on receipt slips issued, the composition of receipts is not reconciled to the composition of bank deposits, and receipt books are not always retained.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. Any differences between the monthly listing of open items and reconciliations should be investigated and resolved. In addition, to ensure monies collected are properly recorded and deposited, the method of payment should be recorded and reconciled to monies deposited, and receipt books should be retained.

WE RECOMMEND the Recorder of Deed's prepare monthly listings of open items and reconcile the listing to the bank balance, and any differences between the monthly listing of open items and reconciliations should be investigated and resolved. In addition, ensure the method of payment is recorded on all documents and receipt slips and the composition is reconciled to deposits. Receipt books should be retained.

AUDITEE'S RESPONSE

The Recorder of Deeds indicated she will implement these recommendations.

16. County Clerk's Controls and Procedures

The County Clerk's office accepts cash, checks, and money orders. Rediform receipt slips are used, and the method of payment received is not always indicated on the receipt slips. In addition, receipts are not always transmitted to the County Treasurer intact. Some cash receipts are used as a change fund, and the change fund is not maintained at a constant amount. In addition, accounting duties have not been adequately segregated. One deputy clerk collects fees, records transactions, and transmits fees collected to the County Treasurer.

Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the County Clerk cannot ensure all monies collected are ultimately recorded and transmitted. 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. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the County Clerk.

The County Clerk's office processed receipts for notary licenses, liquor licenses, and voter lists of approximately \$25,000 and \$16,000 during the years ended December 31, 2006 and 2005. While the County Clerk does not appear to collect a large amount of fees, control weakness such as these need to be improved.

WE RECOMMEND the County Clerk issue official prenumbered receipt slips for all monies collected, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals. If a change fund is needed, it should be maintained at a constant amount. The County Clerk should segregate accounting duties to the extent

possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The County Clerk indicated he will make every effort to comply with the recommendations of the audit. While the entire staff has been responsible for collecting fees and recording fees from transactions, the County Clerk will make every effort to review periodically the reports and document such.

17. Assessor's Controls and Procedures

The Assessor's office accepts cash, checks, and money orders. Rediform receipt slips are used, and the method of payment is not always indicated on the receipt slips. In addition, receipts are not always transmitted to the County Treasurer intact. Abatement and split assessment fees are held for transmittal until the end of the year, and some cash receipts are used as a change fund, and the change fund is not maintained at a constant amount. Also, checks are not restrictively endorsed immediately upon receipt. Accounting duties have not been adequately segregated. One deputy clerk collects fees, records transactions, and transmits fees collected to the County Treasurer. In addition, the Assessor also does not file a monthly report of fees with the County Commission.

Without issuing and accounting for official prenumbered receipt slips for all monies collected, including the method of payment, the Assessor cannot ensure all monies collected are ultimately recorded and transmitted. In addition, abatement and split assessment fees should be transmitted to the County Treasurer monthly with other fees collected. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Checks and money orders should be restrictively endorsed immediately upon receipt to reduce the potential for loss, theft, or misuse of funds. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Assessor. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

The Assessor's office processed receipts for maps, plat books, abatement and split assessment fees, and waivers of approximately \$4,800 and \$3,400 for the years ended December 31, 2006 and 2005, respectively. While the Assessor does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

WE RECOMMEND the Assessor issue official prenumbered receipt slips for all monies collected, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals, and transmit fees to the County Treasurer monthly. If a change fund is needed, it should be maintained at a constant amount. Restrictively endorse checks and money orders immediately upon receipt. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. The Assessor should file a monthly report of fees as required by state law.

AUDITEE'S RESPONSE

The County Assessor provided the following responses:

We have started using manual prenumbered receipt slips for all monies received and are documenting the method of payment received. We discontinued charging the abatement and split assessment fees. We will establish a change fund and maintain it on an imprest basis. In addition, all fees will be turned over to the Treasurer. I will obtain a stamp to endorse checks for deposit only and consider segregating duties when new staff is hired. I will file a report of fees with the County Commission.

18.

Health Center Accounting Controls

Because the board did not adequately monitor the financial condition of the health center, it was not determined that various accounting records of the health center were inaccurate (including the 2006 and 2005 budgets) and numerous recording errors went undetected. The health center did not effectively monitor the balances of its bank accounts and issued checks when sufficient funds were not available, resulting in \$125 in overdraft charges. Expenditures exceeded the budgeted amount prior to preparation of a budget amendment. Also, receipt slips did not always indicate the method of payment received and were not issued in numerical sequence. In addition, employees and board members who sign checks and collect monies are not bonded.

- A. The board did not request or review a detailed monthly financial report, and as a result, numerous recording errors made by the former administrator and bookkeeper in the accounting records and budgets (see part B. below) went undetected. The preparation of monthly financial reports for the board's review helps ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. In addition, without accurate financial information and budgets, the board can not make informed decisions about the health center's operations.
- B. The ledger balances for the various accounts of the health center had not been properly reconciled to the bank balances, and as a result, it was not discovered that the accounting records maintained by the health center were inaccurate. The health

center utilizes three separate computerized accounting ledgers for its checking, savings, and certificates of deposit (CD) accounts. Individual recording errors and reconciling items which contributed to the inaccurate financial information included the following:

- The purchase of two \$50,000 CDs were recorded twice on January 27 and 31, 2006 in the savings account ledger, and another five purchases of \$50,000 CDs (excluding the two above) were not recorded on the CD ledger when purchased.
- Two deposits totaling \$8,582 were erroneously recorded twice in the savings account ledger.
- A deposit of \$62 was erroneously recorded in the checking account ledger instead of the savings account ledger.
- Interest earned on CDs from 2003 to 2007 totaling \$14,733 was not recorded.
- Four deposits totaling \$82,842 were recorded in the CD ledger erroneously in 2006.

As a result of the inaccurate financial records, the actual financial activity presented on the health center's budgets for the years ended December 31, 2006 and 2005 was also inaccurate. For example, actual receipts and the ending cash balance were understated by \$8,483 and \$8,292, respectively, during the year ended December 31, 2006. In addition, actual receipts and the beginning and ending cash balances were understated by \$3,496, \$1,529, and \$6,549, respectively, and actual expenditures were overstated by \$1,524 during the year ended December 31, 2005. Many of these errors in the accounting records have been subsequently corrected by the board and new administrator.

In addition, by not effectively monitoring the balances of its accounts, the health center issued checks when sufficient funds were not available and was assessed bank charges totaling \$125.

To be of maximum assistance to the board and to adequately inform the public, the accounting records of the health center should accurately reflect the financial activity of the health center and balances of bank accounts should be monitored. In addition, to be of maximum assistance to the health center and to adequately inform the public, the budget should accurately reflect the financial activity of the health center.

- C. According to board minutes on December 21, 2005, the board amended the 2005 budget; however, expenditures had already exceeded the original budget by this date. Budget amendments when applicable should be made when such expenditures are anticipated and prior to their occurrence. While these amendments make it appear as if the health center complied with the law, the timing of this decision did not allow

for the budget to be used as an effective management tool. In addition, the budget amendment was not filed with the State Auditor's Office nor was a copy retained by the health center. Original budget amounts are reflected in the financial statement at Exhibit B of this report.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds, which could not be estimated when the budget was adopted. Further, to ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures.

- D. The method of payment received was not always indicated on the receipt slips issued, and receipt slips were not issued in numerical sequence. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment received should be recorded on the receipt slips, and receipts should be issued in numerical sequence.
- E. The Administrator and two members of the Health Center Board are authorized to sign checks, and three other employees collect monies; however, these individuals are not bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the Health Center Board to unnecessary risks.

WE RECOMMEND the Board of Trustees:

- A. Ensure accurate financial reports are prepared and presented to the board in a timely manner.
- B. Ensure accounting records accurately reflect the financial activity of the health center, budgets accurately reflect the past financial activity of the health center, and procedures are in place to effectively monitor bank account balances and to eliminate bank overdraft charges.
- C. Ensure budget amendments are made prior to incurring the actual expenditures, and ensure budget amendments are filed with the State Auditor's Office as required by state law.
- D. Ensure the method of payment is recorded on the receipt slips and receipt slips are issued in numerical sequence.

- E. Obtain adequate bond coverage for all persons with access to monies.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *The current administrator (hired in April 2007) is reviewing all reports being prepared by the current bookkeeper (hired in June 2007) and distributes them to the Board at monthly meetings.*
- B. *The current administrator is reviewing and initialing all bank statements and reconciliations. She reviews all payroll records prior to being submitted to the bank for direct deposit and reviews and initials all accounts payable. A budget is prepared by the administrator and approved by the Board at the beginning of the year. The Board is given and reviews a budget summary (actual vs. budget) each month. Banking services were put out for bid and a new bank (US Bank) was selected in December 2007 as the banking institution. There is only one account which reduces overdrafts and this account is interest bearing,*
- C. *In 2007 and 2008 budget reports were amended and sent to the State Auditor's Office as changes were made.*
- D. *Starting in January 2008 new receipt slips (in numerical sequence) were purchased. The clerks have been informed of the importance of recording method of payment. The bookkeeper also reviews method of payment when doing bank deposits.*
- E. *The Board reviewed and purchased additional bond coverage from State Auto Insurance at the March 25, 2008 board meeting.*

19. Health Center Expenditures

The Health Center is currently purchasing its property and employee health insurance through a firm owned by one of its board members, and also paid the board member for grounds keeping services which created the appearance of a conflict of interest. The health center did not adequately review the design of an RV for use as a mobile dental unit or estimate the total cost of the project to ensure it was feasible prior to entering into a purchasing contract. The board's procedures for reviewing and approving invoices for payment are in need of improvement. Invoices are typically not marked paid, and receipt of goods or services is not always noted on the invoices. A vendor was overpaid because the health center does not adequately reconcile monthly vendor statements with the related vendor invoices. Bids were not solicited for the purchase of a telephone system, and the board did not always enter into written contracts for services provided. Forms 1099 were not always filed with the IRS as required. The Health Center does not have adequate procedures in place to ensure that all 1099s are filed. The general capital asset records of the health

center were not complete.

- A. During the two years ended December 31, 2006, the health center board purchased property and employee health insurance totaling \$4,238 from a board member's insurance agency, and also paid him \$770 for mowing services without bidding these services. In addition, this board member signed the checks for some of these disbursements.

Board members of a health center serve in a fiduciary capacity. Personal interests in business matters of the health center create the appearance of conflicts of interest. In addition, Section 105.458 RSMo, prohibits members of a governing body of any political subdivision from performing any service for any consideration other than the compensation provided for the performance of his official duties and also prohibits financial transactions between the board member that involved more than \$500 per year unless there has been public notice to solicit proposals and competitive bidding. To reduce the appearance of conflict of interest and to ensure full compliance with state law, the board should bid all services provided by the board member. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for health center officials.

- B. Upon approval from the board, the former Administrator signed a contract on March 14, 2007, with a local recreational vehicle (RV) dealer to purchase an RV for \$11,000 to be used as a mobile dental unit; however, the board did not adequately review the design of the RV or estimate the total cost of the project to ensure it was feasible prior to entering into the contract.

On March 21, 2007 the health center paid a \$2,000 down payment on the vehicle and requested the dealer to remove most of the furnishings and to replace the floor covering to prepare it for installation of donated dental equipment. The dealer completed the agreed upon renovations; however, after the former Administrator was terminated, the dental equipment installer informed the board on May 22, 2007 that the RV was structurally and sizably incapable of handling the donated dental equipment. As a result, the new administrator subsequently requested the dealer to sell the RV for the difference owed of \$9,000. In November 2007, the dealer sold the renovated RV for \$3,500 and informed the health center of the remaining liability of \$5,500 related to this business arrangement.

The health center should ensure adequate planning is performed and documented for future projects to ensure design and financial feasibility. Documentation of the planning process further helps to avoid confusion or misunderstandings and to inform citizens.

- C. The board does not review or approve invoices for payment. The board relies on the administrator to approve invoices; however, the current and former Administrator failed to document their approval and review on most supporting documentation. As

a result, 17 of 18 expenditures we reviewed may not have been properly authorized by the Administrator.

Good business practice requires all disbursements to be reviewed by the board or by someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring. To adequately document the board's review and approval of all disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, the Administrator should document her review of each invoice.

- D. Invoices are typically not marked paid or otherwise canceled upon payment. In addition, acknowledgement of receipt of goods or services is not noted on the invoices. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the health center actually received the items or services being paid.
- E. Vendor monthly statements were not adequately reconciled with the related vendor invoices, and as a result, the health center overpaid a vendor \$900 in June 2006 for computer support services. The vendor identified the error and subsequently reimbursed the health center. To reduce the possibility of overpayments, the health center should reconcile vendor statements with the related invoices.
- F. Bids were not solicited or advertised by the board nor was bid documentation retained for the purchase of a telephone system costing \$6,940. Section 50.660, RSMo, requires the advertisement for bids on all purchases of \$4,500 (revised to \$6,000 in 2007) 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 center has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in health center business. Documentation of the various proposals received, and the board's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.
- G. The health center did not enter into written contracts for cleaning and mowing services. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written agreements should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.
- H. Forms 1099 were not filed for payments in 2005 totaling \$5,125 for cleaning services. Sections 6041 through 6051 of the Internal Revenue Code require

payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- I. The general capital asset records of the health center were not complete. For example, the asset record did not include land and buildings owned by the health center or donated dental equipment. Adequate capital assets are necessary to safeguard the assets and provide a basis for proper insurance coverage.

WE RECOMMEND the Board of Trustees:

- A. Establish a policy that ensures compliance with statutes and avoids the appearance of a conflict of interest.
- B. The board should ensure adequate planning is performed and sufficient documentation maintained for future developments to ensure the design and financial feasibility of the project, and anticipate and help prevent potential problems.
- C. Review and approve all expenditures of health center funds. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes. Further, the Administrator should document her review and approval of all disbursements.
- D. Ensure all invoices are properly cancelled, by marking the invoice 'Paid', and require all invoices to be initialed or signed by a health center employee to indicate acceptance of goods or services.
- E. Ensure vendor statements are reconciled with vendor invoices to reduce the possibility of overpayments.
- F. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- G. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- H. Ensure payments totaling greater than \$600 to nonemployees and unincorporated businesses are properly reported to the Internal Revenue Service.
- I. Ensure all property and assets owned by the health center are included on the general capital asset record.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. The current policy is being revised which includes a "Statement of Interest of Directors" form that will be completed by each board member every year.*
- B. The Board has hired a new administrator that is reviewing and providing better documentation, strategic planning, and goal setting to the board. A strategic planning committee comprised of staff, board members, and community members has been established to be a conduit for future development and projects.*
- C. The current administrator is reviewing and initialing all disbursements. A copy of disbursements is given to the board members each month for their review and approval. The board minutes (starting March 2008) now include a copy of the disbursements.*
- D. The current bookkeeper is writing paid on all invoices starting in January 2008. Also, a Health Center employee is initialing or signing all invoices when goods or services are received and the copy given to the bookkeeper.*
- E. A new filing system was put in place (June 2007) that ensures all vendor statements are reconciled.*
- F. The current administrator has put all major purchases and/or services out for bid. This is reflected in the board minutes. Supporting documents are being kept by the administrator.*
- G. We will enter into written contracts for services provided by non-employees.*
- H. In 2007 and 2008, all payments made to non-employees and unincorporated businesses have been or will be properly reported to the Internal Revenue Service.*
- I. In 2007, the asset list was updated to include the Health Center building and the list is reviewed every six months. Any new purchases of property or assets are currently being added to at the time they are acquired.*

20.

Health Center Payroll

The board terminated the former Administrator and approved and paid him a severance payment totaling \$3,328 and provided \$1,500 bonuses to two employees for work previously performed. The health center allows employees to accrue leave in violation of its own policy. The former Administrator allowed an employee to accumulate a negative vacation leave balance, and he transferred (shared) 60 hours of his own sick leave to two employees without receiving the board's approval. Employee timesheets are not signed by the employee or by a supervisor to document approval.

- A. In April 2007, the board terminated the former Administrator and approved and paid a severance payment totaling \$3,328 (the equivalent of 30 days of service). This payment was not required by an employment contract and does not appear to be a necessary use of health center funds. The Board President indicated that the board thought severance payments were customary in these situations and did not seek legal advice.
- B. In January 2005, the board approved and paid two employees \$1,500 each for work performed during 2004 when the former administrator was on leave. The board indicated these employees performed additional duties during this time. No documentation was retained by the Health Center to indicate that the employees worked additional hours or performed additional duties. These situations appear to represent additional compensation for services previously rendered and, as such, is in violation of Article III, Section 39 of the Missouri Constitution and contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered".
- C. The health center allows employees to accrue leave in violation of its own policy. The health center provides vacation and sick leave earned for the year on each employee's anniversary date; however, the personnel policy manual states that leave is to be accrued or earned each month. Accruing the entire year's leave on the anniversary date of each employee creates an unnecessary health center liability and also violates the health center's personnel policy.

In addition, the former Administrator allowed an employee to accumulate a negative vacation leave balance of 47 hours, and the health center is currently recouping these hours from the employee. To ensure employees receive leave benefits only as allowed by the health center's policy, employees should not be allowed to carry negative leave balances.

- D. The health center personnel policy allows employees to share (transfer) a portion of their accrued sick and vacation leave with other health center employees. The policy requires a written request to be submitted to the employee's supervisor and to be approved by the board. In 2006, the former Administrator transferred 60 hours of his own sick leave to two employees without receiving the board's approval. Employees at all levels of employment should follow approved personnel policies.
- E. Employee timesheets are not signed by the employee. In addition, timesheets are not signed by a supervisor to document approval. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

WE RECOMMEND the Board of Trustees:

- A. Consider the necessity of severance payments in the future, and ensure all payments are a necessary use of health center funds.
- B. Discontinue paying bonuses to health center employees.
- C. Ensure leave is accrued and earned in accordance with personnel policies. In addition, periodically review employee leave balances and ensure compliance with the health center's policy.
- D. Ensure shared leave is approved in accordance with health center policy.
- E. Ensure all timesheets are signed by the employee and by the employee's supervisor to document approval.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *In the future, the Board will seek legal counsel when terminating an employee and considering a severance payment.*
- B. *The Health Center will no longer pay bonuses.*
- C. *The current administrator has put into place a new vacation and sick leave policy (in November and December 2007) that accrues vacation and sick leave each pay period. No vacation or sick leave can be taken in the first 90 days and no advances are given to employees. The bookkeeper has implemented an attendance log for each employee that is a "checks and balance" step to eliminate any mistakes. Each month the attendance log is checked against their pay stub which includes their accumulation and usage of vacation and sick leave.*
- D. *The new administrator will ensure the current policy is enforced. No requests have been made in the past year.*
- E. *Effective August 2007, all time sheets are being signed by the employee, the employee's supervisor, and administrator.*

21.

Health Center Minutes

The board took a vote of its members by telephone without a quorum physically present for the meeting in violation of state law, and the board did not always document how closed meetings complied with the Sunshine Law.

- A. On April 19, 2005, the former Administrator contacted four of the five health center board members by telephone to approve the purchase of a printer. Section 610.015, RSMo, requires that a quorum of the members be physically present at the meeting location before any other members are allowed to participate by telephone.
- B. Improvement is needed in the handling of closed meetings. Thirty-two closed sessions were held by the board during January 2005 through December 2007, and the board did not always document how they complied with the various requirements of Chapter 610, RSMo (the Sunshine Law) regarding closed meetings.
- The minutes of open meetings do not always document the reasons for closing the meetings.
 - The board did not document how some issues discussed in closed meetings complied with the Sunshine Law. These topics included employee pay increases, the decision to hire an auditor, and the purchase of a printer.
 - Decisions and votes taken in closed session were not subsequently disclosed in open meetings as required. For example, during a closed session meeting held March 28, 2006, the board passed a motion to purchase a new computer system component without disclosure in an open meeting.
 - The closed meeting minutes do not always include sufficient detail of matters discussed. For example, closed minutes for eleven of the closed meetings held only stated that "personnel issues were discussed."
 - Closed meeting minutes were not always signed. In addition, some open meeting minutes were not signed.

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 meeting and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public government 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. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

Also, all minutes should be signed by a member of the board to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

WE RECOMMEND the Board of Trustees ensure full compliance with all provisions of Chapter 610 of the state statutes regarding public votes and meetings.

AUDITEE'S RESPONSE

The Health Center Board of Trustees indicated the current administrator made changes in recording more extensive minutes when she became responsible for the minutes in January 2007. The minutes will be monitored for accuracy and detailed information. Minutes are written by the bookkeeper, reviewed by the administrator, and sent to the board members prior to the board meeting for them to review and corrections made. Board packets with all the agenda's supporting information are sent to board members the Friday prior to the board meeting.

22. Senior Citizens Service Board
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The Senior Citizens Service Board does not have written contracts with the Senior Centers it provided funding to and does not adequately monitor the monies provided. Minutes were not signed by the Board President or another board member, and board minutes did not always record the votes cast by each individual board member.

- A. The Senior Citizens Service Board does not have written contracts with the two Senior Centers it provided funding to and does not adequately monitor the monies provided. During the year ending December 31, 2007, the board made payments to the Windsor and Clinton Senior Centers totaling approximately \$101,000.

Written contracts provide the framework necessary to detail the services to be provided and the amount of monies to be paid, and Section 432, RSMo, requires contracts to be in writing. In addition, to ensure the board funds are properly expended, financial reports documenting how funds are spent should be obtained from the senior centers and reviewed by the board.

- B. Board minutes are prepared and signed by the Board Secretary, but were not always signed by the Board President or another board member. In addition, board minutes did not always record the votes cast by each individual board member. The minutes typically indicate that motions were approved, but a record of how each member voted was not documented.

The board minutes should be signed by the board secretary as preparer and by the board president or another board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. Section 610.020, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative that the minutes be prepared to clearly document all business and discussions conducted.

WE RECOMMEND the Senior Citizens Service Board:

- A. Enter into written contracts for all funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received, and require the senior centers to provide financial reports documenting how funds provided by the board are spent.
- B. Ensure minutes are signed by the Board President or other board member, and a record of votes taken is documented.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following responses:

- A. *The Henry County Senior Citizens Board established written contracts in 2008 with the senior centers it provides funding to and the monies provided are adequately monitored. The centers provide financial reports documenting how the funds were spent.*
- B. *In the future, the meeting minutes will adhere to Section 610.020 the minutes will be signed by the Board Secretary and the Board President, or another Board member. A record of the votes taken will be discussed and addressed at the April 21, 2008 board meeting.*

Follow-Up on Prior Audit Findings

HENRY COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Henry 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. Budgets and Expenditures

- A. Disbursements were made in excess of approved budgeted amounts for several county funds and the Health Center Fund.
- B. The county had been significantly overestimating the amounts budgeted for Special Road and Bridge Fund expenditures for several years. Because estimates of expenditures for the Special Road and Bridge Fund were significantly in excess of actual expenditures, the amounts transferred for administrative fees to the General Revenue Fund were higher than they would have been had the transfers been based on actual expenditures. As a result at December 31, 2002, \$140,000 was due from the General Revenue Fund to the Special Road and Bridge Fund.
- C. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases. In addition, sole source procurement situations were not documented.
- D. The County Commission sometimes approved expenditures without reviewing the detailed supporting documentation and ensuring the goods or services had been received.
- E. The county contracted with and paid three deputy county clerks to prepare the county's published financial statements. The work was to be performed outside regular working hours, but no time records were maintained that showed how much time was spent or when the work was done. These payments were not included in the county payroll records, were not subject to payroll withholding, and were not reported on the employees' W-2 forms.

Recommendations

The County Commission:

- A. And Health Center Board of Trustees not authorize expenditures in excess of budgeted expenditures. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's office.
- B. Review procedures used to establish the Special Road and Bridge Fund budget and prepare more reasonable estimates. In addition, the County Commission needs to reevaluate its procedure for determining the administrative service fee amount, and transfer \$140,000 from the General Revenue Fund to the Special Road and Bridge Fund.
- C. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- D. Require that sufficient detailed documentation and notation of receipt of goods or services be provided along with warrant requests before approving expenditures from county funds.
- E. Review this situation to determine if these services are being performed under an employee or independent contractor status, and also determine the required time reporting and wage reporting guidelines.

Status:

- A. Not implemented. See MAR finding number 2.
- B. Partially implemented. The amounts transferred to the General Revenue Fund from the Special Road and Bridge Fund for administrative service fees were reasonable during the two years ended December 31, 2006 and 2005; however, the county continues to significantly overestimate the amounts budgeted for Special Road and Bridge Fund expenditures. See MAR finding number 2. In addition, the county did not transfer \$140,000 from the General Revenue Fund to the Special Road and Bridge Fund. Although not repeated in the current MAR, our recommendation remains as stated above.
- C&D. Not implemented. See MAR finding number 1.
- E. Implemented. The County Clerk no longer contracts with deputy county clerks to prepare the county's published financial statements, and Forms 1099 were filed with the IRS for these payments.

2. County Officials' Salaries and Bonding

- A. Based upon Section 50.333.13, RSMo, enacted in 1997, the associate county commissioners were approved mid-term raises in 1999. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term in office. The mid term raises given to each of the Associate County Commissioners should be repaid, and any raises given to other officials within their term of office should be re-evaluated for propriety.
- B. A new Prosecuting Attorney took office in 2003 and his salary was set at an amount less than was paid to the former Prosecuting Attorney during 2002. The salaries of other county officials were not decreased and this salary decrease was not supported by salary commission action or a legal opinion.
- C. Several county employees from various offices with access to money were not covered by an employee bond.

Recommendations

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Re-evaluate and adjust, if necessary, the Prosecuting Attorney's current salary and ensure future elected officials' salaries are supported by actions of the salary commission.
- C. Obtain adequate bond coverage for all employees with access to negotiable assets.

Status:

- A. Not implemented. The County Commission indicated they do not plan to obtain reimbursement of the salary overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented. The county adjusted the Prosecuting Attorney's salary during 2003.
- C. Not implemented. See MAR finding number 1.

3. Bond Forfeitures

The County Treasurer had not distributed bond forfeiture monies to the state for deposit into the School Building Revolving Fund annually as required by state law.

Recommendation:

The County Treasurer review past distributions to determine any necessary corrections, and, in the future, distribute all bond forfeiture monies in accordance with state law.

Status:

Partially implemented. The County Treasurer distributed bond forfeiture monies in accordance with state law during the two years ended December 31, 2006; however, no corrections were made for monies disbursed in the prior audit. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Prosecuting Attorney's Expenditures

- A. Phone costs of the Tri-County child support office were initially paid from the Tri-County Child Support Fund and subsequently included on child support enforcement (Title IV-D) reimbursement claims to the state. Numerous personal calls were made from the child support office phone and calling card, which were paid by the county and subsequently reimbursed by the state.
- B. The former Prosecuting Attorney and four of his employees attended a training seminar at the Lake of the Ozarks, and each of these individuals was reimbursed for meal costs in excess of the county's policy.
- C.1. The former Prosecuting Attorney purchased a projector and screen and was reimbursed without submitting an invoice or evidence of his payment. Also, the former Assistant Prosecuting Attorney was reimbursed more for a printer than the actual cost.
- 2. The monthly rent paid to the Tri-County assistant prosecuting attorney for office space was not supported by a lease agreement.

Recommendations

The Prosecuting Attorney:

- A. Develop procedures to monitor phone usage and review detailed billings for propriety. In addition, the Prosecuting Attorney should review past phone bills for personal calls, seek repayment for the related charges, reimburse the county and state as needed, and consider any other action that may be appropriate given the circumstances.
- B. Ensure the county's policy for reimbursement of meal costs is followed and obtain repayment for excess reimbursements that cannot be justified.
- C. Ensure that warrant requests are not approved without adequate documentation and thorough review.

Status:

- A. Not implemented. Procedures have not been developed to monitor phone usage. See MAR finding No. 1. Repayment of all the personal calls was not made, and the county and state were not reimbursed. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The county's policy for reimbursement of meal costs is being followed; however, repayment of the excess reimbursements was not made. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. Lease agreements have been obtained for monthly rent paid for office space; however, sales tax is still paid for some purchases. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Sheriff's Controls and Procedures

- A. Bond receipts totaling at least \$2,513 were received and not deposited. The jail secretary was terminated, and she repaid \$2,513. In addition, the number of gun permits issued could not be reconciled to the related gun permit amounts recorded in the receipt records. The Sheriff's office also maintained a jail food cash fund and a travel reimbursement cash fund, and shortages occurred in late 2002.
- B. The total of the inmates' monies in the commissary checking account was not adequately reconciled to the total of the individual inmate balances. A monthly listing of individual inmate balances was prepared and compared to the book balance; however, the balances could not be reconciled to the balance in the bank account because the account also contained the commissary monies for which no record of inventory purchases, commissary sales and commissary balance was maintained.
- C. The Sheriff's office maintained a PETRO bank account which was used to handle personal reimbursements related to gas purchases and cell phone usage.

Recommendations

The Sheriff:

- A. Continue to work with the Prosecuting Attorney regarding prosecution and pursue restitution for any additional amounts determined to be misappropriated.
- B. Establish records that account for commissary sales, inventory purchases, and the commissary balance, and perform complete reconciliations of the inmate and commissary balances to the bank account.

- C. Eliminate the PETRO bank account and have gas bills paid entirely from the General Revenue Fund. In addition, the gas bills should be provided to the County Commission for their review prior to approving the warrant request.

Status:

- A. Partially implemented. The jail secretary pled guilty to the theft. Gun permits issued are still not reconciled to gun permit fees. See MAR finding number 8.
 - B. Not implemented. See MAR finding number 7.
 - C. Partially implemented. This bank account was closed; however, proper controls over fuel purchases have not been implemented. See MAR finding number 5.
6. Prosecuting Attorney's Procedures

Receipt slips were only issued for court-ordered restitution monies or if requested by the payor. Some restitution money orders had been on hand in excess of one week and had not been transmitted to merchants. In addition, bad check administrative fees were only transmitted to the County Treasurer once per month.

Recommendation:

The Prosecuting Attorney issue prenumbered receipts for all monies received and require transmittals to be made timely.

Status:

Partially implemented. Restitution is being remitted to merchants in a timely manner; however, receipt slips are not issued for all monies received, and bad check administrative fees are still not transmitted to the County Treasurer in a timely manner. See MAR finding number 14.

7. Health Center

- A. The Health Center had not updated the fixed asset listing or performed a physical inventory of property records. Fixed assets were not numbered, tagged, or otherwise identified as Health Center property. In addition, no records were maintained to document items disposed of, date and method of disposition, or board approval for the dispositions.
- B. Some Health Center board meeting minutes were not located.
- C. The mileage reimbursement requests submitted by Health Center employees did not always include detailed information regarding the purpose, origin, and destination of a trip.

Recommendations

The Health Center Board of Trustees:

- A. Require the fixed asset listing be updated to include all fixed asset items currently on hand and develop procedures to record purchases and affix tags to items at the time of purchase. Once this is complete a periodic physical inventory should be performed and reconciled to the fixed asset listing. In addition, dispositions should be approved by the board and a record of the date and method of dispositions maintained.
- B. Ensure all board minutes are retained.
- C. Require employees to record detailed information as to actual mileage, origins and destinations, and purpose of official county business on mileage reimbursement requests.

Status:

- A. Partially implemented. The fixed asset listing has been updated, tags are affixed to items at the time of purchase, and physical inventories are performed; however, the inventory listing is not complete. See MAR finding number 19.
- B&C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HENRY COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1834, the county of Henry was named after Patrick Henry. Henry County is a township-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Clinton.

Henry 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 180 county bridges, and performing miscellaneous duties not handled by other county officials. The townships maintain approximately 750 miles of county roads. 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 19,672 in 1980 and 21,997 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	\$	181.6	175.1	165.8	160.5	86.4	37.5
Personal property		73.2	70.9	67.1	64.6	20.9	15.9
Railroad and utilities		16.5	16.3	18.1	19.0	13.7	12.4
Total	\$	271.3	262.3	251.0	244.1	121.0	65.8

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$.0267	.0236	.0200	.0215
Health Center Fund		.0977	.0977	.0977	.0977
Senior Citizens Service Fund		.0500	N/A	N/A	N/A

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 and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 76,522	30,240	69,220	73,322
General Revenue Fund	80,091	66,131	24,000	28,155
Special Road and Bridge Fund	89,771	82,445	82,177	89,117
Township road districts	717,739	650,522	601,280	549,510
Townships	343,795	309,760	349,074	300,664
Assessment Fund	189,238	174,783	160,801	127,712
Health Center Fund	262,711	239,503	222,323	236,318
School districts	9,737,967	9,523,321	8,937,526	8,776,641
Library district	452,520	438,131	404,411	427,956
Ambulance district	77,197	76,067	81,475	76,542
Fire protection district	49,760	45,350	41,166	37,794
Hospital	37,996	18,421	17,150	35,251
State Fair Community College	21,570	20,393	17,657	18,132
Cities	836,566	773,593	705,555	732,887
Senior Citizens Service Fund	123,824	0	0	0
County Employees' Retirement	60,897	69,434	70,069	71,897
Tax Maintenance Fund	31,694	29,517	30,347	49
Commissions and fees:				
General Revenue Fund	149,254	142,621	127,277	108,192
Ex Officio County Collector	12,846	12,623	11,306	11,555
Total	\$ 13,351,958	12,702,855	11,952,814	11,701,694

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	92.3	92.7	92.2	92.2	%
Personal property	87.3	88.5	87.5	86.6	
Railroad and utilities	96.9	95.9	92.9	92.4	

Henry 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	%

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:	\$				
Greg Lowe, Presiding Commissioner		31,108	30,388	29,593	29,593
Don Bullock, Associate Commissioner		29,100	28,380	27,552	27,252
Jim Talley, Associate Commissioner		29,100	28,380	-	-
Richard W. Nichols, Associate Commissioner		-	-	27,552	27,252
Becky Raysik, Recorder of Deeds		43,463	42,743	41,290	41,290
Gene Pogue, County Clerk		43,463	42,743	41,290	41,290
Richard Shields, Prosecuting Attorney		53,720	52,443	50,743	50,743
J. Kent Oberkrom, Sheriff		49,380	48,660	45,141	45,141
Scott Largent, County Coroner (1)		16,720	15,000	-	-
John J. Prince, County Coroner		-	-	13,600	13,600
Kay Holt, Public Administrator (2)		97,794	58,727	-	-
Leona Wilson, Public Administrator (2)		-	-	83,572	65,799
Mildred L. Johnson, Treasurer and Ex-Officio County Collector (3), year ended February 28 (29),	56,666	55,743	52,882	52,845	
James Keck, County Assessor (4), year ended August 31,		52,445	51,465	50,422	49,721
Michael Taylor, County Surveyor (5)					
<p>(1) Includes a \$1,000 fee in 2006 for investigations performed for three or more decedents in the same incident during a month as provided for by Section 58.095 (5) RSMo.</p> <p>(2) Compensation on a fee bases received from probate cases.</p> <p>(3) Includes \$12,846, \$12,623, \$11,306, and \$11,555, respectively, of commissions earned for collecting city property taxes.</p> <p>(4) Includes \$688, \$688, \$746, and \$866 in annual compensation received from the state, respectively. Also includes \$1,200, \$1,200, \$1,100, and \$750 of fees received from the City of Clinton for assessing the city's real and personal property, respectively.</p> <p>(5) Compensation on a fee basis.</p>					
State-Paid Officials:					
Marsha A. Abbott, Circuit Clerk		49,470	48,500	47,850	48,784
Janice Sloan, Circuit Clerk		-	-	-	1,971
Wayne Strothmann, Associate Circuit Judge		96,000	96,000	96,000	96,000