



MADISON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 99-69  
August 31, 1999

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Madison, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.**

**Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.**

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This audit of Madison County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- ▶ As similarly noted in the prior audit report, the financial condition of the county's General Revenue Fund remains weak. In addition to the declining cash balances, the county General Revenue Fund had liabilities of more than \$172,000 at December 31, 1998.
- ▶ Although noted in several prior audits, the Collector is still not performing statutory duties which would aid the county's financial condition. The County Collector has not made an attempt to properly withhold commissions which has resulted in lost revenue to the county.
- ▶ Actual receipt and disbursement amounts were not correctly reported on the county budgets and published financial statements. In addition, formal budgets were not prepared for various county funds and actual disbursements exceeded budget amounts in several funds.
- ▶ Similar concerns from the prior audit were again noted in the County Collector's procedures including inadequate reconciliations, the failure to properly compare collections to deposits, poor handling of partial payments, and incomplete annual settlements.
- ▶ The Madison County Council Developmentally Disabled (MCCDD) incorrectly billed various agencies for services performed. The audit also noted concerns with MCCDD including lack of summary records for leave, bonuses paid to employees, inadequate bidding procedures, and incomplete fixed asset records.

(over)

SHEET  
MOTION  
YELLOW

Also included in the audit are recommendations to improve the county's bidding procedures, written agreements, property tax system, personnel procedures and records and vehicle records and to better monitor collateral securities pledged by county banks. Additional recommendations were made to improve the records and procedures of the Prosecuting Attorney and the Assessor, as \$408 was unaccounted for in the Assessor's office.

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Madison County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Madison County.

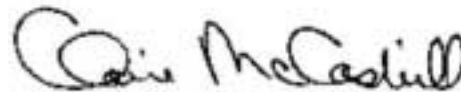
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Madison County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 18, 1999, 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 grants.

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 special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Madison County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

March 18, 1999 (fieldwork completion date)



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

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

To the County Commission  
and  
Officeholders of Madison County, Missouri

We have audited the special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

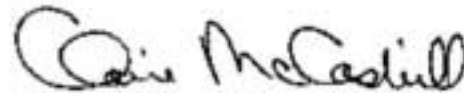
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Madison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Madison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

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

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

March 18, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A-1

MADISON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 19,814	1,118,475	1,121,796	16,493
Special Road and Bridge	9,970	771,469	730,821	50,618
Assessment	0	108,098	98,695	9,403
Law Enforcement Training	7,976	7,681	2,473	13,184
Prosecuting Attorney Training	2,363	1,389	2,000	1,752
Domestic Violence	5,893	2,568	2,338	6,123
911	6,859	114,659	100,293	21,225
Capital Improvement	367	462,596	446,303	16,660
Special Law Enforcement	7,739	19,296	25,731	1,304
Recorder's User Fees	1,149	5,908	4,198	2,859
Health Center	106,523	262,333	255,372	113,484
Madison County Council for Developmentally Disabled	110,206	443,209	439,259	114,156
Prosecuting Attorney Bad Check	1,011	2,977	3,162	826
Law Enforcement Block Grant	183	0	183	0
Forfeiture	0	3,385	1,746	1,639
Associate Circuit Division Interest	6	512	496	22
Circuit Clerk Interest	516	2,788	742	2,562
Total	\$ 280,575	3,327,343	3,235,608	372,310

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

MADISON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 27,257	993,378	1,000,821	19,814
Special Road and Bridge	8,360	551,902	550,292	9,970
Assessment	1,372	108,314	109,686	0
Law Enforcement Training	3,777	6,870	2,671	7,976
Prosecuting Attorney Training	3,074	2,022	2,733	2,363
Domestic Violence	10,140	2,642	6,889	5,893
911	5,380	96,665	95,186	6,859
Capital Improvement	39,609	445,038	484,280	367
Special Law Enforcement	0	47,247	39,508	7,739
Recorder's User Fees	0	24,974	23,825	1,149
Health Center	87,354	256,303	237,134	106,523
Madison County Council for Developmentally Disabled	24,363	447,186	361,343	110,206
Prosecuting Attorney Bad Check	439	3,630	3,058	1,011
Law Enforcement Block Grant	0	7,409	7,226	183
CDBG Water District Grant	0	267,844	267,844	0
Associate Circuit Division Interest	464	476	934	6
Circuit Clerk Interest	3,277	1,565	4,326	516
Total	\$ 214,866	3,263,465	3,197,756	280,575

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



## Exhibit B

MADISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>						
Property taxes	\$ 61,000	68,268	7,268	91,998	113,207	21,209
Sales taxes	348,972	321,366	-27,606	341,104	335,550	-5,554
Intergovernmental	182,070	176,813	-5,257	210,150	163,751	-46,399
Charges for services	315,900	376,544	60,644	220,100	243,460	23,360
Interest	1,500	1,319	-181	1,500	1,415	-85
Other	72,750	29,647	-43,103	35,285	32,574	-2,711
Loan proceeds	0	25,000	25,000	0	25,000	25,000
Transfers in	2,500	119,518	117,018	28,000	78,421	50,421
Total Receipts	984,692	1,118,475	#VALUE!	928,137	993,378	#VALUE!
<b>DISBURSEMENTS</b>						
County Commission	47,709	47,613	96	46,900	47,470	-570
County Clerk	57,651	54,923	2,728	53,616	53,468	148
Elections	59,439	50,774	8,665	25,325	25,131	194
Buildings and grounds	55,270	61,847	-6,577	37,270	37,027	243
Employee fringe benefits	84,500	101,874	-17,374	85,626	92,239	-6,613
County Treasurer	19,679	17,850	1,829	19,208	17,673	1,535
County Collector	53,186	51,576	1,610	49,174	51,386	-2,212
Circuit Clerk	22,933	22,674	259	31,299	21,975	9,324
Associate Circuit Court	10,950	9,996	954	18,440	7,370	11,070
Court administration	6,465	4,526	1,939	1,554	2,937	-1,383
Public Administrator	5,905	6,135	-230	5,845	5,906	-61
Sheriff	179,750	205,657	-25,907	149,110	175,802	-26,692
Jail	80,704	97,605	-16,901	74,400	79,847	-5,447
Dispatchers	57,050	69,936	-12,886	59,250	57,327	1,923
Prosecuting Attorney	50,652	50,241	411	51,916	50,321	1,595
Juvenile Officer	70,769	68,289	2,480	63,599	67,642	-4,043
County Coroner	11,950	10,960	990	11,410	10,971	439
Surveyor	150	500	-350	0	150	-150
Debt service	25,468	53,892	-28,424	44,152	19,925	24,227
Other	82,519	76,192	6,327	101,571	118,318	-16,747
Transfers out	0	58,736	-58,736	22,958	57,936	-34,978
Total Disbursements	982,699	1,121,796	-139,097	952,623	1,000,821	-48,198
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,993	-3,321	#VALUE!	-24,486	-7,443	#VALUE!
CASH, JANUARY 1	19,814	19,814	0	27,257	27,257	0
CASH, DECEMBER 31	\$ 21,807	16,493	#VALUE!	2,771	19,814	#VALUE!

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

## Exhibit C

MADISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>						
Property taxes	\$ 157,725	175,336	17,611	172,000	209,182	37,182
Intergovernmental	413,006	500,084	87,078	303,000	312,192	9,192
Charges for services	12,000	8,150	-3,850	16,400	10,248	-6,152
Interest	2,000	1,596	-404	1,800	1,995	195
Other	18,960	25,303	6,343	6,800	18,285	11,485
Loan proceeds	0	25,000	25,000	0	0	0
Transfers in	28,500	36,000	7,500	0	0	0
Total Receipts	632,191	771,469	139,278	500,000	551,902	51,902
<b>DISBURSEMENTS</b>						
Salaries	193,511	158,402	35,109	150,000	179,285	-29,285
Employee fringe benefits	20,931	36,222	-15,291	43,290	20,056	23,234
Supplies	100,000	83,833	16,167	84,600	126,758	-42,158
Insurance	8,500	10,402	-1,902	13,000	8,623	4,377
Road and bridge materials	75,000	76,294	-1,294	93,000	103,999	-10,999
Equipment repairs	3,000	35,883	-32,883	10,000	0	10,000
Rentals	8,500	0	8,500	0	0	0
Equipment purchases	33,397	34,904	-1,507	18,500	11,257	7,243
Construction, repair, and maintenance	133,368	118,011	15,357	10,376	11,199	-823
Debt service	0	41,741	-41,741	10,600	0	10,600
Other	40,850	36,633	4,217	51,200	45,270	5,930
Transfers out	18,996	98,496	-79,500	15,000	43,845	-28,845
Total Disbursements	636,053	730,821	-94,768	499,566	550,292	-50,726
RECEIPTS OVER (UNDER) DISBURSEMENTS	-3,862	40,648	44,510	434	1,610	1,176
CASH, JANUARY 1	9,970	9,970	0	8,360	8,360	0
CASH, DECEMBER 31	\$ 6,108	50,618	44,510	8,794	9,970	1,176

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

Exhibit D

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

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	80,024	80,771	747	85,990	90,368	4,378
Interest		0	298	298	300	211	-89
Other		1,500	4,293	2,793	1,610	2,449	839
Transfers in		22,736	22,736	0	15,286	15,286	0
Total Receipts		104,260	108,098	3,838	103,186	108,314	5,128
DISBURSEMENTS							
Assessor		104,260	98,681	5,579	102,780	99,772	3,008
Transfers out		0	14	-14	0	9,914	-9,914
Total Disbursements		104,260	98,695	5,565	102,780	109,686	-6,906
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	9,403	9,403	406	-1,372	-1,778
CASH, JANUARY 1		0	0	0	1,372	1,372	0
CASH, DECEMBER 31	\$	0	9,403	9,403	1,778	0	-1,778

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

Exhibit E

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
1998			1997			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
<b>Intergovernmental</b>	\$ 0	2,073	2,073	0	1,510	1,510
Charges for services	6,800	5,373	-1,427	6,000	5,232	-768
Interest	0	235	235	45	128	83
Total Receipts	6,800	7,681	881	6,045	6,870	825
DISBURSEMENTS						
Sheriff	4,100	2,473	1,627	4,000	2,671	1,329
Total Disbursements	4,100	2,473	1,627	4,000	2,671	1,329
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,700	5,208	2,508	2,045	4,199	2,154
CASH, JANUARY 1	7,976	7,976	0	3,777	3,777	0
CASH, DECEMBER 31	\$ 10,676	13,184	2,508	5,822	7,976	2,154

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

Exhibit F

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
1998			1997			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 2,000	1,339	-661	3,000	1,952	-1,048
Interest	0	50	50	70	70	0
Total Receipts	2,000	1,389	-611	3,070	2,022	-1,048
DISBURSEMENTS						
Prosecuting Attorney	2,500	2,000	500	2,000	2,618	-618
Transfers out	0	0	0	0	115	-115
Total Disbursements	2,500	2,000	500	2,000	2,733	-733
RECEIPTS OVER (UNDER) DISBURSEMENTS	-500	-611	-111	1,070	-711	-1,781
CASH, JANUARY 1	2,363	2,363	0	3,074	3,074	0
CASH, DECEMBER 31	\$ 1,863	1,752	-111	4,144	2,363	-1,781

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

Exhibit G

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 2,656	2,400	-256	2,450	2,440	-10
Interest	0	168	168	215	202	-13
Total Receipts	2,656	2,568	-88	2,665	2,642	-23
DISBURSEMENTS						
Domestic Violence Shelter	3,500	2,338	1,162	3,000	3,576	-576
Transfers out	0	0	0	0	3,313	-3,313
Total Disbursements	3,500	2,338	1,162	3,000	6,889	-3,889
RECEIPTS OVER (UNDER) DISBURSEMENTS	-844	230	1,074	-335	-4,247	-3,912
CASH, JANUARY 1	5,893	5,893	0	10,140	10,140	0
CASH, DECEMBER 31	\$ 5,049	6,123	1,074	9,805	5,893	-3,912

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

## Exhibit H

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

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 80,000	114,162	34,162	80,000	78,904	-1,096
Interest	200	497	297	0	340	340
Other	0	0	0	13,500	3,884	-9,616
Transfers in	0	0	0	0	13,537	13,537
Total Receipts	80,200	114,659	34,459	93,500	96,665	3,165
DISBURSEMENTS						
Salaries	35,689	22,501	13,188	45,057	17,947	27,110
Office disbursements	5,800	5,475	325	3,120	11,708	-8,588
Equipment	41,754	50,405	-8,651	43,500	46,222	-2,722
Mileage and training	1,800	1,087	713	2,200	1,906	294
Transfers out	0	20,825	-20,825	0	17,403	-17,403
Total Disbursements	85,043	100,293	-15,250	93,877	95,186	-1,309
RECEIPTS OVER (UNDER) DISBURSEMENTS	-4,843	14,366	19,209	-377	1,479	1,856
CASH, JANUARY 1	6,859	6,859	0	1,080	5,380	4,300
CASH, DECEMBER 31	\$ 2,016	21,225	19,209	703	6,859	6,156

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

Exhibit I

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT FUND

Year Ended December 31,							
1998				1997			
			Variance				Variance
			Favorable				Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)	
RECEIPTS							
Sales tax	\$	348,972	344,498	-4,474	310,000	305,621	-4,379
Charges for services		75,000	39,980	-35,020	100,000	93,759	-6,241
Interest		4,000	3,118	-882	3,000	3,773	773
Other		0	0	0	0	35,730	35,730
Loan proceeds		0	75,000	75,000	0	0	0
Transfers in		0	0	0	0	6,155	6,155
Total Receipts		427,972	462,596	34,624	413,000	445,038	32,038
DISBURSEMENTS							
Debt service		423,920	446,303	-22,383	441,502	484,280	-42,778
Total Disbursements		423,920	446,303	-22,383	441,502	484,280	-42,778
RECEIPTS OVER (UNDER) DISBURSEMENTS		4,052	16,293	12,241	-28,502	-39,242	-10,740
CASH, JANUARY 1		367	367	0	39,609	39,609	0
CASH, DECEMBER 31	\$	4,419	16,660	12,241	11,107	367	-10,740

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



Exhibit J

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SPECIAL LAW ENFORCEMENT FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 33,000	19,154	-13,846	30,000	32,956	2,956
Interest	0	142	142	0	179	179
Other	0	0	0	0	8,300	8,300
Transfers in	0	0	0	0	5,812	5,812
Total Receipts	33,000	19,296	-13,704	30,000	47,247	17,247
DISBURSEMENTS						
Sheriff	25,000	22,495	2,505	27,300	34,628	-7,328
Prosecuting Attorney	2,000	300	1,700	0	858	-858
Associate Circuit Court	6,000	2,936	3,064	300	272	28
Transfers out	0	0	0	2,400	3,750	-1,350
Total Disbursements	33,000	25,731	7,269	30,000	39,508	-9,508
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-6,435	-6,435	0	7,739	7,739
CASH, JANUARY 1	7,739	7,739	0	5,812	0	-5,812
CASH, DECEMBER 31	\$ 7,739	1,304	-6,435	5,812	7,739	1,927

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

Exhibit K

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 5,500	5,472	-28	5,670	5,280	-390
<b>Intergovernmental</b>	6,500	0	-6,500	0	1,438	1,438
Interest	100	86	-14	0	210	210
Transfers in	0	350	350	0	18,046	18,046
Total Receipts	12,100	5,908	-6,192	5,670	24,974	19,304
DISBURSEMENTS						
Recorder	6,644	4,198	2,446	17,100	23,825	-6,725
Total Disbursements	6,644	4,198	2,446	17,100	23,825	-6,725
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,456	1,710	-3,746	-11,430	1,149	12,579
CASH, JANUARY 1	1,149	1,149	0	17,146	0	-17,146
CASH, DECEMBER 31	\$ 6,605	2,859	-3,746	5,716	1,149	-4,567

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

Exhibit L

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
HEALTH CENTER FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 61,249	65,417	4,168	58,800	70,562	11,762
Intergovernmental	144,415	168,061	23,646	105,979	125,508	19,529
Charges for services	1,500	1,248	-252	26,800	22,634	-4,166
Interest	750	6,070	5,320	900	5,766	4,866
Other	31,928	21,537	-10,391	20,678	31,833	11,155
Total Receipts	239,842	262,333	22,491	213,157	256,303	43,146
DISBURSEMENTS						
Salaries	211,437	213,944	-2,507	196,741	197,286	-545
Office disbursements	9,865	9,405	460	7,930	14,976	-7,046
Equipment	3,550	3,634	-84	1,190	6,930	-5,740
Mileage and training	4,700	4,597	103	2,300	2,885	-585
Building	11,500	11,450	50	1,900	2,903	-1,003
Insurance	2,140	2,289	-149	2,295	3,239	-944
Utilities	7,325	7,228	97	5,425	6,520	-1,095
Contract services	600	590	10	480	360	120
Other	185	2,235	-2,050	130	2,035	-1,905
Total Disbursements	251,302	255,372	-4,070	218,391	237,134	-18,743
RECEIPTS OVER (UNDER) DISBURSEMENTS	-11,460	6,961	18,421	-5,234	19,169	24,403
CASH, JANUARY 1	28,542	106,523	77,981	15,425	87,354	71,929
CASH, DECEMBER 31	\$ 17,082	113,484	96,402	10,191	106,523	96,332

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

Exhibit M

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MADISON COUNTY COUNCIL FOR DEVELOPMENTALLY DISABLED FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 109,027	118,241	9,214	99,960	121,188	21,228
Intergovernmental	329,131	317,302	-11,829	388,600	310,944	-77,656
Charges for services	0	3,317	3,317	0	6,320	6,320
Interest	2,500	3,952	1,452	3,600	2,603	-997
Other	3,500	397	-3,103	1,562	6,131	4,569
Total Receipts	444,158	443,209	-949	493,722	447,186	-46,536
DISBURSEMENTS						
Salaries	402,781	286,005	116,776	344,497	201,537	142,960
Office disbursements	4,150	5,993	-1,843	3,250	2,860	390
Equipment	30,000	13,411	16,589	20,000	23,588	-3,588
Mileage and training	33,768	39,662	-5,894	15,800	15,038	762
Buildings and grounds	1,000	1,667	-667	15,600	13,868	1,732
Debt service	10,000	0	10,000	10,000	13,379	-3,379
Loan payment	25,000	25,000	0	25,000	25,000	0
Contract services	32,000	54,680	-22,680	54,000	59,991	-5,991
Other	9,350	12,841	-3,491	8,950	6,082	2,868
Total Disbursements	548,049	439,259	108,790	497,097	361,343	135,754
RECEIPTS OVER (UNDER) DISBURSEMENTS	-103,891	3,950	107,841	-3,375	85,843	89,218
CASH, JANUARY 1	104,920	110,206	5,286	110,868	24,363	-86,505
CASH, DECEMBER 31	\$ 1,029	114,156	113,127	107,493	110,206	2,713

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

Exhibit N

MADISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

Year Ended December 31,			
1997			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 3,300	3,630	330
Interest	40	0	-40
Total Receipts	3,340	3,630	290
DISBURSEMENTS			
Prosecuting Attorney	3,000	3,058	-58
Total Disbursements	3,000	3,058	-58
RECEIPTS OVER (UNDER) DISBURSEMENTS	340	572	232
CASH, JANUARY 1	439	439	0
CASH, DECEMBER 31	\$ 779	1,011	232

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

## Notes to the Financial Statements

MADISON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Madison 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 Madison County Council for Developmentally Disabled 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 generally accepted accounting principles, which 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 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Block Grant Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998
Forfeiture Fund	1998
CDBG Water District Grant Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	1998 and 1997
Special Road and Bridge Fund	1998 and 1997
911 Fund	1998 and 1997
Capital Improvement Fund	1998 and 1997
Health Center Fund	1998 and 1997
Assessment Fund	1997
Prosecuting Attorney Training Fund	1997
Domestic Violence Fund	1997
Special Law Enforcement Fund	1997
Recorder's User Fees Fund	1997
Prosecuting Attorney Bad Check Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, 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	1998 and 1997
Madison County Council for Developmentally Disabled Fund	1998 and 1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing 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 (has not) adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. 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.

The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not a year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

### 3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received \$78,535 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be \$41,417. As of December 31, 1998, \$15,533 remains to be paid.

## Supplementary Schedule

## MADISON 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,	
			1998	1997
U. S. DEPARTMENT OF AGRICULTURE				
Direct program:				
10.unknown	Forest Patrol Contract	N/A	\$ 4,500	5,610
Passed through state:				
Department of Health -				
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9162	53,356	44,355
Office of Administration -				
10.7	Schools and Roads - Grants to States	N/A	67,634	85,495
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development -				
14.2	Community Development Block Grants/State's Program	92-PF11	0	267,844
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	25,000	22,116
16.6	Passed through state Department of Public Safety - Local Law Enforcement Block Grants Program	96-LBG-081	0	6,660
16.unknown	Passed through Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program	N/A	1,100	3,836
16.unknown	Passed through Missouri State Highway Patrol-Equitable Sharing of Seized and Forfeited Property	N/A	3,371	0
U.S. DEPARTMENT OF LABOR				
Passed through East Missouri Action Agency -				
17.3	Job Training Partnership Act	N/A	5,157	8,203
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission -				
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-062(5)	185,425	2,166

GENERAL SERVICES ADMINISTRATION

Passed through state Office of Administration -

39.0	Donation of Federal Surplus Personal Property	N/A	19	1,230
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through state:

Department of Health -

93.2	Childhood Lead Poisoning Prevention	ERO146-9162	181	0
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93.3	Immunization Grants	ERO062-7162	4,195	6,095
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Department of Social Services -

93.6	Child Support Enforcement	N/A	3,058	3,168
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Department of Health -

93.6	Child Care Health and Safety Consultation	ERO146-9162	3,705	1,703
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94.0	Maternal and Child Health Services			
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	Block Grant to the States	ERO146-9162	16,358	20,049
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	Total Expenditures of Federal Awards		\$ 373,059	478,530
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N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

MADISON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Madison County, Missouri, except for the programs accounted for in the Madison County Memorial Hospital Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended September 30, 1998 and 1997.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

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

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$267,844 to a subrecipient under Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1997.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION



## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Madison County, Missouri

Compliance

We have audited the compliance of Madison 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, 1998 and 1997. 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 generally accepted auditing standards; 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.

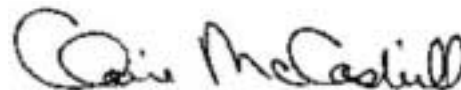
In our opinion, Madison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997.

### Internal Control Over Compliance

The management of Madison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Claire McCaskill  
State Auditor

March 18, 1999 (fieldwork completion date)

Schedule

MADISON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1998 AND 1997

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   X   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to the financial statements  
noted?        yes   X   no

Federal Awards

Internal control over major programs:

Material weakness identified?        yes   X   no

Reportable condition identified that is  
not considered to be a material weakness?        yes   X   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   X   no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
14.228	Community Development Block Grants/State's Program
20.205	Off-system Bridge Replacement and Rehabilitation Program

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

Auditee qualified as a low-risk auditee?        yes   X   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

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

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

Our prior audit report issued for the three years ended December 31, 1996, 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

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

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

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

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

6.B. Federal Financial Assistance

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Bridge Replacement and Rehabilitation Program - Off System
Pass-Through Entity	
Identifying Number:	BRO-062(5)
Award Year:	1996
Questioned Costs:	\$19,956

Proposals were not solicited for engineering services for a federally funded bridge project. Reimbursements of \$19,956 were included as questioned costs.

Recommendation:

The County Commission solicit and document proposals for engineering services. The County Commission should contact state and federal grantor agencies to resolve the questioned costs.

Status:

The county has not entered into any new engineering agreements. The state grantor agency indicated that the questioned costs were resolved.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

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

We have audited the special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 18, 1999. We also have audited the compliance of Madison 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, 1998 and 1997, and have issued our report thereon dated March 18, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Madison County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed the audit reports and the substantiating working papers for the years ended September 30, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings

other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Madison County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for audits performed in accordance with *Government Auditing Standards*.

<b>1.</b>	<b>Financial Condition</b>
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As similarly noted in the prior audit report, the financial condition of the county's General Revenue Fund remains weak. The following shows receipts, disbursements, and ending cash balances for the two years ended December 31, 1998:

Cash Balance, January 1, 1997	\$ 27,257
Receipts	993,378
Disbursements	<u>1,000,821</u>
Cash Balance, December 31, 1997	19,814
Receipts	1,118,475
Disbursements	<u>1,121,796</u>
Cash Balance, December 31, 1998	\$ <u><u>16,493</u></u>

The 1999 budget anticipates disbursements to exceed receipts by \$16,195, resulting in a \$298 budgeted cash balance at December 31, 1999.

In addition, the county General Revenue Fund had the following liabilities at December 31, 1998:

Tax Anticipation Notes payable	\$ 76,656
Loan from the Special Road and Bridge Fund	72,000
Use tax liability	15,533
Department of Natural Resources Energy Loan	<u>7,871</u>
Total Liabilities	\$ <u><u>172,060</u></u>

As a result of the declining cash balances, the county General Revenue fund borrowed \$150,000 in tax anticipation notes during the two years ended December 31, 1998. The county has not had the funds to pay back the majority of the tax anticipation notes in one year, rather, the tax anticipation notes have been renewed annually. Section 50.070, RSMo 1994, provides that tax anticipation notes are to be payable in one year or less from the date of issuance out of current county revenues to be derived from taxes or other revenues of the county of the year in which said notes are issued. The county has paid more than \$9,900 in interest during the two years ended December 31, 1998.

In 1998, the Special Road and Bridge Fund borrowed \$25,000 to purchase equipment. Such borrowing may not have been necessary if the Special Road and Bridge Fund had not loaned money to the General Revenue Fund.

The County Commission should review disbursements and reduce discretionary amounts as much as possible. In addition, the County Commission should review budgetary and accounting controls and attempt to maximize all revenues. Factors contributing to the weak financial condition are:

- A. The county issued warrants in excess of its budgeted disbursements for the General Revenue Fund in 1998 and 1997, as noted in MAR No.2. In addition, the county disbursements exceeded receipts in 1998 and 1997 and the 1999 budget anticipates disbursements to exceed receipts.
- B. As discussed in MAR No.6., the County Collector has not properly withheld more than \$25,000 from school tax collections, requiring larger subsidies from the General Revenue Fund to the Assessment Fund. Additionally, commissions from tax collections were not properly withheld totaling more than \$32,800 which are due to the General Revenue Fund.
- C. The County Commission did not always solicit bids for major purchases, as noted in MAR No.3. Considering the financial condition of the General Revenue Fund, all county officials should be using extreme diligence when directing the use of county resources.

**WE AGAIN RECOMMEND** the County Commission take the necessary steps to improve the financial condition of the General Revenue Fund.

### **AUDITEE'S RESPONSE**

*The County Commission indicated they have tried to pass a use tax, but it failed. Because they have now recovered all excess property taxes due to the sales tax roll back in prior years, they were able to have a larger general levy. They have also considered a law enforcement sales tax. They will try to improve the financial condition of the county.*

**2.**

### **Budgets and Financial Statements**

- A. Actual disbursements exceeded budgeted amounts in various funds as follows:

Fund	Year Ended December 31,	
	1998	1997
General Revenue	\$ 139,097	48,198
Special Road and Bridge	94,768	50,726
Assessment	N/A	6,906
Prosecuting Attorney Training	N/A	733
Domestic Violence	N/A	3,889
911	15,250	1,309
Capital Improvement	22,383	42,778
Special Law Enforcement	N/A	9,508
Recorder's User Fees	N/A	6,725
Health Center	4,070	18,743
Prosecuting Attorney Bad Check	N/A	58

There was no documentation that the county periodically compared disbursements to budgeted amounts. The Health Center actually filed an amended budget in December 1998; however, disbursements still exceeded the budgeted amounts.

It was ruled in State ex rel. Strong V. Cribb, 364 Mo. 1122,273 SW2d 246(1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, 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 Supp. 1998, 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 and that the county shall follow the same procedures required for adoption of the annual budget to amend its budgets.

B. During our review of the county budget documents, we noted the following errors and misclassifications:

- 1) Actual receipts and disbursements were not correctly reported on the county budgets and published financial statements. Errors included incorrect amounts being reported, mathematical errors, and inconsistent and erroneous classifications of receipts. The County Clerk reconciles total receipts and disbursements to the County Treasurer's records on a monthly basis. However, it appears that when she posts actual amounts to the budget, she simply records the amounts in error and does not attempt to reconcile total actual amounts as reported on the budget to the treasurer's records. The County Clerk had no support or explanation as to the source of her reported amounts. Adjustments have been made to the audited financial statements to correct misclassifications and erroneous amounts.



- 2) Cash reconciliations were not always completed for various funds. Had the cash reconciliations been properly performed, several errors could have been detected.

The county's budgets should include accurate financial information and classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

- C. Formal budgets were not prepared for various county funds for the two years ended December 31, 1998. Chapter 50, RSMo 1994, requires preparation of annual budgets for all 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 efficiently evaluate all county financial resources.
- D. The county did not budget emergency expenditures for the two years ended December 31, 1998. Section 50.540 requires at least 3 percent of anticipated General Revenue Fund revenues be budgeted for emergency situations.
- E. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements show receipts or revenues, disbursements or expenditures and beginning and ending balances for all 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.

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

**WE RECOMMEND** the County Commission:

- A. And the Health Center Board not authorize warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
- B. And the County Clerk ensure all significant receipts and disbursements are accurately and consistently reported in the county budget documents and published financial statements. In addition, the County Clerk should properly prepare the cash reconciliation portion of the budget document.
- C. Ensure budgets are prepared for all funds.
- D. Ensure emergency funds are budgeted with the General Revenue Fund.
- E. Ensure financial information for all county funds is properly reported in the annual published financial statements.

### **AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *They will amend the budgets in the future when necessary.*
- B. *Along with the County Clerk, that they will try to improve the reporting process and will perform cash reconciliations for each fund. They believe they have improved in this area.*
- C. *They will file budgets for each fund. The budgets that were missing were for smaller funds.*
- D. *They will do this next year.*
- E. *They have improved on this and will include all funds in the future.*

*The Health Center Administrator indicated:*

- A. *They will not authorize warrants in excess of budgeted disbursements. The original budget will be formally amended and filed with the State Auditor's office on a quarterly basis.*

<b>3. Written Agreements and Disbursements</b>
--

- A. Payments for services were made or services were performed without current written agreements as follows:
  - 1) The county boards prisoners for the city of Fredericktown and other counties. The county charges \$17 per day for each prisoner housed in the county jail for the city and \$35 per day for various counties. The county does not have written agreements with the city or counties detailing the services to be provided or the daily charges.
  - 2) The county provides dispatching services for the city of Fredericktown. The existing contract is from 1989 and has not been updated to reflect the changes in rates charged.
  - 3) The Prosecuting Attorney does not have an office in the courthouse. Instead, he maintains an office outside the courthouse, which is used for both county business and his private practice. The county does not have a written agreement with the Prosecuting Attorney outlining what costs will be paid and what office personnel

and equipment will be provided by the county and what will be provided by the private practice. There is no documentation to support the current verbal agreements or to ensure county resources are not being used to subsidize the private practice.

Currently, the county pays \$200 for rent, \$150 for copies, and actual phone charges monthly. There are no invoices submitted to support the amounts paid for rent or copies. In addition, phone bills are not submitted to the county to support actual phone charges. For the two years ended December 31, 1998, a total of \$11,231 was paid to the Prosecuting Attorney. In addition, the county does not prepare an IRS Form 1099-MISC information return for these amounts.

Since county resources should be used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what the arrangements are, what rent will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained.

To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work effort to avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

Section 432.070, RSMo 1994, states all contracts entered into by the county shall be in writing and signed by each of the parties. Disbursements under contractual agreements should be monitored to ensure the reasonableness and propriety of expenditures, and compliance with contractual terms.

- B. Bids were not always solicited or advertised by the county nor was the selection process always documented for various purchases made by the county during the two years ended December 31, 1998. The County Commission minutes did not always document information considered when awarding bids to a vendor other than the lowest bidder, reasons why a purchase was considered sole source, information solicited by phone, and information obtained when deciding if the purchase price for a used item was reasonable. Examples of items purchased for which adequate bid documentation could not be located are as follows:

<u>Item</u>	<u>Cost For Two Years</u>
Black top	\$ 87,346
Gravel	73,993
Fuel	59,271
Prisoner meals	37,667
Services for hauling gravel	23,566
Sheriff vehicles	17,500

Section 50.660, RSMo Cumulative Supp. 1998, requires advertisement of bids for all purchases of \$4,500 or more.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are followed.

- C. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services. The exceptions included gravel, cold mix, parts, supplies, prisoner meals, and other items. Additionally, instances were found where individual receipts accompanying the monthly invoice for fuel did not identify the vehicle for which fuel was purchased. To ensure that payments are valid and for goods or services actually received, evidence of receipt of goods or services should be noted and fuel receipts should indicate the vehicle fueled.

Conditions similar to B and C were noted in our prior two reports.

**WE AGAIN RECOMMEND** the County Commission:

- A. Enter into written contracts that specifically state the services to be provided to the county. Any disbursements made should be monitored for compliance with the terms of the contract. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.
- B. Solicit 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 Clerk should retain documentation of these circumstances.

- C. Ensure all invoices contain an indication of receipt of goods, or services and fuel receipts indicate which vehicle is fueled.

### **AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *The county will enter into contracts for all services.*
- B. *They will better document in the minutes justifications for not bidding certain items.*
- C. *They will try to improve on this.*

*The Prosecuting Attorney indicated:*

- A. *He will enter into a written agreement with the county and document how the rent charges are determined.*

<b>4.</b>	<b>Personnel and Payroll Policies and Procedures</b>
-----------	--

- A. In addition to her regular county salary, the Prosecuting Attorney's secretary received \$22,152 for the two years ended December 31, 1998 for time spent on child support enforcement activities and for services in processing bad checks. These additional payments were not included in the county payroll records and were not reported on the employee's W-2 form. Additionally, while the secretary prepared a time sheet to support her monthly salary paid from the county General Revenue Fund, there was no documentation to support this additional compensation for child support enforcement and bad check processing activities.

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. In addition, the Internal Revenue Code requires employers to report all wages on W-2 forms.

- B. During our review of the Sheriff's deputies' salaries, we noted the following concerns:
  - 1) Sheriff deputies work additional hours over their regular duty hours in association with National Park Patrol (Coop), Drug Enforcement Administration (DEA), and Operation Cash Crop program grants. The deputies record these hours and submit them for reimbursement from the grants; however, actual hours worked are normally more than hours reimbursed. Only the hours reimbursed are reported to

the county and included in the county payroll. The hours not paid by the grants are not reported and the deputies do not receive payment for these hours.

- 2) The county is not properly compensating Sheriff deputies for overtime hours. They are paid at the straight time pay rate for the extra hours worked instead of at the premium rate as required under the Fair Labor Standards Act (FLSA). The Presiding Commissioner indicated that the deputies do not receive overtime anymore, rather, the two parties came to an agreement to receive paid holidays and straight time for overtime hours. The FLSA requires overtime compensation if hours worked in a twenty-eight day period exceed 171 for law enforcement personnel.
- 3) Section 57.290, RSMo 1994 provides the Sheriff shall be allowed various fees for transporting convicted offenders to a designated center. In addition to \$8 and \$6 per diems, the transporter and each guard receive fees of 25 cents per mile for going to and returning from the center. These fees are paid by the state and remitted to the County Treasurer. The county then pays the deputies serving as guards the per diem and mileage fee received from the state in addition to their regular compensation.

The county considers the employees to be off-duty when transporting prisoners and these fees were not subjected to payroll withholdings and were not reported on the respective W-2 forms. In addition, the hours spent in transporting prisoners are not included on time sheets. Our review indicated \$12,929 was paid to deputies for guard fees during the two years ending December 31, 1998. Without time sheets, it is not possible to determine if the \$12,929 was more or less than what should have been paid to the deputies.

Any full-time county employee serving as a guard should be compensated under normal county payroll procedures, calculating hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

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

- C. Records are not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees. The County Clerk indicated these records are to be maintained by each individual office but our review noted that some offices, including the County Clerk, Collector, Treasurer, and Assessor, are not maintaining these records. Accurate records of leave and compensatory time are necessary to ensure

compliance with the FLSA and to ensure employees are properly compensated for accumulated leave.

- D. Several county employees from various offices with access to money are not covered by an employee bond. Properly bonding all persons with access to monies would better protect the official and county from risk of loss.

Conditions similar to B.1., C, and D were noted in our two prior reports.

**WE AGAIN RECOMMEND** the County Commission:

- A.1. And the Prosecuting Attorney ensure all salary payments are subject to payroll withholdings and reported on W-2 forms.
- 2. And the Prosecuting Attorney ensure additional compensation is supported by documentation of actual time worked.
- B.1. Along with the County Clerk and Sheriff ensure all hours worked are properly reported to the county.
- 2. Review county payroll policies and ensure the county appropriately considers any policy changes needed along with FLSA requirements when handling employee payrolls. This policy review should include obtaining appropriate legal opinions and, if necessary, consultation with the U.S. Department of Labor.
- 3. And the Sheriff review this situation. Deputies who serve as guards should be paid their normal salary for the amount of time spent, and all payments should be included on W-2 forms.
- C. Require records be maintained by the County Clerk's office of vacation, sick leave, and overtime earned, used, and accumulated.
- D. Consider obtaining adequate bond coverage for all employees with access to monies.

### **AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *They have discussed this with the Prosecuting Attorney and will ask for documentation to support this time and include it in county payroll.*
- B. *They will discuss this with the Sheriff and try to resolve these issues. They will ask the Sheriff to keep track of and use compensatory time.*

- C. *They will implement this in the future.*
- D. *They now have a bond that covers all employees.*

*The Prosecuting Attorney indicated:*

- A.1. *He will request the county to pay the secretary through the payroll system for time spent on child support enforcement activities and services for processing bad checks.*
- 2. *He will try to implement this recommendation.*

*The Sheriff indicated:*

- B. *He will discuss these items with the County Commission.*

<b>5. Collateral Securities</b>
---------------------------------

- A. The amount of collateral securities pledged by the county's depository banks at January 21, 1999 and January 22, 1998 was insufficient by approximately \$680,000 and \$775,000, respectively, to cover monies in the custody of the County Treasurer, County Collector, Health Center Board, and Madison County Council for Developmentally Disabled Board. It appears this situation occurred because the bank balances were not adequately monitored by the county.

Section 110.020, RSMo 1994, provides that the value of the securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

- B. A review of the collateral securities pledged to secure county deposits at one of the county's depository banks indicated that particular securities pledged were not in compliance with statutory requirements. Bonds of political subdivisions in other states were noted on the listing of collateral securities.

Section 30.270, RSMo 1994, allows for state bonds of any state, but not bonds of political subdivisions within other states to be pledged as collateral securities.

**WE RECOMMEND** the County Commission:

- A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.



- B. Implement procedures to ensure that securities pledged are in compliance with Section 30.270, RSMo 1994.

**AUDITEE'S RESPONSE**

*A&B. The County Commission indicated they will discuss these recommendations with the bank.*

<b>6. Lost Revenue</b>
------------------------

Although noted in our prior five reports, the County Collector has not made an attempt to properly withhold commissions which has resulted in lost revenue to the county. As indicated in MAR 1, the county General Revenue Fund is in poor financial condition; however, the Collector is not performing his statutory duties which would aid the county's financial condition.

- A. Our review of commissions withheld by the County Collector and paid to General Revenue during the two years ended February 28, 1999, disclosed various errors:

- 1) The County Collector does not withhold commissions in accordance with Section 50.338.2, RSMo 1994 (Proposition C). As a result of this situation, the County Collector under withheld a significant amount of commissions from the various school districts. Commissions not withheld from the various school districts' tax collections because of Proposition C for the months of December during the two year audit period totaled approximately \$1,200. An additional \$31,600 was also noted in the prior audit.

Since the county receives all of the commissions retained from tax collections, the General Revenue Fund has lost significant revenue as a result of the County Collector not performing his statutory duties.

- 2) Section 52.250, RSMo 1994, allows a one-half of one percent commission on all current taxes collected, including current delinquent taxes, exclusive of all current railroad and utility taxes collected, as compensation for mailing the statements and receipts. Our review of the December 1997 and 1998 commissions withheld indicated that this commission is not being withheld properly. While the commission was withheld from the school portion of current taxes collected in December 1997, approximately \$2,700 was not withheld from the rest of the current taxes collected. In December 1998 the mailing commission was not withheld from any of the current taxes collected which resulted in approximately \$9,000 of lost revenue to the General Revenue Fund.

While the effect these procedures had on the amount of commissions withheld was not determined for the entire audit period, an improper amount of commissions was withheld

from tax collections of the various taxing authorities and turned over to the General Revenue Fund.

- B. Section 137.750, RSMo 1994, provides the basis for funding assessment maintenance costs. The state reimburses the county for expenses incurred subject to a minimum or maximum per parcel. Funding from the county comes from one percent of taxes collected by all taxing authorities within the county, and the general revenue of the county.

Section 50.338, RSMo 1994, provides that no fund shall lose revenue because of a reduction in school tax levies due to Proposition C. Estimated revenue not withheld from school tax collections due to Proposition C for the months of December during the two year ended December 31, 1998 totaled approximately \$900. An additional \$25,000 was also noted in our prior audit.

Since the under withholdings are based only on December school tax collections, these amounts represent conservative estimates of the amounts not withheld from the various school districts. The General Revenue Fund is required to fund assessment costs not funded by the state and other taxing authorities in the county. It appears that as a result of the collector not performing his statutory duties, the General Revenue Fund has funded a larger portion of assessment costs than was necessary.

**WE AGAIN RECOMMEND** the County Collector:

- A. Recalculate commissions for the audit period and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with the statutes.
- B. Adjust the amounts withheld from school tax collections to take into consideration the effects of Proposition C and withhold the appropriate portion for assessment purposes as provided by statute.

**AUDITEE'S RESPONSE**

*A&B. The County Collector indicated he will try to implement these recommendations.*

*The County Commission will talk to the schools about the monies due.*

<b>7. Property Tax System and Computer Controls</b>
---

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Collector

enters the tax rates, which are obtained from the County Clerk, and extends and prints the tax books. During our review of controls related to the property tax system, we noted the following concerns:

- A. The county does not have a formal contingency plan for the computer system. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster.

Development of contingency plans should include plans for a variety of situations, such as both short- and long-term plans for backup hardware, software, facilities, personnel, and power. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies.

The major benefit of thorough contingency planning comes from the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Due to the county's degree of reliance on the data processing function, the need for contingency planning is evident.

- B. The county does not have all program documentation prepared by the contract computer programmer. Program documentation is used to explain the coding of computer programs, so changes can be made when necessary. Failure to have arrangements specifying the rights to the program documentation leaves the county at risk should the county and the contractor terminate their working arrangement. The county should obtain a written agreement specifying the county's rights to the program documentation.

- C. The County Clerk does not maintain a complete account book with the County Collector. The account book only includes information presented on the monthly settlements of the County Collector, but does not include tax book charges, delinquent credits, abatements and additions, and protested amounts. This account book is to be prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and tax books. An accurate account book would enable the County Clerk to ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the County Collector's annual settlements.

- D. Controls over property tax additions need improvement. Tax book additions are initiated by the County Assessor who assigns an assessed value and enters it into the property tax computer system. The County Collector then prepares a tax statement of the taxes due and collects the tax. At the end of the year, the County Collector prints a report of all

property tax additions and charges himself with these additions. The County Commission does not approve these additions.

State law provides for segregation of duties related to property tax charges and collections, and provides for the County Clerk to prepare the tax books and charge the County Collector with the taxes to be collected and provides for the County Commission to approve changes to the tax books. To ensure proper segregation of duties over tax book additions, the County Clerk should prepare all tax book additions and charge the County Collector these amounts. In addition, the County Commission should approve all tax book additions.

Similar conditions were noted in our prior two reports.

**WE AGAIN RECOMMEND:**

- A. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.
- B. The County Commission obtain an agreement with the county's computer programmer which specifies the county's rights regarding program documentation.
- C. The County Clerk maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.
- D. The County Clerk prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.

**AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *They verbally have an agreement with St. Francois County. They will document this in writing.*
- B. *The Collector will discuss this with the computer programmer.*
- D. *They will approve the tax additions.*

*The County Clerk indicated:*

- C. *She will try to keep this record.*

**8.****County Collector's Accounting Controls and Procedures**

During our review of controls surrounding the collection and recording of property taxes, we noted the following concerns:

- A. The County Collector does not perform adequate reconciliations of his records. While the County Collector does attempt to identify liabilities at each month's end, the list he prepared as of December 31, 1998, was incorrect. In addition, the collector does not adequately investigate differences noted between the liabilities and the book balance. As of December 31, 1998, cash exceeded liabilities by \$3,280 in the County Collector's regular account. During our review of the Collector's partial payment list, we noted a number of payments that were still being carried as a partial payment held in the account, but for which the payment had already been applied towards the full payment of the bill. Also, some partial payments held at December 31, 1998 consisted of payments in the account before January 1997, for which the Collector does not know which taxpayer the payments should apply to.

To ensure all monies are accounted for properly, complete and accurate lists of partial payments should be maintained. In addition, differences noted when performing monthly reconciliations should be promptly investigated and resolved. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed and unidentified monies.

- B. The County Collector does not compare the composition and amount of collections received to deposits made to the bank account. To ensure all monies collected are properly recorded and deposited, daily comparisons of collections and deposits should be performed. The Collector is unable to perform such comparisons due to the following concerns:
- 1) The County Collector does not deposit duplicate tax receipts, copies, and phone charges on a daily basis and some tax collection receipts in the form of cash are not deposited. In addition, the Collector will sometimes hold partial payments in his vault in the name of the taxpayer and not deposit them until paid in full. Overpayments are held in the vault to be applied to future taxes.
  - 2) The County Collector has two change funds that are not maintained at a constant amount.
  - 3) The County Collector occasionally cashes personal checks. As a result, the composition of receipts does not always agree to the composition of deposits.

- 4) The County Collector occasionally makes refunds for overpayments by cash or money order, and does not maintain adequate documentation to support these disbursements. Cash refunds should not be made and refunds by money order should have adequate supporting documentation.

To adequately safeguard against loss, theft, or misuse of funds, all receipts should be deposited intact daily and all disbursements should be made in the form of a check. Change funds should be maintained at a constant amount and reconciled to the deposit.

- C. The County Collector does not adequately keep records of and follow up on overpayments and partial payments maintained in his vault.

As mentioned earlier, the County Collector sometimes does not deposit partial payments and overpayments received in the form of cash, but rather keeps the cash in his vault. We noted a number of payments held in the vault for which the applicable tax statement had been paid in full. We noted a number of other payments held in the vault for which there was an unpaid tax statement on file, but the tax statement did not indicate that a partial payment had been made. The date of payments held in the vault at December 3, 1998, ranged from 1984 (an overpayment of taxes) to November 1998. Individual amounts ranged from less than \$1 to approximately \$200.

If the collector is going to hold overpayments and partial payments, they should all be deposited into his official bank account and adequate records of the taxpayers and amounts should be maintained. The County Collector should periodically review the payments to either apply to taxes owed or refund to the taxpayer. As mentioned above, various statutory provisions provide for the disposition of unclaimed or unidentified monies.

- D. Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation.

The 1997 and 1996 surtax collections were distributed by the County Collector using percentages calculated for distributing the 1985 collections. The County Collector does not recalculate the distribution percentages each year.

Section 139.600, RSMo 1994, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed. Since significant changes have occurred in the subclass 3 commercial property assessed valuation amounts, political subdivisions have not received the proper allocation of surtax collections.

- E. The County Collector's annual settlements did not include all activity of his office. The collections and related distributions for late assessment penalties, all collector's commissions, and duplicate tax receipts were not included on the annual settlement.

Section 139.600.3, RSMo 1994, states that "...the collector shall...settle his accounts of all monies received by him on account of taxes and other sources of revenue..." By not accurately reporting all sources of revenues, the County Collector's annual settlement is incomplete and the County Commission cannot properly examine or approve it.

Similar conditions were noted in our prior two reports.

**WE AGAIN RECOMMEND** the County Collector:

- A. Perform complete monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.
- B.1. Deposit all monies received, including partial payments. For any overpayments of current taxes, the excess should be refunded by check when received and not held for future use.
2. Maintain the change funds at constant amounts.
3. Discontinue the practice of cashing personal checks.
4. Discontinue the practice of making cash refunds for overpayments. In addition, the County Collector should maintain adequate supporting documentation for refunds made by money order indicating the purpose of the disbursement.
- C. Maintain adequate records of and follow up on partial payments and overpayments. These records should include the name of the taxpayer making the payment, the date of the payment, the amount paid, which tax year the payment was made for, and the date the payment was applied.
- D. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by state law.
- E. File complete and accurate annual settlements.

**AUDITEE'S RESPONSE**

*The County Collector indicated:*

- A. *The unidentified monies in the account are probably extra monies collected for bad checks, fees, or small overpayments that never were turned over to the county. He will attempt to implement this recommendation.*
- B,D,  
&E. *He will try to implement these recommendations.*
- C. *He is now depositing these and trying not to hold cash. He will try to disburse these monies and will try to keep records of these transactions.*

<b>9.</b>	<b>Vehicle Records</b>
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The county has purchased several vehicles for the road and bridge department and pays for the maintenance, insurance, and fuel expenses for these vehicles. During our review of county-owned vehicles, we noted the following concerns:

- A. The road and bridge department does not maintain vehicle logs which document how the vehicles are used. Without adequate vehicle logs, the county cannot effectively monitor that vehicles are used for official business only. These logs should identify the employee the vehicle is assigned to, the dates used, miles driven, destination, and purpose of the trips.
- B. Fuel and oil usage is not reconciled to fuel and oil purchased. To reduce the risk of loss, misuse, or theft, fuel and oil usage should be reconciled to fuel and oil purchased, and significant differences should be investigated.

Similar conditions were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Require vehicle logs be maintained for all county vehicles. In addition, they should review these logs to monitor the usage of county owned vehicles.
- B. Reconcile fuel and oil usage to fuel and oil purchased and investigate significant differences.

**AUDITEE'S RESPONSE**

A&B. *The County Commission indicated they will discuss these recommendations with the Road and Bridge Supervisor and try to develop these records.*

<b>10.</b>	<b>Assessor's Accounting Controls and Procedures</b>
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The County Assessor's office collects money for maps, plat books, copies and postage. During our review of the Assessor's accounting controls and procedures, we noted the following areas of concern:

- A. Receipts are not transmitted to the County Treasurer intact and the amount of monies transmitted does not always agree to the monies indicated as received per the Assessor's receipt slips. No reconciliation of receipt slips to the amount and composition of monies transmitted to the County Treasurer is performed. The Assessor is unable to perform such comparisons because receipt slips are not issued for all monies received, receipt slips do not always indicate the method of payment, receipt slips are written for amounts due and not actually collected until a later date, personal checks are cashed and the change fund is not maintained at a constant amount.

The Assessor's office prepares a report that documents the amount and composition of receipts turned over to the County Treasurer. This record agrees to the receipt slips received from the County Treasurer; however, it did not always agree to the total amount or composition of the Assessor's receipt slips. The following differences were noted between Assessor's receipt slips and amounts transmitted to the Treasurer for the two years ended December 31, 1998.

Year ending December 31,						
1998			1997			
	Cash	Check	Total	Cash	Check	Total
Recorded receipts	\$ 1,352	998	2,350	1,060	957	2,017
Unrecorded receipts	0	543	543	0	168	168
Amounts turned over to County Treasurer	(1,054)	(1,541)	(2,595)	(950)	(1,125)	(2,075)
Unaccounted for receipts	\$ <u>298</u>	<u>0</u>	<u>298</u>	<u>110</u>	<u>0</u>	<u>110</u>

To adequately account for all monies receipted and transmitted, and to lessen the possibility of loss or misuse of funds, monies transmitted should be reconciled to the Assessor's office prenumbered receipt slips. All payments made to the Assessor's office are accountable fees and should be remitted to the county treasury.

- B. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, all employees of the Assessor's office perform these duties. 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 properly segregated. At a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted to the County Treasurer.

- C. Checks are not restrictively endorsed until after they are turned over to the County Treasurer. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.
- D. The Assessor's office periodically bills companies for maps and copies. No reconciliation is performed between the amount billed and the amount collected. When a bill is prepared, a receipt slip is completed and marked "amount due". When the monies are received, the Assessor's office indicates on the original receipt slip when the amount was paid; however, we noted several receipt slips that did not indicate whether the amount had been paid.
- E. Voided receipt slips are not retained. To account for the numerical sequence of all receipt slips, voided receipt slips should be retained.
- F. The County Assessor's office does not maintain inventory records accounting for plat books or maps. To ensure all monies collected are accounted for adequately, the County Assessor should reconcile the number of plat books and maps on hand to the total number of plat books and maps sold or given away. Any differences should be investigated.

**WE RECOMMEND** the County Assessor:

- A. Ensure all receipts are transmitted to the County Treasurer and reconcile the amount and composition of monies transmitted to receipt slips. The County Assessor should ensure that receipt slips are issued for all monies received, the method of payment is indicated on all receipt slips, receipt slips are issued only for monies actually received, the change fund is maintained at a constant amount, and personal checks are not cashed. In addition, the County Commission should review this situation and decide if further investigation is warranted to determine the extent of monies not accounted for.
- B. Adequately segregate duties among available employees and/or establish a documented review of the accounting records by an independent person.
- C. Restrictively endorse checks immediately upon receipt.
- D. Reconcile amounts billed to amounts received and follow up on billings not paid. In addition, receipt slips should be written when monies are received instead of when billed.
- E. Retain all voided receipt slips.
- F. Maintain records of the number of plat books and maps sold, given away, or used by the county, and periodically reconcile the number of plat books and maps reported on the inventory to the number of plat books and maps on hand.

## **AUDITEE'S RESPONSE**

*The Assessor indicated:*

*A-F. She has implemented or will implement all of these recommendations.*

*The County Commission indicated:*

*A. They will review the situation. The County Clerk will take over the collection of this money.*

<b>11. Prosecuting Attorney's Accounting Controls and Procedures</b>
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The Prosecuting Attorney's office collects bad check restitutions and fees. Our review of the Prosecuting Attorney's procedures revealed the following:

- A. The Prosecuting Attorney's office collects fees for processing bad checks. In 1997, the Prosecuting Attorney discontinued turning bad check fees over to the County Treasurer and currently serves as custodian of the Bad Check Fees Fund, although there is no statutory authority to allow this. Section 570.120, RSMo 1994, requires the bad check fees to be maintained by the County Treasurer.
- B. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the secretary performs all of these duties. 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 properly segregated. At a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.
- C. Bad check fees and restitutions are not deposited in a timely manner. Monies were deposited approximately ten times in 1998 and averaged approximately \$2,500. In addition, money orders are not restrictively endorsed immediately upon receipt. To adequately safeguard monies and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100 and money orders should be restrictively endorsed immediately upon receipt.
- D. Monthly bank reconciliations are not performed and a running checkbook balance is not maintained. Accurate and complete bank reconciliations are necessary to ensure that all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis. In addition, a running balance should be maintained in the checkbook to allow for proper reconciliations with the bank statements.

- E. The Prosecuting Attorney does not file a monthly report of bad check fees collected. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

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

**WE RECOMMEND** the Prosecuting Attorney:

- A. Turn over custody of the Bad Check Fees Fund to the County Treasurer, as required by state law.
- B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Deposit monies daily or when accumulated receipts exceed \$100 and restrictively endorse money orders immediately upon receipt.
- D. Maintain a checkbook balance and prepare complete and accurate bank reconciliations.
- E. File monthly reports of fees with the County Commission as required by state law.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney indicated:*

*A&E. These recommendations have been implemented.*

*B. He agrees with this recommendation, however, he does not have the staff to do this.*

*C. He will try to make deposits at least weekly.*

*D. He has obtained a new computer program and this recommendation will be implemented.*

<b>12. Madison County Council For Developmentally Disabled Accounting Controls and Procedures</b>
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- A. We noted the following concerns during our review of the Madison County Council for Developmentally Disabled (MCCDD) billings to other agencies:
  - 1. The MCCDD receives reimbursements under the Job Training Partnership Act (JTPA) from the East Missouri Action Agency (EMAA). The EMMA reimburses the MCCDD for one-half the gross wages for JTPA participants. During our

review, we noted reimbursement requests submitted to the EMAA that were incorrect. Time sheets filled out and signed by the MCCDD employee indicated she worked and was paid for less than forty hours per week; however, the MCCDD requested reimbursement as if the employee worked forty hours per week for the whole month.

The reimbursement requests for December 1997, April 1998, and May 1998 resulted in a total of \$422 being paid to the MCCDD in excess of what the time sheets supported.

2. The MCCDD participates in the Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP) through the Missouri Highway and Transportation Department (MoDOT). MoDOT reimburses the MCCDD for actual eligible operating expenses incurred for the project upon receipt of itemized report forms. The amount requested for reimbursement is calculated by totaling all the MCCDD transportation expenses and deducting transportation funding received from other sources. During our review of the itemized report forms, we noted revenues were understated and expenditures were overstated in order to receive grant funds. For the months April 1998 and December 1997, it appears that actual transportation revenues exceeded transportation expenses and the MCCDD should not have received grant funds.

In addition, the Department of Mental Health (DMH), Office of Audit Services, conducted a billing review for the period July 1, 1997 to June 30, 1998 and noted \$3,424 was overpaid from Medicaid. As similarly discussed in A.1., the DMH auditors reported a total of \$1,110 was overpaid to the MCCDD from EMAA for the period July 1, 1997 to June 30, 1998. The DMH review also noted total overbillings of \$764 to MoDOT for the MEHTAP program for the period July 1, 1997 to June 30, 1998, as similarly discussed in A.2.

Adequate supporting documentation should be maintained for all services provided and compared to billings for such services.

- B. The MCCDD is not paying overtime at time-and-a-half in accordance with their employee manual, rather, overtime is paid at straight-time. The FLSA requires that all covered employees working overtime are entitled to time and one-half in wages or in compensatory time.
- C. Summary records are not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated. While the employee time sheets indicate if hours paid were compensatory, annual, or sick leave hours, a written leave record indicating the number of hours accrued, leave time taken, and the balance of leave hours remaining is not maintained. Accurate records of leave and compensatory time are necessary to ensure

compliance with the FLSA and to ensure employees are properly compensated for their time.

- D. The MCCDD paid Christmas bonuses of \$100 each for supervisors and \$50 each for other employees under the title "unscheduled hours" in December of 1998 and 1997. These amounts totaled \$1,050 and \$850 in 1998 and 1997, respectively. Similar bonuses were also paid in previous years. The bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."
- E. The MCCDD board did not solicit or advertise for bids for some purchases. Items for which bids were not advertised or obtained include a computer system (\$9,382) and driveway construction (\$13,548).

Section 50.660, RSMo Cumulative Supp. 1998, requires advertisement of bids for all purchases of \$4,500 or more.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence that the county's established purchasing procedures as well as statutory requirements are followed.

- F. The MCCDD fixed asset records do not always include complete and accurate information. The historical cost, acquisition date, and property control number were not always identified. Additionally, fixed asset purchases are not always recorded as they occur, and the MCCDD does not reconcile general fixed asset purchases to additions to the property records. A summary schedule of changes in fixed assets should be prepared annually and reconciled to beginning and ending balances to ensure all assets are recorded.

Adequate general fixed asset records and procedures are necessary to secure better internal control over the MCCDD property and provide a basis for determining proper insurance coverage of property.

- G. The MCCDD board does not properly include all cash on hand at January 1 on their annual budgets. The 1998 budget document included only the checking account and not any savings accounts. The board was unable to provide documentation on what the 1997 beginning cash balance per the budget represented.

The MCCDD budget should include accurate financial information to ensure it is properly presented and to increase the effectiveness of the budgets as management tools.

**WE RECOMMEND** the Madison County Council for Developmentally Disabled Board:

- A. Develop and implement procedures to ensure services are adequately documented and billed correctly. In addition, the board should contact the applicable state agencies to resolve the over billings.
- B. Pay overtime in accordance with the employee manual and FLSA requirements.
- C. Require summary records be maintained of vacation, sick leave, and overtime earned, used, and accumulated.
- D. Ensure disbursements are a necessary and prudent use of public funds.
- E. Solicit 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 circumstances should be documented.
- F. Maintain complete and accurate general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. In addition, additions of fixed assets should be recorded as they occur and fixed asset purchases should be reconciled to additions to the property records.
- G. Include all cash on hand at January 1 on their annual budget.

**AUDITEE'S RESPONSE**

- A. *Upon becoming aware of this issue, the MCCDD has now reimbursed East Missouri Action Agency in full. The MCCDD has also previously agreed to reimburse Medicaid and other agencies for overpayment amounts. The Board of Directors will ensure that these payments are made. In addition, the administrative staff has actively implemented a procedure of retaining in MCCDD's files, a record of supporting documentation (i.e., timesheets, transportation records) with the billing statements sent to the agencies.*
- B. *The Board of Directors will ensure that the Fair Labor Standards Act (FLSA) requirements are complied with in terms of paying overtime in wages or compensatory time. To the extent any employees qualify under the FLSA as an employee providing "companionship services," overtime will not be paid. The administrative staff has received a book from the Department of Labor providing rules and regulations pertaining to companionship services and the payment of overtime. We will implement procedures consistent with the FLSA*

*requirements. Employees, such as administrative staff, who do not provide “companion services” as defined by the FLSA, will receive overtime compensation based on one and a half times compensatory time.*

- C. We agree with this recommendation and have devised a form to utilize in tracking such time.*
- D. We agree with this recommendation and will take necessary steps to follow the recommendation. For example, the MCCDD now retains a detailed transaction report documenting the disbursement. The Board will continue to monitor future disbursements.*
- E. We agree with this recommendation and will ensure that records are maintained on bids provided for purchases of \$4,500 or more.*
- F. We agree with this recommendation and have implemented procedures to improve our record-keeping in this regard. For example, we have compiled a detailed list of all fixed assets, which include a photograph of the asset, written description of the asset, and the serial number of the asset. A record is also kept of all new purchases of fixed assets. Copies of these records are retained both in the Board’s safety deposit box and in the office.*
- G. We agree with this recommendation and will follow it.*

This report is intended for the information of the management of Madison County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## Follow-Up on Prior Audit Findings

## MADISON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Madison County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 6.B. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Financial Condition

The General Revenue Fund was experiencing a declining cash balance.

#### Recommendation:

The County Commission take the necessary steps to improve the financial condition of the county.

#### Status:

Not implemented. See MAR No. 1.

### 2. Budget and Financial Statement Procedures

- A. Formal budgets were not prepared for various county funds.
- B. Actual disbursements exceeded budgeted amounts in various funds.
- C. County budget documents contained several errors and misclassifications.
- D. The financial statements published by the County Clerk did not contain all necessary information.

#### Recommendation:

The County Commission:

- A. Ensure financial information for all special revenue funds is included in the overall annual budget and that budgets are prepared for all funds.
- B. And the Health Center Board refrain from authorizing warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, the original budget should be formally amended.
- C. And the County Clerk ensure all significant receipts and disbursements are accurately and consistently reported in the county budget documents and published financial

statements. Separate budgets should be prepared when necessary. In addition, the County Clerk should properly prepare the cash reconciliation portion of the budget document.

- D. Ensure the county's published financial statements are accurate and complete.

Status:

A,B,  
&D. Not implemented. See MAR No. 2.

C. Partially implemented. See MAR No. 2.

3. County Expenditures

A. The county did not prepare IRS Form 1099-MISC informational returns.

B.1. Adequate supporting documentation was not available for certain expenses claimed for reimbursements of travel expenses.

- 2. Several instances were noted where evidence of receipt of goods was not documented on supporting invoices. In addition, instances were noted where individual receipts accompanying the monthly invoice for fuel were not always signed by the purchasing employee or the identity of the vehicle fueled was not recorded.

Recommendation:

The County Commission:

A. Prepare IRS Forms 1099-MISC when required.

B.1. Require adequate supporting documentation for all reimbursements.

- 2. Ensure all invoices contain an indication of receipt of goods or services and fuel receipts contain the signature of the employee and indication of the vehicle fueled.

Status:

A. Partially implemented. The county prepared IRS Form 1099-MISC informational returns for several applicable individuals; however, we noted an individual that did not receive one. See MAR No. 3.

B.1. Partially implemented. We noted a few instances where adequate supporting documentation was not available for reimbursements of travel expenses. Although not repeated in the current report, our recommendation remains as stated above.

- 2. Not implemented. See MAR No. 3.

4. Construction of New Jail Facility

- A. Preliminary design proposals for the jail were not documented.
- B. Reasons for an increase in the contract price from the original estimated price were not documented. The guaranteed maximum price exceeded the original estimated total cost by \$214,159.

Recommendation:

The County Commission:

- A. Properly solicit and document proposals for professional services.
- B. Refrain from making changes that substantially add to new projects. Substantial changes should be rebid and all changes should be adequately documented.

Status:

- A. The county has not entered into any professional services agreements.
- B. The county has not had any new projects.

5. Property Tax System and Computer Controls

- A. A change report, which reflects changes to tax records, was not generated.
- B. The county did not have a formal contingency plan for the computer system.
- C. The county did not have all program documentation prepared by the contract computer programmer.
- D. Passwords used by the Assessor's office and the Collector's office were not changed on a periodic basis. In addition, passwords were assigned to each workstation instead of to individual users.
- E. The County Clerk did not maintain a complete account book with the County Collector.

Recommendation:

- A. The County Commission consider generating periodic change reports. In addition, the County Commission should ensure that the change reports are received by the proper personnel and all changes are promptly reviewed and any unusual items are investigated.
- B. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.
- C. The County Commission obtain an agreement with the county's computer programmer which specifies the county's rights regarding program documentation.

- D. The County Commission ensure employee passwords are assigned to individual employees and periodically changed.
- E. The County Clerk maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

Status:

A,B,  
&E. Not implemented. See MAR No. 7.

C. Implemented.

D. Partially implemented. Passwords are periodically changed, however, passwords are assigned to each workstation instead of to the individual users. Although not repeated in the current report, our recommendation remains as stated above.

6. Federal Financial Assistance

A. The county did not have a drug-free workplace policy or awareness programs sufficient to comply with the requirements of the Drug-Free Workplace Act.

Recommendation:

The County Commission establish a written drug-free workplace policy and applicable drug-free awareness programs to ensure compliance with the Drug-Free Workplace Act. The Drug-Free Workplace policy and programs should be adequately communicated to all county employees who perform functions associated with federal funds.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

7. Personnel and Payroll Policies and Procedures

A. Time sheets were not prepared by salaried employees.

B. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

C.1. Several employees from various offices with access to money were not covered by an employee bond.

2. The bond given by the County Treasurer as custodian of school funds was less than the amount required by state law.

3. When the Assessor took office in October 1995, a bond was not obtained and filed as required by Section 53.040, RSMo 1994.
- D. The County Treasurer's salary was incorrectly calculated.
- E. Instances were noted in which sheriff's deputies worked additional hours for which the payments were not subjected to payroll withholdings, were not reported on the W-2 forms, and were not reported as overtime.

Recommendation:

The County Commission:

- A. 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.
- B. Require records be maintained by the County Clerk's office of vacation, sick leave, and overtime earned, used, and accumulated.
- C.1. Consider obtaining adequate bond coverage for all employees with access to monies.
  2. And the County Treasurer take the necessary actions to bring the County Treasurer's bond as custodian of school funds into compliance with Section 54.160, RSMo 1994.
  3. Require the County Assessor to obtain a bond as required by state law.
- D. Review the Treasurer's salary for the years ended December 31, 1996 and 1995 and make any necessary adjustments.
- E. Along with the County Clerk and Sheriff ensure all hours worked are properly reported to the county and all salary payments are subject to payroll withholdings and any overtime requirements, and are reported on W-2 forms.

Status:

A.C.2,  
&3. Implemented.

B&

C.1. Not implemented. See MAR No. 4.

D. Implemented. The County Treasurer was paid the \$382 owed in 1997.

E. Not implemented. See MAR No. 4.

8. General Fixed Asset Records and Procedures

- A. Fixed assets purchases were not recorded in the general fixed asset records on a timely basis.
- B.1. Vehicle logs which document how county vehicles were used were not maintained.
  - 2. Fuel and oil usage was not reconciled to fuel and oil purchased.

Recommendation:

- A. The County Clerk establish procedures to ensure fixed asset purchases are properly recorded on the general fixed asset records on a timely basis. Procedures could include spot checking or otherwise verifying inventory information provided by the various offices and periodically reconciling general fixed asset purchases to the general fixed asset additions.
- B.1. The County Commission require vehicle logs be maintained for all county vehicles. In addition, they should review these logs to monitor the usage of county owned vehicles.
  - 2. The County Commission reconcile fuel and oil usage to fuel and oil purchased and investigate the significant difference.

Status:

- A. Implemented.
- B.1. Partially implemented. The Sheriff and his deputies maintain vehicle logs which document how the vehicles are used, however, the road and bridge department does not maintain vehicle logs. See MAR No. 9.
- B.2. Not implemented. See MAR No. 9.

9. Assessment Fund

The County Collector did not adjust the amounts withheld from school tax collections to fund assessment maintenance due to Proposition C. Estimated revenue not withheld from school tax collections for the months of December totaled \$2,100. An additional \$22,900 was also noted in our prior audit.

Recommendation:

The County Collector adjust the amounts withheld from school tax collections to take into consideration the effects of Proposition C and withhold the appropriate portion for assessment purposes as provided by statute.

Status:

Not implemented. See MAR No. 6.

10. County Collector's Controls and Procedures

- A. The County Collector did not perform adequate reconciliations of his records. The Collector's account had \$5,114 of unidentified funds at February 28, 1997.
- B.1. The County Collector did not deposit merchant licenses and duplicate tax receipts daily. In addition, no documentation was retained to indicate the number of duplicate tax receipts issued.
  - 2. The County Collector's change fund was not maintained on an imprest basis.
  - 3. The County Collector did not deposit all cash received for tax collections. Overpayments and partial payments were held in the vault.
- C. The County Collector did not adequately keep records of and follow up on overpayments and partial payments maintained in his bank account and in his vault.
- D. A review of commissions withheld by the County Collector and paid to General Revenue disclosed various errors. The County Collector did not withhold commissions for Proposition C.
- E. The County Collector did not distribute interest earned on bank deposits properly.
- F. The County Collector's annual settlements did not include all activity of his office. The collections and related distributions for late assessment fees and tax sale surplus were not included on the annual settlements.

Recommendation:

The County Collector:

- A. Perform monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.
- B.1. Deposit all monies received intact on a daily basis. In addition, the County Collector should maintain a record of all duplicate tax receipts issued and reconcile this record to collections.
  - 2. Maintain the change fund on an imprest basis and deposit all receipts intact.
  - 3. Deposit all monies received including partial payments and overpayments.
- C. Maintain adequate records of and follow up on overpayments and partial payments.
- D. The County Collector recalculate commissions for the audit period and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with the statutes.



- E. Allocate interest based on tax collections and in accordance with state statutes and Attorney General's Opinions.
- F. File complete and accurate annual settlements.

Status:

A-F. Not implemented. See MAR No. 8.

11. Public Administrator

- A. The Associate Circuit Division had not established adequate monitoring procedures to ensure settlements were filed timely.
- B. The Public Administrator did not have a written agreement for trailer rent payments to his brother, nor was documentation of the details of this transaction maintained in the case file.
- C. Supporting documentation for canceled checks was not filed with the Public Administrator's annual settlements.
- D. The Public Administrator did not submit adequate documentation for the time on which he based his fee.

Recommendation:

The Associate Circuit Division Judge:

- A. Establish procedures to adequately monitor the timely filing of annual settlements.
- B. Require the Public Administrator enter into written agreements for all services obtained for the wards. In addition, all potential conflicts of interest should be clearly documented and discussed with the Associate Circuit Division Judge prior to entering into such agreements.
- C. Require adequate documentation to be filed or made available to support all settlement transactions. Any requests for documentation should be documented.
- D. Require the Public Administrator develop written guidelines that define amounts on which fees are to be paid. These guidelines should be approved by the Associate Circuit Judge. Written documentation of fee calculations should be prepared for the court's review and approval.

Status:

A&D. Implemented.

- B. We did not note any involvement in providing services for the wards by the current Public Administrator.

- C. Implemented. Invoices supporting disbursements are not normally filed with annual settlements; however, they are available for the Associate Circuit Judge upon request.

12. Prosecuting Attorney's Accounting Controls and Procedures

- A.1. Bad check fees and restitutions were not deposited in a timely manner.
  - 2. Money orders were not restrictively endorsed immediately upon receipt.
  - 3. Monthly bank reconciliations were not performed for the bad check account.
- B. The Prosecuting Attorney maintained a payroll bank account that was discontinued in 1993 but had a \$1,870 unidentified balance at December 31, 1996.

Recommendations:

The Prosecuting Attorney:

- A.1. Deposit monies daily or when accumulated receipts exceed \$100.
  - 2. Restrictively endorse money orders immediately upon receipt.
  - 3. Prepare monthly bank reconciliations.
- B. Pay the \$1,870 remaining in the payroll account to the county General Revenue Fund.

Status:

- A. Not implemented. See MAR No. 11.
- B. Implemented.

13. Banking Procedures

At December 31, 1996, the County Treasurer maintained nineteen interest bearing checking accounts, and one passbook savings account.

Recommendation:

The County Treasurer reduce the number of bank accounts maintained by the county.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

14. Sheriff's Controls and Procedures

- A. The Sheriff's office did not maintain records to account for traffic tickets issued or assigned. Furthermore, no record was maintained indicating the ultimate disposition of all traffic tickets issued.
- B. Accounting duties were not adequately segregated.

Recommendation:

The Sheriff:

- A. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.
- B. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits and the bank reconciliations.

Status:

A&B. Implemented.

15. Circuit Clerk's Controls and Procedures

The monthly listing of open items prepared for the fee account included cases back to 1980.

Recommendation:

The Circuit Clerk review the older cases with the Circuit Judge and determine the appropriate disposition of inactive cases.

Status:

Implemented.

16. Associate Bonds

The open-items listing included some bonds that date back to 1992.

Recommendation:

The Associate Circuit Division Judge establish procedures to follow up and properly dispose of open items in a timely manner, including forfeiting bonds to the county schools fund and turning over unclaimed bonds to the state's Unclaimed Property Section, as applicable.

Status:

Implemented.

17. Ex Officio Recorder of Deeds' Controls and Procedures

The fee book did not always indicate the correct method of payment received.

Recommendation:

The Ex Officio Recorder of Deeds indicate the correct method of payment on the fee book, and reconcile the composition of receipts per the fee book to the composition of monies deposited.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

MADISON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1818, the county of Madison was named after President James Madison. Madison County is a county-organized, third-class county and is part of the Twenty-fourth Judicial Circuit. The county seat is Fredericktown.

Madison 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 county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Madison County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 243,604	13	322,389	21
Sales taxes	321,366	17	335,550	22
Federal and state aid	676,897	36	475,943	31
Fees, interest, and other	648,077	34	411,398	26
Total	\$ 1,889,944	100	1,545,280	100

The following chart shows how Madison County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

USE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 619,108	34	558,911	36
Public safety	502,688	27	441,910	29
Highways and roads	730,821	39	550,292	35
Total	\$ 1,852,617	100	1,551,113	100

The county received \$462,596 and \$445,038 for the Capital Improvement Fund for the years ended December 31, 1998 and 1997, respectively, to be used for construction of a new jail facility.

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The county maintains approximately 47 county bridges and 272 miles of county roads.

The county's population was 9,366 in 1970 and 11,127 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		1998	1997	1985*	1980**	1970**
		(in millions)				
Real estate	\$	41.9	41.4	31.9	14.8	9.6
Personal property		17.1	16.2	8.1	4.7	3.0
Railroad and utilities		10.5	10.6	10.4	10.6	5.8
Total	\$	69.5	68.2	50.4	30.1	18.4

\* First year of statewide reassessment.

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

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

		Year Ended December 31,	
		1998	1997
General Revenue Fund	\$	.18	.08
Special Road and Bridge Fund*		.27	.27
Health Center Fund		.10	.09
Madison County Council for the Developmentally Disabled Board Fund		.18	.16

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

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

		Year Ended February 28,	
		1999	1998
State of Missouri	\$	22,228	21,296
General Revenue		146,286	83,911
Special Road and Bridge		203,028	194,455
Assessment		34,638	30,240
Health Center		73,472	64,940
Madison County Council for the Developmentally Disabled Board		132,656	115,406
School districts		2,141,747	2,026,019
Library district		73,472	64,938
Hospital		133,030	115,868
Colleges		318,348	303,714
Cities		40,801	40,679



County Clerk	639	1,346
County Employees' Retirement	20,018	21,445
Commissions and fees:		
General Revenue Fund	43,828	47,595
Total	\$ <u>3,384,191</u>	<u>3,131,852</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	91.8 %	89.5 %
Personal property	87.2	86.8
Railroad and utilities	100.0	100.0

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

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ .0050	None	50
Capital improvements	.0050	1999	None

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

Officeholder	1999	1998	1997
County-Paid Officials:			
Bob Mooney, Presiding Commissioner	\$	14,450	14,450
Don Myers, Associate Commissioner		14,450	14,450
Terry Hovis, Associate Commissioner		14,450	14,450
Joan Whitener, County Clerk		24,225	24,225
Dwight Robbins, Prosecuting Attorney		28,050	28,050
David Lewis, Sheriff		28,900	28,900
Kay Rehkop, County Treasurer *		15,980	16,362
Charles C. Follis, County Coroner		5,100	5,100
Ken Pate, Public Administrator **		5,899	5,374
Danny Thompson, County Collector**, year ended February 28,	23,588	23,588	
Gracie Thomas, County Assessor***, year ended August 31, 1998		29,800	0
Gary Barnes, County Assessor ***, year ended August 31, 1997		0	25,300
Douglas McFarland, County Surveyor ****		0	0

\* 1997 includes \$382 in payments related to prior years' salary underpayments.

\*\* Includes fees received from probate cases.

\*\*\* Includes \$900 annual compensation received from the state.

\*\*\*\* Compensation on a fee basis.

State-Paid Officials:

Kay Bradford, Circuit Clerk and Ex Officio Recorder of Deeds	42,183	40,176
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Daniel Stillwell, Associate Circuit Judge	24,959	0
Don U. Elrod, Associate Circuit Judge	54,673	81,792

A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	0	2
County Clerk	2 *	0
Prosecuting Attorney	1	0
Sheriff	20 **	0
County Collector	3	0
County Assessor	3	0
Associate Division	0	2
Road and Bridge	8	0
Health Center	9 ***	0
Madison County Council for Developmentally Disabled	20 ****	0
Total	<u>66</u>	<u>4</u>

\* Includes one part-time employee.

\*\* Includes three part-time employees.

\*\*\* Includes two part-time employees.

\*\*\*\* Includes five part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Madison County's share of the Twenty-fourth Judicial Circuit's expenses is 11.54 percent.