



**SHANNON COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2001**

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

**Report No. 2003-31
April 4, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2003

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Shannon, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide 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 it 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.

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

- Problems with county financial records and procedures have been noted in past audit reports; however, little or no improvement has been made. The accounting records prepared by the County Clerk and County Treasurer for the years ended December 31, 2001, and 2000 did not reconcile. Additionally, the County Clerk and the County Commission did not maintain supporting documentation for various county expenditures, and did not maintain lease agreements and records documenting payments made and balances due on lease agreements.
- Numerous inaccuracies and deficiencies were noted in the information presented in the county's budget documents for 2001 and 2000. Such inaccurate financial information did not provide the County Commission with sufficient information to make informed decisions for the county and did not provide the citizens of Shannon County with reliable information about the county's finances.
- As similarly noted in prior audit reports, the financial condition of the county's General Revenue Fund remains weak. Also, the county has not taken into consideration the additional liabilities of the General Revenue Fund resulting from errors made in past and current audits. The county's current General Revenue Fund balance is not sufficient to pay back these amounts owed. In addition to the General Revenue Fund, the County Commission approved expenditures in excess of available monies which resulted in deficit fund balances at December 31, 2001 and 2000 for various county funds.

(over)

YELLOW SHEET

- Controls and procedures over county expenditures are in need of improvement. Bids were not always solicited or advertised by the county nor was bid documentation retained for various purchases. Invoices were not always noted as paid or otherwise canceled upon payment. The county distributed Special Road and Bridge Fund property taxes pertaining to the applicable cities in the county without a written agreement and without monitoring the cities' use of these funds. Additionally, the County Clerk failed to include three federal grants on the schedule of federal awards.
- The county paid performance awards totaling \$30,500 to various road and bridge employees during the years ending December 31, 2001 and 2000. These performance payments or bonuses appear to represent additional compensation for services previously rendered and, as such, may violate the Missouri Constitution and an Attorney General's Opinion.
- Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996, due to the fact that their terms were increased from two years to four years. Based on this statute, in 1999 Shannon County's associate county commissioners salaries were each increased approximately \$8,110 yearly, according to information provided by the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that all raises given pursuant to this statute section are unconstitutional. Based on that decision, the raises given to each of the associate county commissioners, totaling \$16,220, should be repaid.

- The Sheriff maintained an account outside the county treasury for various accountable fees which were used to purchase a vehicle and to pay monthly access fees for a law enforcement system. Sheriff fees are not remitted to the County Treasurer on a timely basis, receipts are not deposited timely, and prenumbered receipt slips are not issued for some monies received. Adequate controls over seized property have not been established. Neither the Sheriff nor the County Treasurer routinely compares prisoner board billings to subsequent payments, and there are no written agreements with cities for boarding of prisoners.
- Prior audit reports have addressed the inadequacy of the county's property tax books and procedures. While the County Commission and the County Clerk previously responded that recommendations would be implemented, conditions have not improved. In addition the County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Many significant problems were noted in the control procedures used by the County Collector to account for property tax collections, including the lack of appropriate reconciliations and timely distributions. Although many of these problems were noted in several previous audits, little attempt has been made to implement these prior recommendations.

Also included in the audit are recommendations related to county expenditure and budgetary practices, published financial statements, personnel policies and procedures, salary commission meeting minutes, general fixed assets, and recycling services. The audit also suggested improvements in the procedures of the County Clerk, Circuit Clerk and Ex Officio Recorder of Deeds', Prosecuting Attorney, Associate Circuit Division, County Treasurer, Health Center, and Senior Citizen Services Board.

All reports are available on our website: www.auditor.state.mo.us

SHANNON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Shannon County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2001 and 2000, 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.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The records of receipts and disbursements maintained by the County Treasurer and County Clerk contained numerous inaccuracies. Financial records maintained by the County Treasurer and the County Clerk, as well as the county's budget documents, did not agree. In addition, the County Clerk was not able to provide adequate supporting documentation for several county expenditures.

As a result, we were unable to satisfy ourselves with respect to proper classification or value of receipts and disbursements reported in various funds.

In our opinion, except for the effects, if any, on the financial statements of the matter discussed in the preceding paragraph, 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 Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2001 and 2000, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 2, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Claire McCaskill
State Auditor

October 2, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Pamela A. Crawford, CPA
In-Charge Auditor: Joyce L. Medlock
Audit Staff: David Gregg
Ted Fugitt, CPA
Troy Royer
Randal Schenewerk
Michael Paytner



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 Shannon County, Missouri

We have audited the special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated October 2, 2002. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Shannon County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as finding numbers 01-1, and 01-2. We also 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 Shannon County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as finding numbers 01-1, 01-2, and 01-3.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 01-1, 01-2, and 01-3 to be material weaknesses. We also 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 Shannon County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

October 2, 2002 (fieldwork completion date)

Financial Statements

Exhibit A-1

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 43,247	741,821	823,706	(38,638)
Special Road and Bridge	968,748	861,670	819,033	1,011,385
Assessment	10	79,889	79,768	131
Law Enforcement Training	1,200	2,623	7,270	(3,447)
Prosecuting Attorney Training	516	634	1,360	(210)
Shelter for Abused Victims	1,320	830	1,200	950
Prosecuting Attorney Sales Tax Collections	1,383	2,827	3,600	610
Sheriff Civil Fee	995	0	626	369
Recycling	(127)	5,125	7,626	(2,628)
Federal Forfeiture	1,460	0	1,460	0
Local Emergency Planning Commission	5,016	2,285	838	6,463
Sheriff Building	1,080	1,000	350	1,730
Special Law Enforcement	120	0	0	120
Health Center	504,893	1,010,699	909,903	605,689
Ex Officio Recorder of Deeds User Fees	4,201	3,390	1,475	6,116
Circuit Clerk Interest	3,038	740	0	3,778
Associate Circuit Division Interest	1,846	434	0	2,280
Senate Bill 40 Board	42,709	57,474	51,970	48,213
Law Library	2,263	3,280	3,366	2,177
Senior Citizens Board	0	24,622	22,742	1,880
Election	623	15,261	14,188	1,696
Total	\$ 1,584,541	2,814,604	2,750,481	1,648,664

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

Exhibit A-2

SHANNON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 13,718	838,993	809,464	43,247
Special Road and Bridge	937,317	788,907	757,476	968,748
Assessment	(669)	77,884	77,205	10
Law Enforcement Training	4,951	4,532	8,283	1,200
Prosecuting Attorney Training	892	764	1,140	516
Shelter for Abused Victims	640	680	0	1,320
Prosecuting Attorney Sales Tax Collections	1,480	2,573	2,670	1,383
Sheriff Civil Fee	3,685	1,600	4,290	995
Recycling	262	840	1,229	(127)
Federal Forfeiture	1,946	4,532	5,018	1,460
Local Emergency Planning Commission	3,704	1,636	324	5,016
Sheriff Building	1,000	80	0	1,080
Special Law Enforcement	2,456	1,096	3,432	120
Health Center	426,882	894,925	816,914	504,893
Ex Officio Recorder of Deeds User Fees	3,784	3,526	3,109	4,201
Circuit Clerk Interest	2,377	661	0	3,038
Associate Circuit Division Interest	1,196	835	185	1,846
Senate Bill 40 Board	31,635	52,002	40,928	42,709
Law Library	1,454	3,705	2,896	2,263
Election	0	30,111	29,488	623
Total	\$ 1,438,710	2,709,882	2,564,051	1,584,541

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

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 2,598,100	2,771,441	173,341	2,358,197	2,622,888	264,691
DISBURSEMENTS	2,713,114	2,710,185	2,929	2,393,274	2,487,307	(94,033)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(115,014)	61,256	176,270	(35,077)	135,581	170,658
CASH, JANUARY 1	827,857	1,581,655	753,798	769,266	1,402,165	632,899
CASH, DECEMBER 31	712,843	1,642,911	930,068	734,189	1,537,746	803,557
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	153,500	65,353	(88,147)	131,000	148,351	17,351
Sales taxes	190,000	207,617	17,617	190,000	195,095	5,095
Intergovernmental	175,200	184,017	8,817	180,900	160,629	(20,271)
Charges for services	140,600	147,137	6,537	138,300	151,483	13,183
Interest	3,000	3,734	734	7,500	5,869	(1,631)
Other	1,025	7,563	6,538	4,800	49,696	44,896
Transfers in	26,400	126,400	100,000	26,400	127,870	101,470
Total Receipts	689,725	741,821	52,096	678,900	838,993	160,093
DISBURSEMENTS						
County Commission	63,530	62,136	1,394	61,619	63,690	(2,071)
County Clerk	45,425	44,280	1,145	44,128	45,191	(1,063)
Elections	4,100	4,195	(95)	24,400	21,341	3,059
Buildings and grounds	38,500	45,770	(7,270)	43,102	44,990	(1,888)
Employee fringe benefits	111,000	128,894	(17,894)	77,220	103,353	(26,133)
County Treasurer	21,990	21,915	75	21,890	21,832	58
County Collector	51,690	52,910	(1,220)	50,738	52,044	(1,306)
Ex Officio Recorder of Deeds	12,428	12,130	298	12,332	12,295	37
Circuit Clerk	10,000	5,205	4,795	14,625	7,949	6,676
Associate Circuit Court	9,600	7,611	1,989	7,825	7,364	461
Court administration	1,110	554	556	1,155	553	602
Public Administrator	16,700	16,240	460	11,132	12,174	(1,042)
Sheriff	133,800	200,796	(66,996)	129,265	194,160	(64,895)
Jail	24,975	45,422	(20,447)	24,600	54,716	(30,116)
Prosecuting Attorney	57,450	56,996	454	54,602	57,419	(2,817)
Juvenile Officer	36,790	32,921	3,869	34,624	30,882	3,742
County Coroner	10,975	9,172	1,803	7,553	7,946	(393)
Public Defender	1,362	2,028	(666)	1,038	1,882	(844)
Court Reporter	465	399	66	430	294	136
Other	44,900	49,616	(4,716)	37,850	53,214	(15,364)
Transfers out	16,000	10,000	6,000	18,000	16,175	1,825
Emergency Fund	15,000	0	15,000	15,000	0	15,000
Unidentified amount	0	14,516	(14,516)	0	0	0
Total Disbursements	727,790	823,706	(95,916)	693,128	809,464	(116,336)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(38,065)	(81,885)	(43,820)	(14,228)	29,529	43,757
CASH, JANUARY 1	43,164	43,247	83	21,755	13,718	(8,037)
CASH, DECEMBER 31	5,099	(38,638)	(43,737)	7,527	43,247	35,720

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	126,700	128,653	1,953	99,300	126,409	27,109
Intergovernmental	646,300	639,594	(6,706)	626,600	644,620	18,020
Interest	14,000	54,928	40,928	9,000	17,176	8,176
Other	0	14,148	14,148	0	702	702
Unidentified amount	0	24,347	24,347	0	0	0
Total Receipts	787,000	861,670	74,670	734,900	788,907	54,007
DISBURSEMENTS						
Salaries	272,902	254,444	18,458	245,000	237,514	7,486
Employee fringe benefits	77,069	69,613	7,456	68,000	67,024	976
Supplies	127,600	135,190	(7,590)	122,500	126,182	(3,682)
Insurance	17,686	40,257	(22,571)	17,110	17,649	(539)
Equipment repairs	0	3,491	(3,491)	0	18,761	(18,761)
Equipment purchases	64,649	49,631	15,018	80,600	56,341	24,259
Construction, repair, and maintenance	123,500	103,510	19,990	56,690	82,515	(25,825)
Distributions to cities	30,000	29,023	977	30,000	0	30,000
Other	16,594	11,074	5,520	10,100	16,725	(6,625)
Transfers out	22,800	122,800	(100,000)	22,800	122,800	(100,000)
Emergency Fund	100,000	0	100,000	100,000	0	100,000
Unidentified amount	0	0	0	0	11,965	(11,965)
Total Disbursements	852,800	819,033	33,767	752,800	757,476	(4,676)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(65,800)	42,637	108,437	(17,900)	31,431	49,331
CASH, JANUARY 1	205,665	968,748	763,083	295,295	937,317	642,022
CASH, DECEMBER 31	139,865	1,011,385	871,520	277,395	968,748	691,353
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	60,200	69,889	9,689	55,697	61,709	6,012
Transfers in	16,000	10,000	(6,000)	18,000	16,175	(1,825)
Total Receipts	76,200	79,889	3,689	73,697	77,884	4,187
DISBURSEMENTS						
Assessor	74,838	79,768	(4,930)	73,394	77,205	(3,811)
Total Disbursements	74,838	79,768	(4,930)	73,394	77,205	(3,811)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,362	121	(1,241)	303	679	376
CASH, JANUARY 1	10	10	0	15	(669)	(684)
CASH, DECEMBER 31	1,372	131	(1,241)	318	10	(308)

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,400	1,358	(42)	0	1,371	1,371
Charges for services	3,200	1,265	(1,935)	6,000	3,161	(2,839)
Total Receipts	4,600	2,623	(1,977)	6,000	4,532	(1,468)
DISBURSEMENTS						
Sheriff	5,600	7,270	(1,670)	8,500	8,283	217
Total Disbursements	5,600	7,270	(1,670)	8,500	8,283	217
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	(4,647)	(3,647)	(2,500)	(3,751)	(1,251)
CASH, JANUARY 1	1,200	1,200	0	4,951	4,951	0
CASH, DECEMBER 31	200	(3,447)	(3,647)	2,451	1,200	(1,251)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	725	634	(91)	500	764	264
Total Receipts	725	634	(91)	500	764	264
DISBURSEMENTS						
Prosecuting Attorney	1,000	1,360	(360)	1,200	1,140	60
Total Disbursements	1,000	1,360	(360)	1,200	1,140	60
RECEIPTS OVER (UNDER) DISBURSEMENTS	(275)	(726)	(451)	(700)	(376)	324
CASH, JANUARY 1	516	516	0	892	892	0
CASH, DECEMBER 31	241	(210)	(451)	192	516	324
<u>SHELTER FOR ABUSED VICTIMS FUND</u>						
RECEIPTS						
Charges for services	600	830	230	600	680	80
Total Receipts	600	830	230	600	680	80
DISBURSEMENTS						
Domestic violence shelter	800	1,200	(400)	800	0	800
Total Disbursements	800	1,200	(400)	800	0	800
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	(370)	(170)	(200)	680	880
CASH, JANUARY 1	1,300	1,320	20	640	640	0
CASH, DECEMBER 31	1,100	950	(150)	440	1,320	880
<u>PROSECUTING ATTORNEY SALES TAX COLLECTIONS FUND</u>						
RECEIPTS						
Charges for services	2,500	2,827	327	1,500	2,573	1,073
Total Receipts	2,500	2,827	327	1,500	2,573	1,073
DISBURSEMENTS						
Transfers out	3,600	3,600	0	2,400	2,670	(270)
Total Disbursements	3,600	3,600	0	2,400	2,670	(270)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,100)	(773)	327	(900)	(97)	803
CASH, JANUARY 1	1,383	1,383	0	1,480	1,480	0
CASH, DECEMBER 31	283	610	327	580	1,383	803

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF CIVIL FEE FUND</u>						
RECEIPTS						
Charges for services	5,000	0	(5,000)	1,500	1,600	100
Total Receipts	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>	<u>1,500</u>	<u>1,600</u>	<u>100</u>
DISBURSEMENTS						
Sheriff	5,000	626	4,374	3,500	4,290	(790)
Total Disbursements	<u>5,000</u>	<u>626</u>	<u>4,374</u>	<u>3,500</u>	<u>4,290</u>	<u>(790)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(626)	(626)	(2,000)	(2,690)	(690)
CASH, JANUARY 1	509	995	486	3,685	3,685	0
CASH, DECEMBER 31	<u>509</u>	<u>369</u>	<u>(140)</u>	<u>1,685</u>	<u>995</u>	<u>(690)</u>
<u>RECYCLING FUND</u>						
RECEIPTS						
Intergovernmental	0	4,236	4,236	0	53	53
Charges for services	950	889	(61)	1,200	787	(413)
Total Receipts	<u>950</u>	<u>5,125</u>	<u>4,175</u>	<u>1,200</u>	<u>840</u>	<u>(360)</u>
DISBURSEMENTS						
Salaries	0	5,873	(5,873)	0	0	0
Operating expenses	800	1,753	(953)	1,200	1,229	(29)
Total Disbursements	<u>800</u>	<u>7,626</u>	<u>(6,826)</u>	<u>1,200</u>	<u>1,229</u>	<u>(29)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	(2,501)	(2,651)	0	(389)	(389)
CASH, JANUARY 1	(127)	(127)	0	262	262	0
CASH, DECEMBER 31	<u>23</u>	<u>(2,628)</u>	<u>(2,651)</u>	<u>262</u>	<u>(127)</u>	<u>(389)</u>
<u>FEDERAL FORFEITURE FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	4,532	4,532
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,532</u>	<u>4,532</u>
DISBURSEMENTS						
Sheriff	1,900	1,460	440	1,900	5,018	(3,118)
Total Disbursements	<u>1,900</u>	<u>1,460</u>	<u>440</u>	<u>1,900</u>	<u>5,018</u>	<u>(3,118)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(1,460)	440	(1,900)	(486)	1,414
CASH, JANUARY 1	1,946	1,460	(486)	1,946	1,946	0
CASH, DECEMBER 31	<u>46</u>	<u>0</u>	<u>(46)</u>	<u>46</u>	<u>1,460</u>	<u>1,414</u>

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	1,500	2,285	785	2,000	1,636	(364)
Total Receipts	1,500	2,285	785	2,000	1,636	(364)
DISBURSEMENTS						
Equipment	1,600	838	762	2,000	324	1,676
Total Disbursements	1,600	838	762	2,000	324	1,676
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	1,447	1,547	0	1,312	1,312
CASH, JANUARY 1	5,016	5,016	0	3,704	3,704	0
CASH, DECEMBER 31	4,916	6,463	1,547	3,704	5,016	1,312
<u>SHERIFF BUILDING FUND</u>						
RECEIPTS						
Other	1,000	1,000	0			
Total Receipts	1,000	1,000	0			
DISBURSEMENTS						
Supplies	0	350	(350)			
Total Disbursements	0	350	(350)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	650	(350)			
CASH, JANUARY 1	1,160	1,080	(80)			
CASH, DECEMBER 31	2,160	1,730	(430)			
<u>SPECIAL LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for services	0	0	0			
Total Receipts	0	0	0			
DISBURSEMENTS						
Prosecuting Attorney	300	0	300			
Total Disbursements	300	0	300			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	0	300			
CASH, JANUARY 1	420	120	(300)			
CASH, DECEMBER 31	120	120	0			

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	52,000	54,429	2,429	50,000	49,895	(105)
Intergovernmental	883,800	925,668	41,868	777,000	814,591	37,591
Charges for services	6,100	2,513	(3,587)	4,100	5,209	1,109
Interest	28,000	26,327	(1,673)	21,000	24,225	3,225
Other	1,200	1,762	562	300	1,005	705
Total Receipts	971,100	1,010,699	39,599	852,400	894,925	42,525
DISBURSEMENTS						
Salaries	756,386	715,309	41,077	649,252	629,927	19,325
Office equipment	65,000	84,009	(19,009)	60,800	54,338	6,462
Equipment	31,000	23,019	7,981	34,000	25,885	8,115
Mileage and training	20,900	22,365	(1,465)	21,000	20,071	929
Contract services	43,000	31,348	11,652	50,000	39,912	10,088
Other	46,300	33,853	12,447	28,400	46,781	(18,381)
Total Disbursements	962,586	909,903	52,683	843,452	816,914	26,538
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,514	100,796	(13,084)	8,948	78,011	15,987
CASH, JANUARY 1	513,593	504,893	(8,700)	426,882	426,882	0
CASH, DECEMBER 31	522,107	605,689	83,582	435,830	504,893	69,063
EX OFFICIO RECORDER OF DEEDS USER FEES FUND						
RECEIPTS						
Charges for services	3,500	3,390	(110)	3,000	3,526	526
Total Receipts	3,500	3,390	(110)	3,000	3,526	526
DISBURSEMENTS						
Ex Officio Recorder of Deeds	4,500	1,475	3,025	4,500	3,109	1,391
Total Disbursements	4,500	1,475	3,025	4,500	3,109	1,391
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	1,915	2,915	(1,500)	417	1,917
CASH, JANUARY 1	4,520	4,201	(319)	4,103	3,784	(319)
CASH, DECEMBER 31	3,520	6,116	2,596	2,603	4,201	1,598
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	600	740	140	800	661	(139)
Total Receipts	600	740	140	800	661	(139)
DISBURSEMENTS						
Circuit Clerk	3,500	0	3,500	2,500	0	2,500
Total Disbursements	3,500	0	3,500	2,500	0	2,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	740	3,640	(1,700)	661	2,361
CASH, JANUARY 1	3,174	3,038	(136)	2,513	2,377	(136)
CASH, DECEMBER 31	274	3,778	3,504	813	3,038	2,225

Exhibit B

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

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	600	434	(166)	1,200	835	(365)
Total Receipts	600	434	(166)	1,200	835	(365)
DISBURSEMENTS						
Circuit Clerk	1,500	0	1,500	2,000	185	1,815
Total Disbursements	1,500	0	1,500	2,000	185	1,815
RECEIPTS OVER (UNDER) DISBURSEMENTS	(900)	434	1,334	(800)	650	1,450
CASH, JANUARY 1	1,699	1,846	147	1,143	1,196	53
CASH, DECEMBER 31	799	2,280	1,481	343	1,846	1,503
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Charges for services	51,000	55,465	4,465			
Interest	1,500	2,009	509			
Total Receipts	52,500	57,474	4,974			
DISBURSEMENTS						
Construction	28,700	17,270	11,430			
Contract services	36,300	34,700	1,600			
Total Disbursements	65,000	51,970	13,030			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,500)	5,504	18,004			
CASH, JANUARY 1	42,709	42,709	0			
CASH, DECEMBER 31	30,209	48,213	18,004			

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

Notes to the Financial Statements

SHANNON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senior Citizens Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, 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>
Sheriff Building	2000
Special Law Enforcement	2000
Senate Bill 40 Board	2000
Election	2001 and 2000
Law Library	2001 and 2000
Senior Citizens Board	2001

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

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2001 and 2000
Special Road and Bridge	2000
Assessment	2001 and 2000
Law Enforcement Training	2001
Prosecuting Attorney Training	2001
Shelter For Abused Victims	2001
Prosecuting Attorney Sales Tax	
Collections	2000
Sheriff Civil Fee	2000
Recycling	2001 and 2000
Federal Forfeiture	2000
Sheriff Building	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, 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	2001
Senate Bill 40 Board	2001
Senior Citizens Board	2001
Election	2001 and 2000
Law Library	2001 and 2000

2. Cash

Section 110.270, RSMo 2000, 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 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that

order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

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, 2001 and 2000, were entirely covered by federal depository insurance, by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond.

The Health Center Board's deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance, by collateral securities held by the custodial bank in the Board's name, or by commercial insurance provided through a surety bond.

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

The Senate Bill 40 Board's deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance, by collateral securities held by the custodial bank in the Board's name, or by commercial insurance provided through a surety bond.

The Senior Citizens Board's deposits at December 31, 2001, were entirely covered by federal depository insurance, by collateral securities held by the custodial bank in the Board's name, or by commercial insurance provided through a surety bond.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Prior Period Adjustment

The General Revenue Fund cash balance at January 1, 2000, as previously stated has been decreased by \$3,704 to reflect the Local Emergency Planning Commission Fund as a separate fund.

Schedule

SHANNON COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2001 AND 2000

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

01-1. County Financial Records and Procedures

Problems with county financial records and procedures have been noted in past audit reports; however, little or no improvement has been made and similar problems still existed during the current audit. The accounting records prepared by the County Clerk and County Treasurer for the years ended December 31, 2001, and 2000 did not reconcile. Bank reconciliations were not adequately documented, and the semi-annual settlements (SAS) were not properly reviewed. Additionally, the County Clerk and the County Commission did not maintain supporting documentation for various county expenditures.

- A. The County Clerk and County Treasurer do not reconcile their accounting records. Cash balances did not reconcile as a result of differences between receipts and disbursements recorded by each official. As a result, errors on the semi-annual settlements prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected. Both officials' records were inaccurate at times and varied from actual revenues, expenditures, and cash balances per audit. Adjustments have been made to the audited financial statements to correct these errors.

The County Clerk only maintains an account book with the County Treasurer for the General Revenue Fund, the Special Road and Bridge Fund, and the Assessment Fund. The County Clerk and County Treasurer indicated they reconciled their accounting records; however, they did not maintain documentation of the reconciliations. Considering the differences between the County Clerk and County Treasurer's records noted below, it is unclear how these records could have been reconciled. Some of the larger differences noted between the County Treasurer's and County Clerk's records are as follows:

<u>Years Ending December 31,</u>	<u>Fund</u>	<u>County Treasurer's Semi- Annual Settlement</u>	<u>County Clerk's Actual Per Budget</u>	<u>Difference</u>
2001	General Revenue receipts	\$ 777,875	741,821	36,054
2001	General Revenue disbursements	859,761	809,190	50,571
2000	Special Road and Bridge receipts	788,907	885,392	(96,485)
2000	Special Road and Bridge disbursements	775,023	745,511	29,512

Section 51.150.1, RSMo 2000 requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile their accounting records.

Although the County Clerk and County Treasurer indicated in the prior audit that they had implemented reconciliation procedures and the County Clerk indicated she would begin maintaining account books for all funds in 2001, we found no evidence that any action has been taken.

B. The County Treasurer prepares a SAS, which is a report to the County Commission of the receipts, disbursements, and ending cash balances of all funds and provides a reconciliation of how the total of these ending fund cash balances agree to the bank account balances. During our review of the SAS and the related bank reconciliation, the following concerns were noted:

- The total of the ending cash balances for all funds on the SAS did not agree to the bank reconciliation portion of the SAS. In addition, the County Treasurer did not retain documentation of reconciling items included on the bank reconciliations such as adjusting items or outstanding checks. Upon our request, he prepared a listing of these reconciling items; however, it was inaccurate. Formal detailed bank reconciliations, including documentation of reconciling items, are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner. In addition, the SAS should be reconciled to bank records to ensure accounting records are accurate and complete.
- While the County Treasurer indicated copies of the SAS are submitted to the County Clerk, there was no evidence that a review was performed by the County Clerk or the County Commission. Section 54.150, RSMo 2000, provides that the County Treasurer shall settle his accounts with the County Commission semiannually.

Although the County Treasurer concurred with our recommendation in the prior audit, we found no evidence that any action has been taken. Had the County Clerk and County Treasurer made better attempts to keep and reconcile their records, the errors noted above could have been detected and corrected in a timely manner.

C. The county did not obtain adequate supporting documentation for the following county related expenditures:

<u>Item or Service</u>	<u>Amount</u>
Property and liability insurance-2001	\$24,492
Property and liability insurance-2000	17,273
Two used trucks	12,500
City road distribution	6,717
Road materials	3,940
Heating fuel	1,795
Software maintenance	1,600
Bridge construction	1,327
Lodging for Sheriff's training	568

Numerous expenditures had poor documentation. For example, the county paid \$12,500 in January 2000 to a local vendor for used trucks based on pieces of notebook paper with the purchase price and the name of the used car vendor handwritten at the top. Other expenditures also had poor documentation such as the purchase price and the vendor name handwritten on the back of a business card or a piece of notebook paper, and insurance policies were not retained.

Some expenditures were made with out supporting documentation. While several of these expenditures were recurring in nature, other non-reoccurring expenditures including the city road distribution, road materials, and bridge construction were paid by the county without any documentation to support the payment.

In addition, as noted below, the county did not maintain lease agreements and records documenting payments made and balances due on all lease agreements to ensure funds were only expended for valid expenditures and to monitor when payments were made.

- The county paid an invoice totaling \$4,050 in July 2001 for a radio dispatching system lease without researching prior lease payments or reviewing the lease agreement to determine if any amounts were due. The County Sheriff and County Clerk indicated the county had already made the final lease payment on this system in 1998; however, the county can not locate the lease agreement, cancelled checks, or other supporting documentation to support the final payment of this lease. No payments appear to have been made to this vendor in the past several years to indicate that this lease had not been paid off. The County Commission should review the county's records to determine the status of this lease and contact this vendor and seek reimbursement of this overpayment, if needed.
- The county received a letter from a vendor on May 23, 2002 indicating the county failed to make a scheduled lease payment totaling \$47,573 for two road graders. A second letter was received on June 2, 2002 indicating payment had never been received and requested the county to submit payment within five days or the company would exercise their rights under the agreement to repossess the equipment. Finally on June 6, 2002, the

county issued a check for the lease payment.

- The County Clerk also could not provide us with documentation of other various lease agreements entered into by the county.

All expenditures should be supported by paid receipts or vendor-provided invoices. In addition, the county should maintain lease agreements and records documenting payments made and balances due on all lease agreements to ensure the County Commission only expends funds for valid expenditures and monitors when lease payments are made.

- D. The County Treasurer made numerous transfers between county funds totaling \$136,400 and \$144,045 during the years ending December 31, 2001 and 2000, respectively, without documented authorization from the County Commission or other adequate supporting documentation. Some transfers were made upon the verbal order of the County Commission; however, there was no mention of such orders in the County Commission minutes. Other transfers were specifically initiated by the County Treasurer. To ensure the validity and propriety of transfers, written approval should be obtained from the County Commission before transfers are made between county funds, and when necessary, adequate supporting documentation for the transfer should be maintained.

WE RECOMMEND:

- A. The accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented and fully investigated.
- B. The County Treasurer reconcile the SAS to the bank account balances, and document detailed monthly bank reconciliations including listings of outstanding checks and adjusting items. In addition, the County Commission should review and approve the Treasurer's SAS.
- C. The County Commission ensure adequate supporting documentation is obtained to ensure all expenditures are valid and appropriate uses of county funds. In addition, maintain lease agreements and records documenting lease payments made and balances due for all leases. Further, the County should seek reimbursement from the vendor for the overpayment of \$4,050, if needed.
- D. The County Commission ensure a written order is prepared for any interfund transfers made.

AUDITEE'S RESPONSE

The County Commission, the County Treasurer, and the County Clerk provided the following responses:

- A. The Treasurer and the current County Clerk started reconciling monthly in January 2003.*
- B.1. The Treasurer started reconciling bank records to the SAS on a monthly basis in January 2003*
 - 2. The County Commission will start documenting their review immediately.*
- C. The current County Clerk implemented an organized filing system for current county invoices and lease agreements and payments in January 2003. The County Commission indicated they would take the possible \$4,050 overpayment under advisement with the Prosecuting Attorney.*
- D. This was implemented in January 2003.*

01-2.

County Budgetary Practices

The County Clerk and County Commission are responsible for preparing and approving a county budget which serves as a complete financial plan for the county. Numerous inaccuracies and deficiencies as a result of poor bookkeeping were noted in the information presented in the county's budget documents for 2001 and 2000. This inaccurate financial information did not provide the County Commission with sufficient information to make informed decisions for the county and did not provide the citizens of Shannon County with reliable information about the county's finances. These inaccuracies and deficiencies included the following:

- A.1. The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activity of the county. In numerous instances it was not clear where actual amounts presented in the county's budgets were obtained, as they did not agree with any records maintained by the County Clerk or the County Treasurer. Numerous requests were made to the County Clerk to provide reasons for these amounts; however, no documentation or explanation was provided. For example, actual revenues and expenditures were under or overstated in various budgets prepared by the County Clerk by the amounts shown in the following table:*

<u>Year Ending December 31,</u>	<u>Fund</u>	<u>Actual per budget</u>	<u>Actual per audit</u>	<u>Difference</u>
2001	General Revenue Disbursements	\$ 809,190	823,706	14,516
2000	General Revenue Receipts	835,205	838,993	3,788
2001	Special Road and Bridge Receipts	805,995	861,670	55,675
2000	Special Road and Bridge Receipts	885,392	788,907	(95,485)
2000	Special Road and Bridge Disbursements	745,511	757,476	11,965

2. The available resources were significantly understated for several county funds. For example, the available resources of the county's Special Road and Bridge Fund were understated by approximately \$871,500 and \$691,300 for the years ending December 31, 2001 and 2000, respectively. The County Clerk failed to include the Special Road and Bridge Fund's certificates of deposits in the available resources. Adjustments have been made to the audited financial statements to correct these errors.
3. The county includes an emergency fund budget category within the Special Road and Bridge Fund estimated disbursements. The \$100,000 emergency fund budgeted annually is apparently used to provide funding to the General Revenue Fund as noted in Finding 01-3. These transfers have taken funds which are restricted to road and bridge purposes, and inappropriately used them for the county's general operating expenses.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

- B. The County Commission approved disbursements in excess of budgeted amounts for various funds during the years ending December 31, 2001 and 2000. Further, there was no evidence that the County Commission nor the County Clerk monitored disbursements adequately to ensure actual disbursements did not exceed budgeted amounts. Actual expenditures exceeded budgeted amounts in the following funds:

Fund	Year Ending December 31,	
	2001	2000
General Revenue	\$ 95,916	116,336
Special Road and Bridge	N/A	4,676
Assessment	4,930	3,811
Law Enforcement Training	1,670	N/A
Prosecuting Attorney Training	360	N/A
Shelter For Abused Victims	400	N/A
Prosecuting Attorney Sales Tax Collections	N/A	270
Sheriff Civil Fee	N/A	790
Recycling	6,826	29
Federal Forfeiture	N/A	3,118
Sheriff Building	350	N/A

It was ruled in State ex. Rel. Strong v. Cribbs, 364 Mo. 1122, 273 S.W.2d 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 2000, 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 the budget.

To allow the budgets to be used as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures, valid reasons which necessitate excess disbursements should be provided to support amendments, and public hearings should be held prior to the adoption of all budget amendments.

WE RECOMMEND the County Commission:

- A. Ensure the budget document contains complete and accurate information about the county's finances and agrees to the County Treasurer's records. Discontinue using the emergency fund in the Special Road and Bridge fund to fund the General Revenue Fund. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- B. Ensure expenditures are kept within the amounts budgeted. If additional funds are received which could not be estimated when the budget was adopted, the County Commission should amend the budget by following procedures established by state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A.1

&2. This will be implemented in January 2004.

3. The County Commission will take the emergency fund under advisement and check with other county commissions.

B. This is being monitored monthly starting in January 2003.

01-3.

Financial Condition

- A. As similarly noted in prior audit reports, 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, 2001:

Cash Balance, January 1, 2000	\$ 13,718
Receipts	838,993
Disbursements	<u>809,464</u>
Cash Balance, December 31, 2000	<u>43,247</u>
Receipts	741,821
Disbursements	<u>823,706</u>
Cash Balance, December 31, 2001	<u>(38,638)</u>

In anticipation of the declining financial condition, the County Commission submitted to the voters of Shannon County a one-half of one percent sales tax for the purpose of general operations. This sales tax was approved by the voters in

November 2000; however, it did not go into effect until October 1, 2001. In addition, the County Commission voluntarily reduced the general revenue property tax levy nine cents in 2001, as a result of promises made to voters if the sales tax was approved. According to the County Clerk, for 2002 the General Revenue Fund had actual revenues of \$1,014,027, expenditures of \$978,697, and an ending cash balance of (\$3,308). While revenues increased thirty seven percent as a result of the sales tax revenues generated, the county was unable to control its spending which increased nineteen percent.

The County Commission should closely monitor the financial condition of the General Revenue Fund by reviewing disbursements and reducing discretionary amounts where practical.

- B. The county has not taken into consideration the additional liabilities of the General Revenue Fund that resulted from errors made in past and current audits. These additional liabilities have contributed to the poor financial condition of the General Revenue Fund.

As described below, the General Revenue Fund owed \$302,598 and \$3,384 to the Special Road and Bridge Fund and the Sheriff Civil Fee Fund, respectively, at December 31, 2001. In addition, the General Revenue Fund owed the Missouri Office of Prosecuting Services (MOPS) \$9,000 at October 31, 2002. It does not appear the county's current General Revenue Fund balance is sufficient enough to payback these amounts owed.

- The County Commission transferred approximately \$97,000 and \$100,000 more than allowed under Section 50.515, RSMo 2000 from the Special Road and Bridge Fund to the General Revenue Fund for administrative service fees during the years ending December 31, 2001 and 2000, respectively. Section 50.515 allows the county to impose an administrative service fee on the Special Road and Bridge Fund. The administrative service fee shall not exceed three percent of the Special Road and Bridge Fund budget. These transfers have taken funds which are restricted to road and bridge purposes, and inappropriately used them for the county's general operating expenses. This is contrary to state law and the Missouri Constitution.
- As noted in our prior reports, payroll taxes from the General Revenue and Assessment Funds totaling \$105,166 and \$20,866, respectively, were deducted from the Special Road and Bridge Fund's bank account. This resulted in the General Revenue and Assessment Fund liability to the Special Road and Bridge Fund. The county has made no attempt to establish a repayment plan for these liabilities.

- The Associate Circuit Division collected \$2,444 and \$2,549 of Sheriff's civil fees during the years ending December 31, 2001 and 2000, respectively, however only \$1,600 was posted to the Sheriff Civil Fee Fund in 2000 and the remaining fees were posted to the General Revenue Fund. This resulted in a General Revenue fund liability to the Sheriff Civil Fee Fund totaling \$3,393 at December 31, 2001. Section 57.280, RSMo. 2000, requires counties to account for these fees separately and to ensure that the proceeds are spent on law enforcement purposes.
 - Section 56.807, RSMo 2000 requires counties to make monthly payments of \$375 to the MOPS for the Prosecuting Attorney's retirement fund. The county has not made the required payments to MOPS since October 2000 and as a result owes the MOPS \$9,000 as of October 31, 2002. In addition, in the future the county should make monthly payments of \$375 in accordance with state law.
- C. In addition to the General Revenue Fund, the County Commission approved expenditures in excess of available monies which resulted in deficit fund balances at December 31, 2001 and 2000 for various county funds, as follows:

Fund	Years Ending December 31,	
	2001	2000
Law Enforcement Training	\$ (3,447)	N/A
Prosecuting Attorney Training	(210)	N/A
Recycling	(2,628)	(127)

Counties are not authorized to have deficit fund balances. Article VI, Section 26 (a) of the Missouri Constitution states, "No county... shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years...." The County Commission should review fund balances prior to approving expenditures for all funds to prevent this situation from reoccurring.

WE AGAIN RECOMMEND the County Commission:

- A. Take the necessary steps to improve the financial condition of the county's funds.
- B. Develop a repayment plan for the money which is due from the General Revenue Fund and Assessment Fund to the Special Road and Bridge Fund, the Sheriff Civil Fee Fund, and the MOPS. In addition, the County Commission should ensure future administrative transfers do no exceed three percent of actual disbursements, civil fees collected are posted to the Sheriff Civil Fee Fund, and required payments are made to

- the MOPS.
- C. Take necessary steps to avoid deficit spending.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Commission is monitoring the financial condition of the General Revenue Fund on a monthly basis.*
- B. *Once the financial condition of the General Revenue Fund has stabilized, we will start setting up payment plans to pay back these liabilities.*
- C. *This was corrected in 2002.*

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

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shannon County, Missouri, on the applicable findings in our prior audit report issued for the two years ended December 31, 1999.

99-1. County Financial Records and Procedures

- A. The County Clerk and County Treasurer did not reconcile their accounting records, resulting in errors on the semi-annual settlements (SAS) prepared by the County Treasurer and on actual amounts reported on the budgets prepared by the County Clerk.
- B. The total of the ending cash balance for all funds on the SAS did not reconcile to the county's reconciled bank balances, and interest earned on Special Road and Bridge Fund monies held in certificates of deposit (CD's) was not properly recorded on the SAS. In addition, purchases and redemptions of CD's were included in actual revenues and expenditures on the semi-annual settlements , which overstated both the sources and uses of county funds.

Recommendations:

- A. Accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented. In addition, the County Clerk should maintain an account book for all county funds.
- B. The County Treasurer reconcile the SAS to the bank account balances and records interest earned in a timely manner.

Status:

- A. Not implemented. See finding number 01-1.
- B. Partially implemented. Interest earned is recorded in a timely manner and redemptions and purchases of CD's were properly recorded in the 2002 budget; however, the County Treasurer has not reconciled the SAS to the bank account balances. See finding number 01-1.

99-2. County Payroll Tax Procedures

As of December 31, 1999, the Special Road and Bridge Fund was owed \$105,166 and \$20,866 by the General Revenue and Assessment Funds, respectively. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account

which resulted in the General Revenue and Assessment Fund liability to the Special Road and Bridge Fund.

Recommendation:

The County Treasurer obtain a transfer order to reimburse the Special Road and Bridge Fund for employee withholdings from the General Revenue Fund and Assessment Fund.

Status:

Partially implemented. Payroll taxes are deducted from the applicable county funds; however, the Special Road and Bridge Fund has not been reimbursed. See MAR finding number 01-3.

99-3. County Published Financial Statements

The county did not publish a financial statement for the year ended December 31, 1999. In addition, the county's published financial statements for the year ended December 31, 1998 did not include the Senate Bill 40 Board Fund and the Health Center Fund.

Recommendation:

The County Commission ensure complete financial statements are prepared and published annually.

Status:

Partially implemented. While the county published financial statements for the years ending December 31, 2001 and 2000, they did not publish the financial statements timely and did not include financial information for all funds. See MAR finding number 2.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated October 2, 2002. That report expressed a qualified opinion on the special-purpose financial statements.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit 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 legal provisions.

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

Our audit 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 audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Shannon County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.

County Expenditures

Controls and procedures over county expenditures and federal financial assistance are in need of improvement. Bids were not always solicited or advertised by the county nor was bid documentation retained for various purchases. Invoices were not always noted as paid or otherwise canceled upon payment. Form 1099 Miscellaneous was not prepared by the county for bridge construction services and prisoner transportation services. The county distributed Special Road and Bridge Fund property taxes pertaining to the applicable cities in the county without a written agreement and without monitoring the cities' use of these funds.

In addition, the county paid for asphalt and rock on behalf of the City of Birch Tree and failed to bill for reimbursement, and the County Clerk failed to include three federal awards on the schedule of federal financial assistance.

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases. Recurring regular business purchases and unusual or used items were not bid as follows:

<u>Item or Services</u>	<u>Cost</u>
Used pickup truck	\$8,500
Used 1987 Ford F-350 1-ton truck	7,500
Used 1991 1/2-ton truck	5,000
Used road paver	5,000
Copy machine	5,530

Section 50.660, RSMo 2000, requires the advertisement of bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. 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. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

- B. Invoices were not always noted as paid or otherwise canceled upon payment. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled. To ensure against duplicate payment of bills, invoices should be marked paid when a check has been issued by the county.

- C. Form 1099 Miscellaneous was not prepared by the county for bridge construction services and prisoner transportation services totaling \$1,327 and \$806 during the years ending December 31, 2001 and 2000, respectively. Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099.
- D. The County Collector collects Special Road and Bridge Fund property taxes pertaining to property within various cities' limits. The county distributed property taxes of approximately \$29,000 annually to applicable cities in the county without a written agreement and without monitoring the cities' use of these funds.

County officials indicate the distribution to the cities is made because the county does not maintain the roads in these cities. Article VI, Section 16, of the Missouri Constitution allows the county to contract with political subdivisions for the planning, development, acquisition, or operation of any public improvement or facility, or for a common service. Section 137.555 RSMo 2000, provides Special Road and Bridge funds may be used to improve and repair city streets that form a continuous county highway leading through a city. However, this statute also states the Special Road and Bridge Fund is only to be used for road and bridge purposes; and therefore, the County Commission continues to have a fiduciary responsibility to ensure Special Road and Bridge funds are expended appropriately.

A monitoring process is necessary to provide assurance county money distributed to other entities is used properly.

- E. The county expended \$57,938 in August and November 2000 for the purchase of asphalt and rock for the City of Birch Tree, and the invoices indicated the city owed the county \$22,382 for the city's portion of the costs. The county did not have any documentation of payment or why the reimbursement was not obtained.

The County Commission should review all invoices paid on behalf of the City of Birch Tree and bill them accordingly.

- F. Vehicle logs maintained by the Sheriff's office are not always complete. The vehicle logs maintained did not always include the beginning and ending odometer readings. Vehicle logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and help identify vehicles which should be

replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

- G. The county submits a schedule of expenditures of federal awards to the State Auditor's Office along with its annual budget. The county administered three federal awards during the two years ending December 31, 2001 totaling \$28,789 which were not included on the schedule of expenditures of federal awards. The County Clerk and County Commission failed to adequately review this schedule for accuracy and completeness. For the schedule of expenditures of federal awards to adequately reflect the county's federal award expenditures, it is necessary that all expenditures be properly reported.

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

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Ensure invoices are properly cancelled upon payment.
- C. Ensure 1099 forms are issued in accordance with IRS regulations.
- D. Ensure monies are allocated to cities based upon written agreements which provide a method of monitoring city expenditures of road and bridge funds.
- E. Review all invoices paid on behalf of the City of Birch Tree and bill them accordingly.
- F. Ensure the Sheriff's office maintains complete mileage logs which would include the beginning and ending odometer readings.
- G. And County Clerk ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A,C

&F. These were implemented in January 2003.

B. Invoices are currently being stamped paid upon payment.

- D. *This will be implemented by June 2003.*
- E. *The county road being worked on will be documented on the invoice in the future, and new procedures will be established on the way we bill to the cities and schools.*
- G. *They will review these forms for accuracy in January 2004.*

2. Budgetary Practices and Published Financial Statements
--

- A. Formal budgets were not prepared for various county funds for the years ended December 31, 2001 and 2000. While most of these funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions. There was no evidence that the County Clerk provided or requested budgets from other county officials or boards to be filed with her office.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. The county's annual published financial statements did not include the financial activity for some county funds and were not published on or before the first Monday in March of each year. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. In addition, the publishing of complete and timely financial statements, besides meeting statutory requirements, provides information to citizens as to the operations of their county government and how tax dollars are spent.

Sections 50.800 and 50.810, RSMo 2000, require the county financial statements to be prepared and published in a local newspaper and show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

Similar conditions were noted in our prior reports. Although the County Commission and County Clerk stated they concurred with our prior recommendations, corrective action has not been taken.

WE AGAIN RECOMMEND the County Commission:

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

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

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A&B. These were implemented January 2003.

3. Personnel Policies and Procedures

- A. The county paid performance awards totaling \$30,500 to various road and bridge employees during the years ending December 31, 2001 and 2000. In February 1999, the County Commission established guidelines for road and bridge employees to receive yearly performance compensation of \$1,000 in exchange for ensuring their equipment has 1000 hours on it by December 15 of each year, performing quality work, servicing assigned equipment regularly, treating residents with courtesy, arriving at work at 7:30 a.m. and taking a half hour lunch and leaving work at 4 p.m., and not conducting personal business during work hours.

These performance payments or bonuses appear to represent additional compensation for services previously rendered and, as such, may violate Article III, Section 39 of the Missouri Constitution and appear contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "... a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- B. Except for law enforcement officers, the county's written policy authorizes regular pay instead of time and a half to be paid for compensatory time or holidays worked by nonexempt employees who work over the 40 hour work week. The FLSA requires the county to pay overtime compensation at time and a half to any nonexempt employee.
- C. Time records maintained by the county to account for hours worked by its employees are not adequate. Although road and bridge and hourly-paid employees prepare time sheets, most salaried employees do not complete time sheets or leave records. In addition, the time sheets prepared by road and bridge employees and hourly-paid employees are not always reviewed for accuracy by the County Clerk or the employee's supervisor. As a result, the County Commission has no documentation to support these payroll expenditures.

The FLSA requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

Conditions similar to Parts B. and C. were noted in prior reports. Although the County Commission and County Clerk stated they concurred with our prior recommendations, no corrective action has been taken.

WE RECOMMEND the County Commission:

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

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A&B. We will take these under advisement.

C. We will require time sheets to be filled out, signed by the employee and supervisor, and turned in to the County Clerk by April 1, 2003.

4. County Official's Compensation, Meeting Minutes, and Bonding
--

- A. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Shannon County's Associate County Commissioners salaries were each increased approximately \$8,110 yearly, according to information provided by the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal

officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$16,220 for the two years ended December 31, 2001, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- B. Minutes were not prepared for the 2001 salary commission meeting although various county officials indicated a meeting was held. Section 50.333, RSMo 2000, requires the salary commission to meet at least once before November thirtieth of each odd-numbered year and the county clerk shall keep the minutes of the meeting.
- C. Various county employees who handle monies are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

WE RECOMMEND the County Commission:

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

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A&C. We will take these under advisement.

B. This was implemented January 1, 2003.

5. General Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. The County Clerk has not updated the inventory listing of fixed assets held by county officials since 1997.

In addition, an annual inventory of all general fixed assets and quarterly inspections of county owned land and buildings have not been performed, and most fixed assets are not

properly numbered, tagged, or otherwise identified as county owned property.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section are to be signed by the County Clerk. Section 49.093, RSMo 2000, also provides for quarterly inspections by the County Commission of all land and buildings. In addition, property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

A similar condition was noted in the prior report.

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

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will take inventories annually and will have an inventory list prepared by August 1, 2003.

6. Property Tax Books and Procedures

Prior audit reports have addressed the inadequacy of the county's property tax books and procedures. While the County Commission and County Clerk responded in the 1997 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved.

Considering the problems related to the County Collector, which are reported in MAR

finding number 7, it is important that the County Commission and County Clerk exercise their control and oversight responsibilities related to the tax collection function in Shannon County.

- A. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors could go undetected. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly collection reports, and totals of all charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate.

Section 51.150.2, RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book would enable the County Clerk and County Commission to verify the County Collector's annual settlements.

- B. The County Clerk did not prepare the current or back tax books for real estate and personal property taxes or verify the tax book totals. Personnel from the County Collector's office prepare the current and back tax books.

Sections 137.290 and 140.050, RSMo 2000, require the County Clerk to make the tax books and charge the County Collector with the aggregate amount of taxes, interest, and County Clerk's fees contained therein. Failure of the County Clerk to verify tax book charges could result in an understatement of current taxes or prevent an overstatement of delinquent taxes from being detected.

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

- D. Controls over tax book additions and abatements are not sufficient. During our review of additions and abatements, we noted the following concerns:

- 1. Additions and abatements are prepared by the County Assessor and approved by the County Clerk as they occur, and subsequently approved by the County Commission at year end. The County Clerk does not attempt to reconcile total additions and abatements to the County Collector's annual settlements. As a result, errors in the County Collector's annual settlements could go undetected.

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

and abatements to the Collector's annual settlement.

2. The property tax system allows the County Collector to post additions to the property tax system on October 15 of each tax year rather than when the addition actually occurred. To ensure the accuracy of the tax books, controls should be implemented in the property tax system to ensure additions are only posted to the property tax system as they occur.
- E. The County Clerk did not prepare the Land and Personal Tax Aggregate Abstract, Back Tax Aggregate Abstract, or the Railroad and Utility Aggregate Abstract for 2001 and 2000. The County Clerk was notified by the Department of Revenue (DOR) and the State Tax Commission (STC) that she had failed to file these forms. Section 137.295, RSMO 2000, provides for the County Clerk to prepare these reports and forward them to the DOR and the STC.

Conditions similar to Parts A, B, C, and D.1 were noted in our prior report.

WE RECOMMEND:

- A. The County Clerk maintain an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlements.
- B. The County Clerk verify the tax books generated by the County Collector's office.
- C. The County Commission authorize programming changes to print tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.
- D.1. The County Clerk reconcile additions and abatements to the County Collector's annual settlements. In addition, the County Commission should review and approve all additions and abatements more timely, and document its approval.
2. The County Collector should implement controls in the property tax system to ensure additions are posted to the property tax system as they occur.
- E. The County Clerk prepare and file the Land and Personal Tax Aggregate Abstract, Back Tax Aggregate Abstract, and the Railroad and Utility Aggregate Abstract with the Department of Revenue and the State Tax Commission as required.

AUDITEE'S RESPONSE

The County Clerk, the County Collector, and the County Commission provided the following responses:

*A,B,
C&D. We will try to implement by March 1, 2004.*

E. *We will try to implement by March 1, 2003.*

7.

County Collector's Procedures

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. We noted many significant problems in the control procedures used by the County Collector to account for collected property taxes, including the lack of appropriate reconciliations and timely distributions. At February 28, 2002, the County Collector's reconciled bank balance was \$195,606; however, only \$135,605 pertained to February collections to be distributed in March. The remaining balance includes property taxes, surtax, and interest for prior years totaling \$34,625 (including the adjustment noted in part G), partial payments totaling \$4,898, and an unidentified overage of approximately \$20,478. Although many of these problems were noted in several previous audits of the County Collector's office, little attempt has been made to implement these prior recommendations. As a result, there is less assurance that all property tax monies have been accounted for properly. We noted the following problems during our review:

- A. The County Collector does not distribute taxes on a timely basis. Section 139.210, RSMo 2000, requires all collections to be distributed to the political subdivisions by the fifteenth day of the following month. Our review of the distributions made by the County Collector noted the following:
 - 1. Some taxes were not disbursed in a timely manner. Property tax collections totaling \$244,429 and \$178,500 for August, September, October, and November 2001 and 2000 were not distributed until January 28, 2002 and January 24, 2001, respectively. In addition, property tax collections totaling \$809 for January and December 1996, surtax collections totaling \$1,908 for prior years, and interest totaling \$25,968 for the years ending February 28, 2000 and 1999 have not been distributed.
 - 2. At February 28, 2002, there was \$2,429 in the protested account which included taxes protested in 1992 and interest. The time period for litigation on these protested taxes has long since expired. The balance in the protested account should be transferred to the regular account and distributed to the political subdivisions.

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

- B. Bank reconciliations were not performed monthly during the audit period ending February 28, 2002 and during many prior audits. In addition, checkbook balances were not maintained during most of the year ending February 28, 2001 and during

many prior audits. As a result, the County Collector could not reconcile her receipt and disbursement records with the bank statements, and an unidentified overage of approximately \$20,500 exists in the account at February 28, 2002. This unidentified overage has gradually increased over the past several years. Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner.

- C. Deposits are not always made intact and on a timely basis. For example, the change fund is not kept at a constant amount. Cash is taken from collections to pick up bad checks from the bank, which are not charged against the bank account. In addition, the collector's office received two protested tax receipts on December 20, 2000 totaling \$2,035 and another receipt on December 26, 2001 for \$2,637. These monies were not deposited until September 2002 when we requested the County Collector to deposit them. The County Collector indicated she intended to hold these payments until the protested taxes were settled.

Failure to deposit receipts intact on a daily basis increases the risk of loss or misuse of funds. In addition, overpayments should be deposited into the bank account and refunded by check. Furthermore, checks returned due to insufficient funds should be charged against the bank account not taken from current cash collections or property taxes.

- D. The County Collector has not established procedures to routinely follow up on outstanding checks. At December 31, 2001, checks totaling \$33,428 had been outstanding since 1997. Additionally, some of these checks have been outstanding since March 1993.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located which would include the various political subdivisions within the county. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Section 447.595, RSMo 2000.

- E. The County Collector is required to file an annual settlement each year with the County Commission. The County Collector did not prepare an annual settlement for the year ended February 28, 2001, however, a settlement was prepared upon our request in September 2002, 19 months after the year-end date. While the County Collector indicated copies of the annual settlement were submitted to the County Clerk for the year ended February 28, 2001, there was no evidence that a review was performed by the County Clerk or the County Commission. Also, the collector's annual settlements did not include the activity of the protested tax account. Section 139.160, RSMo 2000, states that " the collector shall settle her accounts of all monies received by her on account of taxes or other sources of revenue...". By incorrectly

omitting the protested taxes, the County Collector has not provided the County Commission with an accurate and complete settlement.

- F. Section 50.332, RSMo 2000, allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. Although the written contracts with various cities in the county provide for the County Collector to collect a fee of one percent for the Assessment Fund, the County Collector collects a fee of one percent for the Assessment Fund, penalties on delinquent taxes as prescribed by law, and a fee of two percent for providing the use of county employees and equipment in collecting the taxes. These contracts have not been updated since 1996 and do not provide for these additional fees to be collected.

Any add on fee or penalty charged to taxpayers must be based on state law or city ordinance. The contracts with the cities should clearly define the amount of penalties to be assessed on delinquent taxes and how these amounts should be distributed.

- G. The County Collector did not maintain documentation to support the \$5,940 of adjustments made in June 2002 to the February 2001 monthly settlement. Should adjustments need to be made to monthly settlements, the County Collector should retain documentation of the adjustments made.
- H. The various records in the County Collector's office are not well organized. Paid tax receipts and unpaid tax statements are filed in several different locations in the office and sometimes are in no apparent order. Several tax statements and other records could not be located in a timely manner, and some were missing. In the prior audit, the County Collector indicated these problems were due to recent courthouse renovations which required her to move a lot of her records out of the vault and around in the office; however, these problems still exist.

Failure to maintain accurate, complete, and organized accounting records provides less assurance that all monies are properly accounted for and increase the possibility that misuse of funds will go undetected. The lack of organization in the County Collector's Office apparently contributes to the problems in this office.

Conditions similar to Parts A, B, C, E, and H were noted in our prior reports.

WE RECOMMEND the County Collector:

- A. Distribute all tax collections and protested taxes plus interest. In the future, distribute all collections by the fifteenth day of the following month in accordance with state law.
- B. Prepare and document monthly bank reconciliations and maintain a book balance and reconcile it monthly with the bank balance.
- C. Deposit all receipts intact and on a timely basis, maintain the change fund at a

constant amount, make all refunds by check, and have insufficient funds checks charged against the bank account.

- D. Reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions.
- E. Ensure annual settlements are filed and approved on a timely basis in accordance with state law.
- F. Ensure the county has updated written contracts with the cities to collect property taxes.
- G. Ensure supporting documentation of adjustments made to the monthly settlements is maintained.
- H. Organize the records in the County Collector's office so relevant accounting documents can be located in a timely fashion.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. All protested taxes will be distributed by March 1, 2003. Other taxes are currently being distributed on a more timely basis.*
- B&D. These will be implemented March 1, 2003. The overage is being reviewed and will be resolved and disbursed by May 1, 2003.*
- C. This has been implemented.*
- E. An annual settlement will be prepared in a more timely manner, and the Collector will follow-up with the County Commission regarding their review and receipt of the annual settlement by April 2003.*
- F. New contracts will be obtained by June 1, 2003.*
- G. Better documentation will be retained in the future of adjustments made.*
- H. With new maintenance funds being collected, additional filing cabinets will be obtained to aid in the organization of the office.*

The Sheriff receives monies for civil and criminal process fees, gun permits, board bills, federal and local patrolling and dispatching contracts, calendar sales, jail phone commissions, bonds, and other miscellaneous receipts. The Sheriff handled receipts totaling \$31,750 and \$23,447 during the years ended December 31, 2001 and 2000, respectively. Our review of the Sheriff's accounting controls and procedures noted the following areas in need of improvement:

- A. The Sheriff's office received approximately \$7,000 in each of the years ending December 31, 2001 and 2000 for park patrolling services and city dispatching fees. The Sheriff's office also received \$744 in calendar sales and \$860 of phone commissions during 2001. The receipts were deposited into the Sheriff's main bank account rather than being turned over to the County Treasurer. The Sheriff used some of these monies to purchase a vehicle for \$13,800 in June 2002 and to pay monthly fees of \$330 for access to the Missouri Uniform Law Enforcement System (MULES). This vehicle expenditure was not approved by the County Commission, bids were not solicited, and it was not run handled through the budgetary process. In addition, at December 31, 2001, the sheriff maintained \$744, \$5,724, and \$390 of calendar sales, park patrolling and dispatching fees, and phone commissions, respectively, in his bank account.

There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "... sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balances should be transferred to the County Treasurer and future receipts should be transmitted directly to the County Treasurer.

- B. The Sheriff does not remit fees collected by his office to the County Treasurer on a timely basis. For example, \$18,101 of fees collected during August through December 2001, were not turned over to the County Treasurer until December 31, 2001. Section 50.370, RSMo 2000, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury on a monthly basis.
- C. Receipts are not always deposited on a timely basis. Deposits are generally made twice a month. To ensure all monies are properly accounted for and to adequately safeguard receipts, deposits should be made intact daily or when accumulated receipts exceed \$100.
- D. Receipt slips are not always issued for monies received. In addition, pre-numbered receipt slips are not issued. Further, the method of payment is not always indicated on the receipt slips. To ensure receipts are handled properly, pre-numbered receipt

slips should be issued for all monies received. In addition, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits.

- E. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made by the County Treasurer who maintains the Sheriff's account. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- F. Accounting duties are not adequately segregated. In an effort to implement our prior recommendation regarding the segregation of duties, the Sheriff asked the County Treasurer to perform some of the accounting duties for the Sheriff's Office. While the Sheriff's office bookkeeper prepares a deposit transmittal report for the County Treasurer, the County Treasurer prepares and makes deposits, records receipts and disbursements, prepares checks, uses the Sheriff's facsimile stamp to sign checks, and performs the bank reconciliations. There is no documentation that the Sheriff or other personnel independent of these functions performs reconciliations of the records or reviews the checks prepared by the County Treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. In addition, the Sheriff should review and sign all checks prepared by the County Treasurer and reconcile the deposit transmittal reports to the County Treasurer's records.

- G. Adequate control over seized property has not been established. A complete log of seized property is not maintained and periodic inventories of the property on hand are not conducted. In addition, seized property items are not stored in a central location. Also, seized property items are not always tagged to identify the property to a specific case and the property tags are not prenumbered.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. Evidence should be maintained in a central location. Periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly. In addition, all items should be tagged and identified to a specific case.

- H. Shannon County boards prisoners for surrounding counties and cities. The Sheriff's office prepares and sends board bills to the other governments. The Sheriff's office retains a copy of the board bill. The board bills indicate that payments are to be made directly to the County Treasurer. When a payment is received by the County

Treasurer, a copy of the receipt slip is given to the Sheriff's office. When a payment is received by the Sheriff, monies are turned over to the County Treasurer. However, neither the Sheriff's office nor the County Treasurer routinely compares prisoner board billings to subsequent payments. In addition, the Sheriff has no formal follow-up procedures for unpaid board bills.

- I. The Sheriff provides boarding of prisoners to surrounding cities within the county. The Sheriff's bookkeeper indicated that the county provided free boarding of prisoners to those cities which they had dispatching contracts with; however, this was not outlined in the dispatching contracts. No written agreements exist with these entities regarding the compensation to be paid or the services to be provided.

Section 432.070, RSMo 2000, requires the county to have all contracts in writing. Written agreements should be prepared with political subdivisions for services provided. The agreements should clearly specify the arrangements between parties for the services provided and be approved by the County Commission.

Conditions similar to Parts A, C, D, F, G, and H. were noted in our prior report.

Prior audit reports have addressed the inadequacy of the Sheriff's accounting controls and procedures. The Sheriff responded in the previous audit that recommendations had already been or would be implemented. However conditions in the Sheriff's office have generally not improved.

WE RECOMMEND the Sheriff:

- A. Cease all bank account transactions except for deposit and disbursement of bonds and deposit and monthly disbursement of accountable monies received for the performance of official duties. Ensure all monies which are presently held in the account are disbursed to the County Treasurer.
- B. Turn over all fees to the County Treasurer on a monthly basis as required by state law.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- D. Ensure pre-numbered receipt slips are issued for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- E. Restrictively endorse checks immediately upon receipt.
- F. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. In addition, the Sheriff should review and sign checks prepared by the County Treasurer and reconcile the deposit transmittal reports to the County Treasurer's records.

- G. Mark all seized property with prenumbered property tags, identify the property to specific cases, and maintain seized property in a centralized location. In addition, a complete inventory listing of all seized property should be maintained and kept updated for both additions and dispositions.
- H. Confer with the County Treasurer to ensure procedures are in place for proper follow up of all unpaid board bills to recoup any county costs.
- I. Enter into written agreements for all services.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *These monies will be turned over to the County Treasurer immediately and not run through the Sheriff's fee account in the future.*
- B&C. *Implemented*
- D,E,
&H. *These will be implemented by April 1, 2003.*
- F. *The Sheriff will sign all checks and document his review of the bank reconciliations and receipts from the treasurer, effective immediately.*
- G. *The Sheriff agrees, but due to the financial condition of the county we do not have the staff to provide for this control.*
- I. *This will be discussed with the County Commission.*

9.	County Clerk's Controls and Procedures
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The County Clerk received monies for liquor licenses, auctioneer licenses, notary fees, and other miscellaneous receipts totaling \$7,371 and \$8,921 in 2001 and 2000, respectively. The County Clerk does not maintain a bank account for these fees, but transmits them to the County Treasurer periodically. In addition, the County Clerk maintains a Special Election Fund to supplement the costs of elections. Our review noted the following concerns:

- A. Fees collected by the County Clerk are not transmitted to the County Treasurer on a timely basis. For example, fees totaling \$2,449 collected during May through July of 2002 were not turned over to the County Treasurer until September 2002. In addition, fees are stored in an unlocked vault until the County Clerk transmits the fees to the County Treasurer. Section 50.360, RSMo 2000, requires all fees be turned over to the County Treasurer at least monthly. In addition, to adequately

safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be kept in a secure location.

- B. During a cash count conducted on August 26, 2002, recorded receipts exceeded cash on hand by \$63. The County Clerk or her personnel could not explain the \$63 shortage. This situation was not detected because an adequate segregation of duties does not exist, receipts are not transmitted to the County Treasurer monthly, and the fees are not periodically counted and reconciled to recorded receipts by an independent person.

This discrepancy could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed.

- C. Receipt slips are not issued for some monies received. To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
- D. Checks received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied by the County Treasurer when checks are transmitted by the County Clerk. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.
- E. The County Clerk maintains custody of the Special Election Fund. In addition, bank reconciliations were not prepared for the account and balances were not maintained in the checkbook registers.

There is no statutory authority that allows the County Clerk to hold this account outside the county treasury. In addition, without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner.

WE RECOMMEND the County Clerk:

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

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

AUDITEE'S RESPONSE

The prior County Clerk provided the following responses:

A&B. During this time, the County Clerk was absent and this failed to be done.

E. The County Clerk turned this fund over to the County Treasurer in December 2002.

The current County Clerk provided the following responses:

C&D. Implemented.

10. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures
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The Circuit Clerk was responsible for processing receipts from fines, costs, and bonds for criminal and civil cases of \$856,351 and \$87,148 during the years ending December 31, 2001 and 2000, respectively. The Ex Officio Recorder of Deeds was responsible for processing deeds, marriage licenses, and financial statements of \$56,578 and \$52,872 during the year ending December 31, 2001 and 2000, respectively. Our review of the Circuit Clerk's and Ex Officio Recorder of Deeds' controls and procedures disclosed the following concerns:

- A. Receipts are kept in an unlocked drawer in the Circuit Clerk's office until they are deposited. In addition, checks and money orders are not restrictively endorsed upon receipt.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be kept in a secure location, and checks and money orders should be restrictively endorsed immediately upon receipt.

- B. The Circuit Clerk's petty cash fund is not maintained on an imprest basis. The Circuit Clerk indicated the petty cash fund was established on an imprest basis at \$50; however, copy fees collected are included with the petty cash funds. A cash count on October 2, 2002, indicated \$71 was on hand, and the Circuit Clerk could not provide any documentation for the overage. The Circuit Clerk estimated that less than \$10 a month is collected in copy fees. In addition, receipt and disbursement records supporting petty cash fund activity were not maintained, and some invoices or receipts were not maintained for some petty cash expenditures.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, all copy fee receipts should be recorded and deposited and should not be used for petty cash expenditures. Also, petty cash invoices should be retained to support expenditures.

C. The Circuit Clerk maintains a current fee account, another fee account from a former Circuit Clerk, and an inactive child support account. During our review of the Circuit Clerk's bank accounts and the related open items listings, we noted the following concerns:

1. Bank reconciliations were not prepared for the former Circuit Clerk's bank account. In addition, the Circuit Clerk relies on the Office of State Courts Administrator (OSCA) to perform bank reconciliations on her current bank account. She does not generate a bank reconciliation report each month to review in conjunction with the bank statement. Upon our request, the Circuit Clerk generated a bank reconciliation for December 31, 2001, and numerous errors were identified on the bank reconciliation report. For example, the reconciled bank balance exceeded the open items listing by \$469. At our request the Circuit Clerk contacted the OSCA to correct this error.

The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition, although the OSCA provides support to Circuit Clerk offices across the state, it is the Circuit Clerk's responsibility to perform bank reconciliations and ensure bank reconciliations and open-items listings are generated and reviewed for accuracy.

2. At December 31, 2001, the Circuit Clerk's current bank account had outstanding checks totaling \$1,761 that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. The Circuit Clerk should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

D. A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk relies on the probation and parole officers to ensure that monies owed to the court are paid. A complete and accurate accrued costs listing would allow the Circuit Clerk to more easily review the amounts owed to the court and take appropriate steps to ensure all amounts owed are collected on a timely basis.

- E. The Ex-Officio Recorder holds the balance of the Recorder's User Fees Fund. Section 59.319, RSMo 2000, requires the Recorder's User Fees Fund to be kept in a special fund by the County Treasurer.

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

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

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

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

*A,B,
C&E. These will be implemented by March 1, 2003.*

D. This will be printed out and reviewed monthly effective immediately.

11. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney's office collected court-ordered restitution and bad check related restitution and fees of \$26,978 and \$39,750 during the years ending December 31, 2001 and 2000, respectively. Our review noted the following concerns:

- A. Listings of liabilities (open items) are not prepared for the restitution account. The reconciled cash balance at December 31, 2001 totaled \$602. The Prosecuting Attorney's secretary indicated the reconciled cash balance contained only bad check fees; however, these monies could not be identified to specific cases. Only by

preparing open items listings on a monthly basis and reconciling them to the cash balance can the Prosecuting Attorney be assured that the records are in balance and that sufficient cash is available to cover liabilities.

- B. The duties of receiving, recording, depositing, and disbursing monies are all performed by the Prosecuting Attorney's secretary. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.

- C. At December 31, 2001, checks written on the bad check account totaling \$594 had been outstanding for over one year. These old outstanding checks create additional and unnecessary record keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued, if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time.

WE RECOMMEND the Prosecuting Attorney:

- A. Prepare monthly listings of open items and reconcile the listing to the cash balance.
- B. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *This will be implemented on April 1, 2003.*
- B. *We are doing all we can with the personnel we have, and I would be aware of anyone claiming payment which hadn't been receipted.*
- C. *This has been implemented.*

The Associate Circuit Division was responsible for processing receipts for criminal and civil cases, traffic tickets, water patrol tickets, and bonds of \$219,067 and \$290,992 during the years ending December 31, 2001 and 2000, respectively. Our review of the Associate Circuit Division's operations noted the following areas in need of improvement:

- A. The open items listing maintained by the Associate Circuit Division included cases that had been dismissed or closed. For example, one case dating back to 1996 totaling \$750 had been forfeited; however, it was still being held by the court at December 31, 2001. The status of old open items should be routinely reviewed to determine if any disbursement is necessary. If disbursement is possible, but proper payees cannot be located the monies should be disposed of in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 2000, and Sections 447.500 through 447.995, RSMo 2000, provide for the disposition of unclaimed monies.
- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made by the Associate Clerk. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Associate Circuit Division:

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

AUDITEE'S RESPONSE

The Associate Circuit Division provided the following responses:

- A. *The Division reviewed the open items listing and only noted two cases included that were closed. One of these has since been applied to the case's court costs, and a current address is being investigated to return the monies being held on the other case.*
- B. *Implemented.*

13.**County Treasurer's Controls and Procedures**

Our review of the County Treasurer's controls and procedures disclosed the following concerns:

- A. Most county funds are maintained in the general revenue bank account, and interest earned on this account totaled \$3,734 and \$5,869 during the years ending December 31, 2001 and 2000, respectively. The interest earned was credited solely to the General Revenue Fund and was not properly allocated to the other county funds maintained in the account. Section 110.150, RSMo 2000, requires the interest upon each fund shall be computed upon the daily balances with the depository, and shall be credited to the applicable county funds.
- B. The method of payment is not always indicated on the County Treasurer's receipt slips. To ensure receipts are handled properly, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits.

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

WE RECOMMEND the County Treasurer:

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

AUDITEE'S RESPONSE

The County Treasurer provided the following responses:

- A. *This will be implemented by May 1, 2003.*
- B. *Implemented.*

14.**Recycling Services**

The county provides recycling pick-up services to local businesses and citizens of the county. Recyclable goods are periodically picked-up at various businesses and at specific pick-up sites within the county. The county received grant monies and collected fees for pick-up services and the sale of bags totaling \$5,125 and \$840 during the years ending December 31, 2001 and 2000, respectively. Receipt slips are not issued, and records are not maintained for the monies collected from bag sales, pick-up services, or for monies received

from the recycling center for materials dropped off. In addition, no billings are prepared and sent to the various vendors. Further, the financial condition of the Recycling Fund is weak. The following shows receipts, disbursements, and ending cash balances for the two years ended December 31, 2001:

Cash Balance, January 1, 2000	\$ 262
Receipts	840
Disbursements	1,229
Cash Balance, December 31, 2000	(127)
Receipts	5,125
Disbursements	7,626
Cash Balance, December 31, 2001	(2,628)

Also, the county received a solid waste grant administered by the Department of Natural Resources (DNR) through a sub recipient in 1998 to assist in the start-up of the recycling program and has renewed the grant annually. The county had little or no documentation to support its compliance with grant provisions. Although the original grant provided for the titles of a half-ton truck and a trailer purchased with grant funds to revert to the county after a four-year period, the county has not received the titles from the DNR or the sub recipient of the grant.

Without adequate controls and proper documentation of recycling service activities, the county has little assurance it is receiving proper payments from bag sales and recycling services to effectively monitor the financial status of these services. Further, the County Commission should closely monitor the financial condition of the Recycling Fund by reviewing disbursements, reducing discretionary amounts as much as possible, and considering the necessity of providing this service to county residents. In addition, supporting documentation should be retained to support the county's compliance with grant requirements. Also, the county should contact the DNR and the South Central Solid Waste Management District to resolve any problems with the grant.

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

AUDITEE'S RESPONSE

The County Commission indicated they will review the financial condition of this fund again in December 2003, implement accounting procedures immediately, and contact the DNR and the South Central Solid Waste Management District regarding ownership of the truck and trailer, immediately.

15. Health Center

- A. Health center personnel do not monitor amounts expended on Comprehensive Family Planning (CFP) services. In addition, the average cost per client of providing such services is not periodically calculated and monitored.
The health center's CFP contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 (excluding administrative costs). Upon our request, health center personnel provided documentation of the amounts expended on CFP services, and it appears the health center did not meet the minimum amount per client for the year ended December 31, 2000. Adequate monitoring and documentation of CFP expenditures is necessary to ensure compliance with the contract provisions. Failure to comply with provisions of the contract could result in decreased funding of future services.

- B. The Health Center Board did not have a formal written contract with an individual providing physician services in 2001 and 2000. Written contracts are necessary to outline the terms of the arrangements, specify the services to be provided and the related funding, and help ensure the reasonableness and propriety of such expenditures.

WE RECOMMEND the Health Center Board of Trustees:

- A. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

- B. Enter into a written contract with all service providers detailing the responsibilities of each party involved.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *We will periodically monitor amounts expended for family planning services to ensure we spend \$150 per child.*

- B. *We currently have a formal written agreement on file with the physician who is providing services for our agency. The terms of the agreement will be reviewed and signed annually.*

16.

Senior Citizen Services Board

- A. The Senior Citizen Services Board members are appointed by the County Commission, and the members of the board elect the officers. The board elected two members, who are husband and wife, as the chairperson and treasurer. The husband and wife did not abstain from the voting of their respective spouses' office. In addition, the chairperson and treasurer are the only two authorized signatures on the board bank account and only one signature is required for disbursements. Also, some of the board members also serve as board members on other Senior Center Boards that are funding recipients of the Senior Citizen Services Board.

To provide maximum assurance the Senior Citizen Services Board is acting independently, discussions and decisions concerning appointments where nepotism or a potential conflict of interest exists should be documented, and another board member should be appointed to sign checks so that the public has assurance that no board member or officer has acted improperly. In addition, to provide maximum assurance the Senior Citizen Services Board is acting independently and in the best interest of the taxpayers, no administrative or financial ties should exist between members of the board and its funding recipients.

- B. Formal budgets were not prepared for the senior citizen services fund activities for the year ended December 31, 2001. Chapter 50, RSMo 2000, 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 senior citizen services fund activities, the Senior Citizen Services Board is able to more effectively evaluate all financial resources.

WE RECOMMEND the Senior Citizen Services Board:

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

AUDITEE'S RESPONSE

The Senior Citizens Board provided the following responses:

- A. *A code of ethics has been developed and will be adopted by April 1, 2003 that reads: "Ensure Senior Citizen Services Board members abstain from voting when a relative's appointment is involved. If Senior Citizen Services Board members serve on the boards of funding recipients, they should ensure that the minutes of board meetings clearly indicate that they are abstaining from voting on funding requests for these entities. Such matters should be completely documented so that the public has assurance that no board members have acted improperly. The By-Laws of the Shannon County Senior Citizens Service Fund under Article III, 2-a,d, state that the Chairman, together with the Treasurer, (two signatures), sign on behalf of the Board any disbursements of funds authorized by the Board. If the Chairman and the Treasurer are related, the Vice-Chairman shall sign all disbursements along with the Chairman or the Treasurer, so that the public has assurance that no board member or officer has acted improperly."*
- B. *Implemented January 2003.*

This report is intended for the information of the management of Shannon 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

SHANNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shannon County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented are repeated in the current MAR.

1. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for various county funds.
- B. Budgets were not filed with the State Auditor's Office within five days of approval by the County Commission. In addition, the County Commission approved expenditures from county funds before the county received notification from the State Auditor's Office that the budgets had been properly filed.
- C. Numerous inaccuracies were noted in the information presented in the county's budget documents.
- D. The County Commission did not budget the emergency fund in the General Revenue Fund in an amount equal to at least three percent of estimated receipts. In addition, the \$100,000 emergency fund budgeted annually in the Special Road and Bridge Fund was apparently used as a safeguard to keep from overspending the budget, while still allowing the County Commission to exceed amounts budgeted in other various categories.
- E. Disbursements were made in excess of the approved budget for various funds.
- F. Annual financial statements were not always published, or the annual published financial statements of the county did not include the financial activity of all county funds as required.

Recommendation:

The County Commission:

- A. Ensure financial information for all county funds is included in the annual budgets.
- B. Ensure budgets are filed with the State Auditor's Office within five days after they are approved by the County Commission. In addition, the County Commission should not approve any warrant to be paid from the budget until notice has been received from the State Auditor's Office that the budgets have been properly filed.

- C. Ensure the budget document contains complete, accurate, and reasonable information about the county's finances. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- D. Budget the emergency fund in the General Revenue Fund in an amount equal to at least three percent of total estimated receipts in accordance with state law and discontinue using the emergency fund in the Special Road and Bridge fund as a buffer for overspending in the various budget categories.
- E. And the Health Center Board of Trustees keep disbursements within the budgetary limits. If additional funds are received which could not be estimated when the budget was adopted, the County Commission or Health Center Board of Trustees should amend the budget by following the procedures required by state law.
- F. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

Status:

- A. Not implemented. See MAR finding number 2.
- B. Implemented.
- C&E. Not implemented. See finding number 01-2.
- D. Partially implemented. The emergency fund in the General Revenue Fund was properly budgeted; however, the emergency fund in the Special Road and Bridge fund is still being used as a buffer for overspending. See MAR finding number 2.
- F. Partially implemented. While the county published financial statements for the years ending December 31, 2001 and 2000, the published financial statements did not include financial information for all funds nor were they published in the required timeframe. See MAR finding number 2.

2. Reconciliation of County Records

The County Clerk only maintained an account book with the County Treasurer for the General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund. In addition, the County Clerk and County Treasurer indicated they reconciled their accounting records; however, they did not maintain documentation of the reconciliations.

Recommendation:

The County Clerk maintain an account book for all county funds. Accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented.

Status:

Not implemented. See finding number 01-1.

3. County Treasurer's Controls and Procedures

- A. The total of the ending cash balances for all funds on the semi-annual settlements (SAS) did not agree to the bank reconciliation portion of the SAS. In addition, the SAS did not document the reconciliation between the total ending cash balance and the balance in the bank accounts.
- B. Payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. As a result, as of December 31, 1997, liabilities of \$24,319 and \$7,285 were due from the General Revenue Fund and the Assessment Fund, respectively, to the Special Road and Bridge Fund's bank account for withholdings paid on behalf of employees paid by those funds.
- C. Formal monthly bank reconciliations were not documented for the Community Development Block Grant (CDBG) bank account.
- D. The county had not established a separate fund to account for fees collected by the Sheriff on civil cases.
- E. The County Treasurer made numerous transfers between county funds without documented authorization or adequate supporting documentation.
- F. The County Treasurer disbursed the balance of the Recorder's User Fees Fund to the Ex Officio Recorder in January 1995.

Recommendation:

The County Treasurer:

- A. Prepare complete and accurate SAS and promptly post correcting entries to the fund ledgers.
- B. Open a new bank account to account for all payroll withholdings. In addition, the County Treasurer should obtain a transfer order to reimburse the Special Road and Bridge Fund for employee withholdings from the General Revenue Fund and Assessment Fund.

- C. Document monthly bank reconciliations for the CDBG account.
- D. Request the County Commission establish a civil fees fund to be used for law enforcement purposes in accordance with state law.
- E. And the County Commission ensure that a written order is prepared for any interfund transfers made and the amount transferred is adequately supported by documentation.
- F. Request the Ex Officio Recorder return control of the Recorder's User Fees Fund to the county treasury.

Status:

- A. Not implemented. See finding number 01-1.
- B. Partially implemented. Payroll tax withholdings were deducted from the applicable funds; however, the County Treasurer has not obtained a transfer order to reimburse the Special Road and Bridge Fund. See finding number 01-3.
- C. Implemented.
- D. Partially implemented. The county established a fund to account for the Sheriff's civil fees and posted a small portion of the fees collected into the fund; however, the remainder of the fees collected were posted to the General Revenue Fund. See finding number 01-3.
- E. Not implemented. See finding number 01-3.
- F. Not implemented. See MAR finding number 10.

4. County Expenditures and Federal Financial Assistance

- A. The County Collector collected Special Road and Bridge Fund property taxes pertaining to property within various cities' limits. The county distributed these property taxes annually to applicable cities in the county without a written agreement and without monitoring the cities' use of these funds.
- B. The county did not submit Financial Status Reports to the federal grantor after the end of every calendar quarter for the Community Oriented Policing Services (COPS) grant. In addition, the county requested reimbursement for estimated expenses for three subsequent months resulting in the county receiving \$4,294 more than actually expended within thirty days of receipt. Adequate documentation was not maintained by the County Clerk to support the costs claimed for this grant.

- C. The County Clerk did not ensure all federal financial assistance expenditure amounts were properly recorded on the schedule of financial assistance.

Recommendation:

The County Commission:

- A. Ensure monies are allocated to cities based upon written agreements which provide a method of monitoring city expenditures of road and bridge funds.
- B. Ensure that Financial Status Reports are submitted to the federal grantor after the end of every calendar quarter, that funds requested for advances are used within thirty days, that reimbursements are claimed on a timely basis, and that adequate supporting documentation of hours worked on federal grants is maintained. In addition, the county should contact the grantor agency to resolve the questioned costs.
- C. And County Clerk ensure all federal financial assistance expenditure amounts are properly recorded on the schedule of federal financial assistance.

Status:

A&C. Not implemented. See MAR finding number 1.

B. Implemented.

5. Personnel Policies and Procedures

- A. Time records maintained by the county to account for hours worked by its employees were not adequate.
- B. The county's personnel manual did not address compensatory time or overtime. In addition, centralized leave records were not maintained by the County Clerk for all county employees.
- C. Wages were paid to various Sheriff's deputies for additional patrolling duties performed related to the National Forest Service Law Enforcement Agreements grant. These wages were not reported on the deputies' year-end W-2 forms and the appropriate payroll taxes were not withheld from these payments.

Recommendation:

The County Commission:

- A. Require all county employees to complete timesheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved

by the applicable supervisor, and filed in a central location with the county's payroll records.

- B. Establish a written policy regarding compensatory time and overtime. In addition, the County Clerk should maintain leave records for all employees of vacation and sick leave and compensatory time earned, taken, paid, and accumulated.
- C. Ensure all applicable employee payroll taxes are properly withheld and amounts are properly reported on employees' W-2 forms. Amended W-2 forms should be prepared for the payments made to the deputies in 1997 and 1996.

Status:

- A. Not implemented. See MAR finding number 3.
- B. Partially implemented. The county established a written policy regarding compensatory time and overtime; however, compensatory time at time and one half is not paid on holidays for nonexempt employees who work over the 40 hour work week. See MAR finding number 3.
- C. Partially implemented. The county properly withheld employee payroll taxes and amounts were properly reported on employees' W-2 forms; however, we were unable to verify whether amended W-2 forms were prepared.

6. County Officials' Bonds

- A. The amount of bond given by the County Collector was less than required by state law.
- B. The County had not provided bond coverage for the County Coroner.

Recommendation:

The County Commission:

- A. And County Collector take the necessary actions to bring the County Collector's bond into compliance with Section 52.020, RSMo 1994.
- B. Ensure the County Coroner is covered by a bond as required by state law.

Status:

- A. Not implemented. See MAR finding number 4.
- B. Implemented.

7. Property Tax Books and Procedures

- A. The County Clerk did not maintain an account book with the County Collector.
- B. The County Clerk did not prepare the current or back tax books for real estate and personal property taxes or verify the tax book totals.
- C. The property tax computer program did not generate tax book page or control totals.
- D. Controls over tax book additions and abatements were not sufficient.

Recommendation:

- A. The County Clerk maintain an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlements.
- B. The County Clerk verify the tax books generated by the County Collector's office.
- C. The County Commission authorize programming changes to print tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.
- D. The County Clerk reconcile additions and abatements to the County Collector's annual settlements. In addition, the County Commission should review and approve all additions and abatements on a more timely basis, and document their approval.

Status:

- A-D. Not implemented. See MAR finding number 6.

8. County Collector's Procedures

- A. Deposits into the County Collector's bank account were not made intact. The change fund was not kept at a constant amount; cash was taken from collections to purchase money orders for refunds of overpayments, to cash checks for employees, and to pick up checks from the bank that had been returned due to insufficient funds.
- B. The County Collector did not distribute taxes on a timely basis.
- C.1. The County Collector did not maintain a running balance or otherwise track the book balance in the bank account

2. Checks were not issued in numerical sequence.
3. The County Collector did not reconcile paid tax statements to her daily abstract or to her deposits in the bank account.
- D. Collateral securities pledged by the County Collector's depository bank were not sufficient to cover the County Collector's funds.
- E. The County Collector did not file annual settlements in accordance with state law.
- F. The County Collector did not hold land tax sales in accordance with state law.
- F. Various records in the County Collector's office were not well organized.

Recommendation:

The County Collector:

- A. Deposit all receipts intact, maintain the change fund at a constant amount, make all refunds by check, and have insufficient funds checks charged against the bank account. The County Collector should discontinue the practice of using property tax receipts to cash personal checks.
- B. Distribute the May through October 1996 tax collections and the 1992 protested taxes plus interest. In the future, distribute all collections by the fifteenth day of the following month in accordance with state law. Furthermore, the County Collector should mail checks to the political subdivisions as soon as they are written.
- C.1. Maintain a book balance and reconcile it monthly with the bank balance.
 2. Issue checks in numerical sequence and account for the numerical sequence.
 3. Reconcile daily collections to daily abstracts and to deposits in the bank account. The County Collector should also reconcile the total of the daily collections to the monthly abstract.
- D. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- E. Ensure annual settlements are filed on a timely basis in accordance with state law. Annual settlements for the years ended February 28 (29), 1996, 1995, and 1994, should be filed with the County Commission.
- F. Conduct land tax sales annually in accordance with state law and include in the sales all applicable parcels of land.

- G. Organize the records in the County Collector's office so relevant accounting documents can be located in a timely basis.

Status:

- A,B,
C.1,
&E. Not implemented. See MAR finding number 7.

- C.2
&3,
D&F. Implemented.

- G. Partially implemented. Property tax receipts are not filed together and other records were not well organized. The real estate and personal property tax receipts are filed separately and partial payments are filed separately in a folder. See MAR finding number 7.

9. Sheriff's Procedures

- A. Accounting duties were not adequately segregated.
- B. Some monies received from other counties for serving summonses related to civil cases were not deposited into the Sheriff's bank account nor were they turned over to the county treasury. In addition, documentation was not retained to support checks written to the Sheriff and deputies for "out of county paper service".
- C. Receipts were not deposited intact and on a timely basis.
- D. Receipt slips were not issued for insurance reports, checks received in the mail, and some bonds.
- E. Monthly bank reconciliations were not prepared.
- F. A centralized listing of all seized property in the custody of the Sheriff's department was not maintained.

Recommendation:

The Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

- B. Deposit all receipts into the bank account and remit all accountable fees to the county treasury. If it is necessary to reimburse mileage to the Sheriff or a deputy, the Sheriff should maintain adequate documentation to support such payments.
- C. Deposit all monies received intact daily or when cash on hand exceeds \$100.
- D. Issue receipt slips for all monies received and reconcile total cash, checks, and money orders received to bank deposits.
- E. Prepare and document monthly bank reconciliations.
- F. Ensure an accurate and up-to-date inventory record is maintained of all seized and confiscated property. In addition, the inventory listing should include a control number to help identify and locate the property.

Status:

- A,
C-F. Not implemented. See MAR finding number 8.
- B. Partially implemented. Mileage reimbursements are being handled properly; however, several other types of accountable fees were not remitted to the County Treasurer. See MAR finding number 8.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SHANNON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

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

Shannon County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining 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 Shannon County received its money in 2001 and 2000 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2001		2000	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 194,006	13	274,760	16
Sales taxes	207,617	13	195,095	12
Federal and state aid	823,611	53	805,249	50
Fees, interest, and other	367,471	21	352,916	22
Total	\$ 1,592,705	100	1,628,020	100

The following chart shows how Shannon County spent monies in 2001 and 2000 from the General Revenue and Special Road and Bridge Funds:

USE	2001		2000	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 478,399	29	464,341	30
Public safety	345,307	21	345,123	22
Highways and roads	819,033	50	757,476	48
Total	\$ 1,642,739	100	1,566,940	100

The county maintains approximately 18 county bridges and 725 miles of county roads.

The county's population was 7,196 in 1970 and 8,324 in 2000. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2001	2000	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 33.3	31.1	22.2	7.1	5.8
Personal property	18.2	15.8	6.2	3.6	2.1
Railroad and utilities	3.8	5.0	2.8	3.0	2.1
Total	\$ 55.3	51.9	31.2	13.7	10.0

* First year of statewide reassessment.

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

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

	Year Ended December 31,	
	2001	2000
General Revenue Fund	\$.0500	.1100
Special Road and Bridge Fund	.2419	.2400
Health Center Fund	.1000	.1000
Senate Bill 40 Board Fund	.1000	.1000

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

	Year Ended February 28 (29),	
	2002	2001
State of Missouri	\$ 16,674	16,152
General Revenue Fund	89,694	117,452
Special Road and Bridge Fund	133,429	128,317
Assessment Fund	24,740	23,137
Health Center Fund	54,764	52,872
Senate Bill 40 Board Fund	54,865	53,115
Senior Citizen Fund	26,323	23,527
School districts	1,619,060	1,463,384
Ambulance districts	76,123	73,320
Hospital	10,899	10,560
Cities	26,972	42,289
Fire district	4,517	0
County Clerk	95	71
County Employees' Retirement	16,125	16,132
Commissions and fees:		
General Revenue Fund	40,606	38,756
County Collector	712	1,519
Total	\$ <u>2,195,598</u>	<u>2,060,603</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	2002	2001
Real estate	91 %	91 %
Personal property	83	85
Railroad and utilities	100	100

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

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

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

Officeholder	2002	2001	2000
County-Paid Officials:			
Shane VanSteenis, Presiding Commissioner	\$	20,810	20,810
Dean Cox, Associate Commissioner		18,810	18,810
Herman Kelly, Associate Commissioner		18,810	18,810
Mae Ruth Bockman, County Clerk		28,500	28,500
Bob Oberzalek, Prosecuting Attorney		36,100	36,100
Clinton (Butter) Reeves, Sheriff		35,150	31,350
Allen L. Akers, County Treasurer		21,090	21,090
Tim Denton, County Coroner		8,075	
Ken Tarter, County Coroner			5,225
James Orchard, Public Administrator (1)		15,000	9,800
Jennie Cutts, County Collector (2), year ended February 28 (29),	29,212	30,017	
Stanley (Bear) Conway , County Assessor, (3) year ended August 31		31,300	29,400

(1) Includes \$300 fees received from probate cases in 2000. Beginning January 1, 2001, the Public Administrator elected to receive a salary in lieu of fees.

(2) Includes \$712 and \$1517, respectively, of commissions earned for collecting city property taxes.

(3) Includes \$900 annual compensation received from the state

State-Paid Officials:

Melany Williams, Circuit Clerk and Ex Officio Recorder of Deeds		47,300	46,127
Robert Heller, Associate Circuit Judge		96,000	97,382

A breakdown of employees (excluding the elected officials) by office at December 31, 2001, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds	1	1
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff	9	0
County Collector *	2	0
County Assessor **	2	0
Associate/Probate Division	0	2
Road and Bridge	11	0
Health Center ***	44	0
Total	<u>72</u>	<u>3</u>

- * Includes two part-time employees
- ** Includes one part-time employees
- *** Includes thirty-six part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Shannon County's share of the Thirty-Seventh Judicial Circuit's expenses is 14.09 percent.