



**HOWARD COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

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

**Report No. 2004-03
January 15, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2004

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Howard, 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 Howard County included additional areas of county operations, as well as the elected county officials. Many of the current recommendations are similar to prior recommendations that were not implemented by county officials. The following concerns were noted as part of the audit:

- The county's General Revenue Fund and Keller Building Fund are in weak financial condition. The General Revenue Fund cash balance decreased from \$388,688 at January 1, 2001 to \$82,129 at December 31, 2002. Significant factors causing the decline of this fund's financial condition include the addition of a courthouse elevator and salary increases for elected officials. At December 31, 2002, the Keller Building Fund cash balance was \$6,998, which includes \$5,713 of rental deposits held for building tenants. At times during the audit period, the county relied on the rental deposit monies to pay building operating costs.
- As noted in prior reports, the county does not have adequate procedures in place to accumulate federal financial assistance information and the schedule of expenditures of federal awards was not complete and accurate.
- As noted in prior reports, the County Clerk does not maintain centralized compensatory time records, and the county's established personnel and payroll policies are not consistently applied and enforced.
- Computer system controls and procedures need improvement. Some passwords are not changed periodically to ensure confidentiality, backup disks are not stored at an off-site location, and the county has no formal emergency contingency plan in place.

YELLOW SHEET

- As noted in prior reports, controls over the preparation of and changes to the property tax books are not adequate. The County Clerk does not prepare or verify the tax books, additions and abatements are not properly reviewed, and the County Clerk does not maintain an account book with the County Collector.
- The county has not taken action on mid-term salary increases given to associate commissioners 1999. On May 15, 2001 the Missouri Supreme Court handed down an opinion that challenged the validity of Section 50.333.13, RSMo, which allowed county salary commissions in 1997 to provide mid-term salary increases for associate county commissioners. In a written legal opinion issued in August 2001, the county Prosecuting Attorney concluded the mid-term raises were not valid. However, as of August 2003, the county has taken no action to seek repayments.
- The Sheriff did not adequately review and supervise the work of the bookkeeper. In addition, there were several problems with the receipting and depositing procedures, the fee account was overdrawn, checkbook balances were not maintained, and bank reconciliations and open items listings were not prepared. Also, calendar advertising commissions checks were cashed and used to purchase equipment and supplies rather than being deposited into the bank account, and invoices were not retained to document amounts paid.
- Sheltered Services Board members do not adequately review invoices and compliance with contract terms prior to signing checks. As a result, a \$1,700 overpayment was made to a contractor which billed the board for more hours than authorized by the contract and expenses not authorized in the contract. The board treasurer discussed this situation with the contractor and the board has received reimbursement for the overpayment.
- In November 2002 and December 2001, the 911 board made lump sum year-end salary adjustment payments to its employees totaling \$4,200 and \$4,400, respectively. These payments appear to represent additional compensation in the form of a bonus for services previously rendered and, as such are in violation of the Missouri Constitution and contrary to Attorney General opinion.

Also included in the audit are recommendations related to county's budget preparation, employee bonds, record retention, and vehicle records. The audit also suggested improvements in accounting procedures and controls of the County Clerk, Circuit Clerk and Ex Officio Recorder of Deeds, Prosecuting Attorney, health department, Sheltered Services Board, and 911 Board.

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

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Howard County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howard 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, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 21, 2003, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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



Claire McCaskill
State Auditor

August 21, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Cheryl Colter, CPA, CGFM
Audit Staff:	Flower Chadraabal Tom Franklin



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 Howard County, Missouri

We have audited the financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 21, 2003. 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 financial statements of various funds of Howard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Howard 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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition

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

This report is intended for the information and use of the management of Howard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

August 21, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOWARD COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 193,665	911,201	1,022,737	82,129
Special Road and Bridge	310,638	1,221,860	986,512	545,986
Assessment	1,198	109,761	108,369	2,590
Law Enforcement Training	1,270	1,222	1,536	956
Prosecuting Attorney Training	349	304	351	302
Law Enforcement Sales Tax	1,414	388,327	384,108	5,633
Recorder's User Fees	5,565	4,802	4,899	5,468
Keller Building	22,844	111,745	127,591	6,998
Victims of Domestic Violence	2,310	751	0	3,061
Civil Defense	2,668	13,241	12,996	2,913
Local Emergency Planning	16,606	2,413	3,461	15,558
Sheriff Civil Fees	5,928	9,932	12,142	3,718
Peace Officer Safety Training	0	472	472	0
Prosecuting Attorney Bad Check	5,255	5,384	3,880	6,759
Howard County Economic Development	72,072	35,668	5,581	102,159
Election Services	2,243	1,244	0	3,487
Law Enforcement Supplemental	0	33,932	32,383	1,549
Road and Bridge Disaster Relief	0	134,420	92,677	41,743
CDBG Elevator Grant	0	205,584	205,584	0
Sheriff's Benevolent	367	111	0	478
Recorder Technology	1,139	2,930	0	4,069
Prosecutor's Supplemental	0	23,072	10,669	12,403
Levee Districts	287,836	115,402	112,303	290,935
Sheltered Services Board	129,506	85,235	83,034	131,707
911 Board	147,369	262,557	224,501	185,425
Collector's Technology	0	297	5	292
Local Law Enforcement Block Grant	0	12,904	12,904	0
Circuit Clerk Interest	12,254	244	1,872	10,626
Law Library	9,561	2,888	2,500	9,949
Focus on Kids	1,015	945	775	1,185
Total	\$ 1,233,072	3,698,848	3,453,842	1,478,078

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

Exhibit A-2

HOWARD 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	\$ 388,688	809,242	1,004,265	193,665
Special Road and Bridge	271,530	1,072,228	1,033,120	310,638
Assessment	1,260	123,585	123,647	1,198
Law Enforcement Training	1,798	1,020	1,548	1,270
Prosecuting Attorney Training	545	254	450	349
Law Enforcement Sales Tax	1,712	401,600	401,898	1,414
Recorder's User Fees	4,989	4,591	4,015	5,565
Keller Building	1,157	134,920	113,233	22,844
Victims of Domestic Violence	1,220	1,090	0	2,310
Civil Defense	0	14,971	12,303	2,668
Local Emergency Planning	14,662	2,696	752	16,606
Sheriff Civil Fees	2,919	8,548	5,539	5,928
Peace Officer Safety Training	0	500	500	0
Prosecuting Attorney Bad Check	4,492	6,188	5,425	5,255
Howard County Economic Development	52,421	35,949	16,298	72,072
Election Services	1,383	860	0	2,243
Emergency Shelter Grant	0	5,000	5,000	0
CDBG Elevator Grant	0	34,416	34,416	0
Sheriff's Benevolent	0	367	0	367
Recorder Technology	0	1,139	0	1,139
Levee Districts	227,054	113,711	52,929	287,836
Sheltered Services Board	103,961	84,283	58,738	129,506
911 Board	113,008	261,955	227,594	147,369
Local Law Enforcement Block Grant	0	13,768	13,768	0
Circuit Clerk Interest	10,615	1,639	0	12,254
Law Library	7,549	2,012	0	9,561
Focus on Kids	355	1,410	750	1,015
Total	\$ 1,211,318	3,137,942	3,116,188	1,233,072

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

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,568,847	3,681,570	112,723	3,890,580	3,112,744	(777,836)
DISBURSEMENTS	3,907,243	3,435,786	471,457	4,125,695	3,098,193	1,027,502
RECEIPTS OVER (UNDER) DISBURSEMENTS	(338,396)	245,784	584,180	(235,115)	14,551	249,666
CASH, JANUARY 1	1,208,000	1,210,242	2,242	1,188,912	1,192,799	3,887
CASH, DECEMBER 31	869,604	1,456,026	586,422	953,797	1,207,350	253,553
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	220,000	229,527	9,527	300,000	216,845	(83,155)
Sales taxes	300,000	255,744	(44,256)	300,000	256,092	(43,908)
Intergovernmental	165,000	150,517	(14,483)	145,000	151,562	6,562
Charges for services	159,175	171,669	12,494	197,720	120,357	(77,363)
Interest	16,500	6,283	(10,217)	40,000	15,979	(24,021)
Other	49,475	54,972	5,497	417,500	48,407	(369,093)
Transfers in	20,000	42,489	22,489	2,715	0	(2,715)
Total Receipts	930,150	911,201	(18,949)	1,402,935	809,242	(593,693)
DISBURSEMENTS						
County Commission	73,401	73,229	172	73,626	73,356	270
County Clerk	55,487	54,877	610	54,736	54,893	(157)
Elections	30,980	27,629	3,351	11,900	11,611	289
Buildings and grounds	135,412	148,304	(12,892)	139,963	101,575	38,388
Employee fringe benefits	90,600	80,702	9,898	77,175	70,749	6,426
County Treasurer	26,681	26,212	469	26,781	26,679	102
County Collector	64,630	59,149	5,481	66,151	63,892	2,259
Ex Officio Recorder of Deeds	15,640	11,145	4,495	14,800	11,674	3,126
Circuit Clerk	17,800	2,212	15,588	21,530	6,183	15,347
Associate Circuit Court	17,440	12,653	4,787	16,801	12,767	4,034
Associate Circuit (Probate)	5,100	2,046	3,054	12,600	3,813	8,787
Court administration	62,336	39,704	22,632	58,060	26,604	31,456
Public Administrator	36,365	36,076	289	39,044	38,107	937
Prosecuting Attorney	71,677	72,549	(872)	78,597	77,095	1,502
Juvenile Officer	59,229	59,229	0	69,496	50,831	18,665
County Coroner	14,050	11,283	2,767	13,975	11,007	2,968
Domestic Violence	0	0	0	200	0	200
Civil Defense	0	0	0	18,184	0	18,184
Keller Hospital Building	0	0	0	124,679	0	124,679
Other General County Government	62,492	57,581	4,911	87,879	48,201	39,678
Public health and welfare services	174,000	176,057	(2,057)	183,720	183,491	229
Debt service	0	0	0	1,796	337	1,459
Transfers out	67,220	72,100	(4,880)	163,334	118,667	44,667
Emergency Fund	32,500	0	32,500	41,787	12,733	29,054
Total Disbursements	1,113,040	1,022,737	90,303	1,396,814	1,004,265	392,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	(182,890)	(111,536)	71,354	6,121	(195,023)	(201,144)
CASH, JANUARY 1	193,665	193,665	0	388,688	388,688	0
CASH, DECEMBER 31	10,775	82,129	71,354	394,809	193,665	(201,144)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	183,400	182,519	(881)	163,800	171,465	7,665
Sales taxes	226,500	221,371	(5,129)	208,000	218,797	10,797
Intergovernmental	580,920	643,594	62,674	555,400	580,793	25,393
Charges for services	16,100	17,139	1,039	9,500	13,450	3,950
Interest	10,000	11,682	1,682	4,700	14,632	9,932
Other	12,515	43,139	30,624	52,800	73,091	20,291
Transfers in	13,135	102,416	89,281	0	0	0
Total Receipts	1,042,570	1,221,860	179,290	994,200	1,072,228	78,028
DISBURSEMENTS						
Salaries	264,432	259,569	4,863	256,625	251,123	5,502
Employee fringe benefits	70,600	59,709	10,891	69,400	66,290	3,110
Supplies	65,000	46,686	18,314	80,000	50,794	29,206
Insurance	18,000	14,146	3,854	15,000	353	14,647
Road and bridge materials	25,000	23,570	1,430	20,000	12,556	7,444
Equipment repairs	72,500	55,334	17,166	75,000	56,377	18,623
Equipment purchases	75,000	61,873	13,127	167,910	56,119	111,791
Construction, repair, and maintenance	306,000	246,428	59,572	489,246	445,245	44,001
Other	107,662	91,951	15,711	92,547	94,263	(1,716)
Transfers out	20,000	127,246	(107,246)	0	0	0
Total Disbursements	1,024,194	986,512	37,682	1,265,728	1,033,120	232,608
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,376	235,348	216,972	(271,528)	39,108	310,636
CASH, JANUARY 1	310,874	310,638	(236)	271,530	271,530	0
CASH, DECEMBER 31	329,250	545,986	216,736	2	310,638	310,636
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	97,900	89,160	(8,740)	95,918	96,048	130
Charges for services	2,000	2,928	928	2,500	3,187	687
Interest	675	381	(294)	750	663	(87)
Other	1,265	792	(473)	1,245	1,187	(58)
Transfers in	17,220	16,500	(720)	27,859	22,500	(5,359)
Total Receipts	119,060	109,761	(9,299)	128,272	123,585	(4,687)
DISBURSEMENTS						
Assessor	119,037	108,369	10,668	128,272	123,647	4,625
Total Disbursements	119,037	108,369	10,668	128,272	123,647	4,625
RECEIPTS OVER (UNDER) DISBURSEMENTS	23	1,392	1,369	0	(62)	(62)
CASH, JANUARY 1	1,198	1,198	0	1,260	1,260	0
CASH, DECEMBER 31	1,221	2,590	1,369	1,260	1,198	(62)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	1,000	1,199	199	1,500	972	(528)
Interest	50	23	(27)	35	48	13
Total Receipts	1,050	1,222	172	1,535	1,020	(515)
DISBURSEMENTS						
Sheriff	2,000	1,536	464	2,000	1,548	452
Total Disbursements	2,000	1,536	464	2,000	1,548	452
RECEIPTS OVER (UNDER) DISBURSEMENTS	(950)	(314)	636	(465)	(528)	(63)
CASH, JANUARY 1	1,270	1,270	0	1,798	1,798	0
CASH, DECEMBER 31	320	956	636	1,333	1,270	(63)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	250	296	46	365	241	(124)
Interest	14	8	(6)	15	13	(2)
Total Receipts	264	304	40	380	254	(126)
DISBURSEMENTS						
Prosecuting Attorney	500	351	149	300	450	(150)
Total Disbursements	500	351	149	300	450	(150)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(236)	(47)	189	80	(196)	(276)
CASH, JANUARY 1	349	349	0	545	545	0
CASH, DECEMBER 31	113	302	189	625	349	(276)
LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	285,000	255,748	(29,252)	260,000	256,636	(3,364)
Intergovernmental	19,795	18,803	(992)	10,426	14,950	4,524
Charges for services	44,500	49,886	5,386	60,300	39,369	(20,931)
Interest	1,200	685	(515)	1,600	1,083	(517)
Other	10,700	2,705	(7,995)	10,500	7,062	(3,438)
Transfers in	40,000	60,500	20,500	107,850	82,500	(25,350)
Total Receipts	401,195	388,327	(12,868)	450,676	401,600	(49,076)
DISBURSEMENTS						
Sheriff	209,382	200,405	8,977	268,933	214,403	54,530
Jail	157,320	150,480	6,840	176,121	150,245	25,876
Vehicle expense	35,711	33,223	2,488	0	32,500	(32,500)
Transfers out	0	0	0	0	4,750	(4,750)
Total Disbursements	402,413	384,108	18,305	445,054	401,898	43,156
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,218)	4,219	5,437	5,622	(298)	(5,920)
CASH, JANUARY 1	1,414	1,414	0	1,712	1,712	0
CASH, DECEMBER 31	196	5,633	5,437	7,334	1,414	(5,920)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S USER FEES FUND						
RECEIPTS						
Charges for services	4,800	4,716	(84)	23,000	4,422	(18,578)
Interest	175	86	(89)	500	169	(331)
Total Receipts	4,975	4,802	(173)	23,500	4,591	(18,909)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	10,000	4,899	5,101	10,000	4,015	5,985
Total Disbursements	10,000	4,899	5,101	10,000	4,015	5,985
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,025)	(97)	4,928	13,500	576	(12,924)
CASH, JANUARY 1	5,565	5,565	0	4,989	4,989	0
CASH, DECEMBER 31	540	5,468	4,928	18,489	5,565	(12,924)
KELLER BUILDING FUND						
RECEIPTS						
Interest	500	517	17	700	296	(404)
Rental income	128,000	110,133	(17,867)	105,000	106,934	1,934
Other	1,600	1,095	(505)	1,500	19,523	18,023
Transfers in	0	0	0	16,500	8,167	(8,333)
Total Receipts	130,100	111,745	(18,355)	123,700	134,920	11,220
DISBURSEMENTS						
Personnel	31,086	31,681	(595)	31,229	30,748	481
Operations	84,700	66,193	18,507	83,950	71,526	12,424
Building	22,250	29,717	(7,467)	9,500	10,959	(1,459)
Total Disbursements	138,036	127,591	10,445	124,679	113,233	11,446
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,936)	(15,846)	(7,910)	(979)	21,687	22,666
CASH, JANUARY 1	22,844	22,844	0	1,157	1,157	0
CASH, DECEMBER 31	14,908	6,998	(7,910)	178	22,844	22,666
VICTIMS OF DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	1,100	694	(406)	300	1,033	733
Interest	60	57	(3)	65	57	(8)
Total Receipts	1,160	751	(409)	365	1,090	725
DISBURSEMENTS						
Shelter	0	0	0	200	0	200
Total Disbursements	0	0	0	200	0	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,160	751	(409)	165	1,090	925
CASH, JANUARY 1	2,310	2,310	0	1,220	1,220	0
CASH, DECEMBER 31	3,470	3,061	(409)	1,385	2,310	925

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIVIL DEFENSE FUND</u>						
RECEIPTS						
Intergovernmental	6,122	6,104	(18)	7,034	9,385	2,351
Interest	90	37	(53)	25	86	61
Transfers in	10,000	7,100	(2,900)	11,125	5,500	(5,625)
Total Receipts	16,212	13,241	(2,971)	18,184	14,971	(3,213)
DISBURSEMENTS						
Office expenses	950	663	287	950	550	400
Emergency operations	4,250	0	4,250	5,250	67	5,183
Personnel	13,177	12,333	844	11,984	11,686	298
Total Disbursements	18,377	12,996	5,381	18,184	12,303	5,881
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,165)	245	2,410	0	2,668	2,668
CASH, JANUARY 1	2,668	2,668	0	0	0	0
CASH, DECEMBER 31	503	2,913	2,410	0	2,668	2,668
<u>LOCAL EMERGENCY PLANNING FUND</u>						
RECEIPTS						
Intergovernmental	2,000	2,070	70	2,525	2,179	(346)
Interest	500	343	(157)	800	517	(283)
Total Receipts	2,500	2,413	(87)	3,325	2,696	(629)
DISBURSEMENTS						
Office expenses	800	325	475	600	440	160
Equipment	2,500	2,337	163	500	0	500
Mileage and training	500	500	0	1,225	312	913
Other	500	299	201	1,000	0	1,000
Total Disbursements	4,300	3,461	839	3,325	752	2,573
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,800)	(1,048)	752	0	1,944	1,944
CASH, JANUARY 1	16,606	16,606	0	14,662	14,662	0
CASH, DECEMBER 31	14,806	15,558	752	14,662	16,606	1,944
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	8,000	9,790	1,790	20,000	8,250	(11,750)
Interest	175	142	(33)	300	157	(143)
Other	700	0	(700)	0	141	141
Total Receipts	8,875	9,932	1,057	20,300	8,548	(11,752)
DISBURSEMENTS						
Sheriff	14,250	12,142	2,108	10,000	5,539	4,461
Total Disbursements	14,250	12,142	2,108	10,000	5,539	4,461
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,375)	(2,210)	3,165	10,300	3,009	(7,291)
CASH, JANUARY 1	5,928	5,928	0	2,919	2,919	0
CASH, DECEMBER 31	553	3,718	3,165	13,219	5,928	(7,291)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PEACE OFFICER SAFETY TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	500	472	(28)	800	500	(300)
Total Receipts	500	472	(28)	800	500	(300)
DISBURSEMENTS						
Training	500	472	28	800	500	300
Total Disbursements	500	472	28	800	500	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	6,200	5,247	(953)	5,250	6,040	790
Interest	150	137	(13)	125	148	23
Total Receipts	6,350	5,384	(966)	5,375	6,188	813
DISBURSEMENTS						
Prosecuting Attorney	5,248	3,880	1,368	6,140	5,425	715
Total Disbursements	5,248	3,880	1,368	6,140	5,425	715
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,102	1,504	402	(765)	763	1,528
CASH, JANUARY 1	5,255	5,255	0	4,492	4,492	0
CASH, DECEMBER 31	6,357	6,759	402	3,727	5,255	1,528
<u>HOWARD COUNTY ECONOMIC DEVELOPMENT FUND</u>						
RECEIPTS						
Interest	2,250	1,840	(410)	2,500	2,121	(379)
Lease income	33,828	33,828	0	33,828	33,828	0
Total Receipts	36,078	35,668	(410)	36,328	35,949	(379)
DISBURSEMENTS						
Committee luncheons	400	581	(181)	400	298	102
Loan payments	0	0	0	30,000	16,000	14,000
Economic development	100,000	5,000	95,000	0	0	0
Total Disbursements	100,400	5,581	94,819	30,400	16,298	14,102
RECEIPTS OVER (UNDER) DISBURSEMENTS	(64,322)	30,087	94,409	5,928	19,651	13,723
CASH, JANUARY 1	72,072	72,072	0	52,421	52,421	0
CASH, DECEMBER 31	7,750	102,159	94,409	58,349	72,072	13,723

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	1,000	1,180	180	435	793	358
Interest	75	64	(11)	40	67	27
Total Receipts	1,075	1,244	169	475	860	385
DISBURSEMENTS						
Election expenses	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,075	1,244	169	475	860	385
CASH, JANUARY 1	2,243	2,243	0	1,383	1,383	0
CASH, DECEMBER 31	3,318	3,487	169	1,858	2,243	385
<u>LAW ENFORCEMENT SUPPLEMENTAL FUND</u>						
RECEIPTS						
Intergovernmental	37,500	33,333	(4,167)			
Interest	100	99	(1)			
Transfers in	0	500	500			
Total Receipts	37,600	33,932	(3,668)			
DISBURSEMENTS						
Personnel	12,100	13,411	(1,311)			
Vehicle	4,910	73	4,837			
Other	2,000	1,923	77			
Transfers out	13,135	16,976	(3,841)			
Total Disbursements	32,145	32,383	(238)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,455	1,549	(3,906)			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	5,455	1,549	(3,906)			
<u>ROAD AND BRIDGE DISASTER RELIEF FUND</u>						
RECEIPTS						
Intergovernmental	170,000	19,674	(150,326)			
Transfers in	0	114,746	114,746			
Total Receipts	170,000	134,420	(35,580)			
DISBURSEMENTS						
Rock	30,000	0	30,000			
Bridge work	75,000	0	75,000			
Labor	30,000	0	30,000			
Equipment rental	35,000	0	35,000			
Administrative fees	0	3,337	(3,337)			
Transfers out	0	89,340	(89,340)			
Total Disbursements	170,000	92,677	77,323			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	41,743	41,743			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	41,743	41,743			

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY SHELTER GRANT FUND</u>						
RECEIPTS						
Intergovernmental				5,000	5,000	0
Total Receipts				<u>5,000</u>	<u>5,000</u>	<u>0</u>
DISBURSEMENTS						
Shelter				5,000	4,900	100
Administrative fees				0	100	(100)
Total Disbursements				<u>5,000</u>	<u>5,000</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				<u>0</u>	<u>0</u>	<u>0</u>
CASH, JANUARY 1				<u>0</u>	<u>0</u>	<u>0</u>
CASH, DECEMBER 31				<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
<u>CDBG ELEVATOR GRANT FUND</u>						
RECEIPTS						
Intergovernmental	205,584	205,584	0	240,000	34,416	(205,584)
Total Receipts	<u>205,584</u>	<u>205,584</u>	<u>0</u>	<u>240,000</u>	<u>34,416</u>	<u>(205,584)</u>
DISBURSEMENTS						
Elevator	205,584	165,595	39,989	240,000	34,416	205,584
Transfers out	0	39,989	(39,989)	0	0	0
Total Disbursements	<u>205,584</u>	<u>205,584</u>	<u>0</u>	<u>240,000</u>	<u>34,416</u>	<u>205,584</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH, JANUARY 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
<u>SHERIFF'S BENEVOLENT FUND</u>						
RECEIPTS						
Interest	8	11	3	6	7	1
Donations	0	100	100	360	360	0
Total Receipts	<u>8</u>	<u>111</u>	<u>103</u>	<u>366</u>	<u>367</u>	<u>1</u>
DISBURSEMENTS						
Equipment	366	0	366	0	0	0
Total Disbursements	<u>366</u>	<u>0</u>	<u>366</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(358)</u>	<u>111</u>	<u>469</u>	<u>366</u>	<u>367</u>	<u>1</u>
CASH, JANUARY 1	<u>367</u>	<u>367</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>9</u></u>	<u><u>478</u></u>	<u><u>469</u></u>	<u><u>366</u></u>	<u><u>367</u></u>	<u><u>1</u></u>

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER TECHNOLOGY FUND						
RECEIPTS						
Charges for services	3,000	2,872	(128)	1,000	1,131	131
Interest	10	58	48	0	8	8
Total Receipts	3,010	2,930	(80)	1,000	1,139	139
DISBURSEMENTS						
Equipment	3,000	0	3,000	0	0	0
Total Disbursements	3,000	0	3,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	10	2,930	2,920	1,000	1,139	139
CASH, JANUARY 1	1,139	1,139	0	0	0	0
CASH, DECEMBER 31	1,149	4,069	2,920	1,000	1,139	139
PROSECUTOR'S SUPPLEMENTAL FUND						
RECEIPTS						
Intergovernmental	25,000	22,922	(2,078)			
Interest	100	146	46			
Other	0	4	4			
Total Receipts	25,100	23,072	(2,028)			
DISBURSEMENTS						
Prosecuting Attorney	9,200	10,669	(1,469)			
Total Disbursements	9,200	10,669	(1,469)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,900	12,403	(3,497)			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	15,900	12,403	(3,497)			
LEVEE DISTRICTS FUND						
RECEIPTS						
Property taxes	101,703	105,386	3,683	108,059	101,301	(6,758)
Interest	5,686	3,712	(1,974)	4,805	6,041	1,236
Other	0	6,304	6,304	0	0	0
Total Receipts	107,389	115,402	8,013	112,864	107,342	(5,522)
DISBURSEMENTS						
Office expenditures	7,743	4,312	3,431	4,689	6,992	(2,303)
Construction, repair, and maintenance	155,825	79,889	75,936	61,200	15,389	45,811
Loan payment	25,340	25,340	0	51,740	26,040	25,700
Other	850	2,762	(1,912)	650	1,031	(381)
Total Disbursements	189,758	112,303	77,455	118,279	49,452	68,827
RECEIPTS OVER (UNDER) DISBURSEMENTS	(82,369)	3,099	85,468	(5,415)	57,890	63,305
CASH, JANUARY 1	288,040	287,836	(204)	227,054	227,054	0
CASH, DECEMBER 31	205,671	290,935	85,264	221,639	284,944	63,305

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHELTERED SERVICES BOARD FUND</u>						
RECEIPTS						
Property taxes	68,242	79,201	10,959	73,000	75,497	2,497
Interest	2,500	6,034	3,534	3,000	8,786	5,786
Total Receipts	<u>70,742</u>	<u>85,235</u>	<u>14,493</u>	<u>76,000</u>	<u>84,283</u>	<u>8,283</u>
DISBURSEMENTS						
Office and equipment expenses	1,120	573	547	1,120	642	478
Client services	96,475	82,461	14,014	74,400	58,096	16,304
Total Disbursements	<u>97,595</u>	<u>83,034</u>	<u>14,561</u>	<u>75,520</u>	<u>58,738</u>	<u>16,782</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(26,853)</u>	<u>2,201</u>	<u>29,054</u>	<u>480</u>	<u>25,545</u>	<u>25,065</u>
CASH, JANUARY 1	126,928	129,506	2,578	101,701	103,961	2,260
CASH, DECEMBER 31	<u>100,075</u>	<u>131,707</u>	<u>31,632</u>	<u>102,181</u>	<u>129,506</u>	<u>27,325</u>
<u>911 BOARD FUND</u>						
RECEIPTS						
Sales taxes	245,000	255,728	10,728	242,000	254,981	12,981
Interest	2,300	4,455	2,155	3,000	5,774	2,774
Other	0	2,374	2,374	0	1,200	1,200
Total Receipts	<u>247,300</u>	<u>262,557</u>	<u>15,257</u>	<u>245,000</u>	<u>261,955</u>	<u>16,955</u>
DISBURSEMENTS						
Salaries and benefits	185,079	175,491	9,588	175,600	165,734	9,866
Office expenditures	6,976	6,003	973	6,572	6,600	(28)
Equipment	19,700	8,242	11,458	27,500	26,262	1,238
Phone services	28,000	26,683	1,317	28,000	24,911	3,089
Training	5,000	5,475	(475)	1,000	802	198
Other	2,545	2,607	(62)	6,328	3,285	3,043
Total Disbursements	<u>247,300</u>	<u>224,501</u>	<u>22,799</u>	<u>245,000</u>	<u>227,594</u>	<u>17,406</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>0</u>	<u>38,056</u>	<u>38,056</u>	<u>0</u>	<u>34,361</u>	<u>34,361</u>
CASH, JANUARY 1	147,265	147,369	104	111,381	113,008	1,627
CASH, DECEMBER 31	<u>\$ 147,265</u>	<u>185,425</u>	<u>38,160</u>	<u>111,381</u>	<u>147,369</u>	<u>35,988</u>

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

Notes to the Financial Statements

HOWARD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Howard 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 various levee districts boards, the Howard County Sheltered Services Board, or the Howard County 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or 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>
Collector's Technology Fund	2002
Local Law Enforcement Block Grant Fund	2002 and 2001
Circuit Clerk Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001
Focus on Kids Fund	2002 and 2001

One of five levee districts did not prepare a budget for the year ended December 31, 2001. As a result, receipts, disbursements and cash balances reported on Exhibit A exceed receipts, disbursements, and cash balances reported on Exhibit B for the Levee Districts Fund.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training Fund	2001
Law Enforcement Supplemental Fund	2002
Prosecutor’s Supplemental Fund	2002

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>
Road and Bridge Disaster Relief Fund	2002
CDBG Elevator Grant Fund	2002
Local Law Enforcement Block Grant Fund	2002 and 2001
Circuit Clerk Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001
Focus on Kids Fund	2002 and 2001

In addition, budgeted rather than actual data was published for the Sheltered Services Board Fund and the 911 Board Fund.

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 depository accounts at

financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

The county investment policy indicates the county's investment preferences are U.S. Treasuries and securities having principal and/or interest guaranteed by the U.S. government and collateralized time and demand deposits.

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, various levee districts boards', Sheltered Services Board's, and 911 Board's, deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

3. Prior Period Adjustment

The Civil Defense Fund's cash balance at January 1, 2001, as previously stated has been decreased by \$2,947 to reflect the cash balance recorded on the County Treasurer's records.

4. Subsequent Event

In March 2003, the county entered into a nine-year lease purchase agreement to generate \$1,725,000 for constructing, furnishing, and equipping a new county jail and sheriff's office. The county plans to use the capital improvement sales tax approved by Howard County voters in November 2002 to finance the lease payments. The tax increase was effective April 1, 2003.

Supplementary Schedule

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health and Senior Services:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-1144W	0	12,965
		ERS045-2144W	10,773	4,114
		ERS045-3144W	3,522	0
		ERS1462144C	4,000	0
		ERS1463144C	4,017	0
	Program Total		<u>22,312</u>	<u>17,079</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	2000-PF-031	185,817	54,183
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO 1640299	0	5,000
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	1999UMWX3257	6,303	14,951
Passed through:				
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	2000-LBG-039	9,000	9,000
U.S. DEPARTMENT OF LABOR				
Passed through Experience Works:				
17.235	Senior Community Service Employment Program	N/A	5,390	4,135
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-045 (12)	0	38
		BRO-045 (14)	1,209	799
		BRO-045 (19)	45,402	209,930
		BRO-045 (20)	27,300	0
	Program Total		<u>73,911</u>	<u>210,767</u>

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	1,786	3,299
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.544	Public Assistance Grants	FEMA DR 1403-MO	6,371	0
		FEMA DR 1412-MO	92,677	0
	Program Total		<u>99,048</u>	<u>0</u>
83.552	Emergency Management Performance Grants	N/A	3,554	5,584
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health and Senior Services -				
93.268	Immunization Grants	PGA064-2144A	1,830	936
		PGA064-3144A	1,241	0
		N/A	20,572	19,237
	Program Total		<u>23,643</u>	<u>20,173</u>
Department of Social Services -				
93.563	Child Support Enforcement	NA	258	266
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA067-1144C	0	564
		PGA067-2144C	1,340	60
		PGA067-1144S	0	880
		PGA067-2144S	480	0
	Program Total		<u>1,820</u>	<u>1,504</u>
Department of Health and Senior Services -				
93.994	Maternal and Child Health Services Block Grant to the States	ERS175-1144F	0	4,783
		ERS175-2034F	4,750	1,806
		ERS175-3030F	1,726	0
		ERS146-1144M	0	8,119
		ERS146-2144M	10,666	2,569
		ERS146-3144M	2,345	0
		N/A	199	1,591
	Program Total		<u>19,686</u>	<u>18,868</u>
	Total Expenditures of Federal Awards		<u>\$ 452,528</u>	<u>364,809</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

HOWARD COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

The schedule includes all federal awards administered by Howard County, Missouri.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

Amounts for the Senior Community Service Employment Program (CFDA number 17.235) represent wages paid directly from the grantor agency to an individual that works for the county. Amounts for the Donation of Federal Surplus Personal

Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt..

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$4,900 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the year ended December 31, 2001.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Howard County, Missouri

Compliance

We have audited the compliance of Howard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

In our opinion, Howard County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an

instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Howard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

August 21, 2003 (fieldwork completion date)

Schedule

HOWARD COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

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

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable condition identified that is not considered to be a material weakness? x yes none reported

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

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction

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

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

02-1.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Numbers:	2000-PF-031
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-045 (12), BRO-045 (14), BRO-045 (19), and BRO-045 (20)
Award Years:	2002 and 2001
Questioned Costs:	Not applicable

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

The county does not have adequate procedures in place to accumulate federal financial assistance information and report it on the SEFA. For the years ended December 31, 2002 and 2001, the county's SEFA did not include expenditures related to 11 of 13 and 6 of 13

federal grants, respectively. In total, expenditures were understated by approximately \$437,000 and \$33,000 for 2002 and 2001, respectively. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

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

This condition was noted in our two prior reports.

WE AGAIN RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We are currently requesting program information from various officeholders and departments to prepare a more complete and accurate SEFA. We will work with the County Treasurer to determine the proper revenues and expenditures amounts.

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

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

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

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

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

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

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

00-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	93-DR-62
Award Year:	1999
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-045 (12), BRO-045 (14), and BRO-045 (19)
Award Year:	2000 and 1999
Questioned Costs:	Not applicable

The county did not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. In total, expenditures were understated by approximately \$117,000 and \$250,000 for 2000 and 1999, respectively.

Recommendation:

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

Status:

Not implemented. See finding number 02-1.

00-2. Procurement of Professional Services Contract

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-045 (12), BRO-045 (14), and BRO-045 (19)
Award Year:	2000 and 1999
Questioned Costs:	\$16,662

There was no documentation that the County Commission considered more than one firm when procuring engineering services. As a result, we questioned costs of \$16,662, which was the federal share of engineering costs paid during 2000.

Recommendation:

The County Commission obtain information as required by law when contracting for professional services.

Status:

Implemented. However, the questioned costs have not been resolved with the grantor agency.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 21, 2003. We also have audited the compliance of Howard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 21, 2003.

We also have audited the operations of elected officials with funds other than those presented in the 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 and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Howard 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.**Financial Condition**

The county's General Revenue and Keller Building funds are in poor financial condition.

- A. The following chart shows the General Revenue Fund receipts, disbursements, and cash balances for the three years ended December 31, 2002:

	2002	2001	2000
Cash Balance, January 1	\$ 193,665	388,688	514,014
Receipts	911,201	809,242	975,894
Disbursements	1,022,737	1,004,265	1,101,220
Cash Balance, December 31	\$ 82,129	193,665	388,688

Based on the 2003 budget, it appears the financial condition of the General Revenue Fund will not improve during the current year. The 2003 budget includes estimated receipts of \$987,474 and estimated disbursements of \$1,054,666, resulting in an estimated ending cash balance of \$14,937 at December 31, 2003.

A significant factor in the decline of the financial condition of the General Revenue Fund was the addition of a courthouse elevator. The county incurred costs of approximately \$346,000 on this project in 2002 and 2001, and received grant money of only \$240,000 to cover these costs. The cost of the elevator exceeded the initial budgeted amount by approximately \$28,000, due to unanticipated architectural problems. Another significant factor is salary increases for elected officials. Annual salaries of elected officials paid from the General Revenue Fund have increased by approximately \$80,000, based on increases approved by the salary commission (which is composed of the county's elected officials) and changes in various statutory provisions. During the two years ended December 31, 2002, the General Revenue Fund was used to purchase law library materials totaling over \$11,000, but the county only requested a \$2,500 reimbursement from the Law Library Fund. At December 31, 2002, the Law Library Fund cash balance was \$9,949. In addition to the abovementioned disbursements concerns, the county's budgeted disbursements for 2002 significantly exceeded budgeted receipts. For a few years preceding 2002, the budget documents showed that the county planned to spend most or all of the anticipated receipts.

The County Commission should review discretionary disbursements to ensure available county resources are used efficiently and effectively and to determine if long term reductions in discretionary disbursements are possible. In addition, the County Commission should ensure it maximizes receipts from all sources.

- B. The county's Keller Building Fund is in poor financial condition. The Keller Building has been rented to various public and private tenants since the Keller Memorial Hospital closed in 1997. In 2002, the County Commission made an unsuccessful attempt to sell the building. The County Commission has not set rental rates at a level sufficient to offset future building repair and replacement needs.

A review of building rental receipts and related operating costs during the audit period shows the Keller Building Fund used transfers totaling \$8,167 from the General Revenue Fund to pay operating costs. At December 31, 2002, the cash balance of the Keller Building Fund was \$6,998, including \$5,713 of rental deposits held for building tenants. At times during the audit period, the county relied on the rental deposit monies to pay building operating costs. Building rental deposits represent amounts due to building tenants and should not be used to pay operating expenses. Maintenance and repair expenses increased approximately \$7,000 in 2001 and remained at that level in 2002, due to sewer problems and remodeling expenses for new offices.

Based on the 2003 budget, it appears the financial condition of the Keller Building Fund will not improve during the current year. The 2003 budget includes estimated receipts of \$111,745 and estimated disbursements of \$112,500, resulting in an estimated ending cash balance of \$6,243. As a result, the county may not be accumulating adequate reserves to offset potential significant future building repair and replacement needs. Significant repairs needed on the building could adversely affect the county's financial condition.

Similar conditions were noted in our prior reports.

WE RECOMMEND the County Commission:

- A. Consider various alternatives of increasing receipts and/or reducing disbursements to improve the financial condition of the General Revenue Fund and to maintain an adequate operating cash reserve.
- B. Refrain from using rental deposits to pay operating expenses and set rental rates at a level sufficient to cover operating costs and establish an adequate cash reserve.

AUDITEE'S RESPONSE

- A. *We anticipate that the 2003 revenues have increased enough to override expenses. Because of the diligent efforts of the elected officials and staff, the expenses for the year of 2003 will remain below our anticipated expenses. The amount of money spent on the elevator is a one time expense. We will continue to monitor and review budgets as necessary to ensure that our expenses do not exceed our revenues.*

- B. *New contracts were made during the end of 2001. These new contracts resulted in higher rental rates for our tenants. The county will re-evaluate the rental rates as contracts come due. Tenants are continually exploring the possibility of rental space at the Keller Building. We will try to keep future deposits earmarked for refunds and not use them for repair and maintenance.*

2. County Budgets

As similarly noted in prior audit reports, the county does not have procedures in place to ensure the county's budget documents accurately present financial activities of the county. Several receipts and disbursements were misclassified. Federal and state reimbursement monies were classified in the "Other" receipts category, rather than a more specific and appropriate receipts category. There was a failure to consistently reflect transfers between county funds. Some transfers between funds were classified in the "Other" receipts or disbursements category. In addition, some disbursements classified as transfers out were actually distributions to other political subdivisions. Furthermore, disbursements of the Road and Bridge Disaster Relief Fund were understated by approximately \$28,000 in 2002, because the County Clerk's disbursements records were not reconciled to the County Treasurer's records. The County Clerk's disbursements records should be reconciled to the County Treasurer's records to ensure the county's financial records and the amounts presented in the county budgets are accurate. Adjustments have been made to the audited financial statements to correct these problems. Complete and accurate budgets are necessary to adequately inform the citizens of the county's financial activities.

WE RECOMMEND the County Commission and County Clerk prepare complete and accurate budgets.

AUDITEE'S RESPONSE

We will try to classify transactions more appropriately when we prepare the 2004 budget.

3. County Policies, Records, and Procedures

Employees are not covered by an employee bond, the County Clerk has not established procedures to follow up on outstanding warrants, and some warrant registers were not retained.

- A. Various county employees that receipt and deposit monies are not covered by an employee bond. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the county to unnecessary risks.

- B. The County Clerk has not established procedures to routinely follow up on outstanding warrants. At December 31, 2002, jury warrants totaling \$1,408 had been outstanding for over a year, including warrants totaling \$83 issued prior to 1995. Procedures should be established to routinely investigate any warrants remaining outstanding over a specified period of time. Old outstanding warrants should be voided and reissued to those payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo 2000, or other applicable statutes that allow for the disposition of unclaimed monies.
- C. The County Clerk does not retain warrant registers for some county funds. Warrant registers used to record and classify disbursement transactions for the years ending December 31, 2002 and 2001 could not be located for four and twelve funds, respectively. As a result, the County Clerk had no support for some disbursements information, and other records had to be used to identify individual disbursement transactions, identify and verify outstanding warrants, and verify disbursements amounts recorded on subsequent budget documents.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo 2000, provides that all records made by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

WE RECOMMEND:

- A. The County Commission obtain adequate bond coverage for all persons with access to negotiable assets.
- B. The County Clerk establish procedures to routinely follow up on old outstanding warrants.
- C. The County Clerk retain records in a secure location in accordance with state law.

AUDITEE'S RESPONSE

- A. *We will request a bid for a blanket employee bond when we obtain our next insurance bids.*
- B. *We will attempt to locate the payees. We will contact the State Treasurer's Office to discuss the disposition of monies for payees that cannot be located. We will start following up on items not cashed within 30 days.*
- C. *This recommendation will be implemented.*

4.**Payroll and Personnel Procedures**

Compensatory time records maintained for the Road and Bridge Department are inadequate, the county's vacation leave accumulation policy is not enforced, and holiday pay, overtime, and compensatory time for the Sheriff's department employees are not always calculated consistently and in accordance with county policy.

- A. The County Clerk does not maintain centralized compensatory time records for each employee. Each county official and/or department is responsible for maintaining compensatory time records. Compensatory time records maintained by the Road and Bridge Department do not clearly indicate compensatory time earnings, usage, and accumulated balances. Accumulated compensatory time balances are recorded on a calendar. The balances are changed when time is earned and used, but the dates and amounts of earnings and usage are not clearly documented. In addition, the Road and Bridge Department employees do not report compensatory time earned and taken on their time sheets. As a result, the county does not have adequate records to monitor overtime worked by county employees and its overall liability for compensatory time.

Centralized records help ensure that the employees' overtime records are accurate and comply with county policy, better document compliance with the Fair Labor Standards Act (FLSA), and aid in determining final pay for employees leaving county employment.

- B. The county vacation leave accumulation policy is not enforced. The policy indicates all vacation leave earned in one year must be taken off the following year. As of April 30, 2003, accumulated vacation balances of four employees exceeded their maximum allowable accumulations by 8 to 56 hours.

The county vacation leave accumulation policy should be enforced to ensure that all employees are treated equitably.

- C. Concerns were noted with the Sheriff's department payroll procedures.
- 1) Holiday pay for the Sheriff's employees is not calculated consistently and in accordance with county policy. The county's personnel policy manual indicates holiday pay is to be calculated at the straight time rate. However, some employees received holiday pay at time and one-half and hours used in the payroll calculations did not always agree to timesheet information.
 - 2) The county is not compensating Sheriff's department deputies for overtime and compensatory time as stated in the county's personnel policy manual. The county's written policy states that an employee must work more than 171 hours within a 28 day period to be eligible for compensatory time or overtime pay. However, Sheriff's department deputies were paid for overtime and

compensatory time when they worked more than 171 hours per month. By including time worked for a period exceeding 28 days, overtime hours calculated could be overstated and may not comply with county policy.

Adherence to the county's established policies and accurate calculations of hours worked are necessary to ensure proper compensation and equitable treatment of all employees.

Similar conditions were noted in prior reports.

WE RECOMMEND:

- A. The County Commission require all employees to report compensatory time earned and taken on their monthly time sheets and require the County Clerk to maintain centralized compensatory time records for all county employees.
- B. The County Clerk ensure employee vacation leave balances do not exceed the maximum stated in the county policy.
- C.1. The Sheriff and County Clerk ensure holiday pay is calculated in accordance with county policy and hours worked are calculated correctly.
 2. The County Commission require the Sheriff to compute overtime for law enforcement personnel based on 171 hours over a 28-day period as established in the county's personnel policy manual.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *Effective January 1, 2004, we will require that all compensatory time earned and used be recorded on monthly timesheets and the County Clerk's office will maintain compensatory time records for all employees.*
- B. *We are in the process of resolving this issue. We are requiring all balances to be reduced to the maximum allowable accumulation by January 1, 2004.*
- C.1. *We are reviewing alternatives for calculating holiday pay.*
 2. *We will review this matter with the Sheriff, consider policy revisions, and enforce the policies we adopt.*

The Sheriff provided the following responses:

C.1. I have proposed a new holiday pay policy for my salaried employees to the County Commission.

2. Starting January 1, 2004, we will start tracking hours worked on a 28-day cycle.

5. County Computer Controls and Procedures

The offices of the County Assessor and County Collector have access to a computer system that is networked together to maintain assessed valuation and property tax information. In addition, the County Clerk uses a computer system to maintain records of the county's financial transactions and other computerized records. Our review of the computer system controls and procedures indicated that passwords are not changed periodically to ensure confidentiality, backup disks are not stored at an off-site location, and the county does not have a formal emergency contingency plan for its computer systems.

- A. Passwords are used, but are not changed on a periodic basis to ensure confidentiality. In addition, computers used by the County Assessor's office and County Collector's office are set to retain the password, so knowledge of the password is not required to gain access to the computerized information. As a result, there is less assurance that passwords are effectively limiting access to the property tax data files and programs to only those individuals who need access for their job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
- B. The County Clerk and County Collector maintain backup disks of county financial and payroll information, and county property tax information, respectively. However, the disks are not stored at an off-site location. As a result, they are susceptible to the same damage as the original data on the computer. Back-up disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated.
- C. The county does not have a formal emergency contingency plan for its computer systems. As a result, the county has not made a formal arrangement for the use of backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might

cause considerable loss or disruption to the county. Because of the county's degree of reliance on data processing, the need for contingency planning is evident.

WE RECOMMEND:

- A. The County Commission ensure passwords are periodically changed, remain confidential, and are required to obtain access to computerized information.
- B. The County Clerk and County Collector ensure backup disks are stored in a secure, off-site location.
- C. The County Commission develop a formal contingency plan for the county's computer systems.

AUDITEE'S RESPONSE

- A. *We will discuss this with the appropriate officials and recommend changes.*
- B. *We will implement this recommendation.*
- C. *We will work with the Director of Emergency Management to develop a contingency plan for the computer systems.*

6.

Property Tax Book Procedures

Controls over the preparation of and changes to the property tax books are not adequate. The county is not in compliance with various statutes regarding the segregation of duties involving the tax books. Prior audit reports have also addressed the inadequacy of the county's property tax book procedures. While the County Commission and County Clerk indicated in the 1998 audit, as well as previous audits, that recommendations would be implemented and they would work toward complying with state law, conditions have not improved. The County Commission and County Clerk have failed to implement the procedures necessary to adequately comply with state law regarding tax books.

- A. The County Clerk does not prepare or verify the current or back tax books. Currently, the computer operator is responsible for entering the tax rates and extending and printing the tax books. There is no evidence that the County Clerk is adequately verifying the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 2000, require the County Clerk to extend the tax books and charge the County Collector with the total amount of the current tax books and the aggregate amount of taxes, interest, and clerk's fees contained in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide for the separation of duties and act as a form of checks and balances on the Assessor, County Clerk, and County Collector. Failure to perform reviews of the tax

books and test some individual tax bill computations may result in errors and irregularities going undetected.

- B. Controls over property tax additions and abatements are not adequate. The County Assessor makes changes to the property tax system for additions and abatements. The County Collector then prints out the additions and abatements at the end of the year for the County Commission to review.

Section 137.260, RSMo 2000, requires that the tax book only be changed by the County Clerk under the order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax system and charge these amounts to the County Collector. Further, court orders should be approved, at least monthly, by the County Commission for all additions and abatements to the property tax system.

- C. 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. These amounts 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 the County Commission to verify the County Collector's annual settlements.

WE AGAIN RECOMMEND:

- A. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.
- B. 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 timely basis.
- C. The County Clerk maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

- A. *We can start doing some random checks of the tax book calculations.*
- B. *We can start reviewing year end totals and randomly review additions and abatements records.*
- C. *We can do this.*

7. Associate Commissioner Salaries

The county has not taken action on mid-term salary increases given to the Associate Commissioners in 1999.

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 upon this statute, in 1999 Howard County's Associate Commissioners' salaries were each increased approximately \$5,440 yearly, according to information from 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 the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment.

Based upon the Supreme Court decision, the raises given to each of the Associate Commissioners, totaling \$10,880 for the two years ended December 31, 2000, should be repaid. As mentioned in the prior report, the County Commission did request a legal opinion from the Prosecuting Attorney. In a written legal opinion issued on August 16, 2001, the Prosecuting Attorney concluded the mid-term raises were not valid. However, as of August 2003, the Associate Commissioners have made no repayments and the county has taken no action to seek repayment.

This condition was noted in our prior report.

WE RECOMMEND the County Commission develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission believes that it is in the best interest of the county that Associate Commissioner Black not pay this money back. If the County Commission requires him to pay this money back, the county would then have to pursue the former Associate Commissioner to also pay this money back. Because he is no longer in office, this would be difficult.

8. Vehicle Records

The county has a pool vehicle used by various county employees and eleven pickup trucks used by the road and bridge department employees. The road and bridge department checks out the pool vehicle to the other county employees as needed. The vehicle usage log maintained for the county pool vehicle only indicates dates, user's initials, and odometer readings at the time fuel is added to the vehicle. No vehicle usage logs are maintained for the road and bridge pickup trucks.

Without adequate vehicle usage logs, the county cannot effectively monitor that vehicles are used only for county business. These logs should identify the vehicle operator, dates of use, miles driven, destination, and purpose of each trip.

WE RECOMMEND the County Commission require that complete vehicle usage logs be maintained for all county vehicles. In addition, the County Commission should review the logs periodically to monitor the usage of county-owned vehicles.

AUDITEE'S RESPONSE

We will discuss vehicle usage records with the employees that use the county vehicles.

9. Circuit Clerk and Ex Officio Recorder of Deeds' Accounting Controls and Procedures

The Circuit Clerk's office collects fines, court costs, and bonds, and collected child support monies until August 2002. The Circuit Clerk collected approximately \$172,000 and \$314,000 during the years ended December 31, 2002 and 2001, respectively. The Circuit Clerk also serves as the Ex Officio Recorder of Deeds and receives money for copies and recording marriage licenses, UCC filings, deeds, tax liens, and other commercial paper. The Ex Officio Recorder of Deeds collected approximately \$86,000 and \$72,000 during the years ended December 31, 2002 and 2001, respectively. Several control weaknesses, including

untimely deposits, inadequate follow up on old outstanding checks, and insufficient monitoring of accrued costs and open items, were noted in the operation of this office.

- A. Receipts are not deposited on a timely basis. Deposits for the court account and Ex Officio Recorder of Deeds' account are prepared daily, but are only taken to the bank once or twice a week. As a result, deposits are often comprised of several days receipts. Deposits into the court account during December 2001 and 2002 averaged \$1,099, while deposits into the Ex Officio Recorder of Deeds' account during May and September 2002 averaged \$1,160,

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

- B. The Circuit Clerk and Ex Officio Recorder of Deeds has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, eighty checks totaling \$4,462 for the child support and court accounts had been outstanding for over a year, including forty-four checks totaling \$2,077 that had been outstanding for over four years. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with Sections 447.500 through 447.595, RSMo 2000, or other applicable statutes that allow for the disposition of unclaimed monies.

- C. A 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. When a case is closed and the costs determined, the Circuit Clerk prepares and sends a cost bill to the defendant. Second notices are sent for some cases. However, if payment is not received, the Circuit Clerk does not initiate any further collection procedures. An estimate of total accrued costs could not be determined by the Circuit Clerk. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

The Circuit Clerk accepts partial payments of accrued costs and accumulates them until the entire balance has been collected. Our review of the open items listing noted monies held for old, inactive cases dating back twenty years or more have not yet been disbursed. If it appears unlikely remaining amounts owed will be collected, a court order should be obtained to allow the balance in the case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated." Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is

unlikely the balance will be collected deprives the state and county of the use of those monies.

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

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

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Establish procedures to routinely follow up on old outstanding checks.
- C. Maintain a record of accrued costs and establish procedures to follow up and pursue timely collection, review older cases with the Circuit Judge and determine the appropriate disposition of inactive cases.

AUDITEE'S RESPONSE

- A. *We will try to implement this recommendation.*
- B. *We will try to disburse the old outstanding checks.*
- C. *The Banner computer system implemented during the audit period will provide us with a list of accrued costs. The Banner system initiates disbursements as monies are received, which should reduce the partial payments being held. We will work on disposing of inactive cases.*

10. Prosecuting Attorney's Accounting Controls and Procedures
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Receipts are not deposited on a timely basis. Deposits are made weekly, regardless of when monies are received, and generally contain a significant amount of cash. During March and November 2001, and May and September 2002, deposit amounts ranged from \$340 to \$2,599, with more than 50 percent of the monies being received in cash.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

WE RECOMMEND the Prosecuting Attorney deposit receipts daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

I have implemented this recommendation.

The Sheriff receives monies for civil and criminal fees, gun permits, board bills, calendar commissions, jail phone commissions, bonds, garnishments, and other miscellaneous receipts. Separate bank accounts are maintained for bonds and garnishments while all other monies received are deposited in the fee account. The Sheriff handled receipts totaling approximately \$99,000 and \$131,000 during the years ended December 31, 2002 and 2001, respectively. The Sheriff did not adequately review and supervise the work of the bookkeeper, and as a result, various errors and control weaknesses were not detected and corrected. Receipts were not deposited timely, the composition of receipts was not reconciled to the composition of deposits, receipt slips were not issued for some monies received, receipt slips were not issued timely, the fee account was overdrawn, checkbook balances were not maintained, bank reconciliations and open items listings were not prepared, and calendar commissions were not accounted for properly.

- A. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper performs all the duties of receiving, recording, depositing, and disbursing for the Sheriff's bank accounts. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.
- B. Receipts are not recorded and deposited on a timely basis. Receipt slips were not issued for some monies received, while other receipt slips were issued after the receipts were deposited. These errors were not detected, because the composition of receipts is not reconciled to the composition of deposits. The first fee account deposit for December 2002 was made December 19 and it included monies totaling \$1,214 received from December 3 to December 18. Some of these receipts were disbursed prior to being deposited, resulting in an overdraft charge against the bank account.

To adequately safeguard receipts against loss, theft, or misuse of funds, prenumbered receipt slips should be issued immediately upon receipt for all monies received, the composition of receipts should be reconciled to the composition of deposits, and deposits should be made intact daily or when accumulated receipts exceed \$100.

- C. Receipts and disbursements records are not complete. Disbursements only are recorded in the check register, while the cash control ledger contains only receipts information. As a result, there is no book balance for reconciliation purposes and no bank reconciliations are performed. The fee account records showed that outstanding checks exceeded the bank account balance by \$27 as of December 31, 2002. Complete cash records and monthly bank reconciliations are necessary to ensure the

accounting records are in agreement with the bank records and to help detect errors on a timely basis.

- D. Monthly listings of open items (liabilities) are not prepared and reconciled to the cash balance of the garnishment account. At March 31, 2003, the bank balance of the account was \$1,395. Liabilities and reconciling items (such as deposits in transit and outstanding checks) related to this bank account were not determined by the sheriff's department.

Monthly open items should be prepared and reconciled to the cash balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. The Sheriff should attempt to identify all open items. Any monies remaining unidentified should be disposed of in accordance with state law.

- E. Calendar advertising commissions are not deposited into a bank account or otherwise accounted for by the Sheriff. During the years ending December 31, 2002 and 2001, the Sheriff received \$799 and \$850 as commission from the sale of advertising space on calendars featuring the Sheriff's department. These monies represent accountable fees which should be paid to the County Treasurer as required by Section 50.370, RSMo 2000. The Sheriff indicated he cashed the commission checks and purchased a camcorder, photo printer, digital camera, and various supplies. However, invoices were not retained to document the amounts paid. As a result, there is no assurance that all calendar commissions received have been accounted for properly.

Conditions similar to A and B were noted in prior reports.

WE RECOMMEND the Sheriff:

- A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.
- B. Issue receipt slips immediately upon receipt for all monies received, reconcile the composition of receipts to the composition of deposits, and deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Maintain a complete check register and cash control ledger, and perform monthly bank reconciliations.
- D. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any monies remaining unidentified should be disposed of in accordance with state law.
- E. Remit calendar advertising commissions to the County Treasurer as required by state law and retain supporting documentation for all purchases.

AUDITEE'S RESPONSE

- A. *I will do a more thorough review of the records each month and document my review.*
- B. *We will try to make deposits daily.*
- C. *We have started maintaining a check register balance. We will start preparing monthly bank reconciliations.*
- D. *We are planning to close the garnishment account by January 1, 2004, and pay unidentified monies to the state's Unclaimed Property Section.*
- E. *We are now depositing the calendar commissions in the Sheriff's Benevolent Fund. Invoices will be on file in the County Clerk's office.*

12. Health Department Accounting Controls and Procedures

Monies received from clients for glucose testing, immunizations, family planning services, and birth and death certificates are not transmitted to the County Treasurer intact on a timely basis. Client fee transmittals to the County Treasurer are made approximately twice a month and generally contain a significant amount of cash. Monies are withheld from these transmittals to pay for postage and other small purchases.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer intact on a daily basis or when accumulated receipts exceed \$100. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis, and all reimbursements should be supported by vendor invoices or other adequate documentation.

A similar condition was noted in prior reports.

WE AGAIN RECOMMEND the Health Department transmit all monies intact to the County Treasurer on a timely basis. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis, and all reimbursements should be supported by vendor invoices or other documentation.

AUDITEE'S RESPONSE

We are currently transmitting the day after we receive large amounts of cash. It is not feasible for us to transmit daily. We are maintaining a log of monies withheld and disbursed. We are providing the disbursement totals to the County Clerk.

13.**Sheltered Services Board Accounting Controls and Procedures**

Sheltered Services Board members did not review invoices and compliance with contract terms prior to signing checks, information reported on the board's budgets was incorrect, and the Shelter Services Board Fund has an excessive cash balance.

- A. Sheltered Services Board members do not review invoices and compliance with contract terms prior to signing checks. One payment to a contractor exceeded the amount authorized in the contract by approximately \$1,700. This occurred because the contractor billed the board for more hours than authorized by the contract and billed for expenses not authorized in the contract. The overpayment could have been prevented by reviewing the invoice for compliance with the contract terms prior to signing the check to the contractor.

Failure to properly review and approve all individual disbursements, including invoices and other supporting documentation, increases the possibility of inappropriate disbursements occurring.

- B. Cash balances and receipt and disbursement information reported on the board's budgets were incorrect. The Sheltered Services Board prepares budgets in December for the subsequent year. As a result, the 2003 and 2002 budgets presented cash balances prior to December 31, and actual receipt and disbursement amounts for the two prior years as of the initial budget preparation date, rather than for the entire year. Adjustments have been made to the audited financial statements to present totals and balances as of December 31.

Chapter 50, RSMo 2000, requires the budget present a complete financial plan for the ensuing year. Documenting complete and accurate data from preceding years is necessary to present a complete financial plan. Actual receipts, disbursements, and cash balance information available at the time the budget document is prepared should be included rather than carrying forward estimated or partial year's data.

A similar condition was noted in prior reports.

- C. The cash balance of the Sheltered Services Board Fund substantially exceeds annual disbursements. The cash balance increased from \$103,961 at December 31, 2000, to \$131,707, at December 31, 2002, while disbursements totaled \$83,034 and \$58,738 during the years ended December 31, 2002 and 2001, respectively. The board should determine its future financial needs and consider the cash balance when setting future tax levies.

WE RECOMMEND the Sheltered Services Board:

- A. Review all invoices and other supporting documentation before signing checks and ensure payments comply with contract terms. In addition, the board needs to seek reimbursement of the \$1,700 overpayment.
- B. Ensure the budget document reflects complete and accurate prior years' receipts, disbursements, and cash balance information which is available when the budget is prepared, and/or includes an explanation for any incomplete or estimated data presented.
- C. Review its future financial needs and consider the cash balance when setting future tax levies.

AUDITEE'S RESPONSE

The Sheltered Services Board Treasurer provided the following responses:

- A. *We commend the auditors on catching the overpayment. This matter was brought to the attention of the contractor and they have issued a reimbursement check for \$1,701.02. We will try to be more careful in restricting the contract conditions and in checking the contracts in the future.*
- B. *I will do my best to acquire and provide actual figures for the first year and will provide the date on which I attempted to acquire the figures for the second year. The third year (budget year) figures are estimates. In the past the first year information was an attempt at providing actual figures, but I have not shown the date (in November or December) that I acquired the second year figures.*
- C. *It is true that based upon past years' expenditures that we are carrying a large balance in our account. There is currently a budget crisis in the state of Missouri. By virtue of these shortfalls I understand the budget of the state Department of Mental Health has been reduced considerably for next year. We try to make contributions to help the qualified handicapped within the scope and limitations of the statutes, and the board has determined that we will be needing more funds as this period of budget shortfalls continue.*

14.

911 Board Records and Procedures

Timesheets did not include documentation of supervisory approval, employees were paid year-end salary adjustments, fixed asset records were not maintained, physical inventories were not performed, and the board's open meeting minutes did not document votes to go into closed session and specific reasons for closing meetings.

- A. Timesheets did not include documentation of supervisory approval. Supervisory approval is necessary to ensure time reported was actually worked.
- B. In November 2002 and December 2001, the 911 Board made lump sum year-end salary adjustment payments to its employees totaling \$4,200 and \$4,400, respectively, including \$800 per year to the Executive Director, \$500 per year to each full time employee, and \$300 per year to each part-time employee. There was no indication in the payroll records that these payments were compensation for additional hours worked.

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

- C. The 911 Board does not maintain general fixed asset records nor perform physical inventories to account for all property owned by the board. General fixed asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, and asset identification number, the physical location of the assets, and the date and method of disposition of the assets when disposed of.

Complete and accurate general fixed asset records are necessary to ensure better internal control over board assets and provide a basis for determining proper insurance coverage. Physical inventories are necessary to ensure the general fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Prenumbered tags when affixed to general fixed assets, allow for identification of the items in the records, and limit the potential for personal use of board assets.

- D. The board's open meeting minutes did not always document the specific reasons for closed sessions. Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. The vote and reasons shall be announced publicly during the open session and entered into the minutes.

WE RECOMMEND the 911 Board:

- A. Require all timesheets include supervisory approval.
- B. Discontinue the practice of paying employee bonuses.

- C. Establish property records for all fixed assets and require annual physical inventories of the fixed assets. The board should require additions to the fixed asset list to be reconciled to purchases annually and ensure prenumbered inventory tags that label each item as “Property of Howard County 911” are attached to board property and equipment.
- D. Ensure open meeting minutes state the reasons for going into closed session.

AUDITEE'S RESPONSE

- A. *We implemented the recommendation after this concern was brought to our attention.*
- B. *We are considering this recommendation. We are discussing alternatives.*
- C. *This recommendation has been implemented.*
- D. *We have started documenting the authorizing statute number in our open meeting minutes. We will also start documenting the reasons for closed meetings.*

Follow-Up on Prior Audit Findings

HOWARD 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 Howard County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Budgets and Financial Reporting

- A. Actual expenditures exceeded budgeted amounts for several funds.
- B. The county did not have procedures in place to ensure the county's budget documents were properly prepared and that they accurately presented financial activities of the county.
- C. The county did not have a procedure in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA).
- D. The county's annual published financial statements did not include any financial activity for many county funds and some information presented was inaccurate.

Recommendation:

- A. The County Commission not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.
- B. The County Commission and County Clerk prepare complete and accurate budgets, improve efforts to budget more reasonable receipts and disbursements estimates, and identify and budget all county funds appropriately.
- C. The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.
- D. The County Commission ensure financial information as provided for by law is properly presented in the published financial statements for all county funds.

Status:

- A. Partially implemented. Expenditures exceeded budgeted amounts for three funds during the current audit period, as compared to five funds during the prior audit period. In addition, the amounts by which expenditures exceeded budgeted amounts

were substantially lower during the current audit period. Although not repeated in the current report, our recommendation remains as stated above.

- B. Partially implemented. Budgets were prepared for the majority of county funds, cash reconciliations were more complete and accurate, and receipts and disbursements estimates were more reasonable. However, numerous receipts and disbursements classification errors were noted. See MAR finding number 2.
- C. Not implemented. See finding number 02-1.
- D. Partially implemented. The majority of funds were presented in the published financial statements. However, the amounts presented for the Sheltered Services Board and the 911 Board were estimates, rather than actual amounts. Although not repeated in the current report, our recommendation remains as stated above.

2. Payroll and Personnel Procedures

- A. The comprehensive personnel policies manual developed for the county had never been officially approved by the County Commission and the policies in the manual were not consistently enforced.
- B. Centralized time and leave records were not maintained by the County Clerk for all employees.

Recommendation:

The County Commission:

- A. Adopt and enforce countywide personnel policies.
- B. Require the County Clerk to maintain centralized records of vacation leave, sick leave, and compensatory time earned, taken, and paid for all county employees. In addition, all employees should be required to submit time sheets to the County Clerk.

Status:

- A. Partially implemented. A comprehensive personnel policies manual was adopted, but some county policies are not consistently followed and enforced. See MAR finding number 4.
- B. Partially implemented. Vacation and sick leave records are centralized and all employees submit time sheets to the County Clerk. However, the County Clerk does not maintain centralized records of compensatory time earned, taken, and paid for all county employees. See MAR finding number 4.

3. Keller Building

The County Commission did not develop short-term and long-term plans regarding the Keller Building. Building operations were just breaking even, so the county was not accumulating any reserves to offset potential significant future building repair needs. In addition, the County Commission had not formally documented its decision on returning the 1996 property tax windfall to the taxpayers via a future tax reduction.

Recommendation:

The County Commission continue to consider options for use or disposition of the building, monitor rental receipts as compared to current and potential significant repair costs, and develop a formal plan for the final use or disposition of the building. The County Commission should also formally document its decision on returning the property tax windfall to the taxpayers via a future tax reduction.

Status:

Partially implemented. The County Commission made an unsuccessful attempt to sell the building and documented its decision not to refund the property tax windfall to the taxpayers. The Keller Building Fund relied upon transfers from the General Revenue Fund to pay operating expenses during the two years ending December 31, 2002 and an operating loss is budgeted for 2003. The County Commission has not developed a formal plan for the use of the building. See MAR finding number 1.

4. Salary Commission Meeting

The Howard County Salary Commission met in December 1998, but state law provides for salary commissions to meet in odd-numbered years to determine the compensation to be paid during the next term of office. While the County Commission indicated the county consulted with the Prosecuting Attorney and an outside attorney, no written legal opinion was obtained to support the appropriateness of the meeting and any decisions made.

Recommendation:

The County Commission consult with the Prosecuting Attorney regarding the propriety of the December 1998 meeting and decisions. Salary Commission minutes should clearly document all decisions and include written opinions from the Prosecuting Attorney as applicable.

Status:

Partially implemented. Salary Commission minutes for 1999 appeared to be adequately documented, but the County Commission did not consult with the Prosecuting Attorney

regarding the propriety of the December 1998 meeting and decisions. Although not repeated in the current report, our recommendation remains as stated above.

5. Tax Book Controls and Procedures

- A. The County Clerk did not maintain an account book with the County Collector.
- B. There was no evidence that the County Clerk was adequately verifying the tax books charged to the County Collector.
- C. Additions and abatements of property taxes were not approved by the County Commission as they occurred.

Recommendation:

- A. The County Clerk establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.
- B. The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.
- C. The County Commission review and approve all additions and abatements on a timely basis.

Status:

Not implemented. See MAR finding number 6.

6. General Fixed Assets

No effort had been made by the County Clerk to maintain property records; to number, tag, or otherwise identify property items; or, to perform annual inventories of county-owned personal property and quarterly inspections of county-owned land and buildings.

Recommendation:

The County Clerk perform and document inspections and inventories of county-owned property; appropriately tag, number, or otherwise identify all county property; and create a complete general fixed asset record. Once these procedures are performed and the property records prepared, the County Clerk needs to develop procedures to record all property additions and dispositions of general fixed assets as they occur and perform periodic inspections and inventories.

Status:

Partially implemented. Because of changes to statutory provisions addressing county-owned property, the county officer of each county department is responsible for performing inventory inspections and reporting fixed asset additions and dispositions to the County Clerk. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. Inventories of county-owned property were performed and fixed asset records appeared to be substantially complete. Records were updated when the inventories were performed, rather than when the additions and dispositions occurred. Property tags are attached to any fixed asset additions. Quarterly land and building inspections were not documented. Although not repeated in the current report, our recommendation remains as stated above.

7. Prosecuting Attorney

There was no documentation to support how the monthly equipment and utility reimbursements paid to the Prosecuting Attorney were derived. Time sheets detailing days and hours worked by the Prosecuting Attorney's secretaries were not submitted to the county to support payroll expenditures.

Recommendation:

The County Commission and the Prosecuting Attorney improve the contract agreement for this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work. In addition, time sheets should be prepared and submitted to the county by the Prosecuting Attorney's secretaries.

Status:

Implemented.

8. Circuit Clerk's Controls and Procedures

- A. No formal procedures had been established to ensure all accrued costs were adequately identified and followed up on. In addition, partial payments held on older cases had not been prorated and disbursed.
- B. Checks totaling approximately \$399 had been outstanding since the prior audit and were still carried on the books at December 31, 1998.
- C. A proper segregation of duties did not exist within the Circuit Clerk's office for child support monies.

Recommendation:

The Circuit Clerk:

- A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection. Review older cases along with the Circuit Judge and determine the appropriate disposition of inactive cases.
- B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

- A
&B. Not implemented. See MAR finding number 9.
- C. Not applicable. The Circuit Clerk stopped collecting child support monies in August 2002.

9. Sheriff's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Monies received were not deposited timely and intact, and checks were not restrictively endorsed immediately upon receipt. The composition of receipts was not reconciled to the composition of deposits and cash receipts were sometimes used to cash personal checks for employees. In addition, partial payments on garnishments were not receipted, deposited, and disbursed until the court order was paid in full.

Recommendation:

The Sheriff:

- A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.
- B. Promptly receipt all monies received, deposit all receipts intact and daily or when accumulated receipts exceed \$100, discontinue the practice of allowing employees to cash personal checks, and restrictively endorse checks and money orders immediately upon receipt.

Status:

- A. Not implemented. See MAR finding number 11.
- B. Partially implemented. The practice of cashing personal checks was discontinued and checks and money orders are restrictively endorsed immediately upon receipt. However, monies received are not receipted and deposited intact on a timely basis. See MAR finding number 11.

10. Health Department Accounting Controls and Procedures

- A. Some donations received were not recorded on the donations receipt log. In addition, the method of payment (cash, check, money order, etc.) was not always recorded for all monies received.
- B. Receipts were not always transmitted to the County Treasurer intact on a timely basis. Small cash amounts were retained from transmittals to provide change and this change fund was not maintained at a constant amount.

Recommendation:

The Health Department:

- A. Record all receipts, including method of payment, on the receipt logs and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.
- B. Transmit all monies intact to the County Treasurer on a timely basis and maintain the change fund at a constant amount.

Status:

- A. Implemented.
- B. Partially implemented. Transmittals are not timely, but the change fund is maintained at a constant amount. However, monies are withheld from transmittals to pay for postage and other small purchases. See MAR finding number 12.

11. Howard County Handicapped Services Board Budgeting Procedures

Annual budgets approved by the board were not complete and accurate.

Recommendation:

The Howard County Handicapped Services Board prepare a complete and accurate budget document.

Status:

Not implemented. See MAR finding number 13.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOWARD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1816, the county of Howard was named after General Benjamin Howard. Howard County is a county-organized, third-class county and is part of the Fourteenth Judicial Circuit. The county seat is Fayette.

Howard County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 460 miles of county roads and 90 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 10,008 in 1980 and 10,212 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 50.0	48.8	45.7	44.5	35.2	19.5
Personal property	21.4	20.6	20.2	18.9	11.4	8.1
Railroad and utilities	15.0	14.6	14.6	14.2	13.1	12.3
Total	\$ 86.4	84.0	80.5	77.6	59.7	39.9

* First year of statewide reassessment.

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

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

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$.2563	.2477	.2500	.2600
Special Road and Bridge Fund*	.2882	.2700	.2700	.2700
Howard County Sheltered Services Board	.0900	.0900	.0900	.1000

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

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

	Year Ended February 28 (29),			
	2003	2002	2001	2000
State of Missouri	\$ 26,762	25,891	24,823	24,121
General Revenue Fund	235,799	221,685	214,800	211,742
Special Road and Bridge Fund	255,468	233,407	223,813	215,143
Special Road Districts Fund	69,067	65,328	63,844	63,467
Assessment Fund	50,555	49,160	46,534	45,822
Howard County Sheltered Services Board Fund	79,903	77,332	74,591	80,798
Schools Fund	3,476,484	3,352,723	3,118,783	3,005,468
Library Fund	76,836	74,317	70,805	71,015
Ambulance District	254,605	247,103	235,527	232,942
Fire Protection District Funds	205,186	198,105	188,472	188,430
Watershed District Fund	19,133	17,592	15,732	14,571
Levee District Funds	140,590	105,532	103,973	132,930
Collector's Technology Fund	4,858	0	0	0
Land Tax Sale Surplus Fund	1,948	3,675	470	1,934
Cities	181,671	183,897	177,459	135,432
County Clerk	227	209	224	218
County Employees' Retirement	31,740	30,146	24,979	25,750
Other	19,768	19,410	18,429	19,732
Commissions and fees:				
County Collector	2,766	2,807	2,604	2,616
General Revenue Fund	82,707	79,341	73,467	72,329
Total	\$ 5,216,073	4,987,660	4,679,329	4,544,460

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	91.6	92.2	92.8	93.0 %
Personal property	82.8	84.2	82.1	85.4
Railroad and utilities	99.9	100.0	100.0	100.0
Levee	99.7	97.6	97.4	95.5

Howard 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 %
Law Enforcement	.0050	None	None
911	.0050	None	None
General	.0050	None	None
Capital improvements	.0050	2011	None

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

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Winston Huttzell, Presiding Commissioner	\$	24,440	24,440	24,440	24,440
Howard P. Black, Associate Commissioner		22,440	22,440	22,440	22,440
William G. Conrow, Associate Commissioner		22,440	22,440		
Andrew G. Diehls, Associate Commissioner				22,440	22,440
William M. Hill, County Clerk		34,000	34,000	34,000	34,000
Mason Gebhardt, Prosecuting Attorney		41,000	41,000	41,000	41,000
Charlie Polson, Sheriff		39,000	39,000	34,000	34,000
Bonnie J. McCutcheon, County Treasurer		25,160	25,160	25,160	25,160
Frank Flaspohler, County Coroner		9,500	9,500	5,500	5,500
Marsha Davis, Public Administrator		34,000	34,000		
Glynda Naylor, Public Administrator (1)				23,684	27,645
Sharon Himmelberg, County Collector (2), year ended February 28 (29),	36,766	36,807	36,604	36,616	
George W. Frink, County Assessor (3), year ended August 31,		34,900	34,900	34,900	34,900
Gene Bowen, County Surveyor (4)					

- (1) Includes fees received from probate cases.
- (2) Includes \$2,766, \$2,807, \$2,604, and \$2,616, respectively, of commissions earned for collecting city property taxes.
- (3) Includes \$900 annual compensation received from the state.
- (4) Compensation on a fee basis.

State-Paid Officials:

Charles J. Flaspohler, Circuit Clerk and Ex Officio Recorder of Deeds	47,300	47,300	46,126	44,292
Gary Sprick, Associate Circuit Judge	96,000	96,000	97,382	87,235