



**KNOX COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

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

**Report No. 2004-72
September 21, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2004

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Knox, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

Many of the findings noted in this audit report were noted in past audit reports; however, little or no improvement has been made. The following concerns were noted as part of the audit:

- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. The county's schedules for 2003 and 2002 contained several errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions in federal funds.
- The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to contractors as required by federal and state regulations.
- In December 2003, transactions were made that effectively lowered the cash balance of the Road and Bridge Fund by over \$150,000. The county prepaid \$100,000 to two local quarries for rock and prepared and signed a check for \$51,440 for a truck which had not yet been received. This check was held by the County Treasurer until delivery of the vehicle more than four months later. Prepaying for goods to be received at a later date could result in the county paying for goods or services not received.
- Several additional problems were noted concerning the Road and Bridge Fund including no written agreements with the two local quarries for the prepaid monies and no annual maintenance plan for county roads. Improvements are needed in the county's procedures regarding the purchase of road materials and the sale of some materials to the public.
- Problems were noted in the compensation paid to various county officials. Incorrect application of assessed valuation levels appears to have resulted in salaries being incorrectly calculated for many officials. The Public Administrator has continued to receive both a salary and fees which no longer complies with state law.

(over)

YELLOW SHEET

- There are several concerns regarding the counties personnel policies and procedures including a lack of timesheets and accurate leave records. Some payroll checks were issued in advance, an employee received both sick leave and unemployment compensation for the same time period, and numerous errors were made in the calculation and payment of overtime for a Sheriff's deputy. Similar concerns were noted in previous audit reports.
- As noted in prior audit reports, the County Commission does not maintain adequate records of its meetings to demonstrate compliance with the Sunshine Law.
- Formal budgets were not prepared for various county funds and, as noted in previous reports, actual disbursements exceeded the budgeted amounts in various funds. In addition, the county's budgets contained several misclassifications of receipts and disbursements. Also, as noted in previous reports, the annual published financial statements did not include some county funds and did not include complete financial activity of other county funds. The county did not properly calculate the property tax roll back in 2003 and 2002.
- Controls over county disbursements need improvement. Bids were not always solicited or documented and, as noted in previous reports, payments were approved without adequate supporting documentation and without acknowledgement of receipt of goods or services. In addition, written contracts were sometimes not prepared specifying the arrangements between applicable parties.
- Controls over the preparation of and changes to the property tax books are not adequate. Prior audit reports have also addressed this problem to the county clerk but, the conditions have not improved.

The audit also includes recommendations to improve computer system controls, fixed asset and vehicle records and controls, and monitoring of collateral securities. Additional concerns regarding controls were noted for the County Clerk, the County Treasurer, the County Collector, the County Assessor, the Sheriff, the Prosecuting Attorney, the Circuit Clerk, and the Public Administrator. In addition, the audit included recommendations to the Knox County Health Center regarding receipt records and controls, collateral securities, and computer controls.

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

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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 Knox 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 Knox County, Missouri, as of and for the years ended December 31, 2003 and 2002. 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 Knox 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, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 20, 2004, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Knox County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 20, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Julie Tomlinson
	Michelle L. Knowles



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 Knox County, Missouri

We have audited the financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 20, 2004. 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 Knox 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 Knox 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 Knox 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, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 20, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

KNOX COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 189,796	591,167	583,269	197,694
Special Road and Bridge	519,578	1,506,266	1,415,692	610,152
Assessment	1,850	83,103	81,250	3,703
Law Enforcement Training	901	906	1,073	734
Prosecuting Attorney Training	217	227	0	444
Sheriff's Fees	10,037	5,780	7,828	7,989
Recorder's User Fee	1,467	2,479	1,938	2,008
Health Center	198,507	489,856	384,052	304,311
Prosecuting Attorney Crime	3,884	1,955	1,082	4,757
Children's Trust	2,238	199	0	2,437
Law Enforcement Sales Tax	13,054	179,994	191,048	2,000
Local Emergency Planning Committee	2,775	8,247	300	10,722
Election	246	6,065	5,620	691
Technology	1,824	1,464	0	3,288
Circuit Clerk Interest	808	299	0	1,107
Tax Maintenance	512	3,523	1,883	2,152
Sever Lake	17,624	9,894	11,612	15,906
Rock Creek Cemetery	5,731	272	300	5,703
CDBG Micro Enterprise Loan	0	1,000	1,000	0
CDBG Bridge	1,000	14,429	15,429	0
CDBG Chair Lift	3,876	5,224	8,670	430
Law Library	1,162	400	487	1,075
Economic Development	0	35,167	0	35,167
Associate Time Payment Fee	0	10	0	10
Total	\$ 977,087	2,947,926	2,712,533	1,212,480

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

Exhibit A-2

KNOX 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	\$ 166,613	557,394	534,211	189,796
Special Road and Bridge	383,946	1,272,367	1,136,735	519,578
Assessment	410	79,139	77,699	1,850
Law Enforcement Training	412	1,676	1,187	901
Prosecuting Attorney Training	340	227	350	217
Sheriff's Fees	6,655	7,037	3,655	10,037
Recorder's User Fee	1,683	2,315	2,531	1,467
Health Center	123,028	439,828	364,349	198,507
Prosecuting Attorney Crime	3,116	1,595	827	3,884
Children's Trust	2,069	169	0	2,238
Law Enforcement Sales Tax	124	200,169	187,239	13,054
Local Emergency Planning Committee	2,631	4,132	3,988	2,775
Election	716	6,003	6,473	246
Technology	629	1,195	0	1,824
Circuit Clerk Interest	480	328	0	808
Tax Maintenance	0	512	0	512
Sever Lake	18,476	9,507	10,359	17,624
Rock Creek Cemetery	5,660	371	300	5,731
CDBG Micro Enterprise Loan	1,000	58,000	59,000	0
CDBG Bridge	1,000	11,099	11,099	1,000
CDBG Chair Lift	0	3,876	0	3,876
Law Library	1,054	380	272	1,162
Total	\$ 720,042	2,657,319	2,400,274	977,087

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

Exhibit B

KNOX COUNTY, MISSOURI

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,321,675	2,881,530	(440,145)	2,812,985	2,573,574	(239,411)
DISBURSEMENTS	3,440,497	2,675,035	765,462	2,867,556	2,319,244	548,312
RECEIPTS OVER (UNDER) DISBURSEMENTS	(118,822)	206,495	325,317	(54,571)	254,330	308,901
CASH, JANUARY 1	932,168	947,694	15,526	520,317	692,852	172,535
CASH, DECEMBER 31	813,346	1,154,189	340,843	465,746	947,182	481,436
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	146,800	155,643	8,843	136,000	138,966	2,966
Sales taxes	260,000	270,069	10,069	260,000	256,493	(3,507)
Intergovernmental	1,500	16,242	14,742	1,500	1,207	(293)
Charges for services	89,866	92,392	2,526	89,825	93,637	3,812
Interest	4,000	3,293	(707)	7,000	3,697	(3,303)
Other	18,453	9,701	(8,752)	85,800	11,253	(74,547)
Transfers in	119,602	43,827	(75,775)	53,070	52,141	(929)
Total Receipts	640,221	591,167	(49,054)	633,195	557,394	(75,801)
DISBURSEMENTS						
County Commissioner	59,300	56,527	2,773	49,330	51,798	(2,468)
County Clerk	53,384	52,793	591	45,868	44,652	1,216
Elections	0	355	(355)	10,000	18,613	(8,613)
Buildings and grounds	151,664	90,503	61,161	156,556	69,198	87,358
Employee fringe benefit	62,000	48,499	13,501	58,300	51,092	7,208
County Treasurer	25,880	25,287	593	19,824	19,741	83
County Collector	51,787	51,609	178	48,037	46,806	1,231
Ex Officio Recorder of Deed	16,173	12,423	3,750	15,873	11,230	4,643
Associate Circuit Court	3,945	1,428	2,517	4,625	2,749	1,876
Court administration	1,035	179	856	807	462	345
Public Administrator	27,150	22,518	4,632	25,850	31,038	(5,188)
Prosecuting Attorney	56,526	57,100	(574)	46,824	46,207	617
Juvenile Officer	29,050	33,181	(4,131)	26,312	26,672	(360)
County Coroner	8,700	9,325	(625)	8,700	6,845	1,855
Court Reporter	436	156	280	436	134	302
Other	50,689	62,216	(11,527)	51,116	52,090	(974)
Transfers out	61,806	59,170	2,636	49,937	54,884	(4,947)
Emergency Fund	20,000	0	20,000	30,000	0	30,000
Total Disbursements	679,525	583,269	96,256	648,395	534,211	114,184
RECEIPTS OVER (UNDER) DISBURSEMENTS	(39,304)	7,898	47,202	(15,200)	23,183	38,383
CASH, JANUARY 1	189,796	189,796	0	166,613	166,613	0
CASH, DECEMBER 31	150,492	197,694	47,202	151,413	189,796	38,383

Exhibit B

KNOX COUNTY, MISSOURI

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	339,433	347,082	7,649	326,751	333,010	6,259
Sales taxes	135,000	135,064	64	130,000	128,279	(1,721)
Intergovernmental	1,419,649	941,520	(478,129)	867,549	690,090	(177,459)
Interest	7,000	9,274	2,274	11,000	10,362	(638)
Other	79,000	54,140	(24,860)	79,701	99,233	19,532
Transfers in	1,300	19,186	17,886	25,528	11,393	(14,135)
Total Receipts	1,981,382	1,506,266	(475,116)	1,440,529	1,272,367	(168,162)
DISBURSEMENTS						
Salaries	265,000	228,374	36,626	262,000	259,262	2,738
Employee fringe benefit	70,273	54,132	16,141	62,050	58,425	3,625
Supplies	132,300	101,097	31,203	127,250	107,963	19,287
Insurance	12,000	18,404	(6,404)	11,000	14,244	(3,244)
Road and bridge materials	354,500	360,066	(5,566)	315,810	210,484	105,326
Equipment repairs	26,000	51,199	(25,199)	20,000	31,598	(11,598)
Rentals	5,000	8,865	(3,865)	5,000	14,132	(9,132)
Equipment purchases	256,000	175,544	80,456	256,000	140,423	115,577
Construction, repair, and maintenance	927,648	377,515	550,133	448,167	249,543	198,624
Other	2,050	1,876	174	1,050	591	459
Transfers out	34,102	38,620	(4,518)	50,070	50,070	0
Total Disbursements	2,084,873	1,415,692	669,181	1,558,397	1,136,735	421,662
RECEIPTS OVER (UNDER) DISBURSEMENTS	(103,491)	90,574	194,065	(117,868)	135,632	253,500
CASH, JANUARY 1	519,578	519,578	0	222,396	383,946	161,550
CASH, DECEMBER 31	416,087	610,152	194,065	104,528	519,578	415,050
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	62,066	58,010	(4,056)	63,839	64,632	793
Interest	300	93	(207)	450	132	(318)
Other	750	0	(750)	600	1,875	1,275
Transfers in	32,506	25,000	(7,506)	21,437	12,500	(8,937)
Total Receipts	95,622	83,103	(12,519)	86,326	79,139	(7,187)
DISBURSEMENTS						
Assessor	95,622	81,250	14,372	85,938	77,699	8,239
Total Disbursements	95,622	81,250	14,372	85,938	77,699	8,239
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,853	1,853	388	1,440	1,052
CASH, JANUARY 1	1,850	1,850	0	410	410	0
CASH, DECEMBER 31	1,850	3,703	1,853	798	1,850	1,052

Exhibit B

KNOX COUNTY, MISSOURI

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	527	527
Charges for service:	910	898	(12)	1,800	893	(907)
Interest	15	8	(7)	30	6	(24)
Other	825	0	(825)	0	250	250
Total Receipts	1,750	906	(844)	1,830	1,676	(154)
DISBURSEMENTS						
Sheriff	1,400	1,073	327	1,800	1,187	613
Total Disbursements	1,400	1,073	327	1,800	1,187	613
RECEIPTS OVER (UNDER) DISBURSEMENTS	350	(167)	(517)	30	489	459
CASH, JANUARY 1	901	901	0	412	412	0
CASH, DECEMBER 31	1,251	734	(517)	442	901	459
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	230	224	(6)	270	224	(46)
Interest	20	3	(17)	15	3	(12)
Total Receipts	250	227	(23)	285	227	(58)
DISBURSEMENTS						
Prosecuting Attorney	350	0	350	325	350	(25)
Total Disbursements	350	0	350	325	350	(25)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	227	327	(40)	(123)	(83)
CASH, JANUARY 1	217	217	0	340	340	0
CASH, DECEMBER 31	117	444	327	300	217	(83)
<u>SHERIFF'S FEES FUND</u>						
RECEIPTS						
Intergovernmental	0	518	518	0	0	0
Charges for service:	6,900	5,175	(1,725)	5,000	6,930	1,930
Interest	100	87	(13)	250	107	(143)
Total Receipts	7,000	5,780	(1,220)	5,250	7,037	1,787
DISBURSEMENTS						
Sheriff	7,150	7,828	(678)	6,400	3,655	2,745
Total Disbursements	7,150	7,828	(678)	6,400	3,655	2,745
RECEIPTS OVER (UNDER) DISBURSEMENTS	(150)	(2,048)	(1,898)	(1,150)	3,382	4,532
CASH, JANUARY 1	10,037	10,037	0	6,655	6,655	0
CASH, DECEMBER 31	9,887	7,989	(1,898)	5,505	10,037	4,532

Exhibit B

KNOX COUNTY, MISSOURI

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEE FUND</u>						
RECEIPTS						
Charges for service:	1,775	2,455	680	1,800	2,293	493
Interest	25	24	(1)	30	22	(8)
Total Receipts	1,800	2,479	679	1,830	2,315	485
DISBURSEMENTS						
Ex Officio Recorder of Deed	2,600	1,938	662	1,700	2,531	(831)
Total Disbursements	2,600	1,938	662	1,700	2,531	(831)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(800)	541	1,341	130	(216)	(346)
CASH, JANUARY 1	1,467	1,467	0	1,683	1,683	0
CASH, DECEMBER 31	667	2,008	1,341	1,813	1,467	(346)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	50,000	54,940	4,940	50,000	52,189	2,189
Intergovernmental	291,680	312,562	20,882	372,290	356,209	(16,081)
Charges for service:	13,800	12,686	(1,114)	11,450	12,052	602
Interest	3,000	7,505	4,505	2,500	6,914	4,414
Other	15,500	102,163	86,663	13,200	12,464	(736)
Total Receipts	373,980	489,856	115,876	449,440	439,828	(9,612)
DISBURSEMENTS						
Salaries	251,100	279,080	(27,980)	265,630	253,566	12,064
Office expenditure:	35,500	30,608	4,892	26,625	23,815	2,810
Equipment and supplies	5,000	17,001	(12,001)	7,000	4,368	2,632
Mileage and training	13,000	14,014	(1,014)	13,000	11,903	1,097
Principal and interest	0	0	0	11,500	33,602	(22,102)
Other	42,850	43,349	(499)	50,300	37,095	13,205
Total Disbursements	347,450	384,052	(36,602)	374,055	364,349	9,706
RECEIPTS OVER (UNDER) DISBURSEMENTS	26,530	105,804	79,274	75,385	75,479	94
CASH, JANUARY 1	182,981	198,507	15,526	112,043	123,028	10,985
CASH, DECEMBER 31	209,511	304,311	94,800	187,428	198,507	11,079
<u>PROSECUTING ATTORNEY CRIME FUND</u>						
RECEIPTS						
Charges for service:	1,600	1,911	311	2,000	1,550	(450)
Interest	50	44	(6)	100	45	(55)
Total Receipts	1,650	1,955	305	2,100	1,595	(505)
DISBURSEMENTS						
Prosecuting Attorney	1,100	1,082	18	900	827	73
Total Disbursements	1,100	1,082	18	900	827	73
RECEIPTS OVER (UNDER) DISBURSEMENTS	550	873	323	1,200	768	(432)
CASH, JANUARY 1	3,884	3,884	0	3,116	3,116	0
CASH, DECEMBER 31	4,434	4,757	323	4,316	3,884	(432)

Exhibit B

KNOX COUNTY, MISSOURI

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for service:	165	175	10	125	141	16
Interest	35	24	(11)	60	28	(32)
Total Receipts	200	199	(1)	185	169	(16)
DISBURSEMENTS						
Shelters	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	199	(1)	185	169	(16)
CASH, JANUARY 1	2,238	2,238	0	2,069	2,069	0
CASH, DECEMBER 31	2,438	2,437	(1)	2,254	2,238	(16)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	135,000	135,041	41	130,000	128,179	(1,821)
Intergovernmental	23,940	3,913	(20,027)	15,600	17,210	1,610
Charges for service:	7,500	7,623	123	2,000	9,038	7,038
Interest	150	107	(43)	500	66	(434)
Other	500	800	300	300	580	280
Transfers in	35,000	32,510	(2,490)	31,000	45,096	14,096
Total Receipts	202,090	179,994	(22,096)	179,400	200,169	20,769
DISBURSEMENTS						
Salaries	141,527	137,966	3,561	126,296	130,437	(4,141)
Office expenditures:	5,350	4,505	845	4,300	5,049	(749)
Equipment	3,450	3,899	(449)	20,300	18,679	1,621
Mileage	6,500	4,236	2,264	6,000	6,155	(155)
Board of prisoners	20,000	38,018	(18,018)	18,000	24,939	(6,939)
Other	29,100	1,198	27,902	3,650	1,841	1,809
Transfers out	0	1,226	(1,226)	0	139	(139)
Total Disbursements	205,927	191,048	14,879	178,546	187,239	(8,693)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,837)	(11,054)	(7,217)	854	12,930	12,076
CASH, JANUARY 1	13,054	13,054	0	124	124	0
CASH, DECEMBER 31	9,217	2,000	(7,217)	978	13,054	12,076
<u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	3,500	8,247	4,747	4,100	4,132	32
Total Receipts	3,500	8,247	4,747	4,100	4,132	32
DISBURSEMENTS						
Emergency planning	3,500	300	3,200	4,100	3,988	112
Total Disbursements	3,500	300	3,200	4,100	3,988	112
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	7,947	7,947	0	144	144
CASH, JANUARY 1	2,775	2,775	0	2,631	2,631	0
CASH, DECEMBER 31	2,775	10,722	7,947	2,631	2,775	144

Exhibit B

KNOX COUNTY, MISSOURI

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	24	24
Charges for service:	7,000	3,583	(3,417)	7,000	3,576	(3,424)
Interest	20	19	(1)	10	19	9
Other	0	60	60	0	0	0
Transfers in	0	2,403	2,403	0	2,384	2,384
Total Receipts	7,020	6,065	(955)	7,010	6,003	(1,007)
DISBURSEMENTS						
Elections	7,000	5,620	1,380	7,000	6,473	527
Total Disbursements	7,000	5,620	1,380	7,000	6,473	527
RECEIPTS OVER (UNDER) DISBURSEMENTS	20	445	425	10	(470)	(480)
CASH, JANUARY 1	246	246	0	716	716	0
CASH, DECEMBER 31	266	691	425	726	246	(480)
<u>TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for service:	990	1,439	449	1,000	1,180	180
Interest	10	25	15	5	15	10
Total Receipts	1,000	1,464	464	1,005	1,195	190
DISBURSEMENTS						
Technology	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	1,464	464	1,005	1,195	190
CASH, JANUARY 1	1,824	1,824	0	629	629	0
CASH, DECEMBER 31	2,824	3,288	464	1,634	1,824	190
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	200	299	99	500	328	(172)
Total Receipts	200	299	99	500	328	(172)
DISBURSEMENTS						
Circuit Clerk	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	299	99	500	328	(172)
CASH, JANUARY 1	808	808	0	480	480	0
CASH, DECEMBER 31	1,008	1,107	99	980	808	(172)

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	4,000	3,505	(495)			
Interest	10	18	8			
Total Receipts	4,010	3,523	(487)			
DISBURSEMENTS						
Collector	4,000	1,883	2,117			
Total Disbursements	4,000	1,883	2,117			
RECEIPTS OVER (UNDER) DISBURSEMENTS	10	1,640	1,630			
CASH, JANUARY 1	512	512	0			
CASH, DECEMBER 31	\$ 522	2,152	1,630			

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

Notes to the Financial Statements

KNOX 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 Knox 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, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Sever Lake Fund	2003 and 2002
Rock Creek Cemetery Fund	2003 and 2002
CDBG Micro Enterprise Loan Fund	2003 and 2002
CDBG Bridge Fund	2003 and 2002
CDBG Chair Lift Fund	2003 and 2002
Law Library Fund	2003 and 2002

Economic Development Fund	2003
Associate Time Payment Fee Fund	2003
Tax Maintenance Fund	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff's Fees Fund	2003
Health Center Fund	2003
Prosecuting Attorney Training Fund	2002
Recorder's User Fee Fund	2002
Law Enforcement Sales Tax Fund	2002

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>
CDBG Micro Enterprise Loan Fund	2003 and 2002
CDBG Bridge Fund	2003 and 2002
CDBG Chair Lift Fund	2003 and 2002
Law Library Fund	2003 and 2002
Associate Time Payment Fee Fund	2003
Tax Maintenance Fund	2002

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or

through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

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

Of the county's bank balance at December 31, 2003, \$2,233,863 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$269,606 was uninsured and uncollateralized.

The county's deposits at December 31, 2002, were entirely covered by federal depositary insurance, or by collateral securities held by the county's custodial bank in the county's name.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

The Health Center Board's deposits at December 31, 2003 and 2002, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

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

3. Prior Period Adjustment

The Sever Lake, Rock Creek Cemetery, CDBG Micro Enterprise Loan, and CDBG Bridge Funds' cash balances of \$18,476, \$5,660, \$1,000, and \$1,000, respectively, at January 1, 2002, were not previously reported but have been added.

Supplementary Schedule

Schedule

KNOX 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,	
			2003	2002
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	ERS045-2152	\$ 0	9,627
		ERS045-3152	13,030	3,403
		ERS045-4152	4,323	0
	Program Total		<u>17,353</u>	<u>13,030</u>
10.559	Summer Food Service Program for Children	ERS146-2152I	0	60
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	99-ME-03	1,000	59,000
		2000-PF-19	15,429	11,099
		2001-PF-255	8,670	0
	Program Total		<u>25,099</u>	<u>70,099</u>
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640577	7,441	0
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.710	Public Safety Partnership and Community Policing Grant	1996-UM-WX-1026	2,197	3,641
Passed through:				
State Department of Public Safety				
16.579	Byrne Formula Grant Program	2002-NCD15B-002	694	12,685
Missouri Sheriff's Meth-Amphetamine Relief Team				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	TF-2003-08	10,834	0
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,392	1,397

Schedule

KNOX 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,	
			2003	2002
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Constructior	BRO 052(14)	442	41,428
		BRO 052(15)	340,630	18,466
		BRO 052(16)	6,211	23,606
	Program Total		347,283	83,500
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	2,888	2,066
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	831	1,666
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety			
83.544	Public Assistance Grants*	FEMA-1412-DR-MO	75,412	121,381
83.562	State and Local All Hazards Emergency Operations Plannin	EMK-2003-GR-2540	300	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state Department of Health and Senior Services			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Preventior and Surveillance of Blood Lead Levels in Childre	ERS146-2152L	0	2,410
93.268	Immunization Grants	PGA064-2152A	0	715
		PGA064-3152A	1,300	0
		N/A	7,857	7,126
	Program Total		9,157	7,841
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DH030240001	9,700	0
93.575	Child Care and Development Block Gran	PGA067-2152C	0	1,500
		PGA067-3152C	1,710	0
		PGA067-2152S	0	855
		PGA067-3152S	490	0
	Program Total		2,200	2,355

Schedule

KNOX 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,	
			2003	2002
93.991	Preventive Health and Health Services Block Gran	AOC02380057	0	19,937
		DH030033001	16,042	4,583
	Program Total		<u>16,042</u>	<u>24,520</u>
93.994	Maternal and Child Health Services Block Grant	DH020027035	0	389
	to the States	ERS146-2152M	0	8,976
		ERS146-3152M	11,068	3,017
		ERS175-3033F	266	0
		N/A	69	68
	Program Total		<u>11,403</u>	<u>12,450</u>
	Total Expenditures of Federal Award:		<u>\$ 540,226</u>	<u>359,101</u>

* The CFDA number for this program changed to 97.036 in October 2003

N/A - Not applicable

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

Notes to the Supplementary Schedule

KNOX 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 Knox 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 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 \$7,441 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the year ended December 31, 2003.

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 Knox County, Missouri

Compliance

We have audited the compliance of Knox 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, 2003 and 2002. 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, Knox 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, 2003 and 2002. However, the results of our auditing procedures disclosed

instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 03-1 and 03-2.

Internal Control Over Compliance

The management of Knox 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 certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over 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. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 03-1 and 03-2.

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 believe that none of the reportable conditions described above are material weaknesses.

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

May 20, 2004 (fieldwork completion date)

Schedule

KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2003 AND 2002

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 conditions identified that are
not considered to be material weaknesses? 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 program(s):

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction
83.544	Public Assistance Grants

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

03-1.

Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO 052(14), BRO 052(15), & BRO 052(16)
Award Year:	2003 and 2002
Questioned Costs:	Not applicable

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.544
Program Title:	Public Assistance Grants
Pass-Through Entity	
Identifying Number:	FEMA-1412-DR-MO
Award Years:	2003 and 2002
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 track federal awards for the preparation of the SEFA. For the years ended December 31, 2003 and 2002, the county's SEFA contained several errors and omissions. Expenditures relating to several federal grants were reported incorrectly or not included on the schedules and the County Clerk failed to

include the required pass-through grantor's number on the programs that were reported. For example, in 2003 the Public Assistance Grants Program was overstated by \$128,182. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards.

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

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards. The County Commission should take steps to ensure other departments and/or officials properly track federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk and County Commission agreed with the recommendation and will try to implement this recommendation with the 2004 schedule.

03-2.

Cash Management

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO 052(14), BRO 052(15), & BRO 052(16)
Award Year:	2003 and 2002
Questioned Costs:	Not applicable

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program.

The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to contractors. For most expenditures, the County Commission makes payments to contractors subsequent to receiving the reimbursement. Of the reimbursements reviewed, we noted four reimbursements totaling \$5,724, \$17,477, \$442, and \$23,952, were received and held 8, 14, 22, and 39 business days, respectively, before the related payment was made to the contractor. There was no explanation of why these payments were not made timely. The County Clerk indicated consideration is being given to making payment to contractors prior to receiving the reimbursement to ensure payment is made timely.

Section .300(c) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to, "comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs". Section XII of the Missouri Department of Transportation (MoDOT) Local Public Agency Manual provides that local agencies must develop cash management procedures to ensure payment is made to the contractor/consultant within two business days of receipt of funds from MoDOT.

WE RECOMMEND the County Commission establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with MoDOT requirements.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission is now trying to make payment to the contractors prior to receiving reimbursement from the state when financially possible. Otherwise, they will pay the bills twice a month.

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

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Knox County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2001.

01-1. Minutes of County Commission Meetings

The minutes of County Commission meetings were not adequate.

Recommendation:

A complete record of County Commission meetings be prepared and approved on a timely basis.

Status:

Not implemented. See Management Advisory Report (MAR) finding number 4.

01-2. Published Financial Statements

The published financial statements did not include all county funds.

Recommendation:

Financial information for all county funds be properly reported in the annual published financial statements.

Status:

Not implemented. See MAR finding number 5.

01-3. Warrants in Excess of Budgeted Amounts

Warrants were issued in excess of approved budgets in some funds.

Recommendation:

Warrants not be issued in excess of budgeted funds.

Status:

Not implemented. See MAR finding number 5.

01-4. Prepaid Payroll Checks

The County prepaid employees by issuing payroll checks prior to the time for which employees were being paid.

Recommendation:

The County discontinue the practice of making payroll advances.

Status:

Not implemented. See MAR finding number 3.

01-5. County Clerk's Account Book

The County Clerk did not maintain an account book with the County Collector, which summarized all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts.

Recommendation:

The County Clerk maintain an account book from aggregate abstracts, court orders, monthly statements of collections, and the tax books to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Status:

Not implemented. See MAR finding number 7.

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

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

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

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

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 20, 2004. We also have audited the compliance of Knox 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, 2003 and 2002, and have issued our report thereon dated May 20, 2004.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

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

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

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

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

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Knox County or of its compliance with the types of compliance requirements applicable to each of its major federal

programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Road and Bridge Fund

The county prepaid the purchase of various goods in December 2003 to lower the cash balance of the Road and Bridge Fund. In addition, failure to include all monies on deposit resulted in the cash balance of the Road and Bridge Fund being understated in the published financial statements for the year ended December 31, 2003. No written agreements were entered into between the county and two local quarries for the prepayment of rock. Also, an annual maintenance plan that would provide information on how the balance of the Road and Bridge Fund is to be used in the repair and maintenance of county roads is not prepared. Concerns were also noted with the county's procedures regarding the purchase of road materials and the sale of some materials to the public.

- A. While the balance in the Road and Bridge Fund does not appear to be excessive based on total budgeted expenditures of over \$2 million in 2004, various transactions were made at the end of 2003 that lowered the cash balance of the fund by over \$151,000 to the \$610,152 balance reported on Exhibit A.
- In December 2003, the county paid \$50,000 each to two local quarries for the prepayment of rock. The total prepayments were used by the end of June 2004.
 - The County Commission also prepared and signed a check in December 2003, for \$51,440, for a truck which had not yet been received. This check was held by the County Treasurer until delivery of the vehicle in May 2004.

The County Commission and the County Clerk indicated they made these prepayments because the road and bridge capital improvement one-half cent sales tax was up for renewal in April 2004. The County Commission also stated that by prepaying for the rock in December, the county was able to purchase the rock at the 2003 prices; however, the price paid to one quarry was greater than the 2003 price. Also, the prepayment was made on December 2, 2003, before any bids were received quoting 2004 prices. In addition, prepaying for goods and services violates the Missouri Constitution.

Article VI, Section 23 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money to any corporation, association, or individual. Also, it is not prudent for the county to prepay for goods or services to be received at a later date. Doing so could result in the county paying for goods or services not received.

In addition, as discussed in MAR 5, the actual cash balance of the Road and Bridge Fund was not always accurately presented. The published financial statements reported a balance of \$339,512 at December 31, 2003 which did not include the certificates of deposit totaling \$270,640. This inaccurate reporting resulted in a lower balance being presented to the public. By not reporting the actual balance of the Road and Bridge Fund at December 31, 2003, county residents may have been misled into thinking the Road and Bridge Fund's financial condition was worse than it actually was.

- B. The county did not enter into written agreements with the two local quarries outlining the services to be provided in exchange for the monies prepaid. Written agreements provide the framework necessary to detail the services to be provided and the consideration to be paid.

Section 432.070, RSMo 2000, requires all contracts to be in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party, and help ensure the reasonableness and propriety of such disbursements.

- C. An annual maintenance plan for county roads is not prepared. An annual maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the County Commission. In addition, a public hearing should be held to obtain input for the plan from county residents.

An annual maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of county roads throughout the year. A maintenance plan would show residents how the county plans to spend any monies received as a result of continuing the sales tax issue.

- D. The County Clerk does not compare the rock statements to the invoices and delivery tickets received by the Road and Bridge Department which show actual rock received. Although the invoices and delivery tickets are usually forwarded to the County Clerk's office for filing, they are not used by the County Clerk's office for comparison to the billing statements. Without such a comparison, the county has no assurance it is paying only for rock actually received. In addition, comparison of the rock statements and invoices would ensure the rock prices billed agree to bids the county received as well as ensuring compliance with contract terms.

- E. The county has not adopted formal policies and procedures over the sale of rock and culverts to the public. As a result of the lack of formal, consistent policies and procedures, the county does not have one complete record of all sales. In addition, the county has little assurance that all materials picked up from the Road and Bridge Department are billed or paid in full. The county received approximately \$61,400 from these sales during the two years ended December 31, 2003. Usually rock purchased by the public is put on county roads under a cost-sharing program, while culverts are purchased by individuals for private purposes.

The county's procedures regarding the sale of rock and culverts are inconsistent and do not provide adequate controls. Bills of sale or receipt slips are not always prepared for each sale to the public and a bill of sale or receipt slip is not required to pick-up materials from the Road and Bridge Department. In addition, the purchaser may make payment prior to picking up the materials, or the purchaser may first pick up the materials at the Road and Bridge Department and then make payment. However, there appears to be no contact between the Road and Bridge Department and the County Clerk's office to ensure that all materials picked-up are paid for properly. The County Commission maintains a listing of requests made for rock to be delivered on county roads; however, payments made are sometimes not noted on the listing and bills of sale or receipt slips are not prepared for each request or each payment.

Failure to adopt formal policies and procedures over sales to the public could result in lost revenues. The county should develop consistent procedures whereby all sales must be approved in the County Clerk's office and supported by a bill of sale (whether paid in advance or to be billed later) prior to the release of materials by the Road and Bridge Department.

WE RECOMMEND the County Commission:

- A. Discontinue the practice of prepaying for items. The County Commission should ensure the true balance of all funds is reflected in the published financial statements.
- B. Ensure written contracts, which specifically state what services are to be provided to the county, are entered into as required by state law.
- C. Prepare and document an annual maintenance plan for county roads at the beginning of the calendar year and periodically update the plan throughout the year, as needed. In addition, the County Commission should review the progress made in the repair and maintenance of county roads to make appropriate decisions on future projects.
- D. Ensure invoices received by the Road and Bridge Department and forwarded to the County Clerk are used for comparison to billing statements prior to payment to ensure payment is only made for goods and services actually received and to ensure amount billed is proper.

- E. Develop formal policies and procedures over sales to the public. One complete record of all sales should be maintained by the county and materials should only be released after customers present proof of payment or a bill of sale approved by the County Clerk's office.

AUDITEE'S RESPONSE

- A. *The County Commission indicated the prepayment of rock was done in an effort to save money. The truck has now been received and for any future purchases the County Commission will ensure the item is received prior to making payment.*
- B. *The County Commission will have a contract for any such transactions with the quarries in the future.*
- C. *The County Commission indicated most road and bridge work is done on an as needed basis focusing primarily on the more traveled roads and road work requested by county residents and school districts. It would be too difficult to document a road work plan due to the continuously changing availability of supplies and the factors affecting which roads are maintained.*
- D. *The County Commission indicated it would be too difficult to compare each invoice to the billing statement as hundreds of invoices are received each month. The County Clerk indicated he will try to check invoices with the billing statement on a random basis.*
- E. *The County Commission will try to improve the record keeping regarding rock and culvert sales.*

2. County Officials' Compensation
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The Knox County Salary Commission has the statutory authority to set salaries of the county's elected officials. A review of the county's 1997, 1999, and 2001 salary commission meeting minutes and comparison of salaries authorized by the salary commission with salaries allowed by state law and salaries actually paid to the elected officials noted several problems. The amounts paid to several elected officials are questionable and there appears to be a lack of consistency in applying various actions of the salary commission to all officials.

- A. The Presiding Commissioner does not appear to be receiving the \$2,000 additional annual salary provided by Section 49.082.2, RSMo 2000. Recent salary commission minutes included no documentation to indicate payment of the additional salary has been discussed. In addition, a review of payroll records provided no evidence that the additional salary is being paid.
- B. Incorrect application of assessed valuation levels appears to have resulted in salaries being incorrectly calculated. Salaries paid to most elected officials are determined by

a salary structure that is based on the county's current assessed valuation level. Our review of the salary commission calculations noted errors in the application of assessed valuation levels when determining maximum allowable compensation for some elected officials.

- 1) The incorrect assessed valuation level appears to have been used to determine the salary of the Presiding Commissioner for the term beginning in 1999. As a result, the Presiding Commissioner may have been underpaid during 1999, 2000, 2001, and 2002.
 - 2) The incorrect assessed valuation level appears to have been used in determining the salary of the two Associate Commissioners for their term beginning in 2001. This error appears to have been detected in late 2001, but no adjustments have been made for the salaries paid to the Associate Commissioners in 2001, resulting in possible underpaid salaries.
 - 3) An increase in salary due to an increase in the county's assessed valuation level does not appear to have been given to the County Coroner in 2003. County officials indicated that the failure to increase the County Coroner's salary, while increasing the salaries of all other applicable officials, was due to oversight. As a result, the County Coroner's salary for 2003 appears to have been underpaid.
 - 4) The county's assessed valuation decreased in 2003 resulting in decreases in salaries for 2004. Our review of salary calculations prepared to determine the correct amount of annual salary to be paid to officials during 2004 identified several problems. In addition, it does not appear any decrease in salary was made for the County Assessor. As a result of these inconsistencies and errors in the salary calculations, it appears the salaries of some officials may have been overpaid while the salaries of other officials may have been underpaid.
- C. Section 473.742, RSMo, enacted in 2000, allowed public administrators to make a determination within thirty days after taking office whether the public administrator elected to receive either a salary or fees as may be allowed by law to executors, administrators and personal representatives. Prior to this change in state law, Section 473.739, RSMo 2000, allowed public administrators to receive annual compensation in addition to fees, if the public administrator did not receive at least a certain amount in fees.

Following the Knox County Public Administrator taking office for a new term in January 2001, she continued to receive annual compensation based on fees and also continued to receive a salary based on Section 473.739, RSMo 2000.

Section 473.742, RSMo, requires the public administrator to elect to receive either a salary or fees; however, the Public Administrator continued to receive both fees and a salary based on the old state law.

The County Commission should ensure calculations of the salary commission are reviewed for accuracy to avoid misunderstandings as to the effective dates of various changes in county officials' compensation, to ensure consistent and appropriate applications among the various officials, and to ensure the mathematical accuracy of all calculations. The County Commission should review these matters with the Prosecuting Attorney to ensure the proper amounts were paid to the various officials.

WE RECOMMEND the County Commission consult with the Prosecuting Attorney to ensure proper amounts are paid to the various officials and to seek reimbursement for any overpayments. In addition, the Salary Commission minutes should include correct calculations of salary computations for each official and these calculations should be reviewed for accuracy.

AUDITEE'S RESPONSE

The County Commission will look into making any salary corrections when preparing the 2005 budget and will discuss with the Public Administrator changes in her salary for her term beginning in January 2005.

3. Payroll and Personnel Policies and Procedures

There were several concerns regarding the county's personnel policies and procedures including the lack of timesheets and accurate leave records for some county employees. In addition, the county made inaccurate payroll deductions of medical insurance premium costs. Also, some payroll checks were issued in advance, an employee received both sick leave and unemployment compensation for the same time period, and numerous errors were made in the calculation and payment of overtime for a Sheriff's deputy. Inadequate bond coverage was also noted for some county employees.

- A. Although hourly-paid employees prepare timesheets, timesheets or other records of actual time worked are not consistently maintained by salaried employees. As a result, the County Commission has no documentation to support these payroll expenditures.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The timesheets should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records. Time records are necessary to document hours worked and provide the County Commission with a method to monitor hours worked and ensure the related compensation is reasonable.

This condition was noted in our prior audit report.

B. The county's policies and procedures for maintaining leave records and leave balances are not adequate.

- 1) Centralized records of leave balances and leave used and earned are not maintained for some county employees. The County Clerk indicated leave records are to be maintained by each individual officeholder but our review noted some employees either maintain their own leave records or no leave records are maintained. Leave records were not maintained for most salaried employees, who also are not required to prepare timesheets. As a result, there is no assurance that the leave taken by these individuals is appropriate.

This condition was noted in our prior audit report.

- 2) For those employees for whom leave records are maintained, inconsistencies and errors were noted with the employees reviewed.
 - One county employee received three weeks of vacation leave. The county's personnel policy manual states that after five years of employment, employees are entitled to two weeks of vacation leave and includes no provisions for earning three weeks of vacation leave. In addition, the employee's personnel file included no documentation to support this exception to the personnel policy manual.
 - The county's personnel policy manual states that employees will accrue sick leave at the rate of two days per month, with a maximum accrual of 90 ½ days. Two employees had instances where they did not receive their monthly sick leave accrual. No explanation could be provided as to why sick leave was not accrued in these instances.

All county employees should accrue vacation leave, sick leave, and overtime leave as stated in the county's personnel policy manual. The accrual, usage, and balance of such leave should be maintained in a centralized location. Without centralized and complete leave records, the County Commission cannot ensure that employees' vacation leave, sick leave, and overtime records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and

accumulated. Centralized leave records also aid in determining unused vacation leave upon termination of employment.

- C. The county pays 50 percent of the medical insurance premium costs, up to a maximum of \$250 each month, for coverage of county employees. Employees can choose to either use the county's medical insurance provider or can elect to use an alternative provider. Employees using the county's medical insurance provider pay for their share of the premium cost through payroll deductions. If an alternative provider is used, the county will either reimburse the employee for 50 percent of the premium cost up to \$250, or the county will pay the alternative provider for 50 percent of the employee's premium cost up to \$250. Our review of medical insurance procedures disclosed the following concerns:

- 1) The county's informal policy for paying medical insurance is not included in the personnel policy manual. A clear and concise written personnel policy regarding procedures for the payment or reimbursement of medical insurance premium costs is necessary to ensure the equitable treatment of all employees.
- 2) The county does not reconcile monthly billing statements from the county's medical insurance provider to payroll records. During 2003, the county overpaid its share of health insurance premiums due to an error in the calculation of the premium amount withheld from employee's payroll. For each of the seven employees using the county's provider, \$165 was deducted from the employee's payroll instead of the correct amount of \$206, resulting in a \$41 underpayment by the employee and a \$41 overpayment by the county. This error occurred for each employee during each month of 2003, resulting in the county overpaying \$3,444.

By not reconciling the medical insurance providers' billing statements to payroll records, the county has little assurance that it is paying the proper premium amounts or that withholdings from employees' wages are handled and accounted for properly. The county should reconcile medical insurance billing statements to appropriate payroll records on a periodic basis, and the county should establish procedures and controls which ensure that medical insurance premium payments are correct and employee deductions are the proper amount.

- 3) The county paid the full medical insurance premium cost, including the 50 percent usually paid by the employee, for an employee that had left county employment. While the employee did reimburse the county for most payments made, reimbursement of \$1,106 was not paid until after the county had paid the full premium amount for five months, and \$85 in premium costs paid by the county was never reimbursed by the employee. The county's

personnel policy manual includes no provisions for the payment of medical insurance premiums after an individual leaves county employment.

In addition, such payments on behalf of former county employees appear to constitute a loan and Article VI, Section 23, of the Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. The county should discontinue the practice of loaning money to former employees by paying medical insurance premium costs on their behalf.

- D. Payroll checks were issued to the Deputy County Clerk/payroll clerk, in advance of the pay period ending date. For example, a payroll check for the period ending September 23, 2003, was issued to the clerk on September 16, 2003. As a result, the clerk received payment for hours that had yet to be worked. Payroll checks were also issued in advance to the clerk during December 2002 and May 2003. Problems with payroll advances were also noted in the prior audit report and county officials indicated this practice would be discontinued; however, as noted above, problems continued to exist during the current audit period.

Such payroll advances appear to constitute a loan and Article VI, Section 23, of the Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

- E. A Road and Bridge Department employee received unemployment compensation, totaling \$540, while also receiving compensation from the county. During a three week period between October 2003 and November 2003, the county paid a Road and Bridge Department employee based on a timesheet which recorded hours used as sick leave. However, documentation received by the county from the Missouri Division of Employment Security indicated that this employee was also receiving unemployment benefits during the same three week period. Because the county is charged for all unemployment benefits paid to county employees, the county double paid compensation to this employee for the three week period .

Discussion with the Missouri Division of Employment Security indicated the county should file a protest of the benefits charged to the county and the matter would be investigated by the state. The county should contact the Missouri Division of Employment Security to determine the appropriate actions necessary to file this protest. In addition, the county should review all future unemployment compensation claims filed against the county to ensure the claims are appropriate and the employee receiving unemployment compensation is not also receiving compensation directly from the county.

F. The county's full-time Sheriff's deputy received overtime compensation totaling approximately \$9,800 and \$11,400 during the years ended December 31, 2003 and 2002, respectively. However, errors noted during our review of payroll procedures and overtime calculations have resulted in questions regarding the accuracy of overtime compensation paid to the deputy and possible noncompliance with the FLSA.

- 1) The county's personnel policy manual is unclear and contradictory regarding how overtime is calculated for the Sheriff's office. The policy is not clear as to whether overtime should be paid on a 28 day work cycle or a monthly work cycle. In addition, the county's actual procedures in paying overtime were inconsistent and not always accurate. Also, because the county has employed fewer than five individuals, the county may be exempt from paying overtime or giving compensatory time per the FLSA. As a result of unclear and inconsistent overtime procedures, and because the county may be exempt from FLSA overtime requirements, the county may be paying more overtime compensation than necessary.

Our review of the 12 monthly timesheets prepared by the Sheriff's Deputy during 2002 indicated the pay periods covered either a 28 or 35 day period. Overtime was calculated as any hours worked in excess of 171 ½ hours during the period, regardless if the pay period included 28 days or 35 days. Had the county paid overtime in accordance with the FLSA, overtime compensation would have been paid based on 13 annual periods and calculated only if hours worked in a 28 day period exceeded 171. Because the county had only twelve pay periods, and because some of these pay periods included time worked for a period exceeding 28 days, overtime hours were overstated. Under compliance with the FLSA, it appears 165 hours worked by the deputy would not have been considered as overtime; however, with the county's current procedures, these hours were paid as overtime resulting in an overpayment of \$2,236 (165 hours at \$13.55 per hour).

The County Commission should revise the personnel policy manual to clearly indicate the county's procedures for paying overtime or the earning of compensatory time for law enforcement personnel and any overtime paid by the county should be in accordance with the county's policy. In addition, the County Commission should review the overtime calculations prepared for the deputy and determine any overtime amounts overpaid.

- 2) Several errors were noted in the mathematical calculations performed when determining overtime hours to be paid. For overtime hours worked during a month, the deputy can either accrue the overtime as compensatory time to be taken or paid at a later date, or the overtime can be paid during the month it was earned. Because the deputy was allowed a choice in the treatment of overtime, confusion by the payroll clerk appears to have resulted in the

deputy being under paid for overtime hours. For example, in August 2002, the deputy chose to receive payment for overtime that he had previously accrued. While these hours were correctly deducted from the deputy's compensatory time balance, the hours were not correctly added to the deputy's payroll, resulting in the deputy not receiving payment for overtime hours worked. Similar errors also occurred during January, July, and October 2002 totaling 139 hours at a rate of \$13.55 per hour in overtime compensation that was not paid, for a total underpayment of \$1,883.

In addition, an error in the recording of compensatory time used by the deputy resulted in more compensatory time being used than was available. In January 2002, the timesheet of the deputy included using ten hours of accumulated compensatory time; however, these ten hours were not deducted from the cumulative compensatory time balance.

The activity reflected on employee time sheets and compensatory time records should be carefully reviewed for consistency and mathematical accuracy to ensure proper payment and to ensure all compensatory time used does not exceed compensatory time earned and accumulated. The County Commission should review the overtime calculations prepared for the deputy and consider making corrections for the overtime amounts over or underpaid.

- 3) Errors in the calculation of overtime hours appear to have resulted in overpayment of overtime compensation paid through a federal grant program. In September 2003, the county's full-time deputy began working for the North Missouri Drug Task Force. The county continued to pay the salary and overtime of the deputy but reimbursement was received from the North Missouri Drug Task Force through the Missouri Sheriff's Meth-Amphetamine Relief Team (MOSMART) federal grant. Instead of paying overtime in accordance with the FLSA as appropriate for deputies working for the North Missouri Drug Task Force, the county calculated overtime as hours worked in excess of 160 for a 28 day period. For the period of October 2003 through December 2003, it appears that 33 hours were calculated as overtime that should not have been, resulting in \$660 of excess overtime compensation. Because the overtime is reimbursed through the MOSMART federal grant, it appears that the federal grant may have been overcharged.

The County Commission should work with the North Missouri Drug Task Force to review overtime compensation calculated and paid during 2003, and to determine any actions necessary to resolve any federal grant overpayments. In addition, the County Commission should ensure the county is calculating overtime in accordance with the policies of the North Missouri Drug Task Force.

- G. The Prosecuting Attorney and several county employees from various offices with access to money are not covered by an employee bond. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all officials and employees handling monies should be adequately bonded.

This condition was noted in our prior audit report.

WE RECOMMEND the County Commission:

- A. Require all county employees to prepare timesheets which reflect actual time worked and leave taken. These timesheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure all employees accrue vacation leave, sick leave, and overtime leave in accordance with the county's personnel policy manual. In addition, the County Commission should ensure centralized records of leave earned, used, and accumulated are maintained for all county employees and all accumulated leave balances are accurate.
- C.1. Ensure the county's personnel policy manual adequately documents the county's policies regarding medical insurance procedures to ensure equitable treatment of all county employees.
 - 2. Ensure medical insurance billing statements are reconciled to the appropriate payroll records on a periodic basis and ensure all premiums are paid and deducted from the employee's payroll at the correct amount.
 - 3. Discontinue the practice of loaning money to former employees by paying medical insurance premium costs on their behalf. The County Commission should attempt to recover the \$85 due from the former employee.
- D. Discontinue the practice of loaning money to employees through payroll advances.
- E. Contact the Missouri Division of Employment Security to investigate the unemployment compensation paid to a county employee who was also receiving compensation from the county. In addition, the County Commission should review all future unemployment compensation claims to ensure employees are not receiving unemployment compensation while also receiving compensation from the county.
- F.1. Revise the personnel policy manual to adequately document the county's policies regarding the payment of overtime or the earning of compensatory time by law enforcement personnel. In addition, the County Commission should review the overtime calculations and consider making corrections for the overtime amounts overpaid.

2. Review payroll calculations for mathematical accuracy to ensure proper payment and to ensure compensatory time used does not exceed compensatory time earned and accumulated. In addition, the County Commission should review the overtime calculations prepared for the full-time deputy and consider making corrections for the overtime amounts underpaid.
 3. Work with the North Missouri Drug Task Force to review calculations of salary and overtime paid through the MOSMART federal grant and determine the actions necessary to resolve any overpayments that were funded through the MOSMART grant.
- G. Consider obtaining adequate bond coverage for the Prosecuting Attorney and all employees with access to monies.

AUDITEE'S RESPONSE

- A. *The County Commission has suggested in the past that all employees complete timesheets and submit them to the County Clerk. They will again discuss this with the officials.*
- B. *The County Commission will again ask officials to maintain leave records for employees and submit these to the County Clerk. The additional vacation leave has been corrected and the sick leave accrual was a mistake.*
- C.1. *The County Commission will review and update the personnel policy as part of the budget process when the decision is made as to how much insurance the county will cover.*
2. *The County Commission will ensure future premium calculations are accurate.*
3. *The County Commission indicated this was an unusual circumstance and they do not foresee this ever happening again.*
- D. *The County Commission indicated all vouchers are now approved before checks are issued. They will more closely review payroll checks in the future to ensure this does not happen again.*
- E. *The County Clerk will contact the Division of Employment Security on how to proceed with this issue and the County Commission will ensure employees laid off in the future do not receive double payment.*
- F.1. *The County Commission will look into revising and clarifying the policy regarding overtime.*
2. *The County Commission will monitor future overtime payments to ensure calculations are correct. They believe the Deputy was adequately compensated for work performed.*

3. *The County Commission will work with the Task Force to ensure future overtime policies are clear and calculations are correct, and to resolve the overpayment made.*
- G. *The County Commission will consider the risk of theft in comparison to the cost of such bond coverage.*

4. County Commission Minutes

The prior two audit reports have addressed the inadequacy of the County Commission's official minutes. While the County Commission responded to previous audits that recommendations would be implemented, conditions have not improved.

The County Commission does not maintain adequate records of its meetings to demonstrate compliance with the Sunshine Law. Unofficial handwritten minutes from meetings are kept by an Associate Commissioner and are then used by the Deputy County Clerk to prepare the typewritten County Commission minutes. However, the minutes are not formally written, are not added to the official record book, and are not approved by the County Commission until after the year end. For example, the minutes from 2002 were not approved or added to the official record book until February 14, 2003. Also, there was no date to indicate when the 2003 minutes were added to the official record book, but based on our review this was done in early 2004. In addition, for the two years ended December 31, 2003, items such as bid solicitations and selections, transfers between funds, and various other decisions made by the County Commission were not always documented in sufficient detail.

Section 610.023(2), RSMo 2000, states that each public governmental body shall make that body's public records available for inspection and copying by the public. Because the official minute book is not updated timely, the only record of the County Commission meetings available to the public is the unofficial notes. By maintaining an accurate record of County Commission proceedings, the county would demonstrate compliance with statutory provisions related to issues such as budget approval, the Sunshine Law (Chapter 610, RSMo), bidding, and purchasing decisions.

Pursuant to Section 51.120, RSMo 2000, the Clerk of the County Commission is to maintain an accurate record of orders, rulings, and proceedings of the County Commission. Timely preparation and approval not only adds assurance to the authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

WE AGAIN RECOMMEND the County Commission ensure a formal and complete record of meetings is prepared and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission will try to improve on documenting the minutes more completely and approving them in a more timely manner.

5.

Financial Practices

The County Commission did not prepare or obtain budgets for some county funds and authorized disbursements in excess of budgeted amounts for some funds. In addition, the county's budget included numerous misclassifications of receipts and disbursements. The county has not disbursed monies from the Children's Trust Fund since the fund was created, did not accurately include financial information for some funds in the published financial statements, and did not properly calculate the required property tax rollback.

- A. Formal budgets were not prepared for various county funds for the years ended December 31, 2003 and 2002. Some of the unbudgeted funds were new, while other funds were held outside the county treasury and no budgets were obtained or prepared for these funds. Chapter 50, RSMo 2000, requires the preparation and filing of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission can evaluate all county financial resources more effectively.

The Economic Development Fund was a new fund established in 2003 to record monies bequeathed to the county. Of the \$100,000 bequeath, \$35,000 was received in 2003 and \$65,000 was received in 2004. According to estate documents, this money is to be used to establish or maintain an Economic Development office for the county, but if after five years, the money has not been used for this purpose, the money can be used for any other purpose benefiting the county. The county did not budget the Economic Development Fund in either 2003 or 2004 and does not have a financial plan for the development of an Economic Development office or for other use of the monies in the Economic Development Fund. The County Commission should document their financial plans for the future use of the accumulated cash balance of the Economic Development Fund.

- B. The County Commission and other applicable officials did not adequately monitor budget and actual disbursements, and as a result, actual disbursements exceeded the budgeted amounts in various funds as follows:

Fund	Year Ended December 31,	
	2003	2002
Prosecuting Attorney Training	\$ N/A	(25)
Sheriff's Fees	(678)	N/A
Recorder's User Fee	N/A	(831)
Health Center	(36,602)	N/A
Law Enforcement Sales Tax	N/A	(8,693)

While budget to actual data is generated by the County Clerk's office monthly, it appears that the applicable officials responsible for the county funds in which overspending occurred are not reviewing the budget to actual reports and may not be aware of the legal restrictions established by the budgetary process. The Health Center's overspending in 2003 was due to the receipt of unplanned funding that resulted in additional disbursements that were not budgeted.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

A similar condition was noted in the two prior reports.

- C. The county's budgets contained several misclassifications of receipts and disbursements for both budgeted and actual amounts. Some receipts from the state were incorrectly recorded as other revenues, and several transfers between funds were incorrectly recorded as intergovernmental revenues, charges for services revenues, or other revenues. For example, intergovernmental revenues totaling approximately \$8,200 and \$4,100 in 2003 and 2002, respectively, were misclassified as other revenues in the Local Emergency Planning Committee Fund. Also, in 2003 and 2002, approximately \$2,400 of transfers in were misclassified as other revenues in the Election Fund. Adjustments have been made to the audited financial statements to correct these misclassifications.

The county's budgets should include accurate classifications of receipts, disbursements, and transfers to ensure the county's financial information is more consistently presented, to properly identify receipt and disbursement items, and to increase the effectiveness of the budgets as management tools.

- D. The county has not been disbursing monies it collects for victims of domestic violence. Section 488.445, RSMo 2000, authorizes the county to impose certain fees on the issuance of marriage licenses and on any civil case filed in circuit court. These fees are to be used to provide financial assistance to shelters for victims of domestic violence. During the two years ended December 31, 2003, fees totaling \$368 were collected for this purpose and deposited into the Children's Trust Fund. No monies have been expended from this fund since it was established in 1990 and the county currently has no plans to distribute these funds. At December 31, 2003, the Children's Trust Fund had a balance of \$2,437.

Although there appears to be no applicable shelter located in Knox County, shelters do appear to exist in neighboring counties. The county should determine whether any shelters located in neighboring counties provide services to Knox County residents and consider providing funding to those shelters, as applicable.

- E. The annual published financial statements of the county did not include the financial activity of some county funds and did not include complete financial activity of other county funds.
- 1) The annual published financial statements did not include the activity of the three CDBG funds and the Law Library Fund for 2003 and 2002, the Associate Fees Fund for 2003, and the Tax Maintenance Fund for 2002.
 - 2) The cash balances reported in the annual published financial statements for some county funds did not adequately reflect all available resources. The cash balances of the General Revenue Fund, the Special Road and Bridge Fund, and the Rock Creek Cemetery Fund were understated as the balances did not include the balances of certificates of deposit maintained for each fund. For example, the Special Road and Bridge Fund cash balance did not include certificates of deposit of \$270,640 and \$166,308 for the years ended December 31, 2003 and 2002, respectively.

Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts, disbursements, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities and the county's current financial position, all monies received and disbursed by the county should be included, and actual total resources on hand should be reported.

A similar condition was noted in the two prior reports.

- F. In 2003 and 2002, the county did not properly calculate its general revenue property tax levy rollback in compliance with Section 67.505, RSMo 2000. The county is required to reduce the property tax levy by 50 percent of sales tax revenues. The property tax rollback calculations were inaccurate in 2003 and 2002, as the actual tax

rate ceilings of .4312 and .4115, respectively, were not used and instead the rate of .4000 was used for both years. As a result, the actual property tax levy was set lower than necessary resulting in approximately a \$21,200 unnecessary reduction.

To ensure the appropriate amount of property tax revenues are received, the County Commission should ensure the calculation for the property tax levy is accurate and meets the rollback requirement. If the County Commission determines it wants to further reduce the property tax beyond the required rollback, the additional rollback should be reported as a voluntary rollback.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared or obtained for all county funds. In addition, the County Commission should document their financial plans for the use of the accumulated cash balance of the Economic Development Fund.
- B. And the Health Center Board of Trustees not authorize warrants in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
- C. And the County Clerk ensure all significant receipts, disbursements, and transfers are properly classified in the county budget documents.
- D. Determine if there are any shelters for domestic violence victims which provide services to county residents that may qualify for financial support and ensure Children's Trust Fund monies are disbursed to such qualifying shelters in a timely manner.
- E. Include all county funds in the published financial statements as required by state law, and ensure receipts, disbursements, and beginning and ending balances are accurately presented for each county fund.
- F. Review all sales tax rollback calculations for accuracy and ensure adjustments are made to the levy to recover unnecessary reductions of property tax collections in prior years.

AUDITEE'S RESPONSE

- A. *The County Commission indicated some of these unbudgeted funds are not under their control. They will request budgets from the officials for all funds for 2005. The Economic Development Fund will be budgeted for 2005.*

- B. *The County Commission indicated most of the funds with overspending were not under their control. A monthly budget to actual report is available for the other officials to review. The County Clerk monitors the budget to actual reports for the funds controlled by the County Commission.*

The Health Center Administrator indicated she will monitor the budget and file amendments when necessary.

- C. *The County Commission will look into this and discuss it with the Deputy County Clerk and the County Treasurer in order to improve communication regarding the classification of receipts and disbursements.*
- D. *The County Commission has contacted Adair County about the availability of these funds.*
- E. *The County Commission will try to improve on including all funds in the published financial statements and will include the complete balances in the 2004 statements.*
- F. *The County Clerk will review the sales tax rollback calculations for accuracy and this year any additional reductions will be properly classified as a sales tax rollback or as a voluntary rollback.*

6. County Disbursements

Controls and procedures over county expenditures need improvement. Bids were not always solicited or documented and payments were approved without adequate supporting documentation and without acknowledgement of receipt of goods or services. In addition, written contracts were not always prepared specifying the arrangements between applicable parties, and monies appear to have been improperly paid for radio ads. Some federal grants received on behalf of the county were maintained in a bank account not adequately monitored by the County Treasurer.

- A. Bids were not always solicited or advertised by the county, nor was bid documentation always retained by the County Clerk for various purchases. Examples of items purchased during the years ended December 31, 2003 and 2002, for which bid documentation could not be located are as follows:

Items Purchased	Cost
Motorgrader / Backhoe Lease Purchase	\$ 97,364
Computer Equipment	7,528
Furnace Repairs	5,400
Voting Machine	4,518

The items identified above are individual purchases. Additional purchases of this nature may also not have been bid. The County Clerk and the County Commission

indicated bids are sometimes solicited through telephone calls or other direct contact with vendors; however, documentation of these contacts was not always maintained or recorded in the County Commission minutes.

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.

- B. Instances were noted in which the county approved payments to vendors without requiring or retaining adequate supporting documentation including payment of \$1,000 to a local rescue squad and health insurance premium reimbursements paid to county employees.

In addition, we noted instances in which the County Commission approved some payments to vendors, including payments for vehicles, steel, tank cars, culverts, computer software, and computer equipment, as well as payment for various repair services, without requiring acknowledgment of receipt of goods or services. The County Commission has no procedures to require county officials or county employees to sign invoices to indicate the receipt of goods and/or services. As a result, the county does not always have adequate assurance it is paying for actual goods and services received.

To ensure the validity and propriety of disbursements, adequate supporting documentation, such as paid receipts or vendor-provided invoices, should be maintained for all payments to vendors. In addition, the county should require acknowledgment of receipt of goods and/or services prior to payment. Such documentation is necessary to ensure the purchase is a proper disbursement of county funds.

Similar conditions were noted in our prior report.

C. Written contracts were not always prepared specifying the arrangements between applicable parties.

- 1) During the two years ended December 31, 2003, the county made payments to vendors and service organizations without entering into written agreements.
 - \$1,000 to the Knox County Rescue Squad.
 - \$500 to the OATS Knox County Committee.
 - \$500 to the Knox County Council on Aging.

Article VI, Section 23 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money to any corporation, association, or individual. Without a written contract that clearly indicates the services being provided by these vendors and organizations, these uses could be considered to be in violation of the constitution. If the services provided by these entities are determined to be desirable and necessary services for the county or county residents, the county should enter into written contractual agreements with the entities, specifying services to be provided and a method for the county to evaluate and monitor the services.

- 2) No written contract was entered into between the county and a Sheriff's deputy for the use of a drug dog. According to the County Clerk, the deputy was responsible for all costs associated with the dog. However, the deputy was paid an additional one hour each day specifically for the training and care of the dog. We also noted that the county did purchase some equipment to be used with the drug dog. This Sheriff's deputy is no longer employed by the county and is now working for a regional drug task force. However, a new Sheriff's deputy recently purchased a dog that will be trained for use as a drug dog in the future.

Section 432.070, RSMo 2000, requires contracts of political subdivisions be in writing. Written contracts are necessary to outline the terms of such arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such expenditures.

D. During the two years ended December 31, 2003, the Sheriff authorized payments totaling approximately \$800 for radio ads. These ads were frequently in support of local community activities, such as high school graduation, the county fair, the county corn festival, and National 4-H week, and do not appear to be law enforcement related. The purchasing of these radio ads does not appear necessary for the operation of the office and does not appear to be a prudent use of county funds.

- E. Bank accounts maintained for some federal grant monies received on behalf of the county are not reviewed or monitored by the County Treasurer.

The county contracts for administrative services for various programs with Northeast Missouri Regional Planning Commission (NEMO RPC). Program monies are deposited to bank accounts maintained by the NEMO RPC. For some program monies, the checks are signed by the County Treasurer and the County Clerk or the Presiding Commissioner. For other program monies, the monies are transferred by the County Treasurer from the bank account maintained by the NEMO RPC to a bank account controlled by the County Treasurer. However, neither the County Commission nor the County Treasurer performs or reviews bank statements and bank reconciliations of the accounts maintained by the NEMO RPC. Monies handled by the NEMO RPC totaled approximately \$20,700 and \$73,000 in 2003 and 2002, respectively.

All bank accounts maintained for monies received on behalf of the county should be reviewed and monitored by the County Treasurer to ensure all county monies are properly accounted for and to ensure all federal grant monies are properly disbursed.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- B. Ensure adequate supporting documentation is obtained to support all disbursements and require acknowledgment of receipt of goods and/or services prior to payment.
- C.1. Refrain from making contributions of public funds unless it is pursuant to written contracts, which specifically state what services are to be provided to the county and provide a means of monitoring the disbursements.
 - 2. Enter into a written contract regarding the drug dog.
- D. And the Sheriff ensure all expenditures of county monies are a necessary and prudent use of county funds.
- E. Ensure all bank accounts receiving county monies are reviewed and monitored.

AUDITEE'S RESPONSE

- A. *The County Commission indicated bids are usually solicited for all necessary items including lease purchases, but documentation may not always have been maintained. The voting machine purchase was from a sole source vendor for compatible equipment with the system already in use. The furnace repairs were also from a sole source vendor.*

B. *The County Commission will try to ensure invoices and documentation acknowledging receipt of goods is maintained for all disbursements.*

C.1. *The County Commission believes these payments were for items or services that benefit the community. Written requests were received from the OATS Knox County Committee and the Knox County Council on Aging prior to making payment. They will ensure more detailed contracts or documentation is received in the future.*

2. *The County Commission indicated they have tried to discuss with the Sheriff's Office obtaining a contract for the drug dog and will try to do so again.*

The Sheriff indicated a drug dog policy has been documented and given to the County Commission for their approval.

D. *The County Commission agrees and will discuss this with the Sheriff.*

The Sheriff agreed and indicated that any such future items will be to support law enforcement related activities.

E. *The County Commission indicated they will discuss this with the County Treasurer.*

The County Treasurer indicated one account has been closed and he is now receiving copies of the monthly bank statements for the remaining account.

7. Property Tax Controls

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.

The prior five audit reports have also addressed the inadequacy of the county's property tax book procedures. While the County Clerk indicated in the 1999 audit that he would implement the audit recommendations, 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. Instead, both the current and back tax books are generated from the computer by the County Collector. The County Clerk indicated he does select tax statements for a few individuals over a three year period to review for fluctuations in taxes due. However, there is no evidence that the County Clerk is adequately reviewing the tax calculations for accuracy or verifying the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 2000, require the County Clerk to extend tax books and charge the County Collector with the whole 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 County Assessor, County Clerk and County Collector. Failure to perform reviews of the tax books and test individual tax statement computations may result in errors and irregularities going undetected.

- B. Controls over property tax additions and abatements are not adequate. The County Assessor prepares the documentation for all additions and abatements and the County Collector uses this documentation to make changes to the property tax system. At the end of the year, the County Collector prints out all of the additions and abatements for the year for the County Commission to review and approve.

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 charges 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 and no procedures are performed by the County Clerk to verify the County Collector's monthly or annual settlements. As a result, the County Collector's settlements are not 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.

Conditions A and C were noted in prior reports.

WE RECOMMEND the County Clerk:

- A. Review the tax books for accuracy, test individual tax statements for accuracy, and document all procedures performed.

- B. 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. 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. *The County Clerk will try to review some tax calculations for accuracy and document his review this year.*
- B. *The County Clerk will try to reconcile additions and abatements to the annual settlement. The County Commission agrees and will begin approving additions and abatements monthly.*
- C. *The County Clerk will try to implement procedures to review the County Collector's monthly and annual settlements.*

8.	Computer Controls
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The county uses a network computer system to perform its general ledger accounting, budgetary accounting and reporting, cash disbursement, assessment, and tax collection functions. Passwords or other procedures are not used to limit access, there is no formal contingency plan for the computer system in case of emergency, and backup disks are not prepared and stored at an off-site location by some officials.

- A. Passwords and other procedures are not in place to limit access to the various data files and programs utilized by the county officials. Lack of such passwords and procedures provides the potential for personnel to make undetected and unauthorized changes to information.

Since access to various information is not adequately restricted, unauthorized changes could possibly be made to programs and/or data files without the changes being detected. For example, unauthorized changes could be made to assessed valuation amounts, payment of taxes, or the extension of taxes by officials or employees in offices other than the one specifically responsible for such duties.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures should be used to properly restrict access to only those data files and programs individuals need to accomplish their jobs. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

In addition to establishing passwords to properly restrict access, a security system should be in place to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on the system and if successful, have unrestricted access to program and data files. To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries. Such a system should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

- B. The county does not have a formal contingency plan for the computer system in case of an emergency. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster. The major benefit of thorough contingency planning comes from the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption.
- C. Backup disks of information which could be used to provide a means of recreating destroyed master disks, are not prepared periodically by some officials, including the County Clerk and the Collector. As a result, damage to these computer systems could make it difficult, or even impossible, to retrieve or recreate lost program modifications and/or data.

In addition, while other officials do prepare backup disks, the disks are not stored at an off-site location. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Preparation of backup disks, along with offsite storage, would provide increased assurance that methods are available to restore any lost data or program modifications.

WE RECOMMEND the County Commission:

- A. Consult with their computer programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals. In addition, the County Commission should implement a security system to detect and report incorrect log-on attempts after a certain number of tries.
- B. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

- C. Ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

- A. *The County Commission will consult with the programmer about possible options to limit and restrict access.*
- B. *The County Commission will notify all offices to develop contingency plans regarding data processing and emergencies.*
- C. *The County Commission will notify all offices to prepare backups as needed.*

9. Fixed Asset Records and Vehicle Procedures
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The county's records and procedures relating to general fixed assets and vehicles are not adequate and several problems were noted with the controls over county property.

- A. The county has not established a written policy related to the handling and accounting for general fixed assets. Per Section 49.091, RSMo 2000, the County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, Section 49.093, RSMo 2000, provides that the officer or their designee is responsible for performing periodic inventories and inspections. Currently, the County Clerk maintains all records of fixed assets held by county officials. These records consist of inventory index cards which include the description, serial number, date of purchase, cost, and location of the asset. According to the County Clerk, each official is responsible for reporting purchases of fixed assets to his office to be added to the fixed asset records. Our review of the general fixed asset records indicated the following areas where improvements are needed:
- Physical inventories are not conducted annually. We found no indication of when the last physical inventory had been conducted.
 - Assets are not properly numbered, tagged, or otherwise identified as county owned property.
 - The fixed asset records do not always include complete and accurate information applicable to the item. Information such as purchase price and location were incorrect for some items reviewed. In addition, the date and means of disposition was not always recorded for assets no longer owned by the county.
 - Purchases of fixed assets per the disbursement records are not reconciled to additions per the property records. During our review of equipment

purchases, we noted four of eight items were not recorded on the county's fixed asset records. These items were purchased for approximately \$22,500, and included a voting machine, mowing equipment, and computers and software for the Sheriff's Department.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Annual physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

- B. While the county does not maintain adequate fixed asset records, according to the county's property insurance files, the county owns 17 vehicles that are used for road and bridge and law enforcement purposes. Logs, which document vehicle usage, are not maintained. Without adequate vehicle usage logs, the county cannot effectively monitor the cost of operating and maintaining the vehicles or ensure that vehicles are used for official business only. These logs should indicate at a minimum, the date used, beginning/ending odometer reading, destination/purpose, and the employee utilizing the vehicle, as well as fuel and maintenance costs for each vehicle.

A similar condition was noted in our prior audit.

WE RECOMMEND the County Commission:

- A. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, annual physical inventories of all county property should be performed, and all items should be tagged or identified as county owned property.
- B. Require usage logs be maintained on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred.

AUDITEE'S RESPONSE

- A. *The County Commission will try to improve fixed asset records and monitor future purchases and dispositions more closely.*
- B. *The County Commission indicated the Sheriff's vehicles should have logs, but the Road and Bridge vehicles are old, the logs would be lost, and the vehicles are used continuously during the day by multiple people for various duties.*

The Sheriff indicated he will try to implement procedures where mileage and purpose of trips are recorded.

10. Collateral Securities

The county has not established adequate procedures to monitor collateral securities pledged by its depository bank and, as a result, funds were undercollateralized at various times during the audit period. The amount of collateral securities pledged by the county's depository bank to cover deposits of the County Treasurer and County Collector were insufficient by approximately \$270,000 and \$25,000 during December 2003 and January 2004, respectively. The high balance periods were primarily due to deposits of property tax monies collected by the County Collector for county funds and disbursed to the County Treasurer. County officials indicated they perform no monitoring procedures to ensure the collateral securities pledged are sufficient to cover the county's bank balances.

Section 110.020, RSMo 2000, requires that the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Commission establish monitoring procedures to ensure the depository bank pledges adequate collateral securities at all times.

AUDITEE'S RESPONSE

The County Commission will discuss this issue with the County Collector and the County Treasurer and will follow up with the bank to make sure this has been taken care of.

The County Treasurer indicated he has discussed with the bank the pledging of additional securities from approximately November through January.

11. Apportionment of Railroad and Utility Taxes
--

A calculation error in the apportionment of 2002 railroad and utility taxes resulted in incorrect payments being made to two school districts. This error was due to the Deputy County Clerk apportioning the revenues for the capital projects tax levy to the incorrect school district. Such calculations appear to have been done correctly in other years. The following table indicates the amount over or (under) paid to the two school districts for the 2002 tax collections:

<u>School District</u>	<u>Actual Distribution</u>	<u>Correct Apportionment</u>	<u>Amount Over (Under) Paid</u>
LaPlata R-II	\$ 2,788	363	2,425
Adair County R-II	3,933	6,358	(2,425)

A similar condition was included in our prior report which noted an error in the calculation of the 1999 apportionment. To ensure all future apportionment calculations are correct and proper payments are made, the County Clerk should implement procedures to review all calculations for accuracy.

WE AGAIN RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct this error. In addition, the County Clerk should review all future apportionment calculations to ensure accuracy.

AUDITEE'S RESPONSE

The County Clerk has contacted the school districts and adjustments will be made to future apportionments until the errors are resolved.

12. County Clerk's Accounting Controls and Procedures

Accounting duties for the County Clerk's office are not adequately segregated and no supervisory review is performed. In addition, controls are inadequate to ensure the proper safeguarding of fees received by the County Clerk as receipt slips are not issued for all monies received and no other accounting record is maintained to document all receipts collected. Also, adequate records of receipts and disbursements of the petty cash fund are not maintained and a county employee borrowed monies from the petty cash fund.

The County Clerk's office collects money for various fees and licenses, including notary fees, plat books, liquor licenses, and all-terrain vehicle permits, and then transmits the fees to the County Treasurer for deposit. According to the General Revenue Fund budget, during the years ended December 31, 2003 and 2002, the County Clerk's office collected approximately \$4,600 and \$5,200, respectively, in such fees.

- A. The duties of receiving, recording, and transmitting monies to the County Treasurer are not adequately segregated. Currently, both the County Clerk and the Deputy County Clerk perform these duties and there is no documentation that a review of receipts and accounting records is performed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Because there are only two employees, the County Clerk and the Deputy, proper segregation of duties cannot

be achieved. Therefore, it is imperative that the County Clerk perform and document a periodic supervisory review of the records.

- B. The County Clerk's office does not have adequate controls in place to ensure the proper safeguarding of county revenue from theft, misuse or loss. Receipt slips are only issued if requested by the payor and not all receipts are consistently recorded in the County Clerk's calendar book. According to the County Clerk, monies are usually transmitted to the County Treasurer immediately upon receipt; however, no receipt slip is obtained from the County Treasurer at the time of the turnover. While the County Treasurer does eventually issue receipt slips for all monies received (see MAR 13), a copy of this receipt slip is not given to the County Clerk's office to support that all monies collected by the County Clerk's office were properly handled and transmitted to the County Treasurer.

All payments made to the County Clerk's office are accountable fees and should be remitted to the county treasury. To provide assurance all monies received have been properly transmitted to the County Treasurer, prenumbered receipt slips should be issued for all monies received, transmittal reports should be prepared to indicate which receipts are being remitted, and the composition of monies received should be reconciled to the composition of monies transmitted to the County Treasurer. In addition, the County Clerk should obtain a receipt slip from the County Treasurer at the time of the transmittal.

- C. No record is maintained of receipts, disbursements or cash balances of the County Clerk's petty cash fund. In addition, it appears accountable fees collected by the County Clerk's office are being withheld from transmittals to the County Treasurer and being used to replenish the petty cash fund. As noted in Part B above, all accountable fees should be remitted to the county treasury.

A cash count on March 11, 2004, identified \$35 of petty cash on hand as well as a note from the Deputy County Clerk indicating she had borrowed \$25 from the petty cash fund. The County Clerk indicated he was not aware of what the balance of the petty cash fund should be and because no records exist to support receipts or disbursements of this fund, it was not determined if the petty cash balance included monies received from the collection of fees by the County Clerk's office.

Section 50.370, RSMo 2000, requires every county official who receives fees for official services to pay such monies to the county treasury. 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. In addition, employees should not be allowed to borrow monies for personal use from the petty cash fund.

WE RECOMMEND the County Clerk:

- A. Perform and document periodic supervisory reviews of the accounting records.
- B. Issue prenumbered receipt slips for all monies, transmit all monies received, and obtain a receipt slip from the County Treasurer at the time of transmittal. The County Clerk should ensure that transmittals indicate which receipts are included in the transmittal and reconcile the cash, checks, and money orders received to the composition of receipt slips and transmittals.
- C. Ensure all monies collected are transmitted intact to the County Treasurer. If a petty cash fund is determined to be necessary, it should be funded by the county, maintained on an imprest basis, and documentation should be retained to support all expenditures. In addition, the County Clerk should discontinue the practice of allowing employees to borrow monies.

AUDITEE'S RESPONSE

- A&B. The County Clerk will try to ensure all receipts are recorded on the calendar and the monies transmitted to the County Treasurer agree to the recorded receipts.*
- C. The County Clerk will try to limit the uses for petty cash and only maintain a change fund. He will discontinue allowing employees to borrow monies.*

13. County Treasurer's Accounting Controls and Procedures
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Receipt slips are not issued immediately upon receipt for some monies and some monies are not deposited intact. In addition, no procedures are performed to reconcile the composition of monies received to the composition of monies deposited.

The County Treasurer will hold miscellaneous receipts, including monies received from other fee offices for copies, map sales, plat book sales, etc., until several receipts have been collected before issuing a receipt slip. As a result, deposits are not always made intact, as these miscellaneous receipts may be withheld for deposit until several such receipts have been collected. No procedures are performed to reconcile the composition of all monies received, including the miscellaneous receipts, to the composition of monies deposited.

To reduce risk of loss or misuse of county resources, the County Treasurer should record monies and prepare prenumbered receipt slips immediately upon receipt for all monies, and all monies should be deposited intact daily or when accumulated receipts exceed \$100. In addition, to ensure receipts are accounted for properly, the composition of receipt slips issued should be reconciled to the composition of deposits.

WE RECOMMEND the County Treasurer issue receipt slips immediately upon receipt for all monies and ensure all monies are deposited intact daily or when accumulated receipts exceed \$100. In addition, the composition of receipt slips issued should be reconciled to the composition of monies deposited.

AUDITEE'S RESPONSE

The County Treasurer indicated this will be implemented. All monies will be receipted daily and deposited when total accumulated receipts exceed \$100. In addition, reconciliations of the composition of receipts to the composition of deposits will be performed.

14. County Collector's Accounting Controls and Procedures
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No reconciliation of the composition of receipts to the composition of deposits is performed by the County Collector. Such reconciliation is difficult because cash refunds are made for overpayments of fees paid by check and occasionally the County Collector will use personal monies to cover any minimal shortages that may occur.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2004 and 2003, the County Collector collected property taxes totaling approximately \$3 million and \$3.1 million, respectively.

Although the County Collector does note any differences in each day's total receipts compared to the total deposit, no reconciliation is performed to ensure that the composition of receipts, adjusted for cash differences and cash refunds, reconciles to the composition of deposits.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the composition of receipts should be reconciled to the composition of deposits.

WE RECOMMEND the County Collector reconcile the composition of receipts to the composition of deposits.

AUDITEE'S RESPONSE

The County Collector agrees and will document when cash refunds are given and will reconcile the composition of receipts to deposits.

Accounting duties for the Assessor's office are not adequately segregated and no supervisory review is performed. In addition, the method of payment is not consistently indicated on all receipt slips, the composition of monies collected is not reconciled to the composition of monies turned over to the County Treasurer, and receipt slips were not always issued in numerical sequence. The Assessor collected various fees from the sale of maps and property record cards totaling approximately \$577 and \$386 in 2003 and 2002, respectively.

- A. The duties of receiving, recording, and transmitting monies to the County Treasurer are not adequately segregated. Currently, all employees of the Assessor's office perform these duties and there is no documentation that an independent review of receipts and accounting records is performed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, recording, and transmitting 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. No reconciliation of receipt slips to the amount and composition of monies transmitted to the County Treasurer is performed. The Assessor is unable to perform such comparisons because receipt slips sometimes do not indicate the method of payment, no report is prepared by the Assessor's office to document the amount and composition of receipts turned over to the County Treasurer, and no documentation or receipt slip is received from the County Treasurer to indicate the amount or composition of monies transmitted (see MAR 13.)

To adequately account for all monies receipted and to provide assurance all monies received have been properly transmitted to the County Treasurer, the method of payment should be recorded on all receipt slips, documentation of monies transmitted to or received by the County Treasurer should be maintained, and the composition of receipt slips issued should be reconciled to the composition of the monies transmitted to the County Treasurer.

- C. Prenumbered receipt slips were not always issued in numerical sequence. To ensure receipts are accounted for properly, receipt slips should be issued in numerical sequence.

WE RECOMMEND the Assessor:

- A. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.

- B. Reconcile the composition of receipts to the composition of monies transmitted to the County Treasurer. In addition, the Assessor should ensure the method of payment is indicated on all receipt slips issued, and obtain a receipt slip or other documentation from the County Treasurer at the time of transmittal.
- C. Issue receipt slips in numerical sequence.

AUDITEE'S RESPONSE

A. *The County Assessor will begin reviewing the transmittal of monies turned over to the County Treasurer and will compare the transmittal to receipt slips issued.*

B&C. This has been implemented.

16. Sheriff's Accounting Controls and Procedures

Accounting duties for the Sheriff's office are not adequately segregated and no supervisory review is performed. In addition, receipt slips are not issued for some monies received, deposits are not always made on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Concerns were also noted regarding the Sheriff's procedures relating to paper service and the controls over seized property.

- A. Accounting duties of the Sheriff's office are not adequately segregated. The Sheriff's secretary is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations, and maintaining the accounting records. There is no documentation that an independent review of deposits and accounting records is performed.

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 depositing receipts from 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. 1) Receipt slips were not issued for 16 of the 20 bonds reviewed. Since bonds collected are deposited into the Sheriff's bank account, the composition of receipt slips does not reconcile to the composition of deposits.

To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received, the numerical sequence of receipt slips should be accounted for, and the composition of receipt slips issued should be reconciled to the composition of deposits.

- 2) Deposits are not always made on a timely basis. Our review of deposits made from October 2003 through December 2003, indicated deposits are made on average once a week. During this review, we also noted that receipts totaling \$124, \$140, \$202, and \$157 were held 12, 11, 8, and 6 days, respectively, before being deposited.

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

- 3) Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made. However, as noted above, deposits are not always made on a timely basis. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. The Sheriff's office frequently serves papers for attorneys, courts, and other counties relating to civil and criminal cases. The Sheriff's office collects fees and mileage reimbursements in return for serving papers.

- 1) Fees for paper service are frequently received prior to delivery of the papers; however, these monies are not receipted and deposited until the papers have actually been delivered. Most fees are received by check, and the Sheriff's secretary indicated the checks are returned to the payor if the papers cannot be served.

To ensure paper service fees are accounted for properly, receipt slips should be issued immediately upon receipt and the monies deposited into the Sheriff's bank account. If it is later determined that the related papers cannot be served, refund checks should be issued.

- 2) In some instances, the paper service fee is not collected before the service is performed. There are no procedures to monitor, collect, and follow-up on these past due paper service fees and the Sheriff's office has not determined the total costs due for paper service fees. By not adequately monitoring unpaid paper service fees, these fees could remain uncollected and might eventually result in lost revenue.

To facilitate collection of paper service fees, proper follow-up action should include preparing billings for outstanding paper service fees and performing periodic reconciliations of billings, collections, and other adjustments. Such reconciliations will help to ensure all amounts have been accounted for properly.

D. Our review of seized property noted the following concerns:

- 1) Adequate controls over seized property have not been established. A complete log of seized property is not maintained and periodic inventories of the property on hand are not conducted. In addition, although some property was identified with a tag or case number, some property did not include any identification.

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

- 2) Procedures have not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases have been disposed in court are being stored. Property is on hand dating back to the late 1970s and early 1980s.

Section 542.301(5), RSMo 2000, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.
- B.1. Issue prenumbered receipt slips for all monies received and reconcile the composition of receipts to the composition of bank deposits.
 2. Deposit all receipts daily or when accumulated receipts exceed \$100.
 3. Restrictively endorse checks and money orders immediately upon receipt.
- C.1. Issue receipt slips for paper service fees immediately upon receipt and deposit all paper service fees in the bank account. Any refunds should be made by check.
 2. Establish adequate procedures to monitor and collect unpaid paper service fees.

- D.1. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. Also, all items should be properly identified. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.
2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

AUDITEE'S RESPONSE

- A. *The Sheriff indicated that review procedures will be implemented to review accounting records and bank reconciliations.*
- B.1&3. *These have been implemented.*
2. *The Sheriff indicated deposits are now made when accumulated receipts exceed \$100.*
- C.1. *This has been implemented.*
2. *The Sheriff indicated a record of outstanding paper service fees is in the process of being prepared. He will be implementing procedures to review and follow up on unpaid paper service fees.*
- D.1. *The Sheriff indicated he has started an inventory record of all new seized property. He plans to inventory old seized property in the future as time permits.*
2. *The Sheriff indicated he will obtain a written order from the Circuit Judge to dispose of old property no longer needed.*

17. Prosecuting Attorney's Accounting Controls and Procedures
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Accounting duties for the Prosecuting Attorney's office are not adequately segregated and no supervisory review is performed. In addition, money orders and cashier's checks are not restrictively endorsed immediately upon receipt and receipts are not posted to the accounting records and deposited daily or when accumulated receipts exceed \$100. The Prosecuting Attorney collected fees and restitution on bad checks totaling approximately \$14,800 and \$12,800 for the years ended December 31, 2003 and 2002, respectively.

- A. Accounting duties are not adequately segregated. Currently, all accounting duties, including receiving and recording bad check complaints and payments, depositing and disbursing monies, and preparing bank reconciliations, are primarily performed by one secretary with no documented independent review or oversight.

Internal controls would be improved by segregating the duties of receiving and recording complaints and payments from the duties of depositing and disbursing monies. If duties cannot be adequately segregated, at a minimum, someone independent should periodically review the accounting records, compare monies received with deposits and disbursements, and ensure recorded dispositions appear proper. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.

- B. Money orders and cashier's checks payable to the Prosecuting Attorney are not restrictively endorsed immediately upon receipt; rather endorsement is applied when the deposit is prepared. In addition, receipts are not posted to the accounting records until the deposit is prepared and deposits are not always prepared daily or when accumulated receipts exceed \$100.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all money orders and cashier's checks should be restrictively endorsed immediately upon receipt and all monies should be posted to accounting records and deposited daily or when accumulated receipts exceed \$100.

A similar condition was noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.
- B. Restrictively endorse all money orders and cashier's checks immediately upon receipt and ensure all monies are recorded and deposited daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

- A. *In April 2004, the Prosecuting Attorney implemented procedures for one employee to review the records and reconciliations of another employee. In August 2004, the Prosecuting Attorney also started reviewing these records and reconciliations.*
- B. *The Prosecuting Attorney has started depositing every day as of August 1, 2004 and endorsement is now applied as checks are received.*

18. Circuit Clerk's Accounting Controls and Procedures

A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. In addition, the Circuit Clerk's open items listing as of December 31, 2003, included approximately \$2,900 for 32 cases that were at least 8 years old.

- A. While the Circuit Clerk does maintain a listing of accrued costs owed to the court, the listing is incomplete as it contains only criminal cases. This listing does not include non-criminal cases, such as civil, domestic relations, and juvenile cases. When a criminal 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 criminal cases; however, no collection procedures are performed for non-criminal cases. Accrued costs as of December 31, 2003, for criminal cases totaled approximately \$62,900, but no estimate of total accrued costs for all cases could be determined. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.
- B. The Circuit Clerk accepts partial payments of accrued costs and accumulates them until the entire balance has been collected. The Circuit Clerk's open items listing includes numerous older cases containing balances which are insufficient to cover all costs charged to the case. Included on the open items listing are approximately 32 cases dating to 1995 or before, on which approximately \$2,900 is being held. In addition, monies dating back twenty years or more have not yet been disbursed. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance in the cases 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.

WE RECOMMEND the Circuit Clerk:

- A. Maintain a complete record of accrued costs and establish procedures to follow up and pursue timely collection of all costs owed to the court.
- B. Review older cases with the Circuit Judge and determine the appropriate disposition of inactive cases.

AUDITEE'S RESPONSE

- A. *The Circuit Clerk indicated that within the next year the accrued cost listing will be completed. He is working with the Circuit Judge and the Probation Officer to pursue collection of costs owed to the court.*
- B. *The Circuit Clerk indicated he has discussed the disposition of inactive cases with the Circuit Judge and is working on how to distribute the monies collected; this will be completed within the next year.*

19. Public Administrator's Accounting Controls and Procedures
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The Public Administrator acts as the court appointed personal representative for wards and decedent estates of the Probate Court and is responsible for receiving, disbursing, and accounting for the assets of those individuals and estates. During the two years ended December 31, 2003, the Public Administrator handled approximately twenty cases. The Public Administrator did not maintain documentation of monthly bank reconciliations, did not account for the numerical sequence of disbursements on the annual settlements, and did not maintain documentation to support the calculation of fees charged to some wards' estates.

- A. Although the Public Administrator indicated she performs monthly bank reconciliations for each ward, no documentation of the bank reconciliations is prepared to support that the cumulative book balance agreed to the bank balance or that outstanding checks and any deposits in transit were reviewed. In addition, inadequate details regarding receipts and disbursements listed in the check register, such as missing dates of direct deposits and electronic transfers, make it difficult to compare the cumulative book balance to the bank balance.

Complete and accurate cash control records, including check registers, are necessary to provide accountability over funds, provide summarized financial information, and facilitate reconciliations between bank and book balances. In addition, formal documented bank reconciliations are necessary to ensure accounting records agree with bank records and to detect errors in a timely manner.

- B. Disbursements reported on the annual settlements were not always identified by check number. In addition, when check numbers were identified, checks were not listed in numerical sequence or were missing from the numerical sequence. Discussion with the Public Administrator indicated that these missing checks were voided; however, voided checks are not retained and are not documented on the annual settlements.

To properly account for all disbursements, checks issued should be recorded in numerical order on the annual settlement. In addition, voided checks should be properly defaced and retained, and accounted for on the annual settlement.

- C. The Public Administrator earns a fee when performing her duties as the court appointed personal representative for some wards. This fee is charged to the ward and remitted to the Public Administrator. According to the Public Administrator, cases are either charged a fee of five percent based on the lesser of income or disbursements of the ward or the cases are charged a fee based on services performed. For the two years ended December 31, 2003, the Public Administrator received approximately \$7,000, in fees from cases charged five percent and \$11,300 in fees from cases charged based on services performed.

No documentation is maintained to support the determination of when a case is charged a fee of five percent or when the fee is based on services performed. For those wards charged a fee based on services performed, there was no documentation to support how the amount was calculated. For example, no estimation of time spent at an hourly rate is calculated. The Public Administrator stated that some wards are charged fees depending on the availability of funds in the ward's estate; however, for these wards no documentation was maintained to support how the actual fee paid was determined.

There is no written policy detailing when the five percent fee should be applied or when a different basis is used to determine the fee paid. In addition, there is no written policy detailing how the actual fee amount charged is determined when the five percent basis is not used. Without a written policy identifying how fees are charged to the various cases and without a consistent application of fees, there is no assurance that cases are handled equitably or that fees are properly calculated.

WE RECOMMEND the Public Administrator:

- A. Maintain complete and accurate cash control records and perform monthly documented bank reconciliations for each ward.
- B. Account for the numerical sequence of all checks on the annual settlements. In addition, all voided checks should be properly defaced and retained.
- C. Work with the Associate Circuit Judge to develop written guidelines that identify the process for charging fees. Written documentation of fee calculations should be prepared and maintained for all annual settlements and submitted to the Probate Court for approval.

AUDITEE'S RESPONSE

- A. *This has been implemented.*
- B. *The Public Administrator indicated the numerical sequence of checks will be accounted for on the next annual settlements prepared. All voided checks are now properly defaced and retained.*

- C. *The Public Administrator indicated this will be discussed with the Associate Circuit Judge and they will document a policy for fees.*

20.

Health Center

Concerns with the Health Center's records and procedures include not reconciling the composition of receipts to the composition of deposits, not issuing receipt slips for some monies received and not depositing intact, no current depositary agreement with a local bank, and inadequate computer controls.

- A. No reconciliation of receipt slips to the amount and composition of monies deposited is performed. Such comparisons would be difficult because receipt slips are not issued for some monies received and some receipts are not deposited intact. Receipt slips are not consistently issued for monies received from the state and from other counties. In addition, monies received for fee for service receipts, including immunizations and blood testing, are withheld from other receipts and usually deposited every two to three weeks when accumulated receipts are approximately \$200. Receipts for other than fee for service monies, including grant monies and vital records, are deposited daily or when accumulated receipts exceed \$100.

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

Similar conditions were noted in our prior audit report.

- B. The Health Center does not have a current written depositary agreement with its local depositary bank. The most recent depositary agreement was dated 1993. Section 110.130, RSMo 2000, requires the Health Center to enter into agreements with the banks selected as depositaries during the May term of 1997, and every fourth year thereafter.

A current depositary agreement is necessary to ensure both the bank and the Health Center understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged.

- C. Our review of the Health Center's computer system indicated the following areas where improvements are needed:

- 1) The Health Center does not have a formal contingency plan for the computer system in case of emergency. As a result, the Health Center has not formally negotiated arrangements for backup facilities in the event of a disaster. The major benefit of thorough contingency planning comes from the ability of the Health Center to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the Health Center.
- 2) The Health Center periodically prepares backup disks of all financial information; however, the backup disks are not stored at an off-site location. Backups of computer information provide a means for recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that county data can be recreated.

WE RECOMMEND the Health Center Board:

- A. Require receipt slips be issued upon receipt for all monies received or require a log or listing be maintained for all monies collected. In addition, reconciliations of the composition of receipts to the composition of deposits should be performed, and all receipts should be deposited intact daily or when accumulated receipts exceed \$100.
- B. Enter into written agreements with depository banks in compliance with state law.
- C.1. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.
2. Ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

- A. *The Health Center Administrator indicated receipt slips are now issued for all monies received, the composition of receipts is reconciled to the composition of deposits, and deposits are made as accumulated receipts exceed \$100.*
- B. *This has been implemented.*
- C.1. *The Health Center Administrator indicated they are in the process of developing a formal contingency plan.*
2. *The Health Center Administrator indicated they are preparing backup disks and are in the process of making arrangements to store the backups at an off-site location.*

Follow-Up on Prior Audit Findings

KNOX 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 Knox County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1999.

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. Financial Condition

The financial condition of the county's General Revenue Fund was weak.

Recommendation:

The County Commission consider the various alternatives of increasing receipts and/or reducing disbursements.

Status:

Implemented. The approval of a half-cent law enforcement sales tax by county voters which became effective January 1999 has helped allow the financial condition of the county's General Revenue Fund to improve.

2. County Expenditures

- A. Actual expenditures exceeded budgeted amounts for some funds.
- B. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services.
- C. Vendor invoices or other documentation were not available to support \$32,296 in expenditures that were approved for payment.

Recommendation:

The County Commission:

- A. And the Health Center Board of Trustees 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. Require acknowledgment of receipt of goods and/or services prior to payment.

C. Ensure supporting documentation is maintained for all expenditures.

Status:

A. Not implemented. See MAR finding number 5.

B&C. Not implemented. See MAR finding number 6.

3. County Financial Statements and Commission Minutes

A. The annual published financial statements of the county did not include the financial activity of some county funds as required.

B. The County Clerk did not prepare adequate records of County Commission meetings.

Recommendation:

The County Commission:

A. Ensure financial information for all county funds is properly reported in the annual published financial statements.

B. Ensure a complete record of meetings is prepared and approved on a timely basis.

Status:

A. Not implemented. See MAR finding number 5.

B. Not implemented. See MAR finding number 4.

4. Apportionment of Railroad and Utility Taxes

A calculation error in the apportionment of 1999 railroad and utility taxes by the County Clerk resulted in incorrect payments of railroad and utility taxes to the various school districts.

Recommendation:

The County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

Status:

Partially implemented. While the school districts were contacted and adjustments made to correct the 1999 apportionment errors, our review of the calculations for the apportionment of 2002 railroad and utility taxes noted additional errors. See MAR finding number 11.

5. Personnel and Payroll Policies and Procedures

- A. Time sheets or other records of actual time worked were not maintained by salaried employees.
- B. Centralized records of leave balances and leave used and earned were not maintained.
- C. The county did not keep records of mileage incurred on the county vehicle used by a Road and Bridge employee for commuting purposes.
- D. Several county employees from various offices with access to money were not covered by an employee bond.

Recommendation:

The County Commission:

- A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Maintain centralized records of leave earned, used, and accumulated for all county employees.
- C. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.
- D. Consider obtaining adequate bond coverage for all employees with access to monies.

Status:

A, B

&D. Not implemented. See MAR finding number 3.

- C. Not implemented. The Road and Bridge Supervisor is allowed to use a county vehicle for commuting purposes as he is on-call 24 hours a day. If the County

Commission believes this employee should be exempt from taxable fringe benefits due to the 24 hour on-call status, this decision should be adequately documented in the minutes. Although not repeated in the current report, our recommendation remains as stated above. For any county vehicle used by Road and Bridge Department employees, the Sheriff, or a Deputy Sheriff, no written policy has been developed and no records are maintained regarding the use of the county vehicles by these employees. See MAR finding number 9.

6. County Clerk's Accounting Controls and Procedures

- A. The County Clerk neither prepared nor verified the tax books.
- B. The County Clerk did not maintain an account book with the County Collector.

Recommendation:

The County Clerk:

- A. Verify the tax books generated by the County Collector's office.
- B. Establish and maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

Status:

A&B. Not implemented. See MAR finding number 7.

7. Prosecuting Attorney's Accounting Controls and Procedures

- A. Receipt slips were not issued for all monies received.
- B. Monthly bank reconciliations were not compared to the check register.
- C. Monthly listings of open items (liabilities) were not prepared and, consequently, liabilities were not reconciled with the cash balance on a periodic basis.
- D. Receipts were not always kept in a secured location until the deposit and money orders were not restrictively endorsed when received.

Recommendation:

The Prosecuting Attorney:

- A. Ensure all monies received are recorded on prenumbered receipt slips. In addition, the method of payment should be recorded on these receipt slips and reconciled to deposits.
- B. Ensure monthly bank reconciliations are performed and compared to the check register.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balances.
- D. Restrictively endorse money orders immediately upon receipt and keep receipts in a secure location until deposited.

Status:

- A. Partially implemented. While receipt slips, which do indicate method of payment, are issued for all monies received, and receipts are reconciled to deposits, the receipt slips are not prenumbered. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

- D. Partially implemented. While receipts are now kept in a secure location, money orders are not restrictively endorsed immediately upon receipt. See MAR finding number 17.

8. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The method of payment for receipts was not consistently indicated on the abstract of fees. In addition, monies were not deposited intact as cash refunds were made for overpayments of fees paid by check, and no record was maintained of the actual amount received and the amount refunded.

Recommendation:

The Ex Officio Recorder of Deeds record the method of payment on the abstract of fees and reconcile the composition of receipts to the composition of bank deposits. In addition, the Ex Officio Recorder of Deeds should deposit all monies intact and write checks for refunds of overpayments.

Status:

Partially implemented. While the method of payment is recorded on the abstract of fees, cash refunds are still given for overpayments of fees paid by check. However, all cash refunds are documented and the composition of receipts is reconciled to the composition of bank deposits. Although not repeated in the current report, our recommendation remains as stated above.

9. Health Center

- A. Receipt slips were not prenumbered and were not issued for some monies received.
- B. The Health Center calculated overtime worked by employees covered under the Fair Labor standards Act at straight time rather than time and one-half.
- C. During the two years ended December 31, 1999, the Health Center did not update its property records, and did not number, tag, or otherwise identify property items. In addition, annual inventories of property were not performed.

Recommendation:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of those receipt slips.
- B. Ensure overtime pay or compensatory time earned is calculated in accordance with the Fair Labor Standards Act.
- C. Maintain property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition, if applicable. In addition, an actual physical inventory of the various property items should be performed periodically.

Status:

- A. Partially implemented. While the numerical sequence of receipt slips issued is accounted for properly, prenumbered receipt slips are not issued for all monies received. See MAR finding number 20.

B&C. Implemented.

10. Sheriff's Accounting Controls and Procedures

Formal bank reconciliations were not prepared on a timely basis.

Recommendation:

The Sheriff prepare bank reconciliations monthly and reconcile to accounting records.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

KNOX COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Knox was named after Henry Knox, a General of the American Revolution. Knox County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Edina.

Knox 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 521 miles of county roads and approximately 500 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 5,580 in 1980 and 4,361 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2003	2002	2001	2000	1985*	1980**
		(in millions)					
Real estate	\$	30.4	31.0	30.4	30.8	26.7	13.2
Personal property		13.0	13.3	12.1	11.5	6.5	5.1
Railroad and utilities		8.7	10.1	10.1	10.0	9.0	6.1
Total	\$	52.1	54.4	52.6	52.3	42.2	24.4

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$.2700	.2800	.2553	.2904
Special Road and Bridge Fund		.6431	.6431	.6431	.6400
Health Center Fund		.1000	.1000	.1000	.1000

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

Year Ended February 28 (29),				
	2004	2003	2002	2001
State of Missouri	\$ 15,870	16,293	15,614	15,629
General Revenue Fund	146,166	155,347	137,639	155,054
Special Road and Bridge Fund	337,048	346,158	331,380	320,328
Assessment Fund	29,360	30,015	28,776	28,250
Health Center Fund	52,371	53,808	51,554	51,609
School districts	1,965,234	2,006,510	1,906,628	1,879,624
Library district	52,371	53,808	51,554	51,609
Ambulance district	198,362	203,687	195,201	195,338
Nursing homes	78,584	80,708	77,358	77,285
Troublesome Creek Watershed	10,553	10,139	9,954	9,548
Tax sale surplus	0	0	500	19,796
Refund	0	114	30,623	40
Cities	46,075	40,331	38,182	35,123
County Clerk	61	69	69	68
County Employees' Retirement	13,702	14,910	13,828	10,959
Tax Maintenance Fund	3,411	2,116	0	0
Commissions and fees:				
General Revenue Fund	44,209	45,357	43,273	41,886
Collector	616	459	474	332
Total	\$ 2,993,993	3,059,829	2,932,607	2,892,478

Percentages of current taxes collected were as follows:

Year Ended February 28 (29),				
	2004	2003	2002	2001
Real estate	95.7	95.9	95.4	95.6 %
Personal property	94.0	93.8	92.4	94.1
Railroad and utilities	100.0	100.0	100.0	100.0

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
General	.0050	2005	None	
Road and Bridge Capital Improvement	.0050	2004	None	
Law Enforcement Sales Tax	.0050	2006	None	

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

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
L.P. Mayfield, Presiding Commissioner		21,120	15,629	15,134	15,134
Terry Marble, Associate Commissioner		15,840	14,850	14,355	11,967
Michael McGinnis, Associate Commissioner		15,840	14,850	14,355	11,967
Bill Baker, County Clerk		32,000	24,485	24,485	24,485
William Alberty, Prosecuting Attorney		39,000	30,144	30,144	30,144
Michael Kite, Sheriff		28,500	27,750	27,750	
Daniel Bishop, Sheriff					26,257
Allen Gudehus, County Treasurer		23,704	17,574	17,574	17,574
Allen G. Rimer, County Coroner		6,375	6,375	6,375	4,376
Kathy Poore, Public Administrator (1)		21,276	29,828	31,218	23,945
Brenton Karhoff, County Collector (2), year ended February 28 (29),	32,616	28,389	28,404	28,262	
Vance Parrish, County Assessor (3), year ended August 31,		29,060	27,316	27,316	27,316

(1) Includes fees received from probate cases.

(2) Includes \$616, \$459, \$474 and \$332, respectively, of commissions earned for collecting city property taxes.

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

State-Paid Officials:

James Gibbons, Circuit Clerk and Ex Officio Recorder of Deeds	47,300	47,300	47,300	46,127
Garry Lewis, Associate Circuit Judge	96,000	96,000	96,000	97,382