



Claire McCaskill

Missouri State Auditor

March 2005

Shelby County, Missouri

Years Ended

December 31, 2003 and 2002



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2005

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Shelby, 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.

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

- The former Sheriff authorized the payment of additional compensation totaling \$1,192 to five employees. Documentation to support these payments was not adequate and consisted only of statements signed by the former Sheriff that the payments were for "extra duty," but did not include any documentation of extra time worked beyond that recorded in applicable time sheets. These payments appear questionable and could represent additional compensation for services previously rendered, which is prohibited by the Missouri Constitution.
- The county is paying the medical insurance and providing other benefits, such as awarding holidays and leave time, to a part-time employee of the County Collector's office. While the County Commission and County Collector approved the payment of this employee's medical insurance, there is no documented approval to provide the other benefits. The county's personnel manual states that a part-time employee is not eligible for employee benefits unless specifically negotiated with the County Commission and the office holder for whom the employee works.
- The county should implement improvements to its computer systems used for assessment and property tax information and for budgetary and accounting information. The county should implement password and other procedures to limit access to the various programs and information and a security system to detect or prevent incorrect log-on attempts. In addition, backup disks of information should be prepared more frequently and should be stored at an off-site location.

The audit also includes recommendations regarding county road and bridge maintenance plans, general fixed assets, and schedule of expenditures of federal awards, as well as recommendations to improve accounting controls and procedures for the County Collector, Prosecuting Attorney, and Health Center.

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

YELLOW SHEET

SHELBY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Shelby 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 Shelby 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 Shelby 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 October 28, 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.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Shelby 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

October 28, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
Audit Staff:	Christina Paradis, CPA
	Kate Petschonek
	Steven Re', CPA
	Terese Summers, CPA



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 Shelby County, Missouri

We have audited the financial statements of various funds of Shelby County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 28, 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 Shelby 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 Shelby 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 Shelby County, Missouri, 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

October 28, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

SHELBY 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	\$ 323,189	916,303	983,438	256,054
Special Road and Bridge	369,338	1,050,335	1,056,060	363,613
Assessment	10,367	100,352	104,720	5,999
Emergency 911	186,621	221,593	221,621	186,593
Law Enforcement Training	7,303	1,570	4,207	4,666
Sheriff's Civil Fees	4,230	11,243	7,473	8,000
Prosecuting Attorney Training	182	372	14	540
Prosecuting Attorney Bad Check	29,336	3,035	4,824	27,547
Prosecuting Attorney Income Tax	1,213	19	0	1,232
Recorder's Records Preservation	10,302	3,849	1,285	12,866
Children's Trust/Domestic Violence	3,711	312	0	4,023
Chemical Emergency Preparedness	4,207	3,678	3,528	4,357
Hazardous Materials Emergency	0	2,886	0	2,886
Election Services	3,535	375	351	3,559
Sound Recording	2,454	389	0	2,843
Recorder's Tech	2,541	1,960	2,000	2,501
Associate Circuit Interest	2,587	179	1,876	890
Circuit Clerk Interest	18,425	1,112	3,376	16,161
Parent Education	1,285	560	1,845	0
Law Library	2,606	2,925	2,269	3,262
POST	0	874	874	0
DARE	546	0	374	172
Tax Maintenance	403	5,990	2,068	4,325
Health Center	140,870	433,741	445,128	129,483
Total	\$ 1,125,251	2,763,652	2,847,331	1,041,572

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

Exhibit A-2

SHELBY 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	\$ 225,945	994,334	897,090	323,189
Special Road and Bridge	253,517	1,062,659	946,838	369,338
Assessment	12,314	102,245	104,192	10,367
Emergency 911	173,586	223,682	210,647	186,621
Law Enforcement Training	10,255	1,816	4,768	7,303
Sheriff's Civil Fees	13,165	10,638	19,573	4,230
Prosecuting Attorney Training	251	385	454	182
Prosecuting Attorney Bad Check	25,877	3,503	44	29,336
Prosecuting Attorney Income Tax	1,180	33	0	1,213
Recorder's Records Preservation	12,354	3,954	6,006	10,302
Children's Trust/Domestic Violence	3,344	367	0	3,711
Chemical Emergency Preparedness	4,054	153	0	4,207
Election Services	2,207	1,338	10	3,535
Sound Recording	1,862	592	0	2,454
Recorder's Tech	775	1,766	0	2,541
Associate Circuit Interest	2,583	244	240	2,587
Circuit Clerk Interest	18,325	951	851	18,425
Parent Education	925	1,120	760	1,285
Recorder's Local Records Grant	394	6,513	6,907	0
Law Library	3,220	2,765	3,379	2,606
POST	0	765	765	0
DARE	0	546	0	546
Tax Maintenance	0	403	0	403
Health Center	115,165	495,528	469,823	140,870
Total	\$ 881,298	2,916,300	2,672,347	1,125,251

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

Exhibit B

SHELBY 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)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,017,722	2,763,652	(254,070)	2,828,338	2,915,351	87,013
DISBURSEMENTS	3,349,380	2,847,331	502,049	3,118,761	2,672,347	446,414
RECEIPTS OVER (UNDER) DISBURSEMENTS	(331,658)	(83,679)	247,979	(290,423)	243,004	533,427
CASH, JANUARY 1	1,125,358	1,125,251	(107)	881,298	881,298	0
CASH, DECEMBER 31	793,700	1,041,572	247,872	590,875	1,124,302	533,427
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	285,000	280,470	(4,530)	280,000	285,805	5,805
Sales taxes	370,000	371,353	1,353	380,000	364,316	(15,684)
Intergovernmental	218,243	91,880	(126,363)	108,224	198,915	90,691
Charges for service	71,500	70,049	(1,451)	62,500	61,030	(1,470)
Interest	5,500	2,770	(2,730)	15,000	5,180	(9,820)
Other	15,000	64,781	49,781	11,000	44,088	33,088
Transfers in	35,000	35,000	0	35,000	35,000	0
Total Receipts	1,000,243	916,303	(83,940)	891,724	994,334	102,610
DISBURSEMENTS						
County Commissior	76,445	75,143	1,302	73,320	72,468	852
County Clerk	67,375	61,346	6,029	63,809	58,844	4,965
Elections	12,200	7,207	4,993	25,700	20,442	5,258
Buildings and grounds	70,531	59,138	11,393	66,900	56,013	10,887
Employee fringe benefit	100,715	86,435	14,280	89,000	79,448	9,552
County Treasurer	38,000	36,613	1,387	30,000	28,617	1,383
County Collector	52,500	53,337	(837)	50,750	48,146	2,604
Ex Officio Recorder of Deed	41,803	31,905	9,898	41,290	39,668	1,622
Associate Circuit Court	10,500	8,227	2,273	7,850	4,338	3,512
Associate Circuit (Probate)	700	0	700	1,500	162	1,338
Court administration	8,750	490	8,260	6,175	3,622	2,553
Public Administrator	23,350	23,157	193	22,390	21,277	1,113
Sheriff	204,834	197,988	6,846	187,453	186,601	852
Jail	86,500	88,179	(1,679)	79,000	71,190	7,810
Prosecuting Attorney	86,955	74,543	12,412	88,176	75,976	12,200
Juvenile Office	50,069	76,419	(26,350)	58,129	43,467	14,662
County Coroner	12,750	10,997	1,753	13,300	11,017	2,283
University Extensor	27,500	27,500	0	25,000	25,000	0
Insurance and bonds	15,000	22,205	(7,205)	10,000	12,144	(2,144)
Other	21,700	17,109	4,591	17,800	14,473	3,327
Transfers out	25,500	25,500	0	24,177	24,177	0
Emergency Fund	30,000	0	30,000	27,000	0	27,000
Total Disbursements	1,063,677	983,438	80,239	1,008,719	897,090	111,629
RECEIPTS OVER (UNDER) DISBURSEMENTS	(63,434)	(67,135)	(3,701)	(116,995)	97,244	214,239
CASH, JANUARY 1	323,189	323,189	0	225,945	225,945	0
CASH, DECEMBER 31	259,755	256,054	(3,701)	108,950	323,189	214,239

Exhibit B

SHELBY 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	200,000	191,842	(8,158)	185,000	199,155	14,155
Sales taxes	72,000	54,457	(17,543)	70,000	71,988	1,988
Intergovernmental	877,400	751,581	(125,819)	882,400	757,615	(124,785)
Charges for services	23,500	13,347	(10,153)	23,500	21,514	(1,986)
Interest	8,000	5,335	(2,665)	12,000	7,354	(4,646)
Other	6,800	33,773	26,973	2,600	5,033	2,433
Total Receipts	1,187,700	1,050,335	(137,365)	1,175,500	1,062,659	(112,841)
DISBURSEMENTS						
Salaries	250,000	253,461	(3,461)	247,500	229,995	17,505
Employee fringe benefit	67,386	62,031	5,355	59,000	55,985	3,015
Supplies	77,500	64,885	12,615	71,000	53,653	17,347
Insurance	15,000	16,874	(1,874)	14,000	11,760	2,240
Road and bridge materials	392,500	316,219	76,281	311,500	280,350	31,150
Equipment repairs	35,000	34,986	14	35,000	27,824	7,176
Rentals	1,000	373	627	1,000	851	149
Equipment purchases	125,000	91,513	33,487	100,000	94,123	5,877
Construction, repair, and maintenance	329,000	165,932	163,068	327,000	145,923	181,077
Distribution to special road district	10,000	11,815	(1,815)	10,000	9,816	184
Other	3,500	2,971	529	13,500	1,558	11,942
Transfers out	35,000	35,000	0	35,000	35,000	0
Total Disbursements	1,340,886	1,056,060	284,826	1,224,500	946,838	277,662
RECEIPTS OVER (UNDER) DISBURSEMENTS	(153,186)	(5,725)	147,461	(49,000)	115,821	164,821
CASH, JANUARY 1	369,338	369,338	0	253,517	253,517	0
CASH, DECEMBER 31	216,152	363,613	147,461	204,517	369,338	164,821
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	73,474	73,520	46	77,992	76,899	(1,093)
Interest	525	450	(75)	1,000	529	(471)
Other	0	882	882	350	640	290
Transfers in	25,023	25,500	477	24,177	24,177	0
Total Receipts	99,022	100,352	1,330	103,519	102,245	(1,274)
DISBURSEMENTS						
Assessor	108,600	104,720	3,880	108,850	104,192	4,658
Total Disbursements	108,600	104,720	3,880	108,850	104,192	4,658
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,578)	(4,368)	5,210	(5,331)	(1,947)	3,384
CASH, JANUARY 1	10,367	10,367	0	12,314	12,314	0
CASH, DECEMBER 31	789	5,999	5,210	6,983	10,367	3,384

Exhibit B

SHELBY 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>EMERGENCY 911</u>						
RECEIPTS						
Sales taxes	240,000	212,881	(27,119)	220,000	218,101	(1,899)
Interest	5,000	2,030	(2,970)	6,000	3,495	(2,505)
Other	36,000	6,682	(29,318)	350	2,086	1,736
Total Receipts	281,000	221,593	(59,407)	226,350	223,682	(2,668)
DISBURSEMENTS						
Salaries and fringe benefit:	188,353	185,550	2,803	182,042	172,166	9,876
Office expenditure:	20,000	15,987	4,013	22,500	17,507	4,993
Equipment	44,000	506	43,494	5,000	7,842	(2,842)
Mileage and training	7,000	9,161	(2,161)	7,000	3,952	3,048
Other	17,750	10,417	7,333	14,500	9,180	5,320
Total Disbursements	277,103	221,621	55,482	231,042	210,647	20,395
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,897	(28)	(3,925)	(4,692)	13,035	17,727
CASH, JANUARY 1	186,621	186,621	0	173,586	173,586	0
CASH, DECEMBER 31	190,518	186,593	(3,925)	168,894	186,621	17,727
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	2,000	1,474	(526)	2,000	1,550	(450)
Interest	270	96	(174)	700	266	(434)
Total Receipts	2,270	1,570	(700)	2,700	1,816	(884)
DISBURSEMENTS						
Sheriff	9,500	4,207	5,293	12,500	4,768	7,732
Total Disbursements	9,500	4,207	5,293	12,500	4,768	7,732
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,230)	(2,637)	4,593	(9,800)	(2,952)	6,848
CASH, JANUARY 1	7,303	7,303	0	10,255	10,255	0
CASH, DECEMBER 31	73	4,666	4,593	455	7,303	6,848
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for service:	10,000	11,168	1,168	10,000	10,322	322
Interest	250	75	(175)	1,000	316	(684)
Total Receipts	10,250	11,243	993	11,000	10,638	(362)
DISBURSEMENTS						
Sheriff	13,050	7,473	5,577	24,000	19,573	4,427
Total Disbursements	13,050	7,473	5,577	24,000	19,573	4,427
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,800)	3,770	6,570	(13,000)	(8,935)	4,065
CASH, JANUARY 1	4,230	4,230	0	13,165	13,165	0
CASH, DECEMBER 31	1,430	8,000	6,570	165	4,230	4,065

Exhibit B

SHELBY 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>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	600	372	(228)	600	385	(215)
Total Receipts	600	372	(228)	600	385	(215)
DISBURSEMENTS						
Prosecuting Attorney	780	14	766	400	454	(54)
Total Disbursements	780	14	766	400	454	(54)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(180)	358	538	200	(69)	(269)
CASH, JANUARY 1	182	182	0	251	251	0
CASH, DECEMBER 31	2	540	538	451	182	(269)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	4,000	2,622	(1,378)	3,000	2,910	(90)
Interest	700	413	(287)	1,500	593	(907)
Total Receipts	4,700	3,035	(1,665)	4,500	3,503	(997)
DISBURSEMENTS						
Prosecuting Attorney	34,000	4,824	29,176	21,482	44	21,438
Total Disbursements	34,000	4,824	29,176	21,482	44	21,438
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,300)	(1,789)	27,511	(16,982)	3,459	20,441
CASH, JANUARY 1	29,336	29,336	0	25,877	25,877	0
CASH, DECEMBER 31	36	27,547	27,511	8,895	29,336	20,441
<u>PROSECUTING ATTORNEY INCOME TAX FUND</u>						
RECEIPTS						
Charges for service:	15	6	(9)	15	12	(3)
Interest	20	13	(7)	0	21	21
Total Receipts	35	19	(16)	15	33	18
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	35	19	(16)	15	33	18
CASH, JANUARY 1	1,213	1,213	0	1,180	1,180	0
CASH, DECEMBER 31	1,248	1,232	(16)	1,195	1,213	18
<u>RECORDER'S RECORDS PRESERVATION FUND</u>						
RECEIPTS						
Charges for service:	2,400	3,686	1,286	2,400	3,683	1,283
Interest	270	163	(107)	600	271	(329)
Total Receipts	2,670	3,849	1,179	3,000	3,954	954
DISBURSEMENTS						
Ex Officio Recorder of Deed	7,000	1,285	5,715	7,000	6,006	994
Total Disbursements	7,000	1,285	5,715	7,000	6,006	994
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,330)	2,564	6,894	(4,000)	(2,052)	1,948
CASH, JANUARY 1	10,302	10,302	0	12,354	12,354	0
CASH, DECEMBER 31	5,972	12,866	6,894	8,354	10,302	1,948

Exhibit B

SHELBY 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/DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	340	270	(70)	200	214	14
Interest	160	42	(118)	300	153	(147)
Total Receipts	500	312	(188)	500	367	(133)
DISBURSEMENTS						
Domestic violence shelte	3,500	0	3,500	2,500	0	2,500
Total Disbursements	3,500	0	3,500	2,500	0	2,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,000)	312	3,312	(2,000)	367	2,367
CASH, JANUARY 1	3,711	3,711	0	3,344	3,344	0
CASH, DECEMBER 31	711	4,023	3,312	1,344	3,711	2,367
<u>CHEMICAL EMERGENCY PREPAREDNESS FUND</u>						
RECEIPTS						
Intergovernmental	0	3,612	3,612	0	0	0
Interest	200	66	(134)	350	153	(197)
Total Receipts	200	3,678	3,478	350	153	(197)
DISBURSEMENTS						
Emergency preparednes	3,000	2,079	921	3,000	0	3,000
Transfers out	0	1,449	(1,449)			0
Total Disbursements	3,000	3,528	(528)	3,000	0	3,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,800)	150	2,950	(2,650)	153	2,803
CASH, JANUARY 1	4,207	4,207	0	4,054	4,054	0
CASH, DECEMBER 31	1,407	4,357	2,950	1,404	4,207	2,803
<u>HAZARDOUS MATERIALS EMERGENCY FUND</u>						
RECEIPTS						
Intergovernmental	1,438	1,426	(12)			
Interest	11	11	0			
Transfers in	0	1,449	1,449			
Total Receipts	1,449	2,886	1,437			
DISBURSEMENTS						
Office supplies	200	0	200			
Mileage and training	500	0	500			
Other	737	0	737			
Total Disbursements	1,437	0	1,437			
RECEIPTS OVER (UNDER) DISBURSEMENTS	12	2,886	2,874			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	12	2,886	2,874			

Exhibit B

SHELBY 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 SERVICES FUND</u>						
RECEIPTS						
Charges for services	400	337	(63)	1,600	1,294	(306)
Interest	50	38	(12)	100	44	(56)
Total Receipts	450	375	(75)	1,700	1,338	(362)
DISBURSEMENTS						
Election services	2,020	351	1,669	1,600	10	1,590
Total Disbursements	2,020	351	1,669	1,600	10	1,590
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,570)	24	1,594	100	1,328	1,228
CASH, JANUARY 1	3,535	3,535	0	2,207	2,207	0
CASH, DECEMBER 31	1,965	3,559	1,594	2,307	3,535	1,228
<u>SOUND RECORDING FUND</u>						
RECEIPTS						
Charges for services	350	362	12	400	555	155
Interest	36	27	(9)	50	37	(13)
Total Receipts	386	389	3	450	592	142
DISBURSEMENTS						
Sound recording	550	0	550	1,500	0	1,500
Total Disbursements	550	0	550	1,500	0	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(164)	389	553	(1,050)	592	1,642
CASH, JANUARY 1	2,454	2,454	0	1,862	1,862	0
CASH, DECEMBER 31	2,290	2,843	553	812	2,454	1,642
<u>RECORDER'S TECH FUND</u>						
RECEIPTS						
Charges for services	1,500	1,960	460	1,600	1,766	166
Total Receipts	1,500	1,960	460	1,600	1,766	166
DISBURSEMENTS						
Ex Officio Recorder of Deed	2,000	2,000	0	0	0	0
Total Disbursements	2,000	2,000	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(40)	460	1,600	1,766	166
CASH, JANUARY 1	2,541	2,541	0	775	775	0
CASH, DECEMBER 31	2,041	2,501	460	2,375	2,541	166
<u>ASSOCIATE CIRCUIT INTEREST FUND</u>						
RECEIPTS						
Interest	250	179	(71)	422	244	(178)
Total Receipts	250	179	(71)	422	244	(178)
DISBURSEMENTS						
Associate Circuit Court	1,100	1,876	(776)	0	240	(240)
Total Disbursements	1,100	1,876	(776)	0	240	(240)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(850)	(1,697)	(847)	422	4	(418)
CASH, JANUARY 1	2,587	2,587	0	2,583	2,583	0
CASH, DECEMBER 31	1,737	890	(847)	3,005	2,587	(418)

Exhibit B

SHELBY 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>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	584	1,112	528	1,000	951	(49)
Total Receipts	584	1,112	528	1,000	951	(49)
DISBURSEMENTS						
Circuit Clerk	7,000	3,376	3,624	5,000	851	4,149
Total Disbursements	7,000	3,376	3,624	5,000	851	4,149
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,416)	(2,264)	4,152	(4,000)	100	4,100
CASH, JANUARY 1	18,425	18,425	0	18,325	18,325	0
CASH, DECEMBER 31	12,009	16,161	4,152	14,325	18,425	4,100
<u>PARENT EDUCATION FUND</u>						
RECEIPTS						
Charges for service:	900	560	(340)	1,000	1,120	120
Total Receipts	900	560	(340)	1,000	1,120	120
DISBURSEMENTS						
Parent education	900	1,845	(945)	1,000	760	240
Total Disbursements	900	1,845	(945)	1,000	760	240
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(1,285)	(1,285)	0	360	360
CASH, JANUARY 1	1,285	1,285	0	925	925	0
CASH, DECEMBER 31	1,285	0	(1,285)	925	1,285	360
<u>RECORDER'S LOCAL RECORDS GRANT FUND</u>						
RECEIPTS						
Intergovernmental				7,007	6,513	(494)
Interest				15	0	(15)
Total Receipts				7,022	6,513	(509)
DISBURSEMENTS						
Ex Officio Recorder of Deed				7,397	6,907	490
Total Disbursements				7,397	6,907	490
RECEIPTS OVER (UNDER) DISBURSEMENTS				(375)	(394)	(19)
CASH, JANUARY 1				394	394	0
CASH, DECEMBER 31				19	0	(19)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	2,700	2,910	210	2,495	2,735	240
Interest	35	15	(20)	70	30	(40)
Total Receipts	2,735	2,925	190	2,565	2,765	200
DISBURSEMENTS						
Law Library	2,883	2,269	614	2,940	3,379	(439)
Total Disbursements	2,883	2,269	614	2,940	3,379	(439)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(148)	656	804	(375)	(614)	(239)
CASH, JANUARY 1	2,713	2,606	(107)	3,220	3,220	0
CASH, DECEMBER 31	2,565	3,262	697	2,845	2,606	(239)

Exhibit B

SHELBY 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>POST FUND</u>						
RECEIPTS						
Intergovernmental	765	874	109	1,200	765	(435)
Total Receipts	765	874	109	1,200	765	(435)
DISBURSEMENTS						
Sheriff	765	874	(109)	1,200	765	435
Total Disbursements	765	874	(109)	1,200	765	435
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>DARE FUND</u>						
RECEIPTS						
Donations	0	0	0			
Interest	6	0	(6)			
Total Receipts	6	0	(6)			
DISBURSEMENTS						
Drug awareness programs	200	374	(174)			
Total Disbursements	200	374	(174)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(194)	(374)	(180)			
CASH, JANUARY 1	546	546	0			
CASH, DECEMBER 31	352	172	(180)			
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	5,500	5,990	490			
Total Receipts	5,500	5,990	490			
DISBURSEMENTS						
County Collector	5,500	2,068	3,432			
Total Disbursements	5,500	2,068	3,432			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,922	3,922			
CASH, JANUARY 1	403	403	0			
CASH, DECEMBER 31	403	4,325	3,922			

Exhibit B

SHELBY 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)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	184,559	173,586	(10,973)	181,987	178,703	(3,284)
Intergovernmental	210,621	237,331	26,710	187,105	250,640	63,535
Charges for services	9,327	10,405	1,078	10,029	10,057	28
Interest	3,000	1,802	(1,198)	6,000	3,190	(2,810)
Reimbursement of architect expense	0	0	0	0	32,832	32,832
Other	6,500	10,617	4,117	6,500	20,106	13,606
Total Receipts	414,007	433,741	19,734	391,621	495,528	103,907
DISBURSEMENTS						
Salaries and fringe benefit:	300,929	285,185	15,744	292,131	286,103	6,028
Contracted labor	17,000	12,851	4,149	14,500	13,375	1,125
Office expenditures:	23,700	26,987	(3,287)	21,000	24,174	(3,174)
Equipment	3,500	7,506	(4,006)	6,000	5,067	933
Building furniture	0	0	0	0	32,832	(32,832)
Mileage and training	24,000	21,020	2,980	28,000	22,601	5,399
Building lease	69,300	69,130	170	70,000	60,860	9,140
Other	25,500	22,449	3,051	22,500	24,811	(2,311)
Total Disbursements	463,929	445,128	18,801	454,131	469,823	(15,692)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,922)	(11,387)	38,535	(62,510)	25,705	88,215
CASH, JANUARY 1	140,870	140,870	0	115,165	115,165	0
CASH, DECEMBER 31	\$ 90,948	129,483	38,535	52,655	140,870	88,215

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

Notes to the Financial Statements

SHELBY 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 Shelby 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. 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 DARE Fund and Tax Maintenance Fund for the year ended December 31, 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>
Prosecuting Attorney Training Fund	2002
Chemical Emergency Preparedness Fund	2003
Associate Circuit Interest Fund	2003 and 2002
Parent Education Fund	2003
Law Library Fund	2002
POST Fund	2003
DARE Fund	2003
Health Center	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 for the years ended December 31, 2003 and 2002, did not include the Health Center Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than 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 adopted such a policy.

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

The county's and 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 county's or the Health Center Board's custodial banks in the county's or the board's name.

3. Prior Period Adjustment

The Prosecuting Attorney Bad Check Fund's cash balance at January 1, 2002, as previously stated, has been decreased by \$1,180 to reflect the balance of the Prosecuting Attorney Income Tax Fund, which was previously reported together but is now reported separately.

Schedule

SHELBY COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

SHELBY 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 Shelby County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2001.

01-1. The county did not adopt budgets for some funds.

Recommendation:

The county adopt a budget for all funds.

Status:

Implemented in 2003.

01-2. Warrants were issued in excess of approved budgets in some funds.

Recommendation:

Warrants not be issued in excess of budgeted funds.

Status:

Partially implemented. While some improvement has been made, actual disbursements exceeded budgeted disbursements for some smaller funds during 2003 and 2002. Although not repeated in the current report, the recommendation remains as stated above.

01-3. The county's published financial statements did not include some funds.

Recommendation:

The county include all funds in the published annual financial statements.

Status:

Partially implemented. All county funds, except for the Health Center Fund, are included in the published financial statements. See Management Advisory Report finding number 7.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Shelby County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 28, 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. These MAR findings resulted from our audit of the financial statements of Shelby County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Payroll and Personnel Policies and Procedures

The County Commission has not documented its approval for fringe benefits provided to a part-time employee of the County Collector's office, and additional compensation was paid to some Sheriff's employees which was not properly documented.

- A. The county is paying the medical insurance and awarding holidays and leave time to a seasonal part-time employee of the County Collector's office. The county's personnel manual states a person employed on a limited basis is not eligible for employee benefits unless specifically negotiated with the County Commission and the office holder for whom they work. The County Commission and County Collector formally approved the payment of medical insurance for employee; however, there is no documentation that the County Commission and County Collector approved the awarding of holidays and leave time. The County Commission approved a one time payment of sick leave, and since then, the employee has earned vacation and sick leave.

To ensure compliance with the county's personnel manual and to help avoid misunderstandings, the County Commission and County Collector should document their approval of any benefits provided to the part-time employee.

- B. The former Sheriff authorized the payment of additional compensation totaling \$1,192 during the audit period to five employees. These payments were made from the Sheriff's Civil Fees Fund. Documentation to support these payments was not adequate and consisted of statements signed by the former Sheriff that the payments were for "extra duty", but did not include any documentation of extra time worked by these employees beyond that recorded on their time sheets. While payroll taxes were withheld and these payments were reported on W-2 forms, these payments appear questionable and could represent additional compensation for services previously rendered, which is prohibited by Article III, Section 39 of the Missouri Constitution.

WE RECOMMEND the County Commission:

- A. And the County Collector document their approval for benefits provided to the part-time employee, as required by the county's employee manual.
- B. And the Sheriff discontinue paying compensation to employees unless it is supported by time and attendance records.

AUDITEE'S RESPONSE

- A. *This situation has already been implemented. A new personnel manual has been written and put in place as of January 2005. Part-time employees will not receive benefits. Any future deviation from the personnel manual will be documented as recommended.*

- B. *As of February 2005, the Sheriff will supply time and attendance records for all employees to support all payroll expenses.*

2. Computer Controls

The offices of the County Assessor and County Collector use a network computer system to maintain assessed valuation and property tax information. In addition, the County Clerk uses a commercial accounting software on the computer system to maintain general ledger accounting, budgetary accounting and reporting, cash disbursements, cash receipts, and payroll functions. Passwords or other procedures are not used to limit access, a security system to prevent or detect incorrect log-on attempts has not been established, and backup disks are only prepared weekly and are not stored at an off-site location.

- 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 potential for personnel to make undetected and unauthorized changes to information.

Since access to various information is not adequately restricted, unauthorized changes could be made to programs and/or data files without the changes being detected. For example, unauthorized changes could be made to assessed valuation amounts, payments of taxes, payroll check amounts, and receipts and disbursements 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 user ID and password should be assigned to each user to log onto the network. Passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

- B. A security system is not 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 programs 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.
- C. Backup disks of information, which could be used to provide a means of recreating destroyed master file information, are only prepared weekly. As a result, damage to these computer systems could make it difficult to retrieve or recreate lost program modifications and or data.

In addition, backup disks are not stored at a secure off-site location. Failure to store the computer backup disks in a secure off-site location results in the backups being susceptible to the same damage as the original data on the computer. Preparation of backup disks, preferably on a daily basis or at least 2-3 times a week, along with off-site storage, would provide increased assurance that methods are available to restore any lost data or program modifications.

WE RECOMMEND the County Commission:

- A. Establish procedures to restrict access to computer files, including the use of unique passwords for the network and computer programs, to authorized individuals.
- B. Implement a security system to detect and report incorrect log-on attempts after a certain number of tries.
- C. Ensure backup disks are prepared more frequently and stored in a secure, off-site location.

AUDITEE'S RESPONSE

- A. *A procedure for passwords on network computers between the County Clerk and the County Treasurer has already been implemented. The County Clerk has contacted our computer service person regarding passwords between the County Collector, County Clerk, and County Assessor. We will work with him on implementing this.*
- B. *This will be reviewed by our computer service person and implemented.*
- C. *Backup disks are now being done three days a week for the County Clerk's office. Backups will be done more frequently for the assessment and property tax system. Copies will be stored in the bank vault across the street from the courthouse.*

3. Road and Bridge Maintenance Plan
--

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

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more

effectively monitor and evaluate the progress made in the repair and maintenance of roads and bridges throughout the year.

WE RECOMMEND the County Commission prepare and document a road and bridge maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the County Commission should review the progress made in the repair and maintenance of roads and bridges to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The County Commission will implement a written proposal regarding their plans for maintenance and road projects.

4. General Fixed Assets Records and Procedures

Procedures to account for county-owned property should be improved to ensure the applicable records are complete and accurate.

The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. The County Clerk is primarily responsible for maintaining fixed asset records; however, the County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records. Physical inventories were not being performed for assets assigned to some county officials, but this has recently been completed. In addition, the value of the county's buildings and grounds has not been included on the fixed asset listing.

In addition, the fixed asset records do not include information for some assets, such as serial number, make, model, identification number, acquisition by fund, acquisition date, and the date and method of disposal, and some assets are not numbered, tagged, or otherwise identified as county property.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements and provide a basis for determining adequate insurance coverage on county property. Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

Similar conditions were noted in prior audit reports.

WE AGAIN RECOMMEND the County Commission establish written policies related to the handling and accounting for general fixed assets which include procedures to ensure compliance with state law. In addition, all fixed assets purchases and additions should be recorded as they occur, fixed asset purchases should be reconciled to additions on the inventory records, and all fixed assets should be tagged or identified as county-owned property.

AUDITEE'S RESPONSE

The County Commission will establish a policy regarding procedures for fixed assets.

5. County Collector's Controls and Procedures
--

The County Collector handles approximately \$4 million annually in property tax collections. Reports of changes made to the tax records are not prepared. Partial payments are not deposited until the taxes are paid in full, and procedures over additions and abatements to the property tax books should be improved.

- A. A change report, which reflects changes to tax records, is not generated by the County Collector. As a result, after a change is made to a tax record there is no record of the information previously in the file. This reduces control over the collection of taxes and could result in a misstatement of collections or delinquent taxes going undetected.
- B. Partial payments are retained in the County Collector's vault and are not deposited until full payment is received. As of August 26, 2004, the County Collector held over \$700 in cash for partial payments. The County Collector documents the monies received by keeping the payments in separate envelopes with the taxpayers' names written on the envelopes.

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

- C. Controls over property tax additions and abatements should be improved. 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 presents total amounts by type of tax for additions and outlawed personal property taxes, as well as a detailed list of other abatements, to the County Commission for their review and approval.

Section 137.260, RSMo 2000, requires that the tax books only be changed by the County Clerk under 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 books and charges these amounts to the County Collector. Further, all changes to the tax books should be approved periodically (at least monthly) by the County Commission.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Collector:

- A. Review the possibility of generating periodic change reports. In addition, the change reports should be reviewed by an independent party and any unusual items investigated.
- B. Record all monies received for partial payments and deposit intact daily.
- C. And the County Commission ensure additions and abatements are prepared by the County Assessor, retained by the County Clerk, and periodically reconciled to property tax book charges and credits. The County Commission should review and approve all additions and abatements on a timely basis and the County Clerk should make the necessary changes to the tax books.

AUDITEE'S RESPONSE

- A. *I have spoken to my computer programmer and according to him, a change report is not feasible. Do to the age of the program, a change report would not give sufficient information as to changes made. No records are changed other than date paid. All changes are done as additions only. If a change is made, it is done by abating the old record and adding a new record reflecting the entire new amount. Both records are coded as to the action and remain in the system and backed up by hard copies of the transaction.*
- B. *Partial payments will no longer be retained.*
- C. *The County Collector indicated that additions and abatements are prepared by the County Assessor and are now given to the County Clerk.*

The County Commission indicated they will ensure that additions and abatements are made to the tax books and approved more frequently than is currently being done.

6. Prosecuting Attorney's Controls and Procedures
--

The Prosecuting Attorney received approximately \$12,000 in restitution and bad check fees in 2003. Accounting duties should be segregated, monies in an old bank account should be

identified and disbursed, and procedures for monitoring unpaid restitution should be improved.

- A. Accounting duties are not adequately segregated. One clerk is responsible for receiving and recording monies, preparing deposits and transmittals, preparing checks, and preparing bank reconciliations. The Prosecuting Attorney indicated that he reviews the clerk's work when he signs the checks and he periodically reviews deposits, check-book register, and bank reconciliations; however, he does not document his reviews.

Internal controls would be improved by segregating the duties of receiving and recording monies from the duties of depositing and disbursing monies. If duties cannot be adequately segregated, at a minimum, the Prosecuting Attorney should continue to periodically review the accounting records and document his reviews. 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. The current Prosecuting Attorney has custody of a bank account in which restitution and bad check fees were deposited by the prior officeholder. This account has a balance of \$3,463 (as of September 30, 2004) which has not been identified to specific cases. The current Prosecuting Attorney indicated records were not available from the prior officeholder to properly identify the amounts comprising the account balance, and he has not been able to dispose of the monies in this account through research on cases to date. The Prosecuting Attorney should continue to attempt to identify the monies held in the account and close the account. Any monies which remain unclaimed or unidentified should be disposed of in accordance with state law.
- C. Summary listings of court-ordered restitution owed to the Prosecuting Attorney are not prepared, and monitoring procedures related to unpaid restitution should be improved. While a ledger sheet is prepared for each restitution case which includes the amounts owed, received, and paid out to the victim, a summary list would provide a better means to monitor all unpaid amounts. Upon our request, the Prosecuting Attorney prepared a listing as of October 2004 of all unpaid restitution, which totaled approximately \$55,000. Approximately \$29,000 of unpaid restitution pertained to cases which have had no payments since 2002. The Prosecuting Attorney indicated that some of this money is owed from defendants who are in correctional facilities, and therefore, the related amounts are uncollectible.

Complete and accurate listings of unpaid court-ordered restitution would allow the Prosecuting Attorney to more easily review the amounts due and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties or perform and document reviews of the accounting records and bank reconciliations.
- B. Attempt to identify the monies held in the old bank account, dispose of unidentified and unclaimed monies in accordance with state law, and close the account.
- C. Periodically prepare listings of unpaid court-ordered restitution, and adopt procedures to periodically follow up on unpaid amounts. The Prosecuting Attorney should also consider reviewing unpaid amounts with the applicable judges and obtaining court approval to write off amounts deemed uncollectible.

AUDITEE'S RESPONSE

- A. *With one person as my clerical staff, there is no way to further segregate duties. Records are periodically reviewed by the Prosecuting Attorney already, and we will document that to help show controls that are already implemented.*
- B. *Efforts have been undertaken to identify the monies in the old bank account. We will continue this effort and dispose of the unclaimed monies in accordance with state law.*
- C. *Our office reviews unpaid restitution figures in connection with persons placed on probation. When the probation is revoked, or otherwise ended, the remaining amounts that are unpaid are considered uncollectible and we will close them out.*

7. Health Center's Controls and Procedures

The budgets do not include all available resources and financial statements are not published as required by state law.

- A. The Health Center's budgets do not include all available resources. The budgets include an amount in receipts classified as "carry over", which is a plugged amount to make budgeted receipts agree to budgeted disbursements. The "carry over" amounts do not include the entire balance of the Health Center's bank accounts, and therefore, the budgets do not reflect all resources available to the Health Center board. (The audited financial statements have been adjusted to include the actual balances of the bank accounts.)

To be of maximum assistance as a planning tool and to adequately inform the public, the budgets should include all beginning available resources and projected ending fund balances.

- B. The county's annual published financial statements do not include the financial activity of the Health Center Fund. Health Center personnel indicated they did not believe they were required to include the Health Center Fund in the published financial statements.

Sections 50.800 and 50.810, RSMo 2000, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. The statutes also require detailed lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the Health Center's financial activities, all monies received and disbursed by the Health Center should be included.

WE RECOMMEND the Health Center Board:

- A. Include all beginning available resources and projected ending fund balances on the budgets.
- B. Ensure financial information for the Health Center Fund is properly reported in the annual published financial statements as required by state law.

AUDITEE'S RESPONSE

- A. *We are now using the budget forms supplied by the State Auditor which includes beginning and ending balances.*
- B. *We will comply with the recommendation and publish annual financial statements.*

8. Schedule of Expenditures of Federal Awards
--

Procedures to prepare schedules of expenditures of federal awards should be improved to ensure the accuracy of these schedules. Section .310(b) of Circular A133, *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 part of the annual budget.

The County Clerk's and Health Center Administrator's procedures to track federal financial assistance for preparation of the SEFA should be improved. The County Clerk and Health Center Administrator prepared SEFA's for the years ended December 31, 2003 and 2002; however, the county under-reported approximately \$28,049 in federal grant monies expended during the two years, and the Health Center under-reported approximately \$14,097 in federal grant monies expended in 2003. The county did not report disaster relief funds, grant funds received from Macon County, and the value of property received from surplus property. The Health Center Administrator did not report the value of vaccines received. Compilation of

the SEFA requires consulting county and health center financial records and requesting information from other departments and/or officials.

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

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the County Clerk and Health Center Administrator adopt procedures to ensure complete and accurate schedules of expenditures of federal awards are prepared and submitted to the State Auditor's Office as part of the annual budget.

AUDITEE'S REPOSE

The County Clerk will adopt a procedure to properly track federal awards that are received into Shelby County and report the information on the SEFA schedule. However, to completely implement this procedure, state and federal agencies need to properly identify and communicate that these monies are federal in order for a procedure to be effective.

The Health Center indicated they have not always received information from the state regarding vaccine values and have had to request this information from the state.

Follow-Up on Prior Audit Findings

SHELBY 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 Shelby 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. County Procedures

- A. Bids were not always solicited, nor was bid documentation always retained for various purchases of used equipment made by the county.
- B. For projects to design the Emergency 911 office and the courthouse basement, the county did not document that at least three engineering firms were considered, had no contract documenting the rights and obligations of each party, and did not provide to the engineering firm estimates of the amount the county was able to spend on the projects.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Consider the amount the county can afford for construction and renovation projects prior to incurring expenditures related to the projects. In addition, the County Commission should enter into written agreements for all services which specify all duties to be performed and the compensation to be paid.

Status:

- A. Partially implemented. Improvements were noted in the county's bidding procedures. For most purchases reviewed, bids were received and bid awards were documented in the commission minutes; however, sole source procurements were not always documented and the county was unable to locate bids received for one purchase. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

2. General Fixed Assets Records and Procedures

The county's general fixed asset records were not complete and the county did not have written policies regarding the handling and accounting for general fixed assets. In addition, tags were not affixed to some county property.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, 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 all general fixed assets should be tagged or identified as county-owned property.

Status:

Not implemented. See MAR finding number 4.

3. Public Administrator Controls and Procedures

- A. The Public Administrator did not maintain accurate records of transactions related to a promissory note receivable for one of his wards, which resulted in an annual settlement understatement of the receivable balance of approximately \$38,600.
- B. There was no written policy identifying the types of fees to be received by the Public Administrator or transactions which should be considered income. In addition, fees were inconsistently charged on various types of transactions and the calculation of some fees was not provided to the Probate Court.
- C. Investment ledgers were not maintained for the estates that had significant amounts of invested funds and, as a result, some annual settlements did not accurately present investment transactions or balances.
- D. One annual settlement presented multiple bank and CD balances as a total instead of reporting them separately. State law requires a detailed listing of all accounts on the annual settlement.

Recommendation:

The Public Administrator:

- A. Ensure the balance on the promissory note is accurately stated on the annual settlement. In addition, the balance due should be calculated based upon the terms provided in the promissory note.
- B. Work with the Associate Circuit Judge to develop written guidelines that identify receipts or transactions on which fees are to be paid. Written documentation of fee calculations should be prepared and maintained for all annual settlements and submitted to the Probate Court for approval. In addition, the Associate Circuit Judge should evaluate the inconsistencies noted above and determine if reimbursement of fees is due from the Public Administrator to the estates.
- C. Maintain an investment ledger for estates having invested funds.
- D. Include on annual settlements a detailed listing of all bank accounts in which estate funds are held and their respective balances, as required by state law.

Status:

A, C,
& D. Implemented.

- B. Not implemented. While a written policy has not been established, the Probate Judge's approval is required for all fees. Although not repeated in the current MAR, our recommendation remains as stated above.

4. County Collector Controls and Procedures

- A. Change reports, which reflect changes to tax records, were not generated by the County Collector.
- B. Partial payments received by check were cashed and retained in the County Collector's vault until full payment was received. These payments were not recorded or logged, but were kept in separate envelopes with the taxpayers' names written on the envelopes.
- C. Additions and abatements of property taxes were not approved by the County Commission.

Recommendation:

The County Collector:

- A. And County Commission review the possibility of generating periodic change reports. In addition, the change reports should be reviewed by an independent party and any unusual items investigated.
- B. Record all monies received for partial payments and deposit intact daily. The record of partial payments could be used to identify the reconciled bank balance.
- C. And County Commission ensure addition and abatement court orders be prepared by the Assessor's office, retained by the County Clerk, and periodically reconciled to the property tax books. The County Commission should review and approve all additions and abatements on a timely basis and the County Clerk should make the necessary changes to the tax books.

Status:

A&B. Not implemented. See MAR finding number 5.

- C. Partially implemented. While the County Commission receives for their approval detailed listings of all property tax abatements and outlawed taxes and the total of all additions, these listings are provided only at the end of the tax year. See MAR finding number 5.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SHELBY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1835, the county of Shelby was named after Isaac Shelby, a Governor of Kentucky and Revolutionary War soldier. Shelby County is a county-organized, third-class county and is part of the Forty-First Judicial Circuit. The county seat is Shelbyville.

Shelby 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 605 miles of county roads and 70 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 7,826 in 1980 and 6,799 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	\$	47.6	46.4	45.4	43.2	34.9	20.4
Personal property		21.7	21.0	21.1	19.9	10.2	8.4
Railroad and utilities		6.2	6.8	6.7	7.2	7.0	3.4
Total	\$	75.5	74.2	73.2	70.3	52.1	32.2

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$.3000	.3000	.3000	.3000
Special Road and Bridge Fund *		.3500	.3500	.3500	.3500
Health Center Fund		.2500	.2500	.2500	.2500

* The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

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	\$	21,683	21,070	20,775	20,188
General Revenue Fund		219,898	214,028	211,541	205,881
County and special road districts		273,482	265,925	262,557	255,027
Assessment Fund		43,354	42,122	40,653	39,546
Health Center Fund		178,756	173,751	170,768	162,950
School districts		2,707,186	2,621,197	2,531,142	2,336,760
Ambulance district		179,447	174,401	171,910	166,935
Fire protection district		61,726	59,880	59,337	61,567
Nursing home districts		119,280	115,635	114,116	110,902
Surtax		81,813	82,368	75,252	79,860
Drainage district		2,090	1,992	2,151	2,004
Tax Maintenance Fund		6,129	2,774	0	0
Advertising		202	129	133	80
Cities		154,493	154,854	152,704	147,130
County Clerk		826	833	797	805
County Employees' Retirement		20,811	20,323	18,437	18,874
Commissions and fees:					
General Revenue Fund		64,932	62,581	60,246	59,332
Collector		34	31	35	98
Total	\$	4,136,142	4,013,894	3,892,554	3,667,939

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),			
		2004	2003	2002	2001
Real estate		95.6	94.9	95.9	96.0 %
Personal property		92.8	92.3	91.9	93.1
Railroad and utilities		100.0	100.0	100.0	100.0

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	none	50	%
General	.0050	none	0	
Emergency 911	.0050	none	0	

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: \$					
Charles R. (Chuck) Wood, Presiding Commissioner		24,440	24,440	24,440	19,585
Maurice Shuck, Associate Commissioner		22,440	22,440	22,440	
James K. Mettes, Associate Commissioner					17,585
Kerry McCarty, Associate Commissioner		22,440	22,440	22,440	
Jerry W. Conrad, Associate Commissioner					17,585
Tracy Smith, County Clerk		34,000			
Denice E. Mefford , County Clerk			34,000	34,000	29,345
James McConnell, Prosecuting Attorney		41,000			
Steven E. Raymond, Prosecuting Attorney			41,000	41,000	34,298
Art Cullifer, Sheriff		39,000	39,000	39,000	34,000
Carole Simpson Burton, County Treasurer		34,000	25,160	25,160	20,252
Ralph Eagan, County Coroner		9,500	9,500	9,500	
Glenn (Pete) Greening, County Coroner					5,500
Howard Platz, Public Administrator (1)		20,000	20,000	25,844	23,388
Tom Daniel, County Collector, year ended February 28 (29), (2)	34,034	34,031	34,035	30,634	
Billy E. Gibson, County Assessor, year ended August 31, (3)		34,900	34,900	34,900	34,900
Harold Crane, County Surveyor (4)					

- (1) Includes fees received from probate cases for 2000. Effective January 1, 2001, the Public Administrator elected to change from a fee basis to a salary basis. 2001 compensation includes \$5,844 fees which pertain to case settlements filed in 2000.
- (2) Includes \$34, \$31, \$35, and \$98, respectively, of commissions earned for collecting drainage districts taxes.
- (3) Includes \$900 annual compensation received from the state.
- (4) Compensation on a fee basis.

State-Paid Officials:

Rosalie (Rose) Shively, Circuit Clerk and Ex Officio Recorder of Deeds	47,300	47,300	47,300	46,127
Gary G. Wallace, Associate Circuit Judge	96,000	96,000	96,000	97,382

The Health Center Board in January 2001, organized Shelby County Health Promoters, Inc., a not-for-profit corporation for the purpose of obtaining debt related to the acquisition of land and services for a new health center location and building. In October 2001, the Health Center entered into a \$480,767 lease agreement with Shelby County Health Promoters, Inc., to purchase the land and finance the building of the new health center facility. This agreement was amended in August 2002, to include an increase of \$32,356 to the lease amount due to building changes. At December 31, 2003, the principal balance of the lease was \$404,292. The interest rate is 5.79% and payment of \$69,252 is required annually until 2006, and then payment of \$61,490 is required annually for the remaining five years. If the health center makes the minimum lease payments, the lease will be paid off in 2011.