



Claire McCaskill

Missouri State Auditor

December 2005

Maries County, Missouri

Years Ended

December 31, 2004 and 2003



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2005

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Maries, 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 Maries County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

Numerous findings in this report are repeated from the previous audit report performed for the two years ended December 31, 2000. Although various county officials indicated in that report that the recommendations would be implemented, very little improvement was made.

The long term liability of the county continues to increase yearly as the county continues to finance new road and bridge equipment. The ratio of the annual loan payments to total annual receipts continues to increase. In 2004, the ratio was approximately 16 percent and based on 2005 budgeted receipts, the ratio is expected to average 17 percent over the next three years. At December 31, 2004, the county has \$818,659 in outstanding debt. In addition, while there are payment schedules for the nine loans held, the county does not follow these schedules to ensure payments are made on time and, as a result, two loan payments were made late resulting in additional interest payments of \$3,560.

The county failed to include \$200,000 invested in a savings account on the county's published financial statements and the budget documents. Also, transactions between the savings and checking accounts were improperly recorded as disbursements and receipts to the General Fund and the county's budgets contained several other misclassifications of receipts and disbursements.

The county did not solicit bids or retain bid documentation for various purchases totaling over \$258,000 for the two years ended December 31, 2004. In addition, some invoices were not marked paid or cancelled to prevent duplicate payments, and the County Commission approved payments to vendors totaling approximately \$35,000 based on inadequate supporting documentation. Federal Forms 1099 were not always issued and fuel tax reimbursements were not claimed on a timely basis.

(over)

YELLOW SHEET

Several problems were noted concerning the county officials' salaries and compensation including problems with cost of living adjustments, improper salary increases, and the use of the wrong salary schedule and incorrect assessed valuations. Similar problems were noted in our prior audit; however, the salary commission did not meet in 1999 or 2001. The salary commission did meet in 2003 and 2005 and appears to be working to correct some of these problems.

Several problems were noted concerning the county's budget and financial statements including actual disbursements exceeded budgeted amounts in several funds and budget amendments were made after the budget was exceeded. The County Commission approved deficit budgets and formal budgets were not approved for some county funds. In addition, fund activities per the County Clerk's ledgers were not reconciled to the Treasurer's records to identify and correct variances on a timely basis.

In the Sheriff's office, receipts are not deposited timely and old outstanding checks are not adequately followed up. In addition, monthly bank balances are not reconciled with listings of liabilities. Accounting duties in the Sheriff's office are not adequately segregated and no documented independent review of the records is performed.

Other areas where concerns were noted included overtime paid to Sheriff's deputies that was not in compliance with the county's policy, the payment of the Treasurer's and Collector's bonds from an incorrect fund, property and vehicle records and procedures, and computer controls. In addition, the audit included recommendations to the ex officio Recorder of Deeds, the Circuit Clerk, the Associate and Probate Divisions, the County Clerk, the Prosecuting Attorney, and the Licensing Office regarding various accounting controls and procedures.

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

MARIES COUNTY, MISSOURI

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MARIES 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 Maries 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 Maries County, Missouri, as of and for the years ended December 31, 2004 and 2003. 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 more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Maries County, Missouri, as of December 31, 2004 and 2003, or the changes in its financial position for the years then ended.

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 Maries 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, 2004 and 2003, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 19, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 Maries 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.



Claire McCaskill
State Auditor

September 19, 2005 (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: Tsetsegsaikhan Chadraabal (Flower)
Audit Staff: Jennifer Martin
Carrie Kaprowski
Ryan A. Shepherd



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Maries County, Missouri

We have audited the financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 19, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Maries 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Responses as finding numbers 04-1 and 04-2.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 04-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Maries County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Maries County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

September 19, 2005 (fieldwork completion date)

Financial Statements

Exhibit A-1

MARIES COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 132,269	1,228,209	1,065,169	295,309
Road and Bridge #1	67,277	517,302	562,839	21,740
Road and Bridge #2	39,555	470,072	495,851	13,776
Assessment	612	121,618	119,742	2,488
Prosecuting Attorney Training	226	283	369	140
Prosecuting Attorney Bad Check	2,618	6,014	4,049	4,583
Children's Trust	30	337	256	111
Recorder's Record Storage	38,102	8,239	2,741	43,600
Law Enforcement Training	6,833	2,644	2,944	6,533
Citizens' Safety	3,285	138,171	137,208	4,248
Sheriff's Special	8,784	10,327	7,016	12,095
Law Enforcement	0	616	0	616
Maries County Law Enforcement	997	86	0	1,083
911	48,359	74,156	79,336	43,179
Law Library	156	6,999	6,844	311
Circuit Clerk Interest	5,136	140	0	5,276
Associate Circuit Division Interest	54	22	10	66
Tax Maintenance	7,508	8,348	3,283	12,573
Election Service	2,225	1,973	1,602	2,596
Prosecuting Attorney Delinquent Tax	1,250	869	0	2,119
HAVA	0	15,021	0	15,021
Total	\$ 365,276	2,611,446	2,489,259	487,463

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

Exhibit A-2

MARIES 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	\$ 68,959	1,063,117	999,807	132,269
Road and Bridge #1	47,135	797,350	777,208	67,277
Road and Bridge #2	43,429	560,596	564,470	39,555
Assessment	1,340	113,144	113,872	612
Prosecuting Attorney Training	52	229	55	226
Prosecuting Attorney Bad Check	3,982	5,362	6,726	2,618
Children's Trust	244	260	474	30
Recorder's Record Storage	33,189	9,054	4,141	38,102
Law Enforcement Training	8,464	1,621	3,252	6,833
Citizens' Safety	11,641	107,979	116,335	3,285
Sheriff's Special	9,542	8,785	9,543	8,784
Law Enforcement	268	5	273	0
Maries County Law Enforcement	938	59	0	997
911	49,996	80,032	81,669	48,359
Law Library	90	8,393	8,327	156
Circuit Clerk Interest	4,821	315	0	5,136
Associate Circuit Division Interest	66	26	38	54
Tax Maintenance	0	8,037	529	7,508
Election Service	2,694	864	1,333	2,225
Prosecuting Attorney Delinquent Tax	0	1,250	0	1,250
Total	\$ 286,850	2,766,478	2,688,052	365,276

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

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 2,347,368	2,596,425	249,057	3,364,818	2,765,228	(599,590)
DISBURSEMENTS	2,538,714	2,489,259	49,455	3,399,950	2,688,052	711,898
RECEIPTS OVER (UNDER) DISBURSEMENTS	(191,346)	107,166	298,512	(35,132)	77,176	112,308
CASH, JANUARY 1	365,003	365,276	273	286,995	286,850	(145)
CASH, DECEMBER 31	173,657	472,442	298,785	251,863	364,026	112,163
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	303,978	306,170	2,192	270,989	286,920	15,931
Sales taxes	285,500	516,305	230,805	432,500	431,160	(1,340)
Intergovernmental	173,800	101,199	(72,601)	19,761	56,537	36,776
Charges for service:	173,900	182,837	8,937	167,260	173,386	6,126
Interest	2,300	1,587	(713)	1,400	2,382	982
Other	65,912	55,664	(10,248)	38,649	46,588	7,939
Transfers in	64,350	64,447	97	64,139	66,144	2,005
Total Receipts	1,069,740	1,228,209	158,469	994,698	1,063,117	68,419
DISBURSEMENTS						
County Commission	61,508	60,764	744	60,681	60,119	562
County Clerk	59,496	59,228	268	52,036	51,968	68
Elections	50,725	48,090	2,635	22,442	17,434	5,008
Buildings and ground:	66,975	66,606	369	48,415	56,216	(7,801)
Employee fringe benefit:	134,432	183,319	(48,887)	127,018	160,108	(33,090)
County Treasurer	25,448	25,140	308	24,994	24,821	173
County Collector	63,882	63,052	830	62,598	61,283	1,315
Circuit Clerk and Ex Officio						
Recorder of Deeds	24,976	24,494	482	23,236	22,686	550
Associate Circuit and Probate Court:	13,555	7,921	5,634	11,705	7,660	4,045
Court administration	11,210	7,051	4,159	11,478	3,692	7,786
Public Administrator	18,842	17,247	1,595	23,317	21,782	1,535
Sheriff	92,161	86,145	6,016	101,231	107,162	(5,931)
Jail	130,263	127,595	2,668	123,087	119,081	4,006
Prosecuting Attorney	62,246	61,874	372	63,025	65,722	(2,697)
Juvenile Officer	23,408	18,660	4,748	32,541	17,183	15,358
County Coroner	14,751	9,004	5,747	11,731	8,782	2,949
License office	44,860	44,484	376	38,645	38,867	(222)
Other	6,500	3,136	3,364	6,700	2,845	3,855
Trash Patrol	4,500	4,844	(344)	2,170	3,881	(1,711)
Other Government	101,185	94,516	6,669	108,452	104,711	3,741
Public health and welfare service:	8,000	6,685	1,315	8,000	6,872	1,128
Transfers out	45,314	45,314	0	36,932	36,932	0
Emergency Func	32,092	0	32,092	29,841	0	29,841
Total Disbursement:	1,096,329	1,065,169	31,160	1,030,275	999,807	30,468
RECEIPTS OVER (UNDER) DISBURSEMENTS	(26,589)	163,040	189,629	(35,577)	63,310	98,887
CASH, JANUARY 1	131,996	132,269	273	68,959	68,959	0
CASH, DECEMBER 31	105,407	295,309	189,902	33,382	132,269	98,887

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ROAD AND BRIDGE FUND #1						
RECEIPTS						
Property taxes	107,836	107,884	48	97,733	100,913	3,180
Sales taxes	65,000	63,969	(1,031)	40,000	59,281	19,281
Intergovernmental	246,000	250,274	4,274	283,050	282,400	(650)
Interest	1,500	1,017	(483)	1,100	1,665	565
Loan proceeds	15,000	51,445	36,445	525,000	0	(525,000)
Sale of equipment	20,000	21,500	1,500	330,000	330,250	250
Other	28,725	21,213	(7,512)	7,450	22,841	15,391
Total Receipts	484,061	517,302	33,241	1,284,333	797,350	(486,983)
DISBURSEMENTS						
Salaries	115,000	118,388	(3,388)	111,540	110,941	599
Employee fringe benefit:	35,673	41,865	(6,192)	38,780	38,130	650
Supplies	59,000	73,364	(14,364)	55,000	53,866	1,134
Insurance	7,000	7,000	0	4,000	7,008	(3,008)
Road and bridge materials	104,500	105,049	(549)	145,000	89,552	55,448
Equipment repairs	15,000	25,972	(10,972)	15,000	20,270	(5,270)
Equipment purchase:	102,491	72,395	30,096	312,000	113,572	198,428
Construction, repair, and maintenance	11,500	6,970	4,530	35,000	39,341	(4,341)
Lease payment:	90,009	89,884	125	537,000	284,629	252,371
Other	10,800	9,062	1,738	13,000	7,019	5,981
Transfers out	12,890	12,890	0	12,880	12,880	0
Total Disbursement:	563,863	562,839	1,024	1,279,200	777,208	501,992
RECEIPTS OVER (UNDER) DISBURSEMENTS	(79,802)	(45,537)	34,265	5,133	20,142	15,009
CASH, JANUARY 1	67,276	67,276	0	47,135	47,135	0
CASH, DECEMBER 31	(12,526)	21,739	34,265	52,268	67,277	15,009
ROAD AND BRIDGE FUND #2						
RECEIPTS						
Property taxes	85,000	84,855	(145)	82,306	84,249	1,943
Sales taxes	50,000	54,165	4,165	46,900	48,502	1,602
Intergovernmental	230,050	202,943	(27,107)	187,075	201,693	14,618
Interest	1,500	655	(845)	1,000	1,542	542
Loan proceeds	15,000	100,900	85,900	175,000	0	(175,000)
Sale of equipment	3,000	2,369	(631)	216,000	210,000	(6,000)
Other	45,800	24,185	(21,615)	11,115	14,610	3,495
Total Receipts	430,350	470,072	39,722	719,396	560,596	(158,800)
DISBURSEMENTS						
Salaries	115,000	105,438	9,562	111,540	92,016	19,524
Employee fringe benefit:	35,673	37,130	(1,457)	38,780	35,352	3,428
Supplies	59,000	64,235	(5,235)	64,500	63,700	800
Insurance	5,000	5,000	0	3,600	4,685	(1,085)
Road and bridge materials	90,500	67,254	23,246	32,500	18,553	13,947
Equipment repairs	500	3,715	(3,215)	500	5,253	(4,753)
Equipment purchase:	77,009	114,316	(37,307)	407,000	32,878	374,122
Construction, repair, and maintenance	31,000	6,257	24,743	35,500	71,080	(35,580)
Lease payment:	64,404	64,304	100	6,413	224,141	(217,728)
Other	8,800	18,202	(9,402)	9,450	6,960	2,490
Transfers out	10,000	10,000	0	9,852	9,852	0
Total Disbursement:	496,886	495,851	1,035	719,635	564,470	155,165
RECEIPTS OVER (UNDER) DISBURSEMENTS	(66,536)	(25,779)	40,757	(239)	(3,874)	(3,635)
CASH, JANUARY 1	39,556	39,556	0	43,429	43,429	0
CASH, DECEMBER 31	(26,980)	13,777	40,757	43,190	39,555	(3,635)

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	76,605	92,093	15,488	81,550	76,289	(5,261)
Charges for service:	400	600	200	400	385	(15)
Interest	130	92	(38)	160	125	(35)
Other	0	15	15	5	16	11
Transfers in	51,787	28,818	(22,969)	40,794	36,329	(4,465)
Total Receipts	128,922	121,618	(7,304)	122,909	113,144	(9,765)
DISBURSEMENTS						
Assessor	129,018	119,742	9,276	122,920	113,872	9,048
Total Disbursement:	129,018	119,742	9,276	122,920	113,872	9,048
RECEIPTS OVER (UNDER) DISBURSEMENTS	(96)	1,876	1,972	(11)	(728)	(717)
CASH, JANUARY 1	612	612	0	1,340	1,340	0
CASH, DECEMBER 31	516	2,488	1,972	1,329	612	(717)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	227	282	55	290	227	(63)
Interest	2	1	(1)	10	2	(8)
Total Receipts	229	283	54	300	229	(71)
DISBURSEMENTS						
Prosecuting Attorney	100	369	(269)	300	55	245
Total Disbursement:	100	369	(269)	300	55	245
RECEIPTS OVER (UNDER) DISBURSEMENTS	129	(86)	(215)	0	174	174
CASH, JANUARY 1	226	226	0	52	52	0
CASH, DECEMBER 31	355	140	(215)	52	226	174
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	5,300	5,968	668	6,000	5,280	(720)
Interest	80	46	(34)		82	82
Total Receipts	5,380	6,014	634	6,000	5,362	(638)
DISBURSEMENTS						
Prosecuting Attorney	7,750	4,049	3,701	7,039	6,726	313
Total Disbursement:	7,750	4,049	3,701	7,039	6,726	313
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,370)	1,965	4,335	(1,039)	(1,364)	(325)
CASH, JANUARY 1	2,618	2,618	0	3,982	3,982	0
CASH, DECEMBER 31	248	4,583	4,335	2,943	2,618	(325)

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDRENS TRUST FUND</u>						
RECEIPTS						
Charges for service:	250	335	85	280	255	(25)
Interest	0	2	2	7	5	(2)
Total Receipts	250	337	87	287	260	(27)
DISBURSEMENTS						
Payments to domestic violence shelter	450	256	194	287	474	(187)
Total Disbursement:	450	256	194	287	474	(187)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	81	281	0	(214)	(214)
CASH, JANUARY 1	30	30	0	244	244	0
CASH, DECEMBER 31	(170)	111	281	244	30	(214)
<u>RECORDER'S RECORD STORAGE FUND</u>						
RECEIPTS						
Charges for service:	8,200	7,647	(553)	6,100	8,340	2,240
Interest	650	592	(58)	1,000	714	(286)
Total Receipts	8,850	8,239	(611)	7,100	9,054	1,954
DISBURSEMENTS						
Ex Officio Recorder of Deeds	8,500	2,741	5,759	8,500	4,141	4,359
Total Disbursement:	8,500	2,741	5,759	8,500	4,141	4,359
RECEIPTS OVER (UNDER) DISBURSEMENTS	350	5,498	5,148	(1,400)	4,913	6,313
CASH, JANUARY 1	38,102	38,102	0	33,189	33,189	0
CASH, DECEMBER 31	38,452	43,600	5,148	31,789	38,102	6,313
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	900	1,128	228	2,000	958	(1,042)
Interest	150	103	(47)	300	163	(137)
Other	1,000	1,413	413	500	500	0
Total Receipts	2,050	2,644	594	2,800	1,621	(1,179)
DISBURSEMENTS						
Sheriff	6,750	2,944	3,806	8,400	3,252	5,148
Total Disbursement:	6,750	2,944	3,806	8,400	3,252	5,148
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,700)	(300)	4,400	(5,600)	(1,631)	3,969
CASH, JANUARY 1	6,833	6,833	0	8,464	8,464	0
CASH, DECEMBER 31	2,133	6,533	4,400	2,864	6,833	3,969
<u>CITIZENS' SAFETY FUND</u>						
RECEIPTS						
Sales taxes	110,000	118,134	8,134	122,000	107,782	(14,218)
Interest	200	37	(163)	0	197	197
Transfers in	0	20,000	20,000	0	0	0
Total Receipts	110,200	138,171	27,971	122,000	107,979	(14,021)
DISBURSEMENTS						
Sheriff	123,720	137,208	(13,488)	114,005	116,335	(2,330)
Total Disbursement:	123,720	137,208	(13,488)	114,005	116,335	(2,330)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,520)	963	14,483	7,995	(8,356)	(16,351)
CASH, JANUARY 1	3,285	3,285	0	11,641	11,641	0
CASH, DECEMBER 31	(10,235)	4,248	14,483	19,636	3,285	(16,351)

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S SPECIAL FUND</u>						
RECEIPTS						
Charges for service:	8,500	10,176	1,676	7,500	8,600	1,100
Interest	150	151	1	300	185	(115)
Total Receipts	<u>8,650</u>	<u>10,327</u>	<u>1,677</u>	<u>7,800</u>	<u>8,785</u>	<u>985</u>
DISBURSEMENTS						
Sheriff	9,300	7,016	2,284	10,400	9,543	857
Total Disbursement:	<u>9,300</u>	<u>7,016</u>	<u>2,284</u>	<u>10,400</u>	<u>9,543</u>	<u>857</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(650)</u>	<u>3,311</u>	<u>3,961</u>	<u>(2,600)</u>	<u>(758)</u>	<u>1,842</u>
CASH, JANUARY 1	8,784	8,784	0	9,542	9,542	0
CASH, DECEMBER 31	<u>8,134</u>	<u>12,095</u>	<u>3,961</u>	<u>6,942</u>	<u>8,784</u>	<u>1,842</u>
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Interest	0	6	6	0	5	5
Other	0	610	610	0	0	0
Total Receipts	<u>0</u>	<u>616</u>	<u>616</u>	<u>0</u>	<u>5</u>	<u>5</u>
DISBURSEMENTS						
Transfers out	0	0	0	0	273	(273)
Total Disbursement:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>273</u>	<u>(273)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>0</u>	<u>616</u>	<u>616</u>	<u>0</u>	<u>(268)</u>	<u>(268)</u>
CASH, JANUARY 1	0	0	0	268	268	0
CASH, DECEMBER 31	<u>0</u>	<u>616</u>	<u>616</u>	<u>268</u>	<u>0</u>	<u>(268)</u>
<u>MARIES COUNTY LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for service:	40	70	30	0	40	40
Interest	20	16	(4)	0	19	19
Total Receipts	<u>60</u>	<u>86</u>	<u>26</u>	<u>0</u>	<u>59</u>	<u>59</u>
DISBURSEMENTS						
Total Disbursement:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>60</u>	<u>86</u>	<u>26</u>	<u>0</u>	<u>59</u>	<u>59</u>
CASH, JANUARY 1	997	997	0	938	938	0
CASH, DECEMBER 31	<u>1,057</u>	<u>1,083</u>	<u>26</u>	<u>938</u>	<u>997</u>	<u>59</u>

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>911 FUND</u>						
RECEIPTS						
Charges for service:	79,100	73,356	(5,744)	80,000	78,763	(1,237)
Interest	1,000	800	(200)	2,000	1,269	(731)
Total Receipts	80,100	74,156	(5,944)	82,000	80,032	(1,968)
DISBURSEMENTS						
Salaries	0	0	0	4,797	1,187	3,610
Office expense	10,590	8,345	2,245	11,202	10,032	1,170
Equipment expense	22,200	19,850	2,350	18,370	20,286	(1,916)
Other	500	863	(363)	700	696	4
Transfers out	50,059	50,278	(219)	51,000	49,468	1,532
Total Disbursement:	83,349	79,336	4,013	86,069	81,669	4,400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,249)	(5,180)	(1,931)	(4,069)	(1,637)	2,432
CASH, JANUARY 1	48,359	48,359	0	49,996	49,996	0
CASH, DECEMBER 31	45,110	43,179	(1,931)	45,927	48,359	2,432
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	1,400	1,685	285	1,890	1,370	(520)
Other	0	0	0	0	91	91
Transfers in	7,000	5,314	(1,686)	5,900	6,932	1,032
Total Receipts	8,400	6,999	(1,401)	7,790	8,393	603
DISBURSEMENTS						
Law Library	8,400	6,844	1,556	7,790	8,327	(537)
Total Disbursement:	8,400	6,844	1,556	7,790	8,327	(537)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	155	155	0	66	66
CASH, JANUARY 1	156	156	0	90	90	0
CASH, DECEMBER 31	156	311	155	90	156	66
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	170	140	(30)	250	315	65
Total Receipts	170	140	(30)	250	315	65
DISBURSEMENTS						
Circuit Clerk	170	0	170	250	0	250
Total Disbursement:	170	0	170	250	0	250
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	140	140	0	315	315
CASH, JANUARY 1	5,136	5,136	0	4,966	4,821	(145)
CASH, DECEMBER 31	5,136	5,276	140	4,966	5,136	170

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUNI</u>						
RECEIPTS						
Interest	30	22	(8)	30	26	(4)
Total Receipts	30	22	(8)	30	26	(4)
DISBURSEMENTS						
Associate Circuit Divisor	54	10	44	30	38	(8)
Total Disbursement:	54	10	44	30	38	(8)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(24)	12	36	0	(12)	(12)
CASH, JANUARY 1	54	54	0	66	66	0
CASH, DECEMBER 31	30	66	36	66	54	(12)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	7,375	8,233	858	6,000	7,948	1,948
Interest	0	115	115	50	59	9
Other	0	0	0	0	30	30
Total Receipts	7,375	8,348	973	6,050	8,037	1,987
DISBURSEMENTS						
Collector	2,350	3,283	(933)	3,750	529	3,221
Total Disbursement:	2,350	3,283	(933)	3,750	529	3,221
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,025	5,065	40	2,300	7,508	5,208
CASH, JANUARY 1	7,508	7,508	0	0	0	0
CASH, DECEMBER 31	12,533	12,573	40	2,300	7,508	5,208
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Charges for service:	1,000	1,936	936	1,000	812	(188)
Interest	50	37	(13)	75	52	(23)
Other	500	0	(500)	0	0	0
Total Receipts	1,550	1,973	423	1,075	864	(211)
DISBURSEMENTS						
Equipment	0	0	0	1,000	1,167	(167)
Other	1,725	1,602	123	100	166	(66)
Total Disbursement:	1,725	1,602	123	1,100	1,333	(233)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(175)	371	546	(25)	(469)	(444)
CASH, JANUARY 1	2,225	2,225	0	2,694	2,694	0
CASH, DECEMBER 31	2,050	2,596	546	2,669	2,225	(444)

Exhibit B

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAXES FUND</u>						
RECEIPTS						
Intergovernmental	1,000	844	(156)			
Interest	1	25	24			
Total Receipts	<u>1,001</u>	<u>869</u>	<u>(132)</u>			
DISBURSEMENTS						
Total Disbursement:	<u>0</u>	<u>0</u>	<u>0</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,001</u>	<u>869</u>	<u>(132)</u>			
CASH, JANUARY 1	1,250	1,250	0			
CASH, DECEMBER 31	<u>2,251</u>	<u>2,119</u>	<u>(132)</u>			

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

Notes to the Financial Statements

MARIES 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 Maries 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 or an elected county official. 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, 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>
Prosecuting Attorney Delinquent Tax Fund	2003
HAVA Fund	2004

Section 50.740, RSMo, 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	2004
Tax Maintenance Fund	2004
Children's Trust Fund	2003
Law Enforcement Fund	2003
Law Library Fund	2003
Associate Circuit Division Interest Fund	2003
Election Services Fund	2003
Citizens' Safety Fund	2004 and 2003

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Road and Bridge Fund #1	2004
Road and Bridge Fund #2	2004
Children's Trust Fund	2004
Citizens' Safety Fund	2004

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, 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.

The county's published financial statements for the year ended December 31, 2004 included all funds presented in the accompanying financial statements. However, the county's published financial statements for the year ended December 31, 2003, did not include the Law Library Fund, Circuit Clerk Interest Fund, Associate Circuit Division Interest Fund, and Tax Maintenance Fund.

2. Cash

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

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

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

The county's deposits at December 31, 2004 and 2003, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Prior Period Adjustment

The Circuit Clerk Special Account Fund's cash balance of \$128,865 at January 1, 2003, was previously reported but is not presented as it is an agency fund.

The Special Road and Bridge Fund, as previously reported, is now reported as two separate funds, Road and Bridge Fund #1 and Road and Bridge Fund #2.

Schedule

MARIES COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2004 AND 2003

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

04-1. Budgets and Financial Reporting

In 2004, the county failed to include \$200,000 invested in a savings account on the county's published financial statements and the budget documents. Also, transactions between the savings and checking accounts were improperly recorded as disbursements and receipts to the General Fund. As a result, the reported financial statement and the budget documents did not include all available resources and receipts and disbursements were overstated. In addition, the county's budgets contained several misclassifications of receipts and disbursements. Transfers between funds totaling approximately \$45,000 and \$37,000 were incorrectly recorded as other government disbursements for the years ending December 31, 2004 and 2003, respectively. Also, sales tax revenue of \$43,435 for the General Revenue fund was incorrectly recorded as intergovernmental revenue. Adjustments have been made to the audited financial statements to correct these misclassifications.

The county's budgets and published financial statements should include accurate classifications of receipts and disbursements and correct ending balances to ensure the county's financial information is consistently presented and to increase the effectiveness of the budgets as management tools.

WE RECOMMEND the County Commission ensure all significant receipts and disbursements are properly classified on the budget documents. In addition, the County Commission should ensure complete financial information for all county funds is properly reported on the budget and in the annual published financial statements.

AUDITEE'S RESPONSE

The County Commission indicated they will ensure the 2005 financial statement will accurately report the investment balance. They will also work to ensure the receipts and disbursements are properly reported on the 2005 financial statements and budget documents.

04-2. Road and Bridge Capitalized Lease Obligations

The long term liability balance for the two road and bridge funds continues to increase yearly as the county continues to buy new equipment. In addition, while there are payment schedules for the loans, the county does not follow these schedules to assure payments are made on time. Although similar conditions were made in the last two audit reports, and the

County Commission indicated the recommendations would be implemented, conditions have not improved.

- A. The County Commission has financed the purchase of road and bridge equipment such as brush cutters, loaders, dump trucks, and motor graders for several years, and the long term liability balance for the two road and bridge funds continues to increase. The county's policy is to finance the purchase of new road and bridge equipment over a period of approximately five to eight years. However, most equipment is only kept by the county for the life of the warranty period which usually runs five years. The county is constantly buying and selling or trading equipment each year.

The ratio of the annual loan payments to total annual receipts continues to increase. In 2004, the ratio was approximately 16 percent and based on 2005 budgeted receipts and assuming a five percent annual increase, the ratio for the next three years averages 17 percent. If the county purchases additional new equipment, this ratio could increase.

During the two years ended December 31, 2004, the county lease purchased ten new pieces of equipment costing \$770,000. The total interest payments for these 10 new items will be \$117,927 over the five to eight year life of the loans.

The following schedule shows the outstanding balance of the total lease and loan agreements assuming no additional purchases are made. However, based on past experience, the county will dispose of and purchase additional new equipment during this time period.

<u>Year ended December 31,</u>	<u>Outstanding lease and loan balances</u>
2004	\$ 818,659
2005	795,690
2006	667,238
2007	542,627
2008	101,028

The County Commission indicated that it is more cost effective to periodically trade road and bridge equipment for new equipment to save on labor and repair costs. However, the County Commission has not prepared a formal cost/benefit analysis comparing the labor and repair costs saved to the cost of interest incurred by financing the lease purchased items. At December 31, 2004, the county had seven outstanding loans for 15 pieces of equipment, and assuming no additional purchases are made by the year ending December 31, 2012, the total interest paid on these loans between 2003 and 2012 will be \$179,961. The total interest paid for the two years ended December 31, 2004 was \$65,939.

The future required annual principal and interest payments through the year ending

December 31, 2012, also assuming no additional purchases are made are as follow:

<u>Year ended December 31,</u>	<u>Annual principal and interest payment</u>
2005	\$ 167,186
2006	139,141
2007	128,268
2008	437,577
2009 -2012	60,509

In addition, between January and September 2005, the county entered into two new loans for two pieces of equipment totaling \$106,300. The County Commission should evaluate the significant costs related to the purchase of new equipment and monitor the ability of these funds to meet the future debt obligations.

- B. While there are payment schedules for the seven loans, the county does not follow these schedules to assure payments are made on time. As a result, two loan payments of \$220,027 and \$174,107 due by February 10, 2003, were not paid until March 27 and May 9, 2003, respectively. As a result, the county was charged with additional interest of \$1,349 and \$2,211.

Due to the large number of leases the county maintains, maintaining records of loan payments and payables is necessary to ensure the County Commission is informed of the financial condition of the two road and bridge funds and to assist in planning for upcoming disbursements and ensure all payments are made in a timely manner.

WE AGAIN RECOMMEND the County Commission:

- A. Carefully review the increased borrowing and monitor the ability of the road and bridge funds to meet debt obligations. In addition, the County Commission should perform a cost benefit analysis of repair costs saved in comparison to the cost of interest incurred by financing.
- B. Maintain records documenting the lease and loan payments made and balances due. These records should be used to monitor when payments are due to ensure timely payment and to prevent unnecessary penalties and interests.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they will evaluate their process for buying equipment during the next year. Also, they will try to stagger the purchases so they are not borrowing as much at one time. They are going to track the repair costs they would pay if they did not have a warranty.*

B. The County Commission stated they are working on putting a schedule together.

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

MARIES 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 Maries County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2002.

02-1. Property Tax Reduction Due to Sales Tax

The county did not sufficiently reduce its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Maries County voters under the provisions of Section 67.505, RSMo.

Recommendation:

The County Commission should continue to reduce the property tax levy adequately to meet sales tax reduction requirements and ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

Status:

Partially implemented. The County Clerk's rollback for 2003 and 2004 was sufficient for those years and resulted in a reduction of approximately \$7,059 in the balance of prior years' excess property tax revenue collections. In the 2002 audit report, the County Commission responded "Maries County unintentionally rolled back the Road District 1 and 2 levies in 1996, therefore, shorting the Road District #1 of \$14,140 and Road District #2 of \$15,731, for a total of \$29,871." Therefore, the County Commission believed the excess tax revenue collection balance should be \$29,871 less than reported in the audit report or \$14,106. With the reduction made in 2004, the remaining excess property tax revenue collection balance at December 31, 2004 is \$7,047. In 2005, the county further reduced the excess taxes by an additional \$4,500. Although not repeated in the current report, our recommendation remains as stated above.

02-2. Road and Bridge Capitalized Lease Obligations

- A. The county continued to increase the amount of debt and lease obligations. The increased amount had expanded principal and interest payments which could adversely impact the county's ability to meet ongoing obligations.
- B. The county did not maintain records documenting payments made and balances due on all lease and loan agreements.

Recommendation:

- A. Carefully review this trend of increased borrowing and monitor the ability of this fund to meet debt obligations. The County Commission should perform a cost benefit analysis of repair costs saved in comparison to the cost of interest incurred by refinancing. The Commission should also develop a program to stagger the purchase of equipment, especially motor graders, in order to minimize the financial impact related to the debt payments when a large number are purchased at once.
- B. Maintain records documenting the lease and loan payments made and balances due.

Status:

A&B. Not implemented. See finding number 04-2.

02-3. County Sales Tax Passed in November 2001

The voters of Maries County passed a one-half of one percent sales tax for the purpose of general operations in November 2001. Although the ballot did not specify a statutory reference, the County Clerk indicated that this sales tax was imposed under Section 67.547, RSMo. With this additional general operations sales tax, the county has imposed a levy of one-half of one percent above the statutory maximum allowed by Section 67.547.

Recommendation:

The County Commission review the various sales taxes being imposed to determine which are valid and consider passing a sales tax under another section of the Missouri statutes.

Status:

Not implemented. The county has not passed any additional sales tax, and no other changes have occurred. In the 2002 and 2000 audit reports the County Commission responded, "In the best interest of Maries County, the sales tax was distributed as it was presented to the voters on the November 6, 2001 ballot. The voters passed this tax by an overwhelming margin. The Statute number was not printed on the ballot. The 1990 sales tax has been and will continue to be distributed as it was presented to the voters." Although not repeated in the current report, our recommendation remains as stated above.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 19, 2005.

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, 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 Responses. These MAR findings resulted from our audit of the financial statements of Maries County but do not meet the criteria for inclusion in the written report on internal control over financial reporting and on compliance and other matters that is required for an audit performed in accordance with *Government Auditing Standards*.

1.

County Disbursements

The county did not always solicit bids or retain bid documentation for various purchases. Some invoices were not marked paid to prevent duplicate payment, and the County Commission approved some payments to vendors based on inadequate supporting documentation. In addition, Federal Forms 1099 were not always issued and fuel tax reimbursements were not claimed on a timely basis.

A. The county did not solicit bids or requests for proposals for various purchases nor did the County Clerk retain bid documentation. Recurring regular business purchases during the two years ended December 31, 2004 were not bid as follows:

<u>Items Purchased</u>	<u>Cost</u>
Rock	\$ 175,791
Truck	30,073
Ready mix	26,543
Property insurance	8,137
Dozer repair service	6,724
Steel pipe	6,363
Truck repair service	5,298

We also noted an additional purchase of microfilming for \$6,735 which had a lower bid of \$4,902: however, the low bid was not selected and no justification was documented noting the reasons.

In addition, the county did not solicit bids for its depository services as required by Section 110.130, RSMo. To ensure the quality of banking services and ensure interest earnings received by the county are maximized, the county should procure its banking services through a competitive bid process.

Section 50.660, RSMo, 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, 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. The County Commission approved several disbursements for payment without

requiring or retaining adequate supporting documentation. Examples of items which did not have supporting vendor provided invoices are as follows:

<u>Items Purchased</u>	<u>Cost</u>
Road and Bridge truck	\$ 30,000
Road and Bridge fuel purchases	4,736
Assessor conference lodging	262

All disbursements should be supported by receipts or vendor-provided invoices. Such documentation is necessary to ensure the purchase is a proper disbursement of county funds. Without adequate supporting documentation, the County Commission cannot determine the validity and propriety of the disbursements.

- C. The receipt of goods or services was not indicated on several invoices that were approved for payment. Examples include dozer repair services, fuel purchases, and a brush-cutter tractor purchase. To ensure payments are valid and for goods or services actually received, evidence of receipt of goods or services should always be noted prior to payment.
- D. Invoices were not always noted as paid or otherwise canceled upon payment. In addition, the county made payments to vendors based on statements received rather than actual invoices and in one instance a vendor refunded \$365 to the county because the amount had been paid previously.

The possibility that an invoice will be paid twice is increased when payments are made based on statements and invoices are not properly canceled. To ensure against duplicate payment of bills, payments should be supported by invoices, which should be marked paid when a check has been issued by the county.

- E. The county did not prepare Federal IRS Form 1099 Miscellaneous for payments for legal services totaling \$1,617 and bridge repair services totaling \$4,595 during 2003. The County Clerk indicated she overlooked these vendors when preparing the forms. Sections 6041 through 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Forms 1099.

- F. The county has not claimed reimbursements from the state for fuel taxes on a timely basis. The last reimbursement claim was dated August 2003. The Missouri Department of Revenue reimburses the county for taxes paid at 17 cents per gallon of fuel purchased. The county has a one year period to claim the reimbursement from the date of payment for the fuel purchase. We noted twelve paid invoices for 13,052 gallons of fuel that have elapsed the one year claim period. This resulted in a loss of reimbursement of \$2,219. The County Commission should ensure the reimbursement claims for all fuel taxes are submitted timely.

Conditions similar to those noted in A, B, and D were noted in the 2000 audit report and the County Commission indicated the recommendations would be implemented by January 2002; however, conditions have not improved.

WE AGAIN RECOMMEND the County Commission:

- A. Solicit bids for all purchases and services in accordance with state law and maintain documentation of the bidding process, including all bids received and justification for selecting and rejecting bids. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented. In addition, the County Commission should seek competitive bids for its banking services in compliance with state law.
- B. Ensure adequate supporting documentation is obtained to support all expenditures.
- C. Ensure all invoices indicate receipt of goods or services.
- D. No longer allow payments to be made based on statements alone and ensure all invoices are properly cancelled upon payment.
- E. Ensure 1099 forms are issued in accordance with IRS regulations.
- F. Ensure claims for fuel tax reimbursement are made on a timely basis.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they did bid on some of these items but failed to keep documentation. The rock and ready mix are purchased at the supplier located closest to the job site. They will try to better document future bids and decisions.*
- B. *The County Commission indicated they will ensure better documentation is kept in the future.*
- C. *The County Commission indicated they will ensure receipt of goods or services is indicated on all invoices.*

- D. *The County Commission stated they are implementing a new computer system which will ensure invoices are paid only once.*
- E. *The County Commission stated they will ensure the 1099 forms are prepared for 2005 and future years.*
- F. *The County Commission indicated they will ensure fuel reimbursement claims are filed starting immediately. In 2005, they have an agreement with one vendor to waive the sales tax on the road and bridge fuel purchases.*

2. County Officials' Compensation and Bonds
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Several problems were noted concerning the county officials' salaries and compensation. The compensatory time earned by Sheriff's department deputies is not in compliance with the county's personnel policy. In addition, the County Treasurer's and County Collector's bond premiums were paid from a fund that is not in accordance with state law.

- A. Several problems were noted concerning the county officials' salaries and compensation.
- Cost of living adjustments (COLA) have not been paid correctly. In 1997, the Salary Commission met and discussed giving a two and a half percent COLA increase to each official each year; however, the salary commission minutes did not clearly document the approval of the COLA. In addition, instead of giving the COLA as a two and a half percent increase to each elected official, the county increased the elected officials' salaries in 2003 and 2002 by two and a half percent of the difference between the current salaries and the statutory maximum. In addition, the elected officials received a two and a half percent increase for the year ending December 31, 2004 but the county employees received a 25 cents per hour increase. Section 50.333(12), RSMo, allows a COLA that is the same percentage for all county officials but not to exceed the percentage increase given to the other county employees. By providing increases in this manner, the county can not be assured it is in compliance with the state law.
 - The Salary Commission also approved a one time salary increase of ten percent of the difference between the statutory maximum and the current salaries to the officials who took office in 1999. However, there was not adequate information in the salary commission minutes or written legal opinions from the Prosecuting Attorney to support these increases and the method used to calculate them.
 - Officials are being paid salaries based on an older salary schedule instead of the most recent one which took effect in 1997. In addition, some officials were not paid the proper percentage of the salary schedule.

- An incorrect assessed valuation was used in calculating the 2005 salaries and salaries in 2004 and 2003 were not adjusted when the county assessed valuation increased to over \$87 million. The Salary Commission met in 1997 and approved to adjust salaries annually when the assessed valuation increases.

Similar problems were noted in our 2000 report; however, the Salary Commission did not meet in 2001, and no action was taken to correct the problems. In addition the Salary Commission did not meet in 1999. Section 50.333, RSMo provides for the salary commission to meet in each odd numbered year to determine the compensation to be paid to county officials beginning with their next term of office. The Salary Commission did meet in 2003 and again in 2005 and is working to correct some of the above problems. The County Commission should ensure all future salary commission decisions are thoroughly documented and that official's salaries are paid in compliance with state law.

- B. The county is not compensating Sheriff's department deputies for overtime and compensatory time as stated in the county's personnel policy manual. The county's written policy states that Sheriff's department deputies must work more than 171 hours within a 28 day period to be eligible for compensatory time or overtime pay. However, Sheriff's department deputies currently earn overtime and compensatory time at a straight rate for every hour they work over eight hours a day and at half time for every hour they work over 171 hours within a 28 day period.

For example, a deputy that worked a total of 210 hours in 28 days should have earned overtime of 58.5 hours (39×1.5) in accordance with the county policy. However, because 50 of the hours were hours over 8 hours a day or on weekends, the deputy received 69.5 hours (39×0.5 plus 50×1).

The Sheriff's department current practice allows the deputies to earn overtime before the deputies reach the required 171 hours. Therefore, the overtime hours are not in compliance with the county's personnel policy.

- C. The County Treasurer's regular and school bond and County Collector's regular bond premiums totaling \$1,006 and \$818, respectively, for January 1, 2003 through December 31, 2006, were paid from the School Fines Fund. Although a similar condition was noted in the 2000 report, this has not been corrected. As a result, the schools have received less funding. Section 54,160, RSMo, provides for only the \$608 cost of the County Treasurer's bond covering school monies be paid from this fund. The remaining cost should be paid from the General Revenue Fund. In addition, Section 52.020, RSMo, provides for the cost of the County Collector's bond to be paid by the General Revenue Fund.

WE RECOMMEND the County Commission:

- A. Ensure all future salary commission decisions are thoroughly documented and that official's salaries are paid in compliance with state law. In addition, the Salary Commission should meet as required.
- B. Compute overtime for law enforcement personnel based on 171 hours over a 28-day period as established in the county's personnel policy manual.
- C. Authorize to transfer \$1,216 from the General Revenue Fund to the School Fines Fund, and in the future, pay the County Collector's bond and the county portion of the County Treasurer's bond from the General Revenue Fund.

AUDITEE'S RESPONSE

- A. *The County Commission stated that the salary commission met in 2005 and set officials' salaries in accordance with the state law. Future COLAs will be given in compliance with the law.*
- B. *The County Commission will discuss this issue with the Sheriff by the beginning of 2006 and will determine the proper overtime policy for the county.*
- C. *The County Commission stated they will pay future bond payments from the proper fund. In addition, they will transfer the \$1,216 from the General Revenue Fund to the School Fines Fund.*

3.

Budgets and Financial Reporting

Several problems were noted concerning the county's budgets and financial statements. Actual disbursements exceeded budgeted amounts in several funds and budget amendments were made after the budget was exceeded. The County Commission approved deficit budgeting and formal budgets were not prepared for some of the county funds. In addition, fund activities per the County Clerk's ledgers were not reconciled to the Treasurer's records to identify and correct variances on a timely basis.

Although similar conditions were noted in the 2002 and 2000 audit reports and the County Commission indicated the recommendations would be implemented, conditions have not improved.

- A. Although budget to actual data is provided to the County Commission, the county's procedures and reports are not resulting in effective monitoring of various budgets. As a result, actual disbursements exceeded the budgeted amounts in the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>2004</u>	<u>2003</u>
Prosecuting Attorney Training	\$ 269	N/A
Tax Maintenance	933	N/A
Children's Trust	N/A	187
Law Enforcement	N/A	273
Law Library	N/A	537
Associate Circuit Division Interest	N/A	8
Election Services	N/A	233
Citizens' Safety	13,488	2,330

The County Commission did not amend the budgets for these funds to reflect unexpected receipts and increased disbursements made during the year. On December 6, 2004, the County Commission reviewed and approved a budget amendment for Road and Bridge Funds #1 and #2 increasing disbursements by \$85,000 and \$100,000, respectively; however, as of September 2004, the disbursements for both funds had already exceeded the original budget by at least \$7,000 and \$43,000, respectively. Amendments made after disbursements have exceeded the budget do not allow for the budget to be used as an effective management tool. In addition, the budget amendment was not filed with the State Auditor's Office.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that county officials are required to comply strictly with the county budget laws. 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, 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.

- B. The County Commission budgeted a deficit fund balance for the following funds for the year ended December 31, 2004.

<u>Fund</u>	<u>Deficit Amount</u>
Road and Bridge #1	\$ 12,526
Road and Bridge #2	26,980
Children's Trust	170
Citizens' Safety	10,235

As discussed in part A above, the County Commission increased Road and Bridge Fund #1 and #2 budgeted disbursements by \$85,000 and \$100,000, respectively, but only increased budgeted receipts for the Road and Bridge Fund #2 by \$32,000 which caused deficit budgets for both funds for the year ended December 31, 2004. Section

50.610, RSMo, requires balanced budgets, and Article VI, Section 26(a) of the Missouri Constitution prohibits deficit budgeting.

- C. No formal budget was prepared for the Prosecuting Attorney Delinquent Taxes Fund for the year ended December 31, 2003, and the HAVA (Help America Vote Act) Fund for the year ended December 31, 2004.

In addition, budget documents for the Law Enforcement Fund projected no activities for the two years ending December 31, 2004; however, the fund had disbursements. For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operations and current financial position, the budgets should accurately reflect reasonable estimates of receipts and disbursements, and the anticipated ending cash balances.

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

- D. Fund activities per the County Clerk's ledgers were not reconciled to the Treasurer's records to identify and correct variances on a timely basis. As a result, the budget documents for several funds did not reflect the correct receipts, disbursements, and cash balance. The differences occurred because fringe benefit payments were posted on the fund ledger as disbursements of one fund but were actually paid from a different fund. For example, the fringe benefits for the Citizens' Safety Fund were posted as disbursements from that fund but were actually paid from the General Revenue Fund. As a result, the disbursements for the Citizens' Safety Fund were overstated by \$7,519 and \$3,559 for the years ended December 31, 2004 and 2003, respectively.

In total, the General Revenue Fund cash balance was overstated by \$14,283 and \$22,166 for the years ended December 31, 2004 and 2003, respectively, for fringe benefits recorded to other funds. These differences were recorded as budget adjustments on the cash reconciliation section of the county budget documents. Other funds affected by the incorrect fringe benefit payments were Road and Bridge Fund #1, Road and Bridge Fund #2, and the Assessment Fund. Adjustments have been made to the audited financial statements to correct these differences.

A reconciliation of the fund ledger to the cash ledger on a monthly basis would have caught these differences. For taxpayers of Maries County to fully understand the financial activities of the county, the budgets should be accurate and reflect the actual cash disbursements from each fund.

WE AGAIN RECOMMEND the County Commission:

- A. Not authorize disbursements in excess of the budget. In addition, if valid reasons necessitate excess disbursements, the budget should be amended timely following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's Office.
- B. Discontinue deficit budgeting.
- C. Prepare budgets for all funds as required by law.
- D. Reconcile fund ledgers to cash balances of the County Treasurer periodically and investigate any differences identified.

AUDITEE'S RESPONSE

- A. *The County Commission stated they will monitor the budget and ensure amendments are made when necessary.*
- B. *The County Commission indicated they will ensure budgets are balanced.*
- C. *The County Commission indicated these were new funds and they will prepare budgets for all funds in the future.*
- D. *The County Commission indicated they will require the County Clerk and County Treasurer to begin reconciling the cash balance per the County Clerk's record to the County Treasurer's cash balance starting in 2006 and will investigate any differences.*

4.

Property Records and Procedures

Although the county maintains a list of county property, it is not complete and up to date and procedures have not been established to ensure its accuracy. Although similar conditions were noted in the 2000 audit report, and the County Commission indicated the recommendations would be implemented by June 2002, conditions have not improved. In addition, there were no procedures in place for disposing of county owned property items such as a printer and a typewriter and no written authorization was obtained from the County Commission for the approval of the dispositions.

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. The County Clerk maintains a computerized inventory listing of fixed assets held by county officials; however, the listing is not complete and it has not been updated for property acquired or disposed of since 2002. In addition, the County Clerk does not reconcile equipment purchases with additions to the fixed asset records. Examples of items purchased which were not included on the fixed asset listing included two trucks totaling approximately \$55,000 and six other pieces of Road and Bridge equipment totaling

approximately \$158,000.

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

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. 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.

Section 49.093, RSMo, provides that the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section are to be signed by the County Clerk.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, inventories and inspections of county properties including all county land and buildings should be performed by each county official and the County Clerk, and general fixed asset purchases should be periodically reconciled to general fixed asset additions.

AUDITEE'S RESPONSE

The County Commission indicated they will establish a capital asset policy within the next six months. The County Clerk is working on completing a current capital asset list.

5. Vehicle Procedures

The county does not maintain usage logs for county owned vehicles used for road and bridge and law enforcement purposes to ensure the vehicles are used for official business only. In addition, there are no procedures for the Road and Bridge department to periodically reconcile the fuel purchases with mileage driven to ensure reasonableness of fuel charges. Although the Sheriff receives a monthly listing of fuel charges from vendors and compares it to the deputies' monthly reports of mileage, his review for reasonableness is not documented.

For the years ended December 31, 2004 and 2003, the county paid \$15,333 and \$13,165, respectively, for fuel for the vehicles assigned to the Sheriff's department. For the vehicles assigned to the Road and Bridge department, the county paid \$68,118 and \$52,740 for fuel for the years ended December 31, 2004 and 2003, respectively.

Without adequate vehicle logs, the county cannot effectively monitor that vehicles are used for official business only. A usage log should indicate the person using the vehicle/equipment, the date used, mileage driven, destination, starting and ending odometer reading, purpose of the trip, and the amount of fuel purchased. In addition, to reduce the risk of loss, misuse, or theft, mileage per the vehicle log should be reconciled to fuel purchases, and significant differences should be investigated.

WE RECOMMEND the County Commission require usage logs be maintained for all county owned vehicles to monitor the usage of the vehicles. In addition, the County Commission and the Sheriff should review and reconcile these logs to fuel purchases and investigate significant differences. All reviews and reconciliations should be documented.

AUDITEE'S RESPONSE

The County Commission indicated they will begin requiring a usage log starting in January 2006, and will review the logs periodically.

6. Computer Controls

Several concerns were noted with the operation of the computer systems including passwords are not changed on a periodic basis to ensure confidentiality and there is no system in place to stop incorrect log-on attempts after a certain number of tries. In addition, backup disks are not stored at an off-site location. The County Clerk, Treasurer, Assessor, and Collector use separate computer systems to perform general ledger accounting, budgetary accounting and reporting, cash disbursing, assessment, and tax collection functions.

- A. Passwords are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords are effectively limiting access to data files and programs to only those individuals who need access for their job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
- B. There is no system in place on all computer systems to stop incorrect log-on attempts after a certain number of tries. 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.

- C. The county does not keep backup disks of computer files at an off-site location. As a result, they are susceptible to the same damage as the master files. Backup disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated.

WE RECOMMEND the County Commission:

- A. Ensure passwords are periodically changed and remain confidential.
- B. Establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- C. Ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

- A&B. The County Commission indicated they will work with the programmer to implement the recommendations. They will try to get these implemented within the next six months.*
- C. The County Commission indicated they will require the officials to begin storing backup disks at an offsite location immediately.*

7. Sheriff's Controls and Procedures

Receipts are not deposited timely and adequate follow up is not performed on old outstanding checks. Monthly bank balances are not reconciled with listings of liabilities. Although similar conditions were noted in the 2000 audit report and the Sheriff indicated the recommendations would be implemented, conditions have not improved. In addition, the interest earned on the regular account was not distributed to the County Treasurer on a timely basis and accounting duties are not adequately segregated.

The Sheriff's office received monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts totaling approximately \$210,000 and \$247,000 during the years ending December 31, 2004 and 2003, respectively.

- A. Monies collected in the Sheriff's office are not deposited to the bank on a timely basis. Deposits are generally made twice a week and averaged approximately \$2,400 for the years ended December 31, 2004 and 2003. A cash count performed on July 19, 2005, totaling \$389 included \$184 of cash and receipts from July 11, 2005.

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

- B. The Sheriff's office does not adequately follow up on old outstanding checks. At December 31, 2004, the Sheriff's three bank accounts had a total of \$457 in outstanding checks that are over a year old. Several of the outstanding checks date back to 1996. Old outstanding checks create additional and unnecessary record-keeping responsibilities.

If payees cannot be located, the monies should be disbursed in accordance with Section 447.500 through 447.585, RSMo, or other applicable statutes that allow for the disposition of unclaimed funds.

- C. A monthly listing of liabilities (open items) is not prepared for the regular account and special civil account, and although a list is prepared for the bond account, it is not reconciled with the bank balance. The reconciled bank balances at December 31, 2004 for the regular account and special civil account totaled \$48 and \$895, respectively. However, as discussed in part D below, the regular account should have had an interest balance of \$189 at December 31, 2004, for a shortage of \$141. The bond account balance was \$4,976, while the identified liabilities totaled only \$4,305, leaving an unreconciled balance of \$671.

Complete and accurate listings of open items should be prepared monthly and reconciled to the bank balances to ensure records are in balance and sufficient funds are available for the payment of all liabilities. If proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with the requirements of Chapter 447.500 through 447.595 and Section 50.500, RSMo.

- D. The interest earned on the regular account was not distributed to the county on a timely basis. The regular account earned \$88 and \$101 in interest during the years ended December 31, 2004 and 2003, respectively. However, as of December 31, 2004, none of the interest had been turned over to the County Treasurer. On January 14, 2005, the Sheriff's office paid over the remaining balance to the County Treasurer. Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.
- E. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank accounts are not adequately segregated. During the two years ending December 31, 2004, the Sheriff's office manager was primarily responsible for these duties. In addition, there is no indication that supervisory reviews are performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance and could be achieved by segregating the functions of receiving and disbursing the monies from maintaining the accounting records. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review by another individual.

WE RECOMMEND the Sheriff:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Follow up on old outstanding checks routinely. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Prepare monthly open items listings and reconcile the listings to the bank balance for all accounts.
- D. Turn over interest on a timely basis in accordance with state statutes.
- E. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

- A. *The Sheriff indicated his office is now depositing money when they get \$100 or more in receipts.*
- B. *The Sheriff indicated he is planning to turn these checks over to unclaimed property by March 31, 2006.*
- C. *The Sheriff indicated he will require his office administrator begin to prepare an open items list for the special civil account starting in January 2006. In addition, they will investigate the difference in the bond account balance by December 31, 2005 and will make corrections as needed. The office administrator indicated that if she turns over the interest monthly, an open-items list will not be necessary for the regular account.*
- D. *The Sheriff indicated they will start transmitting the interest monthly starting in January 2006.*
- E. *The Sheriff will review the accounting records and document his review starting on December 1, 2005.*

8.**Ex Officio Recorder of Deeds' Controls and Procedures**

The Ex Officio Recorder of Deeds does not reconcile the composition of monies received to deposits. In addition, the Recorder does not have written agreements with abstract companies and billing to these companies is not done timely.

During the two years ended December 31, 2004 and 2003, the Ex Officio Recorder of Deeds collected approximately \$87,600 and \$91,500, respectively, for fees for copies and recording marriage licenses, deeds, tax liens, and other commercial paper.

- A. The Recorder does not reconcile the composition of monies received to deposits. The Recorder accepts checks for more than the required amount and refunds cash for the difference. However, the actual amount received and the amount of the refund is not always recorded. This causes the composition of the receipts per the records to not agree with the composition of the deposit.

To ensure all receipts are deposited, the Recorder should reconcile the composition of receipts recorded to the composition of the deposits.

- B. The Recorder does not have formal written contracts for providing copy services to abstract companies. In addition, the Recorder does not bill the abstract companies timely. One abstract company has not been billed for services since December 2003 and, as of September 14, 2005, owed the Recorder \$1,632. The other abstract company has not been billed since November 2004, and the balance due as of September 14, 2005 was \$206.

Section 432.070, RSMo, requires all county contracts to be in writing. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding. In addition, to maximize revenues, billings should be prepared in a timely manner.

WE RECOMMEND the Ex Officio Recorder of Deeds:

- A. Reconcile the composition of receipts recorded to the composition of deposits.
- B. Enter into written contracts that specifically state the services to be provided and the fees to be collected for the services rendered. In addition, the Ex Officio Recorder of Deeds should ensure the abstract companies are billed timely.

AUDITEE'S RESPONSE

A The ex-officio Recorder indicated he has implemented the recommendation.

- B. *The ex-officio Recorder indicated he has billed the abstract companies for the balances due and received payment. He will ensure they are billed timely in the future. Also, he will have the Prosecuting Attorney draft a contract.*

9. Circuit Clerk's Controls and Procedures

Receipts for the Circuit Clerk's office are not deposited timely and old outstanding checks are not followed up on timely. During the two years ended December 31, 2004 and 2003, the Circuit Clerk's office collected approximately \$64,243 and \$86,727, respectively, for civil and criminal court costs.

- A. Civil and criminal court costs collected in the Circuit Clerk's office are not deposited to the bank on a timely basis. Deposits are made approximately twice a week and usually are greater than \$200.

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.

- B. The Circuit Clerk does not adequately follow up on old outstanding checks. At December 31, 2004, the Circuit Clerk's account had \$390 in outstanding checks that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities.

If payees cannot be located, the monies should be disbursed in accordance with Section 447.500 through 447.585, RSMo, or other applicable statutes that allow for the disposition of unclaimed funds.

WE RECOMMEND the Circuit Clerk:

- A. Deposit all monies daily or when accumulated receipts exceed \$100.
- B. Follow up on old outstanding checks routinely. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

- A. *The Circuit Clerk indicated he is now depositing receipts daily.*
- B. *The Circuit Clerk indicated he has turned over \$59 in outstanding checks to unclaimed property. Checks have been reissued for the rest of the balance.*

The Associate Division does not deposit monies in a timely manner and has not established procedures to routinely follow up on outstanding checks. In addition, fees collected by the Probate Division are not disbursed in a timely manner.

The Associate and Probate Divisions are responsible for processing receipts for criminal and civil cases, traffic tickets, garnishments, and bonds. Receipts for the Associate and Probate Divisions totaled \$25,765 and \$30,343 during the years ending December 31, 2004 and 2003, respectively.

- A. Monies collected in the Associate Division are not deposited to the bank on a timely basis. Deposits are made approximately once or twice a week and averaged approximately \$600 for the years ended December 31, 2004 and 2003.

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

- B. The Associate Division does not adequately follow up on outstanding checks. At December 31, 2004, the Associate Division's account had \$205 in outstanding checks that were over a year old. These old outstanding checks create additional and unnecessary record keeping responsibilities.

If the payees cannot be located, the monies should be disbursed in accordance with Section 447.500 through 447.585, RSMo, or other applicable statutes that allow for the disposition of unclaimed funds.

- C. Disbursements to the state, county, and other applicable parties for fees collected in the Probate Division are not made timely. Fees received in July were not distributed until October. State law requires that all fees collected by the Probate Division for court cases be distributed monthly to the state and County Treasurer. Timely disbursement of fees collected is necessary to provide adequate controls over account balances and to increase the likelihood that discrepancies are detected in a timely manner.

WE RECOMMEND the Associate and Probate Divisions:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Follow up on old outstanding checks routinely. If the payees cannot be located, these monies should be disposed of in accordance with state law.

- C. Disburse Probate Division fees to the applicable parties monthly as required by state law.

AUDITEE'S RESPONSE

The Associate Circuit Judge responded:

It is the role of the Maries County Associate Circuit and Probate Divisions to take care of the business of the people of Maries County as efficiently and economically as possible with the resources we are allowed by the State of Missouri. What works in large counties may not be efficient or economical for Maries County. While we appreciate the efforts of the auditors, their recommendations for changes without taking into account our ability to implement the changes or considering the trade offs required to implement the changes, what they say is meaningless.

The Associate Circuit and Probate Judge works in other counties about 40 to 50 percent of the time. Two and a half days each week there is only one employee in the Associate Circuit and Probate office. Overtime is prohibited by the Circuit Court Budget Committee. Comp. time is limited also. On days when there is only one employee on duty, being out of the office requires the office to be closed and not available to the public we serve. On days when there is only one employee, the office must be closed any time, including but not limited to (1) when probate hearings have to be recorded, (2) when the mail is dropped off or picked up, and, (3) during trips to the bank.

I will address your findings and recommendations in the same order you presented them to us.

- A. *Monies collected are mostly in the form of checks. It is deposited as often as practical taking into account the desirability of not closing the office when only one employee is available. Checks are stamped "Deposit Only" when they are received. No funds have been lost, stolen or misappropriated in the last 10 years. In our judgment, the system we use works well and best serves the public. We do not plan to make any change.*
- B. *We have been deprived of sufficient staff, therefore, it is necessary to prioritize work. Tracking down the small amount of outstanding checks carries a lower priority than the other work we do. That task is at the end of the work list. We anticipate all outstanding checks will be resolved by January 31, 2006.*
- C. *We have one employee who handles the bookkeeping. She must be out of the office for vacation for two weeks. We have made the decision not to have part time or temporary employees to do any of the bookkeeping. When the clerk returns from vacation, there is a backlog of work and it takes a few weeks to become current. Some of the disbursements are held over and accumulated because the amounts are so small. It is our practice to hold over disbursements when the cost of making the disbursement is greater than the amount being disbursed.*

Monies are transmitted to the County Treasurer monthly. In addition, the County Clerk does not maintain an account book with the County Collector. The County Clerk collects monies for liquor licenses, auctioneer's licenses, notary commissions, election fees and County Clerk fees. Receipts totaled approximately \$5,700 and \$7,000 for the year ended December 31, 2004 and 2003, respectively.

- A. The County Clerk transmits receipts to the County Treasurer on a monthly basis. Monies averaging \$530 were transmitted to the County Treasurer approximately once a month for the two year ended December 31, 2004. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer daily or when accumulated receipts exceed \$100.
- B. The County Clerk does not maintain an account book with the County Collector. An account book summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Additionally, Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the County Collector's annual settlements.

WE RECOMMEND the County Clerk:

- A. Transmit all monies to the County Treasurer daily or when accumulated receipts exceed \$100.
- B. Establish and maintain an account book with the County Collector. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

- A. *The County Clerk indicated she has started transmitting money to the Treasurer as soon as she receives \$100 or more.*
- B. *The County Clerk indicated she has started maintaining a monthly spreadsheet to verify the settlement with the Collector.*

12.

Prosecuting Attorney's Controls and Procedures

Receipts are not deposited on a timely basis and checks and money orders are not restrictively endorsed immediately upon receipt. During the year ended December 31, 2004 and 2003, the Prosecuting Attorney's office collected approximately \$50,100 and \$45,500, respectively, for bad check restitution, court ordered restitution, and other miscellaneous items.

Deposits are made approximately once a week and averaged approximately \$1,000 for the years ended December 31, 2004 and 2003. In addition, checks and money orders are only endorsed at the time the deposit is made. Although similar conditions were noted in the 2000 audit report, conditions have not improved.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt.

WE AGAIN RECOMMEND the Prosecuting Attorney ensure all receipts are deposited daily or when accumulated receipts exceed \$100. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

The Prosecuting Attorney responded:

We honestly try to do this to the best of our ability. However, we are very under staffed. There are many court days where defendants come in and make various payments for bad checks and restitution. However, having only one full-time employee in the office makes this task impossible. On such days, this office cannot be left unattended. Therefore, it results in our inability to maintain this requirement.

Be assured that we will try, to the best of our ability, to meet this requirement on a daily basis. Also, we will immediately correct the problem of all checks and money orders being restrictively endorsed immediately upon receipt.

13.

Licensing Office Controls and Procedures

The county serves as the fee agent for the Department of Revenue (DOR) and receives fees for providing licensing services to the residents of the county. The County Commission does not reconcile county fees charged and collected by the license office to amounts deposited into the county fee account. In addition, the licensing office does not follow up on missing inventory items nor take any action to prevent any further loss.

The license office collected county fees in 2004 and 2003 of approximately \$49,000 and \$44,200, respectively.

- A. Although the County Commission receives a monthly report prepared by the license office which documents the amount of fees deposited into the county fee account, the County Commission does not review the report for accuracy and agree the amounts to the actual deposits made. A similar condition was noted in the 2000 report and the County Commission indicated the recommendation was implemented; however, the condition has not improved.

To ensure all fees charged and collected are properly accounted for, the County Commission should reconcile county fees charged and collected to amounts deposited into the county fee account, and any differences should be investigated.

- B. The licensing office does not follow up on missing inventory items nor take any action to prevent further losses. The licensing office performs a physical inventory twice a year and for any missing items such as handicapped tags, license plates, and stickers for various types of vehicles, the Missouri Department of Revenue charges the licensing office. These charges are paid from the county fees collected in the license office. For the two years ended December 31, 2004, the licensing office paid a total of \$717 to the DOR for missing inventory items. According to the licensing office manager, some inventory items do not agree to the records due to untimely and/or erroneous recording of items sold.

To prevent any further loss of inventory items and county fees, the licensing office and the County Commission should follow up on missing inventory items and take necessary preventive actions. The licensing office should ensure all sold items are recorded timely and accurately.

WE RECOMMEND the County Commission:

- A. Reconcile county fees charged and collected by the license office to amounts deposited into the county fee account and any differences should be investigated.
- B. Ensure the licensing office follows up on missing inventory items and takes necessary actions to prevent further losses. The licensing office should ensure the inventory items are recorded timely and accurately.

AUDITEE'S RESPONSE

- A. *The County Commission stated they will begin reviewing the monthly report in December 2005 to ensure the amount is correct.*
- B. *The County Commission stated that the license office has started using a new computer system which will help to prevent future inventory losses.*

Follow-Up on Prior Audit Findings

MARIES 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 Maries County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2000.

Any 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 Expenditures and Revenues

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.
- B. The county did not obtain or retain supporting documentation for some travel related expenditures.
- C. Invoices were not always noted as paid or otherwise canceled upon payment.
- D. The county entered into a contract with an individual to coordinate 911 services and do rural addressing in the county. The contract provided that the county would pay the individual \$200 per month for May, June, and July 1995 and \$500 per month beginning September 1, 1995, and until December 31, 1996 when all work was to be completed. The work was not completed until March 2001, and the county continued to pay this individual \$500 per month without an amended contract. The county did not receive or maintain any documentation of actual services rendered or time spent each month to determine whether the amount paid was reasonable compared to the services rendered.
- E. The county did not have an adequate drug-free workplace policy in compliance with federal requirements. Although the county's personnel manual had a general policy statement prohibiting bringing drugs to the workplace or using them while on duty, the policy did not include specific statements about the actions that would be taken against violators. In addition, there was no evidence that an ongoing awareness program existed.
- F. The county did not receive 911 surcharge fees due from a telecommunications company totaling \$2,552.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Ensure adequate documentation is received and maintained to support all expenditures.
- C. Ensure invoices are properly canceled upon payment.
- D. Require detailed documentation of the services provided to ensure payments are reasonable. In the future, the county needs to develop contracts which clearly specify the services to be provided to the county in exchange for compensation.
- E. Establish a drug-free workplace policy and applicable drug-free awareness programs to ensure compliance with the Drug-Free Workplace Act.
- F. And the County Treasurer monitor receipts received to ensure recurring amounts due are collected.

Status:

- A-C. Not implemented. See MAR No. 1.
- D. This contract ended in March 2001.
- E. Implemented.
- F. Implemented. The county collected these surcharge fees in October 2001.

2. County's Financial Condition and Sales Tax

The 2001 budget reflected an anticipated decline in cash balance of approximately \$77,000 resulting in an estimated ending cash balance of approximately \$5,400 at December 31, 2001. In anticipation of the fund's declining financial condition, the County Commission submitted to the voters of Maries County and passed a one-half of one percent sales tax for the purpose of general operations in November 2001. Although the ballot did not specify a statutory reference, the County Clerk indicated that this sales tax was imposed under Section 67.547, RSMo. With this additional general operations sales tax, the county has imposed a levy of one-half of one percent above the statutory maximum allowed by Section 67.547.

Recommendation:

The County Commission review the overall sales taxes being levied and ensure they are in accordance with state statutes. In addition, the County Commission should consider passing a sales tax under another Section of RSMo and closely monitor the financial condition of the General Revenue Fund.

Status:

Not implemented. The county's financial condition appears to be stabilized. The General Revenue Fund's cash balance has increased from \$10,261 at January 1, 2002 to \$259,309 at December 31, 2004. The county has not passed any additional sales tax, and no other changes have occurred. In the 2002 and 2000 audit reports, the County Commission responded, "In the best interest of Maries County, the sales tax was distributed as it was presented to the voters on the November 6, 2001 ballot. The voters passed this tax by an overwhelming margin. The statute number was not printed on the ballot. The 1990 sales tax has been and will continue to be distributed as it was presented to the voters." Although not repeated in the current report, our recommendation remains as stated above.

3. Budgets and Financial Reporting

- A. Actual expenditures exceeded budgeted amounts for various funds. In addition, budget amendments were not properly handled.
- B. Formal budgets were not prepared for various county funds for the years ended December 31, 2000 and 1999.
- C. The county's annual published financial statements did not include the financial activity for some county funds.
- D. The 2000 General Revenue Fund budget was amended to allow for \$108,005 in additional costs associated with various elected officials' offices. However, the budget was only amended for additional revenue sources totaling \$27,246 and did not include other available resources to offset the deficit budget balance.

Recommendation:

The County Commission:

- A. Implement procedures to ensure budgets are properly amended, if necessary, expenditures are kept within budgetary limits, and ensure budget amendments are properly made prior to incurring the actual expenditures, ensure valid reasons which necessitate excess disbursements are provided, and public hearings are held prior to adopting budget amendments as required by state law.

- B. Ensure budgets are obtained or prepared for all county funds.
- C. Ensure financial information, as provided for by law, is properly presented in the published financial statements for all county funds.
- D. Discontinue deficit budgeting.

Status:

A-D. Not implemented. See MAR No. 3.

4. County Officials' Compensation and Bonds

- A. Section 50.333.13, RSMo, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. Based on this statute, Maries County's Associate County Commissioners' salaries were each increased approximately \$2,200, yearly. On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office.
- B. County officials received a two and a half percent cost of living adjustment (COLA) in both January 1999 and 2000. However, the salary commission minutes did not clearly document the approval of the COLA. In addition, the Salary Commission approved an increase in elected officials' salaries by ten percent of the difference between the current salaries and the statutory maximum, effective for the terms of office beginning in 1999. There was not adequate information in the salary commission minutes or a written legal opinion from the Prosecuting Attorney to support these increases and the method used to calculate them.
- C. Various county employees who handled monies were not bonded.
- D. The entire cost of the County Treasurer's and County Collector's bonds were paid from the School Fines Fund.

Recommendation:

The County Commission:

- A. Review the impact of this court decision and develop and plan for obtaining repayment of the salary overpayments.

- B. Ensure all salary commission minutes clearly document all decisions made and obtain written legal opinions from the Prosecuting Attorney to support their decisions.
- C. Acquire a bond for all county employees handling assets.
- D. Authorize the transfer of \$1,073 from the General Revenue Fund to the School Fines Fund and, in the future, pay the County Collector's bond and the county portion of the County Treasurer's bond from the General Revenue Fund.

Status:

- A. Not implemented. The County Commission has verbally agreed the mid-term salary increase will not be paid back to the county. However, there is no formal documentation supporting this contention. Although not repeated in the current MAR, our recommendation remains as stated as above.
- B&D. Not implemented. See MAR No. 2.

C. Implemented.

5. Property Tax System and Computer Controls

- A. Controls over property tax additions and abatements were not adequate.
- B. The Assessor's office did not always retain the original forms prepared to support the changes to the property tax data files for real estate additions, abatements, and supplements.
- C. The County Clerk did not maintain an account book with the County Collector.
- D. The County Clerk did not prepare the Land and Personal Tax Aggregate Abstract and the Railroad and Utility Aggregate Abstracts for 1999 and 2000.
- E. Passwords which restrict employee access to computer files were not changed periodically to prevent unauthorized access to computer files.

Recommendation:

The County Commission:

- A. Revise the addition/abatement process so that the County Collector does not have the capability to make changes to the property tax data or ensure that independent comparisons of these changes to tax data files are performed along with subsequent verification with the County Collector's annual settlement.

- B. Ensure the Assessor's office maintains supporting documentation of all real estate additions, abatements, and supplements.
- C. Ensure the County Clerk establishes and maintains an account book with the County Collector for the County Commission to use to verify the accuracy of the County Collectors' annual settlements.
- D. Ensure the County Clerk prepares and files the Land and Personal Tax Aggregate Abstract and the Railroad and Utility Aggregate Abstract with the Department of Revenue and State Tax Commission as required.
- E. Ensure the County Assessor, County Collector, County Treasurer, and the County Clerks' offices passwords are changed periodically and remain confidential.

Status:

A, B

&D. Implemented.

C. Not implemented. See MAR No. 11.

E. Not implemented. See MAR No. 6.

6. General Fixed Assets

The County Commission or its designee had not maintained a complete detailed record of 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, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

The County Commission should ensure adequate insurance coverage is obtained for all county assets. In addition, quarterly inspections of all county land and buildings should be performed, and property control tags should be affixed on all fixed assets immediately upon receipt.

Status:

Not implemented. See MAR No. 4.

7. Sheriff's Records and Procedures

- A. The bond account had several significantly aged items. In addition, the cash balance in the bond account exceeded the total open items balance by approximately \$417. An open items listing was not prepared for the regular account.
- B. Checks and money orders received were not restrictively endorsed immediately upon receipt.
- C. Receipts were deposited approximately once a week.
- D. The method of payment was not always indicated on the receipt slips.
- E. Civil fees were turned over to the Treasurer annually in 1999 and semi-annually in 2000, respectively.
- F. Checks written on the Sheriff's office accounts had been outstanding for over one year.
- G. The Sheriff's office did not maintain mileage and fuel logs.
- H. The Sheriff did not maintain records to document the number and the average cost of meals served to inmates.

Recommendation:

The Sheriff:

- A. Establish procedures to routinely follow-up on open items remaining over a period of time to determine the proper disposition. Investigate differences between the open items listing and the reconciled bank balance and if applicable, any unidentified monies should be disposed of in accordance with state law. In addition, monthly listings of open items should be prepared and reconciled to the cash balance for all accounts.
- B. Restrictively endorse checks immediately upon receipt.
- C. Deposit receipts daily or when accumulated receipts exceed \$100.
- D. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- E. Turn over all fees monthly to the County Treasurer and prepare and file monthly reports of fees received, as required by state law.

- F. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable period of time.
- G. Require mileage and fuel usage logs to be maintained and reconciled to the amount of fuel purchased. In addition, any documentation of these reconciliations as well as all mileage and fuel logs should be properly retained. Any significant differences should be investigated and resolved.
- H. Ensure records are maintained to account for the number and average cost of meals served to inmates.

Status:

- A. Partially implemented. Bond account open items remaining over a period of time are now properly disposed; however, the cash balance in the bond account still exceeds the total open items balance and an open items list is not maintained for the regular account. See MAR No. 7.
- C. Not implemented. See MAR No. 7.
- B&D. Implemented.
- E. Partially implemented. Although civil fees are turned over to the Treasurer monthly, interest earned on the account was not turned over on a timely basis. See MAR No. 7.
- H. Not implemented. Although records are maintained of the total food cost and the number of jail days, the Sheriff does not document his calculation of the average daily cost of the meals. Although not repeated in the current report, our recommendation remains the same as stated above.

8. License Office Records and Procedures

- A. All fees charged and collected were not accounted for properly.
- B. The license office waived county fees for county employees and relatives of employees of the license office.
- C. Accurate balances were not maintained in the check register and bank reconciliations were not properly reconciled to the check book register. In addition, the license office manager performed all duties of receiving, recording, and depositing receipts and also prepared the bank reconciliations.
- D. The method of payment was not always indicated on the DOR receipt forms which included the county agent fees.

Recommendation:

The County Commission:

- A. Reconcile county fees charged and collected by the license office to amounts deposited into the county fee account, and any differences should be investigated.
- B. Review whether county employees' county license fees should be waived and, if necessary, update the personnel policy. In addition, the county should discontinue waiving fees for relatives of license office employees.
- C. Ensure the license office prepares accurate check registers and bank reconciliations, and any errors are corrected. In addition, adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Ensure the license office indicates the method of payment on DOR receipt forms, and reconciles the composition of receipts to the composition of the monies being deposited.

Status:

- A. Not implemented. See MAR No.13.
- B. Implemented. The county discontinued waiving license fees for county employees and relatives of license office employees.
- C. Implemented.
- D. Not implemented. The license office is in the process of putting in a new computer system which requires certain information including method of payment. Although not repeated in the current report, our recommendation remains the same as stated above.

9. Public Administrator's Procedures

- A. Annual settlements and annual status reports were not filed in a timely manner.
- B. The Public Administrator did not file an inventory and appraisal for two of her estates in a timely manner.
- C. The Public Administrator held monthly retirement checks totaling \$1,927 that had accumulated over a sixteen month period before depositing them into one estate's bank account.

- D. The Public Administrator did not always pay bills in a timely manner.
- E. Real estate owned by one client was not accounted for on the annual settlements.

Recommendation:

- A&B. The Associate Circuit Judge require the Public Administrator to file the annual settlements and/or status reports in a timely manner, and file inventories and appraisements within statutory timeframes for all cases.
- C. The Public Administrator deposit receipts daily or when accumulated receipts exceed \$100.
- D. The Public Administrator pay all bills when due.
- E. The Public Administrator list any real estate as assets on the annual settlements.

Status:

A-E. Implemented.

10. Prosecuting Attorney's Records and Procedures

- A. Money orders received were not restrictively endorsed immediately upon receipt.
- B. Deposits were made approximately once a week.
- C. The Prosecuting Attorney occasionally reduced the amount of bad check fees charged to the bad check writer without documenting his approval in the case file.
- D. The duties of receiving, recording, and depositing monies were all performed by the Prosecuting Attorney's administrative assistant. In addition, there was no indication that supervisory reviews were performed to ensure that all transactions were accounted for properly and assets were adequately safeguarded.

Recommendation:

The Prosecuting Attorney:

- A. Restrictively endorse money orders immediately upon receipt.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Document the reductions of bad check fees charged.

- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.

Status:

A&B. Not implemented. See MAR No. 12.

C&D. Implemented.

11. County Clerk's Procedures

- A. Fees collected by the County Clerk were not turned over to the County Treasurer on a timely basis.
- B. The method of payment was not indicated on the receipt slips.
- C. Checks received were not restrictively endorsed immediately upon receipt.

Recommendation:

The County Clerk:

- A. Turn over all fees to the County Treasurer on a monthly basis as required by state law.
- B. Indicate the method of payment on all receipts, and reconcile the composition of receipts to the composition of the monies transmitted to the County Treasurer.
- C. Restrictively endorse checks immediately upon receipt.

Status:

- A. Implemented. Although fees are turned over to the County Treasurer monthly, receipts averaged \$530 per month and should be transmitted on a more timely basis. See MAR No. 11.

B&C. Implemented.

12. Associate Circuit Division Procedures

The Associate Circuit Division did not use prenumbered receipt slips to adequately account for all receipts.

Recommendation:

The Associate Circuit Division issue prenumbered receipt slips for all monies received and account for their numerical sequence.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MARIES COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1855, the county of Maries was named after the two principal streams flowing through the county, the Big and Little Maries Rivers. Maries County is a county-organized, third-class county and is part of the Twenty-Fifth Judicial Circuit. The county seat is Vienna.

Maries 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 398 miles of county roads and approximately 20 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 7,551 in 1980 and 8,903 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2004	2003	2002	2001	1985*	1980**
		(in millions)					
Real estate	\$	51.9	50.7	49.7	47.8	22.0	11.4
Personal property		21.8	21.5	19.7	18.9	5.5	4.4
Railroad and utilities		13.9	14.9	13.9	14.6	9.5	7.2
Total	\$	87.6	87.1	83.2	81.3	37.0	23.0

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2004	2003	2002	2001
General Revenue Fund	\$	0.3300	0.3500	0.3300	0.3200
Road and Bridge Fund #1*		0.2729	0.2685	0.2685	0.2600
Road and Bridge Fund #2*		0.2336	0.2336	0.2289	0.2300

* The county retains all tax proceeds from areas not within road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the two county Road and Bridge Funds retain 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),			
	2005	2004	2003	2002
State of Missouri	\$ 27,301	26,537	25,312	24,660
General Revenue Fund	296,792	304,313	275,182	260,793
Road and Bridge Fund #1	109,788	107,303	96,548	93,263
Road and Bridge Fund #2	87,599	83,947	81,586	78,803
Assessment Fund	56,521	47,390	36,294	33,054
Special road districts	31,505	30,129	30,854	29,776
Library	144,917	140,612	133,958	130,572
Tax Maintenance Fund	8,570	7,678	3,751	0
School districts	2,823,569	2,789,392	2,511,182	2,448,668
Ambulance districts	196,379	188,679	180,640	175,804
Fire protection district	52,470	55,068	47,005	42,602
Cities	76,356	63,366	13,723	14,451
County Clerk	992	951	995	968
County Employees' Retirement	24,201	20,912	20,390	19,993
Commissions and fees:				
General Revenue Fund	64,133	63,903	56,473	53,239
Total	\$ 4,001,092	3,930,181	3,513,895	3,406,646

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2005	2004	2003	2002	
Real estate	94	94	94	94	%
Personal property	92	91	91	91	
Railroad and utilities	100	100	98	100	

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ 0.005	None	50	%
1/3 Sales Tax	0.005	None	None	
Citizens Safety	0.005	March 2007	None	

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

Officeholder	2005	2004	2003	2002	2001
County-Paid Officials:	\$				
James Kleffner, Presiding Commissioner		21,052	20,639	20,046	19,503
Glenn Dressendofer, Associate Commissioner		18,891	18,521	17,909	17,349
Ed Fagre, Associate Commissioner		18,891	18,521	17,909	17,349
Rhonda Brewer, County Clerk		30,335	29,740	29,075	28,465
Richelle Martin, Prosecuting Attorney		35,378	34,684	33,698	32,796
Doug DiNatale, Sheriff		34,727	34,046	33,273	32,565
Rhonda Slone, County Treasurer		21,047	20,634	19,928	19,281
David Martin, County Coroner		6,458	6,331	5,836	5,496
Eugene Meyer, Public Administrator		16,074	15,759	13,171	12,945
Jayne Helton, County Collector, year ended February 28 (29),	30,764	30,161	29,562	29,014	
Judy Logan, County Assessor *, year ended August 31,		33,585	32,818	32,664	32,388

* Includes \$878 and \$752 annual compensation received from the state in 2004 and 2003, respectively, and \$900 annual compensation received from the state in 2002 and 2001.

State-Paid Officials:

Leo Thompson, Circuit Clerk and Ex Officio Recorder of Deeds		47,900	47,300	47,300	47,300
John Clayton, Associate Circuit Judge		96,000	96,000	96,000	96,000

As of December 31, 2004, the county has seven outstanding loans for 15 pieces of road and bridge equipment with a total outstanding principal balance of \$818,659.