



Claire McCaskill

Missouri State Auditor

December 2006

Hickory County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of
Missouri State Auditor
Claire McCaskill

December 2006

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Hickory, that do not have a county auditor. In addition to a financial 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.

- The county did not always solicit bids, or bid documentation was not always retained, for some purchases including new and used vehicles and ballots. The County Commission also failed to document their justification (or reasons) to purchase a 2005 large sport utility vehicle for the exclusive use of the Sheriff. In addition, controls over fuel usage in the Sheriff's office and the road and bridge department need improvement. Further, Forms 1099 Miscellaneous were not always prepared when applicable, and the county did not always enter into contracts when appropriate such as for boarding of prisoners and dispatching services.
- The County Collector's bond was less than the amount required by state law, and it is not clear whether certain other elected officials met statutory minimum requirements for bonding.
- Three employees of the Sheriff's office and the Sheriff used county property while performing duties as part-time employees of a private company contracted to provide security for the Federal Emergency Management Assistance (FEMA) office set up in the county to serve victims of the March 2006 tornado. These four individuals were paid a total of \$4,670 by the security company for their service.
- The Sheriff's office is holding conceal and carry permit fees in a bank account outside the county treasury in apparent violation of state law, and accounting controls over these fees are in need of improvement. In addition, accounting duties have not been adequately segregated in the Sheriff's office, procedures over civil processing fees need improvement, and the method of payment was not always indicated on receipt slips.
- The Prosecuting Attorney's office does not require a signed payment plan for bad check writers making partial payments and does not adequately monitor court ordered restitution. In addition, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner, and the

(over)

YELLOW SHEET

Prosecuting Attorney's secretary can reduce the amount of bad check fees charged to the bad check writer without obtaining approval from the Prosecuting Attorney.

- The Circuit Clerk's office has not established adequate procedures to ensure all accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) are adequately identified and pursued. Upon our request, the Circuit Clerk ran a report of accrued costs totaling \$253,372 due to the Circuit Court as of April 17, 2006; however, the Circuit Clerk did not regularly run and review this report. In addition, the court does not adequately review the status of case liabilities (or open items), and accounting duties are not adequately segregated in the Circuit Clerk's office.
- Various weaknesses exist in the accounting controls and procedures of the health center including the functions of cash receipting, depositing and reconciling. Further, review procedures over Health Center expenditures are in need of improvement and employee timesheets were not signed by the employee and contained no documentation of supervisory review. In addition, general capital asset records and procedures need improvement, the health center's published financial statement did not include the level of detail required by state law, and budget amendments were not filed as required. Finally, procedures related to closed session meetings of the Health Center Board were not always adequate and did not always comply with state law.

This audit also suggested improvements related to County Commission closed minutes and in the procedures of the Associate Circuit Court, Public Administrator, and Assessor.

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

HICKORY COUNTY, MISSOURI

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FINANCIAL SECTION

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Hickory 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 Hickory County, Missouri, as of and for the years ended December 31, 2005 and 2004. 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 Hickory County, Missouri, as of December 31, 2005 and 2004, 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 Hickory 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, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 28, 2006, 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 Hickory 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

August 28, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Allison Tillery, CPA
Senior III:	April McHaffie Lathrom, CPA
In-Charge Auditor:	Ted Fugitt, CPA
Audit Staff:	Roberta Bledsoe
	Candace Copley
	Melissa DeJarnette
	Diane Smiley
	Alex Parke



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 Hickory County, Missouri

We have audited the financial statements of various funds of Hickory County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 28, 2006. 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 Hickory 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Hickory 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*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

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

August 28, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

HICKORY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 495,697	1,400,970	1,398,458	498,209
Special Road and Bridge	160,453	723,861	693,999	190,315
Assessment	11,163	146,197	142,828	14,532
Law Enforcement Training	901	1,304	1,590	615
Prosecuting Attorney Training	1,121	332	438	1,015
Recorder User	39,394	10,666	7,683	42,377
Law Enforcement Drug	3,024	54	1,364	1,714
Prosecuting Attorney Bad Check	7,860	5,733	3,708	9,885
Children Trust	181	238	0	419
Police Officer Standards Training	2,107	516	0	2,623
Sheriff Special	13,704	9,099	15,347	7,456
Elections	15,803	7,342	4,745	18,400
Tax Maintenance	16,602	9,266	0	25,868
Capital Projects	0	111,533	0	111,533
Health Center	81,637	266,010	240,286	107,361
Associate Court Interest	132	12	110	34
Circuit Clerk Interest	274	727	170	831
Law Library	307	3,525	3,224	608
John Sally Trust	51,444	1,450	0	52,894
Sheriff Revolving	1,686	407	0	2,093
Passport	0	1,020	0	1,020
Total	\$ 903,490	2,700,262	2,513,950	1,089,802

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

Exhibit A-2

HICKORY 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	\$ 486,020	1,286,941	1,277,264	495,697
Special Road and Bridge	149,213	709,305	698,065	160,453
Assessment	13,110	125,166	127,113	11,163
Law Enforcement Training	745	1,064	908	901
Prosecuting Attorney Training	1,296	268	443	1,121
Recorder User	36,303	10,388	7,297	39,394
Law Enforcement Drug	6,320	72	3,368	3,024
Prosecuting Attorney Bad Check	8,243	4,064	4,447	7,860
Children Trust	129	3,537	3,485	181
Police Officer Standards Training	2,107	542	542	2,107
Sheriff Special	13,143	10,695	10,134	13,704
Elections	2,319	17,309	3,825	15,803
Tax Maintenance	7,819	8,783	0	16,602
Health Center	65,701	246,595	230,659	81,637
Associate Court Interest	209	23	100	132
Circuit Clerk Interest	2,006	168	1,900	274
Law Library	498	3,240	3,431	307
John Sally Trust	50,453	991	0	51,444
Sheriff Revolving	0	2,775	1,089	1,686
Total	\$ 845,634	2,431,926	2,374,070	903,490

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

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,202,623	2,698,835	(503,788)	2,549,797	2,429,151	(120,646)
DISBURSEMENTS	3,338,617	2,513,950	824,667	2,709,012	2,372,981	336,031
RECEIPTS OVER (UNDER) DISBURSEMENTS	(135,994)	184,885	320,879	(159,215)	56,170	215,385
CASH, JANUARY 1	901,664	901,804	140	845,634	845,634	0
CASH, DECEMBER 31	765,670	1,086,689	321,019	686,419	901,804	215,385
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	138,062	129,632	(8,430)	139,098	140,012	914
Sales taxes	794,312	795,340	1,028	809,285	800,302	(8,983)
Intergovernmental	245,906	250,325	4,419	230,700	115,424	(115,276)
Charges for service:	157,230	158,784	1,554	146,633	161,019	14,386
Interest	19,069	17,210	(1,859)	11,419	12,582	1,163
Other	31,400	35,679	4,279	41,985	43,602	1,617
Transfers in	14,000	14,000	0	14,000	14,000	0
Total Receipts	1,399,979	1,400,970	991	1,393,120	1,286,941	(106,179)
DISBURSEMENTS						
County Commissioner	73,760	72,399	1,361	72,260	71,153	1,107
County Clerk	68,885	65,789	3,096	64,496	62,604	1,892
Elections	28,445	23,881	4,564	49,605	47,159	2,446
Buildings and grounds	96,988	69,587	27,401	68,166	50,573	17,593
Employee fringe benefit	119,027	119,637	(610)	123,457	112,540	10,917
County Treasurer	26,760	26,453	307	26,760	25,956	804
County Collector	70,745	68,179	2,566	68,706	67,828	878
Ex Officio Recorder of Deed	28,185	26,487	1,698	28,605	26,261	2,344
Associate Circuit (Probate)	6,300	2,929	3,371	6,300	2,616	3,684
Court administration	20,265	11,307	8,958	12,693	9,864	2,829
Public Administrator	23,000	22,652	348	19,000	17,155	1,845
Sheriff	420,303	415,627	4,676	393,980	393,155	825
Jail	45,520	38,788	6,732	45,640	42,095	3,545
Prosecuting Attorney	71,558	66,863	4,695	67,131	66,521	610
Juvenile Offices	12,114	12,126	(12)	10,573	5,970	4,603
County Coroner	14,130	10,488	3,642	15,355	13,654	1,701
Juvenile Detention Center	19,374	0	19,374	15,194	4,457	10,737
Insurance	42,000	43,970	(1,970)	32,962	39,342	(6,380)
Publications	2,500	1,735	765	8,250	7,720	530
University Extension	32,108	32,108	0	28,358	28,358	0
Emergency management	1,000	794	206	6,550	6,518	32
Fire and rescue	10,000	10,000	0	11,500	11,458	42
Worker's compensation claim	0	0	0	12,501	11,561	940
Emergency radio equipment	95,700	95,700	0	95,700	0	95,700
Emergency response:	9,750	9,791	(41)	23,330	13,580	9,750
Debt service	0	0	0	91,178	91,179	(1)
Other	17,392	12,865	4,527	16,352	12,487	3,865
Transfers out	138,303	138,303	0	35,500	35,500	0
Emergency Fund	45,000	0	45,000	40,000	0	40,000
Total Disbursements	1,539,112	1,398,458	140,654	1,490,102	1,277,264	212,838
RECEIPTS OVER (UNDER) DISBURSEMENTS	(139,133)	2,512	141,645	(96,982)	9,677	106,659
CASH, JANUARY 1	495,697	495,697	0	486,020	486,020	0
CASH, DECEMBER 31	356,564	498,209	141,645	389,038	495,697	106,659

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	214,392	206,999	(7,393)	201,090	208,148	7,058
Intergovernmental	991,524	500,942	(490,582)	515,576	482,383	(33,193)
Interest	6,751	6,891	140	4,600	4,657	57
Other	0	9,029	9,029	14,063	14,117	54
Total Receipts	<u>1,212,667</u>	<u>723,861</u>	<u>(488,806)</u>	<u>735,329</u>	<u>709,305</u>	<u>(26,024)</u>
DISBURSEMENTS						
Salaries	257,371	249,718	7,653	240,680	235,772	4,908
Employee fringe benefit	58,094	55,969	2,125	55,868	47,411	8,457
Supplies	93,500	98,740	(5,240)	77,300	78,582	(1,282)
Insurance	8,335	8,335	0	8,736	7,979	757
Road and bridge materials	138,500	118,971	19,529	133,786	128,430	5,356
Equipment repairs	53,000	43,454	9,546	32,500	36,051	(3,551)
Equipment purchases	43,216	31,917	11,299	27,500	25,716	1,784
Construction, repair, and maintenance	541,300	25,089	516,211	108,206	76,731	31,475
Debt service	35,745	35,745	0	22,750	35,745	(12,995)
Other	13,056	12,061	995	35,745	11,648	24,097
Transfers out	14,000	14,000	0	14,000	14,000	0
Total Disbursements	<u>1,256,117</u>	<u>693,999</u>	<u>562,118</u>	<u>757,071</u>	<u>698,065</u>	<u>59,006</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(43,450)</u>	<u>29,862</u>	<u>73,312</u>	<u>(21,742)</u>	<u>11,240</u>	<u>32,982</u>
CASH, JANUARY 1	160,453	160,453	0	149,213	149,213	0
CASH, DECEMBER 31	<u>117,003</u>	<u>190,315</u>	<u>73,312</u>	<u>127,471</u>	<u>160,453</u>	<u>32,982</u>
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	96,572	106,335	9,763	83,737	88,872	5,135
Charges for services	500	941	441	500	410	(90)
Interest	558	618	60	386	384	(2)
Transfers in	38,303	38,303	0	35,500	35,500	0
Total Receipts	<u>135,933</u>	<u>146,197</u>	<u>10,264</u>	<u>120,123</u>	<u>125,166</u>	<u>5,043</u>
DISBURSEMENTS						
Assessor	137,077	132,828	4,249	133,009	127,113	5,896
Transfers out	10,000	10,000	0	0	0	0
Total Disbursements	<u>147,077</u>	<u>142,828</u>	<u>4,249</u>	<u>133,009</u>	<u>127,113</u>	<u>5,896</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(11,144)</u>	<u>3,369</u>	<u>14,513</u>	<u>(12,886)</u>	<u>(1,947)</u>	<u>10,939</u>
CASH, JANUARY 1	11,163	11,163	0	13,110	13,110	0
CASH, DECEMBER 31	<u>19</u>	<u>14,532</u>	<u>14,513</u>	<u>224</u>	<u>11,163</u>	<u>10,939</u>
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,000	1,304	304	1,200	1,064	(136)
Total Receipts	<u>1,000</u>	<u>1,304</u>	<u>304</u>	<u>1,200</u>	<u>1,064</u>	<u>(136)</u>
DISBURSEMENTS						
Sheriff	1,700	1,590	110	1,945	908	1,037
Total Disbursements	<u>1,700</u>	<u>1,590</u>	<u>110</u>	<u>1,945</u>	<u>908</u>	<u>1,037</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(700)</u>	<u>(286)</u>	<u>414</u>	<u>(745)</u>	<u>156</u>	<u>901</u>
CASH, JANUARY 1	901	901	0	745	745	0
CASH, DECEMBER 31	<u>201</u>	<u>615</u>	<u>414</u>	<u>0</u>	<u>901</u>	<u>901</u>

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	200	332	132	270	268	(2)
Total Receipts	200	332	132	270	268	(2)
DISBURSEMENTS						
Prosecuting Attorney	500	438	62	500	443	57
Total Disbursements	500	438	62	500	443	57
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(106)	194	(230)	(175)	55
CASH, JANUARY 1	1,121	1,121	0	1,296	1,296	0
CASH, DECEMBER 31	821	1,015	194	1,066	1,121	55
<u>RECORDER USER FUND</u>						
RECEIPTS						
Charges for service:	10,500	9,372	(1,128)	13,000	9,555	(3,445)
Interest	1,159	1,294	135	653	833	180
Total Receipts	11,659	10,666	(993)	13,653	10,388	(3,265)
DISBURSEMENTS						
Recorder of Deeds	12,000	7,683	4,317	13,000	7,297	5,703
Total Disbursements	12,000	7,683	4,317	13,000	7,297	5,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	(341)	2,983	3,324	653	3,091	2,438
CASH, JANUARY 1	39,394	39,394	0	36,303	36,303	0
CASH, DECEMBER 31	39,053	42,377	3,324	36,956	39,394	2,438
<u>LAW ENFORCEMENT DRUG FUND</u>						
RECEIPTS						
Interest	100	54	(46)	135	72	(63)
Total Receipts	100	54	(46)	135	72	(63)
DISBURSEMENTS						
Sheriff	1,400	1,364	36	6,455	3,368	3,087
Total Disbursements	1,400	1,364	36	6,455	3,368	3,087
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,300)	(1,310)	(10)	(6,320)	(3,296)	3,024
CASH, JANUARY 1	3,024	3,024	0	6,320	6,320	0
CASH, DECEMBER 31	1,724	1,714	(10)	0	3,024	3,024
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	3,800	5,489	1,689	4,244	3,891	(353)
Interest	266	244	(22)	148	173	25
Total Receipts	4,066	5,733	1,667	4,392	4,064	(328)
DISBURSEMENTS						
Prosecuting Attorney	7,860	3,708	4,152	8,537	4,447	4,090
Total Disbursements	7,860	3,708	4,152	8,537	4,447	4,090
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,794)	2,025	5,819	(4,145)	(383)	3,762
CASH, JANUARY 1	7,860	7,860	0	8,243	8,243	0
CASH, DECEMBER 31	4,066	9,885	5,819	4,098	7,860	3,762

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN TRUST FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	3,185	3,185	0
Charges for service:	400	230	(170)	300	340	40
Interest	17	8	(9)	2	12	10
Total Receipts	417	238	(179)	3,487	3,537	50
DISBURSEMENTS						
Domestic Violence Shelte	400	0	400	3,485	3,485	0
Total Disbursements	400	0	400	3,485	3,485	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	17	238	221	2	52	50
CASH, JANUARY 1	181	181	0	129	129	0
CASH, DECEMBER 31	198	419	221	131	181	50
<u>POLICE OFFICER STANDARDS TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	542	516	(26)	542	542	0
Total Receipts	542	516	(26)	542	542	0
DISBURSEMENTS						
Sheriff	0	0	0	2,107	542	1,565
Total Disbursements	0	0	0	2,107	542	1,565
RECEIPTS OVER (UNDER) DISBURSEMENTS	542	516	(26)	(1,565)	0	1,565
CASH, JANUARY 1	2,107	2,107	0	2,107	2,107	0
CASH, DECEMBER 31	2,649	2,623	(26)	542	2,107	1,565
<u>SHERIFF SPECIAL FUND</u>						
RECEIPTS						
Charges for service:	7,600	9,099	1,499	0	10,695	10,695
Total Receipts	7,600	9,099	1,499	0	10,695	10,695
DISBURSEMENTS						
Sheriff	21,304	15,347	5,957	13,143	10,134	3,009
Total Disbursements	21,304	15,347	5,957	13,143	10,134	3,009
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,704)	(6,248)	7,456	(13,143)	561	13,704
CASH, JANUARY 1	13,704	13,704	0	13,143	13,143	0
CASH, DECEMBER 31	0	7,456	7,456	0	13,704	13,704

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTIONS FUND</u>						
RECEIPTS						
Intergovernmental	61,819	6,217	(55,602)	19,225	15,000	(4,225)
Charges for service:	250	570	320	1,800	1,884	84
Interest	152	555	403	75	114	39
Other	125	0	(125)	0	311	311
Total Receipts	62,346	7,342	(55,004)	21,100	17,309	(3,791)
DISBURSEMENTS						
Elections	71,623	4,745	66,878	8,225	3,825	4,400
Total Disbursements	71,623	4,745	66,878	8,225	3,825	4,400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,277)	2,597	11,874	12,875	13,484	609
CASH, JANUARY 1	15,803	15,803	0	2,319	2,319	0
CASH, DECEMBER 31	6,526	18,400	11,874	15,194	15,803	609
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	8,700	8,580	(120)	8,000	8,399	399
Interest	160	686	526	203	384	181
Total Receipts	8,860	9,266	406	8,203	8,783	580
DISBURSEMENTS						
Collector	25,461	0	25,461	16,022	0	16,022
Total Disbursements	25,461	0	25,461	16,022	0	16,022
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,601)	9,266	25,867	(7,819)	8,783	16,602
CASH, JANUARY 1	16,602	16,602	0	7,819	7,819	0
CASH, DECEMBER 31	1	25,868	25,867	0	16,602	16,602
<u>CAPITAL PROJECTS FUND</u>						
RECEIPTS						
Interest	0	1,533	1,533			
Transfers in	110,000	110,000	0			
Total Receipts	110,000	111,533	1,533			
DISBURSEMENTS						
Capital projects	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	110,000	111,533	1,533			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	110,000	111,533	1,533			

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	63,872	63,872	0	60,250	64,122	3,872
Intergovernmental	130,184	141,578	11,394	115,773	123,178	7,405
Charges for services	18,300	29,851	11,551	55,900	46,467	(9,433)
Interest	3,046	3,110	64	2,600	2,000	(600)
Other	27,452	27,599	147	10,000	10,828	828
Total Receipts	242,854	266,010	23,156	244,523	246,595	2,072
DISBURSEMENTS						
Salaries	148,764	148,231	533	147,813	141,629	6,184
Office expenditures:	22,353	20,293	2,060	22,300	19,202	3,098
Health program services	60,000	58,433	1,567	55,600	50,731	4,869
Equipment	2,765	2,125	640	6,500	6,088	412
Mileage and training	5,974	5,707	267	10,000	10,461	(461)
Other	5,600	5,497	103	2,500	2,548	(48)
Total Disbursements	245,456	240,286	5,170	244,713	230,659	14,054
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,602)	25,724	28,326	(190)	15,936	16,126
CASH, JANUARY 1	81,637	81,637	0	65,701	65,701	0
CASH, DECEMBER 31	79,035	107,361	28,326	65,511	81,637	16,126
<u>ASSOCIATE COURT INTEREST FUND</u>						
RECEIPTS						
Interest	0	12	12	40	23	(17)
Total Receipts	0	12	12	40	23	(17)
DISBURSEMENTS						
Associate Court	0	110	(110)	0	100	(100)
Total Disbursements	0	110	(110)	0	100	(100)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(98)	(98)	40	(77)	(117)
CASH, JANUARY 1	132	132	0	209	209	0
CASH, DECEMBER 31	132	34	(98)	249	132	(117)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	200	727	527	80	168	88
Total Receipts	200	727	527	80	168	88
DISBURSEMENTS						
Circuit Clerk	0	170	(170)	1,900	1,900	0
Total Disbursements	0	170	(170)	1,900	1,900	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	557	357	(1,820)	(1,732)	88
CASH, JANUARY 1	274	274	0	2,006	2,006	0
CASH, DECEMBER 31	474	831	357	186	274	88

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	3,300	3,525	225	3,300	3,240	(60)
Total Receipts	<u>3,300</u>	<u>3,525</u>	<u>225</u>	<u>3,300</u>	<u>3,240</u>	<u>(60)</u>
DISBURSEMENTS						
Law Library	3,607	3,224	383	3,798	3,431	367
Total Disbursements	<u>3,607</u>	<u>3,224</u>	<u>383</u>	<u>3,798</u>	<u>3,431</u>	<u>367</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(307)	301	608	(498)	(191)	307
CASH, JANUARY 1	307	307	0	498	498	0
CASH, DECEMBER 31	<u>0</u>	<u>608</u>	<u>608</u>	<u>0</u>	<u>307</u>	<u>307</u>
<u>JOHN SALLY TRUST FUND</u>						
RECEIPTS						
Interest	900	1,450	550	300	991	691
Total Receipts	<u>900</u>	<u>1,450</u>	<u>550</u>	<u>300</u>	<u>991</u>	<u>691</u>
DISBURSEMENTS						
Children services	5,000	0	5,000	5,000	0	5,000
Total Disbursements	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,100)	1,450	5,550	(4,700)	991	5,691
CASH, JANUARY 1	51,304	51,444	140	50,453	50,453	0
CASH, DECEMBER 31	<u>47,204</u>	<u>52,894</u>	<u>5,690</u>	<u>45,753</u>	<u>51,444</u>	<u>5,691</u>

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

Notes to the Financial Statements

HICKORY 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 Hickory County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Revolving Fund	2005 and 2004
Passport Fund	2005

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>
Associate Court Interest Fund	2005 and 2004
Circuit Clerk Interest Fund	2005

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.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Revolving Fund	2005 and 2004
Passport Fund	2005

In addition, the county's published financial statements for the years ended December 31, 2005 and 2004, did not disclose disbursement detail by vendor for the Health Center Fund.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. 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. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates

of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Hickory County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and Health Center Board's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

Investments

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. At December 31, 2005 and 2004, the county had no such investments. 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 adopted such a policy.

Schedule

HICKORY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2005 AND 2004

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

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

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

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Hickory County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 28, 2006.

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

The county did not always solicit bids, or bid documentation was not always retained for some purchases. The County Commission also failed to document their justification (or reasons) to purchase a 2005 large sport utility vehicle for the exclusive use of the Sheriff. In addition, controls over fuel usage in the Sheriff's office and road and bridge departments need improvement. Further, Forms 1099 Miscellaneous were not always prepared when applicable, and the county did not always enter into contracts when appropriate.

- A. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

<u>Item Purchased</u>	<u>Amount</u>
2005 Chevy Tahoe	\$31,614
Used 2004 Ford Crown Victoria	11,740
Used 2001 Chevy Impala	9,000
Ballots	4,927

The 2005 Chevy Tahoe listed above was purchased for and is exclusively used by the Sheriff. In addition to failing to document that bid requirements were met for this purchase, the County Commission also failed to document their justification (or reasons) to purchase a vehicle of this size and cost. The 2005 state bid for the most expensive sport utility vehicle was \$21,248. It is unclear why it was necessary to spend over \$10,000 more for the Sheriff's vehicle than for the most expensive sport utility vehicle on state bid.

The County Commission and County Clerk indicated that bids were solicited for some of these other purchases listed above through telephone calls or other means, or the item was only available from one vendor; however, documentation of these solicitations and sole source procurement were not maintained.

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

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. Further, county officials should ensure funds are only spent on items which are necessary and beneficial to county residents.

- B. Daily activity logs which document the mileage of patrol cars for Sheriff's office personnel were not compared to fuel purchases for propriety. In addition, the Sheriff did not maintain a daily activity log or other mileage log for his county owned vehicle. Fuel purchases made at local stations for the Sheriff's office totaled approximately \$29,000 and \$23,000 during 2005 and 2004 respectively.

Daily activity logs should be used to reconcile gasoline purchases and other maintenance charges. In addition, these logs should be maintained for all county owned vehicles and reviewed to ensure the vehicles are only used for county business.

- C. Fuel and usage logs are not maintained for each road and bridge vehicle or piece of equipment. As a result, fuel usage is not reconciled to fuel purchases. The road and bridge department maintains five fuel tanks, and fuel is also purchased at various gas stations in the county. During the years ending December 31, 2005 and 2004, the county spent approximately \$66,000 and \$48,000, respectively, for fuel for the road and bridge department.

Fuel and usage logs are necessary to document appropriate use of vehicles and equipment and to also support fuel charges. The logs should include the date, operator, purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles or hour readings for equipment.

- D. Although the county has procedures in place to file Forms 1099 MISC with the IRS, the county did not file Form 1099-MISC with the IRS for payments totaling \$2,250 made in 2004 to a doctor to testify in a court case. The County Clerk indicated that he was unaware that payment for services involving expert testimony in a court case would require filing Form 1099-MISC with the IRS.

Sections 6041 and 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- E. The county did not always enter into formal written agreements. For example, the county has not entered into written agreements, with the entities the county jail houses prisoners for or who house prisoners for Hickory County, regarding the housing rate to be paid, the services to be provided, or any required notification for emergency or non routine situations. Currently, Hickory County charges other counties \$35 a day to house their prisoners. In addition, billings sent to these entities direct payments be made to the Sheriff's office.

Further, the county does not have a current written agreement with the local hospital regarding dispatching services the Sheriff provides for a monthly fee of \$1,167. The Sheriff indicated the county uses the agreement signed and approved for the 2003-2004 years and fees have not changed.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, to provide better accountability and segregation over billing and collection procedures, billings for housing prisoners should require payment to be made directly to the County Treasurer.

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

WE RECOMMEND the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made. In addition, avoid purchases of unnecessary items.
- B. And the Sheriff adequately review fuel purchases for the Sheriff's office, including comparing daily activity logs to fuel purchases. Further, ensure daily activity logs are maintained for all vehicles and reviewed to ensure the vehicles are used only for county business.
- C. Ensure the road and bridge department maintains logs for vehicles and equipment which include the purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles or hour readings for equipment. In addition, ensure the logs are periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for county business.
- D. Ensure Forms 1099-MISC are prepared and submitted as required.
- E. And the Sheriff enter into contracts when appropriate and ensure the contracts contain adequate details and protections for the county.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A&D. We agree with these recommendations.

B. This will be discussed with the Sheriff.

C. We agree with the recommendation and will consider implementing.

E. We agree with the recommendation, and will work with the Sheriff to implement this.

2.**Closed Minutes**

Minutes were not prepared to document matters discussed during the only two closed meetings held by the County Commission during the years ending December 31, 2005 and 2004. The County Clerk indicated that no minutes were prepared because no motions were made or actions taken.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings, and provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the County Commission ensure minutes are taken for all closed meetings.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will comply with this recommendation.

3.**Officials' Bonds**

The County Collector's bond was less than the amount required by state law, and the county does not appear to have adequate bond coverage for several elected officials.

- A. The County Collector's bond was less than the amount required by state law. The County Collector is bonded for \$610,000 for the months of November through January and \$50,000 for the months of February through October. The \$610,000 bond for November through January was insufficient by approximately \$140,000. The \$50,000 bond for the remaining months was also insufficient in some months. The collector's bond is written for a four year term from March 2003 to February 2007, which coincides with his term of office. It appears an alternative method of calculating the required bond was used which resulted in the bond being for a lesser amount. However, this method is allowable only if certain conditions are met, including that the County Commission require the Collector deposit collections daily. No documentation existed that the County Commission had taken the actions necessary for the Collector's bond to be calculated based on this alternative method.

Per Section 52.020.1, RSMo, the county collector's bond for any one month should be for an amount equal to the average total monthly collection for the same month during the preceding four years (but not to exceed the largest total

collections made during any one month of the year preceding his election), plus ten percent of the amount and no collector shall be required to give bond in excess of seven hundred and fifty thousand dollars. Our calculations indicated the maximum bond requirement of \$750,000 was required for November through January.

- B. The county does not appear to have adequate bond coverage for several elected officials. The county secured a \$25,000 blanket bond for all county employees and believed it covered some of the elected officials; however, the wording of the bond is not clear on officials who are required by law to furnish an individual bond to qualify for office. The elected officials who may not be in compliance with statutory bonding provisions are as follows:

<u>Elected Official</u>	<u>Statutory Minimum</u>
County Clerk	\$ 5,000
Assessor	1,000
Sheriff	5,000
Coroner	1,000
Recorder of Deeds	1,000
Public Administrator	10,000
Surveyor	1,000

Sections 51.070, 53.040, 57.020, 58.050, 59.100, 60.030, and 473.730 RSMo, require these county officials to obtain minimum amounts of bond coverage as shown above. In addition as a means of safeguarding assets and reducing the county's risk in the event of any misappropriation of funds, these officials should be adequately bonded.

WE RECOMMEND the County Commission:

- A. And the County Collector ensure the bond coverage is sufficient as required by state law.
- B. Require all elected officials to be bonded as required by statute.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We agree, and this will be implemented when a new bond is purchased.*
- B. *We will review the blanket bond and request an opinion from the county Prosecuting Attorney. We agree with the recommendations of the auditor.*

The Collector provided the following response:

- A. *This will be corrected when the bond is renewed.*

4. Sheriff Controls and Procedures

Three employees of the Sheriff's office and the Sheriff used county property while performing duties as part-time employees of a private company. The Sheriff's office is holding conceal and carry permit fees in a bank account outside the county treasury in apparent violation of state law, and accounting controls over these fees are in need of improvement. In addition, accounting duties have not been adequately segregated in the Sheriff's office, procedures over civil processing fees need improvement, and the method of payment was not indicated on all receipt slips.

The Sheriff's office collected civil and criminal process fees, gun permit fees and cash bonds during the years ending December 31, 2005 and 2004 of approximately \$59,000 and \$49,000, respectively.

- A. Three employees of the Sheriff's office and the Sheriff used county property while performing duties as part-time employees of a private company. This company was contracted to provide security for the Federal Emergency Management Assistance (FEMA) office set up in the county to serve victims of the March 2006 tornado. These four individuals performed this work in official county uniform, used county firearms, vehicles, and communication equipment, and were also paid a total of \$4,670 by the security company for their service.

Personal use of county assets is not in accordance with the intended purpose of taxpayer funded resources.

- B. In April 2004, the Sheriff began receiving conceal and carry permit fees and opened a bank account with \$740 of these monies. The Sheriff's office received a total of \$407 and \$2,775 in conceal and carry permit fees in 2005 and 2004, respectively, and expended \$1,089 from this bank account in 2004. These permit fees are not turned over to the county treasurer.

Further, receipt slips are not issued for conceal and carry monies received, and monies received are not reconciled to the log of conceal and carry permit applicants maintained by the Sheriff's office.

Attorney General's Opinion No. 45 to Henderson, concluded that the Sheriff of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. The remaining account balances should be transferred to the county treasurer and future receipts should be transmitted to the county treasurer.

Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, and reconciling monies received to

the log of conceal and carry permit applicants, the Sheriff's office cannot ensure all monies collected are ultimately recorded and deposited.

- C. Accounting duties have not been adequately segregated in the Sheriff's office. A dispatcher collects monies, records transactions, and prepares deposits for conceal and carry permits. In addition, the Sheriff's bookkeeper collects monies, records transactions, prepares deposits, and prepares bank reconciliations for all other monies received. There are no documented reviews of the accounting records prepared by either the dispatcher or the bookkeeper performed by the Sheriff.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- D. Receipt slips are not always issued immediately upon receipt for civil processing fees, and these fees are not always deposited intact (or in a timely manner). Civil processing fees are not receipted or deposited until the related papers are attempted to be served. If an attempt to serve the papers cannot be made, the civil processing fee is returned.

In addition, the Sheriff's secretary maintains a computerized log which tracks civil processing fees received and due; however, procedures have not been established to determine total amounts due or to follow up on uncollected civil processing fees.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. In addition, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. If a refund is necessary, a refund should be made by check. Further, procedures should be established to follow up on uncollected civil process fees. If significant uncollected costs exist, the Sheriff should consider discontinuing services to delinquent entities until the billings are paid.

- E. The method of payment is not always indicated on the receipt slips issued by the Sheriff's office. The method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits to ensure receipts are handled properly.

Conditions similar to Parts C-E. were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Discontinue the practice of using and allowing county property to be used for personal purposes.

- B. Turn over custody of the conceal and carry bank account to the county treasurer and in the future, transmit these fees at least monthly to the county treasurer. In addition, require prenumbered receipt slips be issued for all monies received and the numerical sequence of those receipt slips be accounted for properly. Also, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to deposits. Further, reconcile monies received to the log of conceal and carry permit applicants.
- C. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- D. Require receipt slips to be issued immediately for civil process fees, and deposit all monies intact on a timely basis. If a refund is necessary, it should be made by check. In addition, establish procedures to follow-up on amounts due to the county for civil process service.
- E. Ensure the method of payment is recorded on the receipt slips and the composition is reconciled to deposits.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I agree with this recommendation.*
- B&C. *Procedures will be implemented to address these recommendations.*
- D. *I will contact other Sheriff's offices to discuss their procedures for civil processing fees in order to help improve our procedures.*
- E. *We will implement this recommendation.*

5. Prosecuting Attorney Controls and Procedures
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The Prosecuting Attorney's office does not require a signed payment plan for bad check writers making partial payments, and does not adequately monitor court ordered restitution. In addition, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner, and the Prosecuting Attorney's secretary can reduce the amount of bad check fees charged to the bad check writer without obtaining approval from the Prosecuting Attorney.

The Prosecuting Attorney's office collected bad check and other restitution and fees during the years ending December 31, 2005 and 2004 of approximately \$53,000 and \$38,000, respectively. Restitution payments are remitted directly to the victims or merchants on a periodic basis, and bad check fees are deposited into the Prosecuting Attorney bad check fee account.

- A. The Prosecuting Attorney allows bad check writers to make partial payments on restitution and fees. Defendants are not required to sign a partial payment agreement to document the amounts owed and establish a subsequent payment schedule.

A partial payment agreement signed by the defendant would formalize the liability to the Prosecuting Attorney and could aid in the collection of amounts owed.

- B. The Prosecuting Attorney's office does not adequately monitor court ordered restitution due from defendants. For example, the court ordered a defendant to make monthly restitution payments of \$75 beginning in May 2005 until the \$1,184 balance was paid off. A \$50 payment was received in June 2005, and no other payments were received from the defendant until March 13, 2006. There was no documentation in the case file to indicate any follow up procedures had been performed to collect the balance during this ten month period. Without active and timely pursuit of unpaid restitution and fees, revenues to the state, county, and others could be lost.

- C. Procedures have not been adopted by the Prosecuting Attorney to ensure that bad check complaints are filed with the court in a timely manner. For example, the Prosecuting Attorney received a bad check from a local vendor on November 21, 2005 and did not issue a ten day letter requesting payment of the bad check until January 5, 2006. Further, charges were not filed against the bad check writer until May 19, 2006, and payment of the bad check was not made by the check writer until June 12, 2006.

Procedures should be established to ensure bad check complaints are filed with the court after the ten-day letters are sent and payments have not been received for the bad checks written within the required ten days.

- D. The Prosecuting Attorney's secretary indicated that she reduces the amount of bad check fees charged to the bad check writer after obtaining verbal approval from the Prosecuting Attorney; however, documentation of the Prosecuting Attorney's approval is not maintained. To ensure bad check fees are properly charged and collected, all waivers should be adequately documented and approved by the Prosecuting Attorney.

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

WE RECOMMEND the Prosecuting Attorney:

- A. Obtain formal written agreements with bad check writers allowed to make partial payments.
- B. Establish procedures to properly monitor court ordered restitution, and ensure appropriate action is taken for individuals who are delinquent.
- C. Ensure ten day letters are sent and charges are filed on bad check cases in a timely manner.
- D. Approve and document all waivers of bad check fees.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *I will research this topic and make changes as necessary.*
- B&C. *A new computer accounting software system will be purchased next year that will assist us in implementing these recommendations.*
- D. *This will be implemented.*

6. Circuit Clerk Controls and Procedures

Adequate procedures have not been established to ensure all accrued costs are adequately identified and pursued, and the court does not make adequate efforts to review the status of case liabilities (or open items). In addition, accounting duties are not adequately segregated in the Circuit Clerk's office.

The Circuit Clerk's office processed receipts from fines, court costs, and bonds for criminal and civil cases of \$80,670 and \$76,519 during the years ending December 31, 2005 and 2004, respectively.

- A. Adequate procedures have not been established to ensure all accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) are adequately identified and pursued. Upon our request, the Circuit Clerk ran a report of accrued costs totaling \$253,372 due to the Circuit Court as of April 17, 2006. The Circuit Clerk did not regularly run and review this report.

The Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue. In addition, a complete accrued costs listing would allow the Circuit Clerk to more easily review the amounts owed to

the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.

- B. The court does not make adequate efforts to review the status of case liabilities (or open items). For example, the December 31, 2005 open items listing for the court totaled \$62,482, of which \$25,000 was a bond that was forfeited four months earlier on August 4, 2005. After we brought this to the attention of the Circuit Clerk, the bond was disbursed to the appropriate party on July 21, 2006.

The failure to routinely review open items deprives the state, county or others the use of those monies. A procedure to routinely review case liabilities (or open items) and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the court needs to perform a comprehensive review of old open items and dispose of monies as appropriate.

- C. Accounting duties are not adequately segregated in the Circuit Clerk's office. Currently, the Circuit Clerk performs most of the accounting duties, including receiving, depositing and disbursing monies, preparing bank reconciliations, and maintaining accounting records. The Circuit Clerk indicated some of the receiving and depositing duties are performed by the deputy clerk.

Internal controls would be improved by segregating the duties of receiving and depositing money from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits and an independent review of bank reconciliations.

WE RECOMMEND the Circuit Clerk:

- A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection of all costs owed to the court.
- B. Establish procedures to routinely review the status of old open items.
- C. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I will discuss implementation of procedures to follow up on and pursue timely collection of all costs owed to the court with the Circuit Judge.*

- B. *I will continue to review open items listings monthly. The \$25,000 bond was an oversight.*
- C. *We will consider segregating duties to the extent possible.*

7. Associate Court Controls and Procedures

Accounting duties have not been adequately segregated in the Associate Court. One deputy clerk collects monies, records transactions, prepares deposits, and prepares bank reconciliations. There are no documented reviews of the accounting records performed by the Associate Judge.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory review of the records should be performed and documented.

WE RECOMMEND the Associate Court segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Associate Court provided the following response:

This will be discussed with the newly elected Associate Judge.

8. Public Administrator Controls and Procedures
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Annual settlements were not always filed in a timely manner, adequate procedures were not in place to ensure client funds were adequately secured, and real estate owned by the various estate/wards was not always reported on the annual settlements.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the years ending December 31, 2005 and 2004, the Public Administrator handled approximately 16 cases.

- A. Annual settlements were not always filed in a timely manner. One settlement filed in April 2004 covered a 25 month period and another settlement filed in February 2004 covered a 22 month period.

Section 473.540, RSMo, requires settlements to be filed annually. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

- B. The Public Administrator has not established adequate procedures to ensure all client balances are adequately secured. The Public Administrator maintained funds for a client in a bank account totaling \$125,446 which were not adequately covered by collateral securities. The client's funds on deposit exceeded the Federal Deposit Insurance Corporation (FDIC) coverage by approximately \$25,446. No collateral securities were pledged by the depository bank to cover the monies in excess of the FDIC coverage.

Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

- C. Real estate owned by the various estate/wards was not always reported on the annual settlements. For example, real estate with a value of approximately \$70,000 was not reported in the beginning inventory of one estate's annual settlement. For settlements to accurately present the activity and status of a particular case, all assets should be properly reflected on the settlements.

WE RECOMMEND the Public Administrator and the Associate Judge:

- A. Ensure settlements are filed in a timely manner.
- B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- C. List any real estate as assets on the settlements.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *This is generally done and has been corrected.*
- B. *A partial distribution of this estate has been made, so this is no longer a problem.*
- C. *I discussed this with the attorney who prepares my settlements, and this has been corrected.*

The Associate Court provided the following response:

These recommendations will be discussed with the newly elected Associate Judge.

The Assessor's office accepts cash, checks, and money orders. Receipt slips are not issued for some monies received. In addition, receipts are not always transmitted to the County Treasurer intact or in a timely manner. Some cash receipts are used as a change fund or for petty cash expenditures of the office. Also, the change fund is not maintained at a constant amount, a petty cash ledger is not maintained, and supporting documentation of some petty cash expenditures was not retained. Further, the Assessor does not file a monthly report of fees with the County Commission.

Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the Assessor cannot ensure all monies collected are ultimately recorded and transmitted. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Further if a petty cash fund is needed, it should be kept on an imprest basis (meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of paid invoices or vouchers should always equal the predetermined balance) and all reimbursements should be supported by vendor invoices or other documentation. In addition, the Assessor should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

The Assessor's office processed receipts for maps and photocopies of approximately \$900 for the year ending December 31, 2005, according to budget actual numbers for the Assessment Fund. While the Assessor does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

WE RECOMMEND the Assessor issue official prenumbered receipt slips for all monies collected, and transmit all monies to the County Treasurer intact monthly. If a change fund or a petty cash fund is needed, it should be maintained at a constant amount or on an imprest basis. Documentation for expenditures of the office should be maintained to support reimbursement of the petty cash fund. Further, ensure to file a monthly report of fees with the County Commission as required by Section 50.370, RSMo.

AUDITEE'S RESPONSE

The County Assessor provided the following response:

Receipts will be issued for all monies received and will be transmitted monthly. A \$30 change fund has been established, and use of the petty cash fund has been discontinued. A monthly report of fees will be given to the County Treasurer.

10.

Health Center

Review procedures over Health Center expenditures are in need of improvement. The method of payment was not always recorded on receipt slips issued, nor was the composition of receipt slips reconciled to deposits. Receipts are not always deposited intact, and some receipt slips were not issued in order. In addition, employee timesheets were not signed by the employee and contained no documentation of supervisory review. General capital asset records and procedures need improvement. Procedures related to closed session meetings of the Health Center Board were not always adequate and did not always comply with state law. The health center's published financial statement did not include the level of detail required by state law, and budget amendments were not filed with the State Auditor's Office as required.

- A. Review procedures over Health Center expenditures are in need of improvement. The Health Center Administrator presents a listing of disbursements for the Health Center Board to approve at monthly meetings. While board minutes document that payables were reviewed and approved, the listings are not signed or initialed to indicate the Board's approval nor is the total dollar amount of expenditures approved included in the minutes.

In addition, our review of expenditures revealed a \$555 expenditure for generator parts was made in May 2005 which was not included in the listing of payables which the Board approved.

Further, although the Health Center Administrator indicated that she reviews each invoice prior to payment, she does not document her review. Also, invoices are not always noted as paid or otherwise canceled upon payment.

Good business practices require all disbursements to be closely scrutinized by the board and health center administrator and properly authorized. Failure to properly review supporting documentation and document the board and administrators' approval of disbursements increases the possibility of inappropriate disbursements occurring. In addition, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled.

- B. The method of payment was not always recorded on receipt slips issued nor was the composition of receipt slips always reconciled to the composition of deposits.

For example, a deposit made on November 9, 2005, totaled to \$2,805; however, recorded receipts for the same time period totaled to \$2,843, resulting in a shortage of \$38. The health center administrator was unaware of the difference between recorded receipts and the deposit until we brought it to her attention.

The deposit referred to in the preceding paragraph included one receipt slip for \$1,179, which was for various receipts from a flu shot clinic held November 9, 2005, as well as some donations. Individual receipt slips were not issued to individuals paying for flu shots. Further, there was no documentation to indicate a reconciliation had been performed between the number of flu shots given and the total amount of monies received for flu shots and those billed to Medicare.

To adequately account for collections and reduce the risk of loss or misuse of funds, the receipt slips should indicate the method of payment (i.e. cash, checks, or money orders) and the composition should be reconciled to the bank deposits to ensure all receipts have been accounted for. Further, procedures should be implemented to reconcile flu shots given to monies received for flu shots and those billed to Medicare.

- C. Receipts are not always deposited intact. Receipt number 9530 issued on April 10, 2006 totaling \$165 was held and not deposited until April 12, 2006. Receipt numbers 9529 and 9531 were deposited on April 10, 2006. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact.
- D. The numerical sequence of receipt slips is not accounted for. Some receipt slips were not issued in order. Without accounting for prenumbered receipt slips for all monies collected, the health center cannot ensure all monies collected are ultimately recorded and deposited.
- E. Employee timesheets are not signed by the employee. In addition, timesheets are not signed by a supervisor to document approval. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.
- F. General capital asset records of the health center did not always include the necessary information for some assets such as acquisition date, cost, identification number, and the date and method of disposal. Further, property tags were not attached to some of the capital assets of the health center. For example, a cholesterol analyzer purchased in December 2005 for \$1,955 had no property tag attached.

Adequate property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Proper tagging of health center property items is necessary to deter and detect theft. Property records should be maintained on a

perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets.

G. The Health Center Board did not always maintain adequate minutes of closed sessions, some decisions made and/or votes taken in closed session were not subsequently disclosed in open session, open meeting minutes did not always document the specific reason for going into closed session, and the Board did not document how some items discussed in closed session complied with state law. For example:

- The Board returned from a closed session in January 2005 and stated in the open session minutes that no action had been taken. However, the minutes of the closed session indicated that a vote was taken to increase the salary of the administrator.
- Minutes of a closed session in September 2004 were not retained, minutes of a closed session in December 2005 did not document discussions held, and minutes of closed sessions on three occasions did not document the members present and absent.
- The Board went into closed session on 5 occasions during the two years ending December 31, 2005 without citing the statute or the specific reason in the minutes that allowed the closed session.
- The Board did not document how some items discussed in closed session complied with state law. Examples include discussing staffing contingencies as well as the possible retirement of a particular employee.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. In addition, the law requires certain votes taken in closed session to be disclosed in open session.

H. Information included in the health center's published financial statement, published along with the county's financial statements, did not include disbursements by person or vendor as required by Section 50.800 RSMo. To adequately inform the citizens of the health center's financial activities and show compliance with statutory requirements, all monies received and disbursed should be presented in the level of detail required by law.

- I. Budget amendments approved by the Health Center Board on July 15, 2004 and December 15, 2005 were not submitted to the State Auditor's Office as required by state law. The health center did not exceed its total budgeted expenditures on their original budget in either year, however, the amendments were made to adjust expenditures in excess of budgeted amounts for certain categories or line items.

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. 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.

Conditions similar to Parts B., F., and G. were noted in our prior report.

WE RECOMMEND the Health Center Board:

- A. Ensure the board and administrators' approval of expenditures is adequately documented and invoices are properly canceled to prevent the risk of duplicate payments.
- B. Ensure that the method of payment is indicated on the receipt slips and reconcile the composition of receipt slips to the composition of the deposits. In addition, ensure a reconciliation is performed between flu shots given and monies received for flu shots and those billed to Medicare.
- C. Deposit all monies intact.
- D. Ensure receipt slips are issued in order.
- E. Ensure all timesheets are signed by the employee and by the employee's supervisor to document approval.
- F. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, ensure property tags are attached to all health center capital assets.
- G. Ensure open meeting minutes document the reasons for going into closed session, and discuss only matters authorized by law in closed session meetings. In addition, ensure decisions made in closed session are properly reported in the open minutes when required and complete minutes are taken for all closed sessions.
- H. Ensure all required information is presented in the annual published financial statements.

- I. File budget amendments with the State Auditor's Office in accordance with state law.

AUDITEE'S RESPONSE

The Health Center Board provided the following responses:

- A. *The Health Center Administrator files all paid invoices in a paid file with the check voucher attached to show the invoice has been paid. In addition to current procedure, the Administrator will stamp "PAID" on the invoices.*

The board minutes reflect that expenditures listed in the check detail were reviewed and approved. The board will show further documentation by signing the check detail in addition to the board minutes.

- B. *The recommendation has been implemented with the goal that all receipts will have method of payment indicated.*
- C. *Receipt number 9530 issued on April 10, 1006 totaling \$165 was held until the wastewater permit could be issued; had the permit been denied, the check would have been returned with the application. This was an exception to standard procedure. The Health Center will not accept payment for permits until they are issued to ensure compliance with this recommendation.*
- D. *When writing receipts and an empty receipt is found between the written receipts, it will be voided and not used.*
- E. *This recommendation has been implemented.*
- F. *Property tags have been purchased, and the recommendation has been implemented.*
- G. *The recommendation will be implemented.*
- H&I. *These recommendations will be implemented.*

Follow-Up on Prior Audit Findings

HICKORY 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 Hickory County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001.

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. Expenditures and Budgetary Practices

- A. Bids were not always solicited nor was bid documentation always retained by the county for various purchases. In addition, documentation was not maintained by the county to explain why the overall low bid for gravel was not accepted in 2002.
- B. Budgets prepared for the John Sally Trust Fund did not include a U.S. savings bond in the beginning and ending cash balances.

Recommendations:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If the low bid is not selected, the circumstance should be documented in the commission minutes.
- B. And County Clerk ensure budget documents are accurate and complete.

Status:

- A. Not implemented. See MAR No. 1.
- B. Implemented.

2. County Officials' Compensation and Bonding

- A. Based upon Section 50.333.13, RSMo, enacted in 1997, the associate county commissioners were approved mid-term raises in 1999. On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of this statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglas et al.*, holds that all raises given pursuant to this statute section are unconstitutional. The mid term

raises given to each of the Associate County Commissioners totaling \$6,336 should be repaid., and any raises given to other officials within their term of office should be re-evaluated for propriety.

- B. The County Collector and Assessors' salaries increased in January 2001 prior to their date of incumbency, resulting in overpayments of \$333 and \$1,333, respectively.
- C. Several county employees from various offices with access to money were not covered by an employee bond.

Recommendations:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Request a written opinion from the Prosecuting Attorney as to the legality of the salary increases that went into effect on January 1, 2001, and obtain repayment of the raises if determined to be unallowable.
- C. Obtain adequate bond coverage for all county employees with access to monies.

Status:

- A. Not implemented. No attempt was made by the County Commission to obtain repayment of these salary overpayments. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The County Commission received a written opinion from the Prosecuting Attorney which stated the County Assessor should not have received the salary increase until September 1, 2001, the date of incumbency. The Prosecuting Attorney declined to give an opinion on the County Collector's salary increase. No attempt was made by the County Commission to obtain repayment from the officials. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

3. General Fixed Assets

A reconciliation was not performed between property per each official's inventory and the County Clerk's fixed asset listing. Additions to the inventory listing were not always reconciled to equipment purchases. In addition, property tags were not affixed to newly

purchased assets immediately upon receipt, and quarterly inspections of county owned land and buildings were not documented.

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. Also, a reconciliation should be performed between property listed on each county official's inventory and the County Clerk's listing, and general fixed asset purchases should be periodically reconciled to general fixed asset additions. In addition, quarterly inspections of all county land and buildings should be performed, and property control tags should be affixed.

Status:

Implemented.

4. Property Tax Controls

- A. The County Assessor made changes to the tax books for additions and abatements throughout the year.
- B. The County Clerk did not maintain an account book with the County Collector.
- C. The County Clerk did not prepare the current or back tax books and did not verify the totals of the back tax books for accuracy.
- D. Passwords and other procedures were not in place to limit access to the various data files and programs utilized by the County Assessor and County Collector.

Recommendations:

- A. The County Commission establish procedures requiring the tax books only be changed by the County Clerk under order of the County Commission.
- B. The County Clerk maintain an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlements.
- C. The County Clerk prepare the current and back tax books in accordance with state law.

- D. The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.

Status:

- A. Partially implemented. While the assessor still makes changes to the assessment data after the meetings of the Board of Equalization are completed, compensating controls to ensure changes to the property tax system are properly approved and monitored have been established. Although not repeated in the current MAR, our recommendation remains as stated above.

B&D. Implemented.

- C. Partially implemented. While the County Clerk currently does not print the current or back tax books, he does perform and document a review of the tax books to ensure its accuracy. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Prosecuting Attorney's Controls

The Prosecuting Attorney's secretary was allowed to reduce the amount of bad check fees charged to the bad check writer without obtaining approval from the Prosecuting Attorney.

Recommendation:

The Prosecuting Attorney approve and document all waivers of bad check fees.

Status:

Not implemented. See MAR No. 5.

6. Sheriff's Controls and Procedures

- A. The duties of receiving, recording, and depositing were not adequately segregated.
- B. Receipts were not always deposited timely.
- C. The method of payment was not always indicated on the receipt slips.
- D. Checks and money orders received were not restrictively endorsed immediately upon receipt.
- E. Voided receipt slips were not retained.

- F. The Sheriff's office did not maintain its petty cash fund on an imprest basis, and supporting documentation was not retained for some expenditures. In addition, vending machine commissions and donations were not turned over to the County Treasurer, and some expenditures did not appear to be a necessary use of public funds.
- G. No comparison between the number of meals billed and received and the number of prisoners fed was made by the Sheriff's office or by the county clerk. In addition, the meals record log did not document the reason more meals were apparently ordered and delivered than were actually provided to prisoners.
- H. Mileage reimbursements prepared by the Sheriff's employees did not always include detailed information about the purpose of the trip and the destination.
- I. A perpetual inventory record of seized property was not maintained.

Recommendations:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Record the method of payment on receipts slips and reconcile the composition of receipts to the composition of bank deposits.
- D. Restrictively endorse checks and money orders immediately upon receipt.
- E. Ensure all voided receipts slips are properly mutilated and retained.
- F. And the County Commission evaluate the need for a petty cash fund. If a change fund or petty cash fund is necessary, it should be approved by the County Commission and kept at a constant amount. In addition vending machine commissions and donations should be turned over to the County Treasurer, and supporting documentation of expenditures should be retained and reviewed for propriety.
- G. Compare prisoner meal records with the vendor's invoice and investigate and reconcile any differences.
- H. And the County Commission require the Sheriff's office employees to record detailed information as to destination traveled and purpose of official county business on mileage reimbursement requests.
- I. Prepare and maintain complete perpetual inventory records of seized property.

Status:

A,B,
&C. Not implemented. See MAR No. 4.

D,E,F,
G&I. Implemented.

H. Not implemented. There was only one mileage reimbursement request totaling \$67 paid during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Health Center Controls and Procedures

- A. Budgets prepared by the health center were not accurate and complete. The standard budget form was not utilized, and cash balances were not reported on the budget form. In addition, actual receipts were (under)overstated, and the Board did not adequately review the annual financial statement to ensure its accuracy.
- B. Receipts were not deposited on a timely basis.
- C. Receipts were not issued for some monies received.
- D. The Health Center Board did not have a written depository agreement with their depository bank.
- E. The open minutes did not always document the specific reason for closing the meeting and actions taken by the board in closed meetings. Further, the Health Center Board did not document how some topics discussed in closed session complied with state law.
- F. Additions of fixed assets were not always recorded as they occurred, and fixed asset expenditures were not reconciled to additions to the inventory records. In addition, property tags were not always affixed to assets when they were acquired, and the value of the health center's land and buildings were not included in the property records.

Recommendations:

- A. Ensure the correct budget document is used and contains complete, accurate, and reasonable information about the health center's finances. In addition, the board should review the annual financial statements prepared by the administrator for accuracy.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.

- C. Issue receipt slips for all monies received, and record the method of payment on receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- D. Enter into a written depositary agreement.
- E. Ensure board minutes document the reasons for closing the meeting, publicly disclose the final disposition of applicable matters discussed in closed session, and ensure only allowable, specific subjects are discussed in closed sessions as required by law.
- F. Record all additions of fixed assets as they occur, reconcile additions to the property records periodically, affix property tags to assets at the time of purchase, and record the value of the land and buildings on the general fixed asset records.

Status:

A&D. Implemented.

- B. Partially implemented. Improvements were made by the Health Center to make more timely deposits, and deposits are routinely made every two to three days in minimal amounts. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. Receipt slips are now issued for all monies received, however, method of payment was not recorded on all receipt slips. See MAR No. 10.
- E. Not implemented. See MAR No. 10.
- F. Partially implemented. While some improvements have been made in accounting for fixed assets, significant weaknesses continue to exist. See MAR No. 10.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HICKORY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Hickory was named after "Old Hickory", the nickname of President Andrew Jackson. Hickory County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Hermitage.

Hickory 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 393 miles of county roads and 27 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 6,367 in 1980 and 8,940 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2005	2004	2003	2002	1985*	1980**
		(in millions)					
Real estate	\$	55.4	52.8	51.4	47.7	26.6	11.3
Personal property		21.6	19.8	19.6	19.2	6.0	4.0
Railroad and utilities		7.0	7.2	7.3	7.0	2.7	2.7
Total	\$	84.0	79.8	78.3	73.9	35.3	18.0

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2005	2004	2003	2002
General Revenue Fund	\$.1933	.1500	.1779	.1639
Special Road and Bridge Fund *		.2549	.2549	.2549	.2594
Health Center Fund		.0784	.0784	.0784	.0800

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),			
	2006	2005	2004	2003
State of Missouri	\$ 27,357	26,094	25,142	24,301
General Revenue Fund	160,557	122,384	137,228	122,849
Special Road and Bridge Fund	215,514	205,299	198,721	194,594
Assessment Fund	42,037	39,297	30,879	27,070
Health Center Fund	66,111	62,969	60,964	59,826
School Fund	2,892,638	2,709,318	2,635,655	2,535,181
Library Fund	115,982	110,469	106,941	104,887
Fire District	354	328	300	296
Cities	10,181	10,027	9,462	10,343
County Clerk	214	196	183	211
County Employees' Retirement	26,810	24,062	22,066	23,162
Overplus	8,303	3,325	2,549	4,452
Other	9,018	5,459	7,069	6,571
Tax Maintenance Fund	9,465	8,452	7,564	3,478
Commissions and fees:				
General Revenue Fund	59,646	55,045	53,150	48,548
Total	\$ 3,644,187	3,382,724	3,297,873	3,165,769

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	92	91	91	91	%
Personal property	89	89	86	88	
Railroad and utilities	100	100	100	100	

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

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

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

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	\$				
Lance Hutton, Presiding Commissioner		24,440	24,440	24,440	24,440
Robert Breshears, Associate Commissioner		22,440	-	-	-
Duane Mackey, Associate Commissioner		-	22,440	22,440	22,440
Gary Warren, Associate Commissioner		22,440	-	-	-
Gary Sherman, Associate Commissioner		-	22,440	22,440	22,440
Kent Parson, County Clerk		34,000	34,000	34,000	34,000
James Hackett, Prosecuting Attorney		41,000	41,000	4,1000	41,000
Raymond S. Tipton, Sheriff		39,000	39,000	39,000	39,000
Shirley Reno, County Treasurer		25,160	25,160	25,160	25,160
Connie Boller, County Coroner		9,500	9,500	9,500	9,500
Rhonda Hargiss, Public Administrator		20,000	15,000	15,000	15,000
Stanley McCoy, County Collector, year ended February 28 (29),	34,000	34,000	34,000	34,000	
Kay Chilton, County Assessor (1), year ended August 31,		34,688	34,765	34,900	34,900
Michael C. Freeman, County Surveyor (2)					

(1) Includes \$688, \$765, \$900, and \$900 annual compensation received from the state in 2005, 2004, 2003, and 2002 respectively.

(2) Compensation on a fee basis.

State-Paid Officials:

Cecilia Kennedy Smith, Circuit Clerk and Ex Officio Recorder of Deeds	48,500	47,900	45,329		
Aileen Pippins, Circuit Clerk and Ex Officio Recorder of Deeds (3)				4,154	47,300
James P. Anderton, Associate Circuit Judge	96,000	96,000	96,000	96,000	96,000

(3) Compensation in 2003 was through the Resources of Experienced Professional Staff program (retired Circuit Clerks assist in training newly elected Circuit Clerks).

In September 2004, Hickory County made a payment of \$84,519 to the 30th Circuit Youth Services, Inc., to pay off the County's obligation for costs associated with construction of a juvenile detention center for the 30th Judicial Circuit.

At December 31, 2005, the principal balance on lease purchase agreements for road and bridge equipment was approximately \$360,000. Principal and interest payments are made from the Special Road and Bridge Fund.