



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

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

**Report No. 2004-26
April 1, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2004

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Butler County, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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

- Budgets were not prepared for some county funds, and expenditures were not adequately monitored causing actual expenditures to exceed budgeted amounts for several county funds. In addition, the county's annual published financial statements are not complete. Prior audits have also addressed the county's budgetary practices and published financial statements, and while county officials concurred with our prior recommendations, no corrective action has been taken.
- Bids were not always solicited nor was bid documentation always retained by the county for various purchases. While the county provided some explanations, documentation of the contacts and sole source procurement was not maintained or recorded in the County Commission minutes. Additionally, the county made payments totaling \$20,000 and \$20,200 during 2002 and 2001, respectively for economic development without requiring supporting documentation of the services provided.
- In November 2001, the County Commission obtained a three-year loan for \$216,017 with an interest rate of 4.625 percent to purchase some road and bridge equipment. This loan may constitute long-term debt and the County Commission has no legal authority to enter into such an agreement.
- Centralized records are not maintained of time sheets, annual leave, sick leave, and compensatory time earned, taken and accumulated for all county employees.

(over)

YELLOW SHEET

As a result, some payroll expenditures were processed without adequate supporting documentation. Additionally, some employees are allowed to use county vehicles to commute to and from work, and some amounts were not reported on W-2 forms.

- The Board for the Care of the Handicapped received approximately \$535,000 in property taxes during 2002 and 2001, but only met annually to approve and monitor the distribution of these funds to various not-for-profit organizations. Payments to these organizations are made by the County Commission based on the schedules established by the annual budget. In addition, there was no documentation that the Board received financial and service information as required by each organization's contract to enable the Board to monitor the monies provided. The Board responded that they have felt an increased confidence in the management of the organizations, and have not seen the need for as many board meetings. However, given the concerns noted, it is questionable whether the Board meeting only one time per year is enough to fulfill the fiduciary duties they have been appointed to perform.
- Cash receipt procedures for the County Collector need improvement. Partial payments totaling \$6,132 are held in cash, cash receipts are used to cash personal checks for county employees, and some refunds were made in cash. In addition, the County Collector's annual settlements did not reflect drainage district tax collections totaling \$366,705 and \$343,693 for the years ended February 28, 2003 and 2002, respectively.
- The Sheriff does not have a formal policy for follow-up collection efforts on unpaid incarceration costs billed to other political subdivisions. In addition, the total of the prisoners' monies in the Sheriff's commissary checking account is not reconciled to the total of the individual prisoner balances. Further, documentation was not always adequate to support \$20,400 in mileage paid to the sheriff during 2002 and 2001 for patrolling, and procedures surrounding civil mileage need to be improved.

Also included in the audit are recommendations related to the county's schedule of federal awards, officials' salaries, collateral securities, property tax and computer controls, and general fixed asset records. The audit also suggests improvements in the procedures of the County Treasurer, Prosecuting Attorney, Circuit Clerk, Probate, Public Administrator, and Senior Citizen's Service Board.

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

BUTLER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Butler 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 Butler County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for

various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 13, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Claire McCaskill
State Auditor

November 13, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Amy Baker
Audit Staff:	Jay Ross
	Troy Royer
	Monte Davault
	Roberta Bledsoe



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Butler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Butler County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition

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

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

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

Claire McCaskill
State Auditor

November 13, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 650,829	4,741,994	4,911,311	481,512
Special Road and Bridge	149,343	3,102,147	2,919,103	332,387
Assessment	5,719	340,219	330,341	15,597
Law Enforcement Training	128	8,733	4,752	4,109
Prosecuting Attorney Training	623	1,377	777	1,223
Prosecuting Attorney Bad Check	15,571	59,466	51,233	23,804
Law Enforcement Complex	463,076	1,222,155	1,370,249	314,982
Prosecuting Attorney Delinquent Tax	1,421	1,147	135	2,433
Eastern Capital Improvement	164,996	776,862	567,017	374,841
Western Capital Improvement	261,793	779,502	535,321	505,974
Board for the Care of the Handicapped	88,452	351,478	244,361	195,569
Division of Youth Services	60,289	109,555	127,848	41,996
Drainage District #12	2,978	3,041	420	5,599
Domestic Violence	384	14,642	14,332	694
Thirty-Sixth Judicial Justice Court Escrow	216,008	64,044	0	280,052
Jail Commissary	1,036	50,179	49,898	1,317
DARE	473	2,248	367	2,354
Sheriff Drug	6,726	3,727	1,889	8,564
Recorder User Fee	69,784	34,081	0	103,865
Emergency 911	24,421	184,662	54,046	155,037
Sheriff Civil Fee	39,336	35,770	71,584	3,522
Special Election	1,596	101,873	98,487	4,982
Senior Citizen's Service	64,432	176,131	159,977	80,586
Community Development Block Grant	1,500	402,600	403,100	1,000
Division I Interest	2,857	544	1,914	1,487
Division II Interest	367	188	252	303
Division III Interest	1,180	100	95	1,185
Law Library	65,599	25,242	29,138	61,703
Total	\$ 2,360,917	12,593,707	11,947,947	3,006,677

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

Exhibit A-2

BUTLER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 852,989	4,381,953	4,584,113	650,829
Special Road and Bridge	287,009	2,299,088	2,436,754	149,343
Assessment	14,451	317,636	326,368	5,719
Law Enforcement Training	12,166	10,565	22,603	128
Prosecuting Attorney Training	495	1,783	1,655	623
Prosecuting Attorney Bad Check	6,734	51,938	43,101	15,571
Law Enforcement Complex	555,811	1,223,352	1,316,087	463,076
Prosecuting Attorney Delinquent Tax	768	2,304	1,651	1,421
Prosecuting Attorney Crime Reduction	271	0	271	0
Eastern Capital Improvement	227,819	701,188	764,011	164,996
Western Capital Improvement	225,723	691,573	655,503	261,793
Board for the Care of the Handicapped	116,779	197,937	226,264	88,452
Division of Youth Services	77,810	264,632	282,153	60,289
Drainage District #12	773	2,625	420	2,978
Domestic Violence	266	20,237	20,119	384
Thirty-Sixth Judicial Justice Court Escrow	134,197	81,811	0	216,008
Jail Commissary	5,803	35,892	40,659	1,036
DARE	1,023	2,276	2,826	473
Sheriff Drug	6,552	1,589	1,415	6,726
Recorder User Fee	45,973	23,811	0	69,784
Emergency 911	97,231	171,215	244,025	24,421
Sheriff Civil Fee	34,095	41,915	36,674	39,336
Special Election	81	38,742	37,227	1,596
Senior Citizen's Service	52,728	172,373	160,669	64,432
Community Development Block Grant	967	234,845	234,312	1,500
Division I Interest	2,029	1,099	271	2,857
Division II Interest	815	193	641	367
Division III Interest	1,259	137	216	1,180
Law Library	63,791	24,177	22,369	65,599
Total	\$ 2,826,408	10,996,886	11,462,377	2,360,917

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

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 10,508,049	11,988,902	1,480,853	9,955,420	10,564,062	608,642
DISBURSEMENTS	11,411,985	11,353,471	58,514	11,291,045	11,043,899	247,146
RECEIPTS OVER (UNDER) DISBURSEMENTS	(903,936)	635,431	1,539,367	(1,335,625)	(479,837)	855,788
CASH, JANUARY 1	2,224,982	2,224,982	0	2,704,819	2,704,819	0
CASH, DECEMBER 31	1,321,046	2,860,413	1,539,367	1,369,194	2,224,982	855,788
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	397,500	413,922	16,422	358,000	399,625	41,625
Sales taxes	1,690,000	1,696,269	6,269	1,675,000	1,694,924	19,924
Intergovernmental	655,650	688,048	32,398	661,150	611,364	(49,786)
Charges for services	502,000	566,197	64,197	467,000	500,778	33,778
Interest	27,000	5,459	(21,541)	30,000	28,302	(1,698)
Other	502,100	489,599	(12,501)	431,150	278,460	(152,690)
Transfers in	933,000	882,500	(50,500)	839,000	868,500	29,500
Total Receipts	4,707,250	4,741,994	34,744	4,461,300	4,381,953	(79,347)
DISBURSEMENTS						
County Commissior	106,500	109,160	(2,660)	102,673	105,780	(3,107)
County Clerk	144,127	148,031	(3,904)	137,775	146,765	(8,990)
Elections	98,150	63,914	34,236	51,650	19,226	32,424
Buildings and grounds	438,500	441,269	(2,769)	413,000	412,508	492
Employee fringe benefit	711,700	895,191	(183,491)	618,200	704,677	(86,477)
County Treasurer	69,978	62,791	7,187	67,601	61,179	6,422
County Collector	163,227	138,085	25,142	150,217	122,084	28,133
Recorder of Deeds	165,427	157,946	7,481	153,872	152,483	1,389
Circuit Clerk	34,800	14,894	19,906	37,800	20,852	16,948
Associate Circuit Court	29,000	13,553	15,447	29,500	36,715	(7,215)
Associate Circuit (Probate)	31,600	11,525	20,075	34,100	15,877	18,223
Court administration	8,850	2,808	6,042	10,550	6,882	3,668
Public Administrator	105,163	91,602	13,561	102,676	99,138	3,538
Sheriff	1,186,145	1,110,148	75,997	1,132,543	1,087,144	45,399
Jail	541,571	549,313	(7,742)	528,993	543,474	(14,481)
Prosecuting Attorney	253,772	245,858	7,914	239,211	229,442	9,769
Juvenile Offices	239,000	191,436	47,564	252,220	227,116	25,104
County Coroner	52,354	45,166	7,188	51,439	34,824	16,615
Child Support Enforcemen	218,028	220,882	(2,854)	209,878	208,385	1,493
DYSG Tracker	6,375	4,241	2,134	23,393	17,291	6,102
Public health and welfare service	12,200	7,710	4,490	12,000	9,686	2,314
Debt service	54,500	35,202	19,298	46,270	34,353	11,917
Other	280,843	316,742	(35,899)	252,790	288,232	(35,442)
Transfers out	0	33,844	(33,844)	8,830	0	8,830
Emergency Func	200,000	0	200,000	200,000	0	200,000
Total Disbursements	5,151,810	4,911,311	240,499	4,867,181	4,584,113	283,068
RECEIPTS OVER (UNDER) DISBURSEMENTS	(444,560)	(169,317)	275,243	(405,881)	(202,160)	203,721
CASH, JANUARY 1	650,829	650,829	0	852,989	852,989	0
CASH, DECEMBER 31	206,269	481,512	275,243	447,108	650,829	203,721

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	134,000	143,260	9,260	124,000	138,460	14,460
Sales taxes	695,000	726,972	31,972	625,000	687,110	62,110
Intergovernmental	1,288,600	2,228,170	939,570	1,272,000	1,461,369	189,369
Charges for services	0	0	0	300	0	(300)
Interest	10,000	2,260	(7,740)	20,000	10,841	(9,159)
Other	700	1,485	785	12,900	1,308	(11,592)
Total Receipts	2,128,300	3,102,147	973,847	2,054,200	2,299,088	244,888
DISBURSEMENTS						
Salaries	1,010,000	1,077,311	(67,311)	1,010,000	1,003,510	6,490
Employee fringe benefit	431,500	434,434	(2,934)	421,500	409,490	12,010
Supplies	380,000	353,757	26,243	399,000	350,434	48,566
Insurance	65,000	63,947	1,053	45,000	42,449	2,551
Road and bridge materials	82,000	59,390	22,610	182,000	134,280	47,720
Equipment repairs	30,000	31,421	(1,421)	14,000	40,762	(26,762)
Rentals	3,000	113	2,887	3,000	1,212	1,788
Equipment purchases	10,000	5,257	4,743	10,000	7,009	2,991
Construction, repair, and maintenance	210,000	451,703	(241,703)	210,000	402,257	(192,257)
Storm cleanup	0	365,867	(365,867)	0	0	0
Other	54,000	75,903	(21,903)	46,000	45,351	649
Total Disbursements	2,275,500	2,919,103	(643,603)	2,340,500	2,436,754	(96,254)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(147,200)	183,044	330,244	(286,300)	(137,666)	148,634
CASH, JANUARY 1	149,343	149,343	0	287,009	287,009	0
CASH, DECEMBER 31	2,143	332,387	330,244	709	149,343	148,634
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	315,840	323,059	7,219	301,000	298,379	(2,621)
Charges for services	13,750	16,093	2,343	15,000	15,900	900
Interest	2,500	863	(1,637)	3,000	2,660	(340)
Other	2,000	204	(1,796)	3,000	697	(2,303)
Transfers in	0	0	0	8,830	0	(8,830)
Total Receipts	334,090	340,219	6,129	330,830	317,636	(13,194)
DISBURSEMENTS						
Assessor	331,287	330,341	946	328,827	326,368	2,459
Total Disbursements	331,287	330,341	946	328,827	326,368	2,459
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,803	9,878	7,075	2,003	(8,732)	(10,735)
CASH, JANUARY 1	5,719	5,719	0	14,451	14,451	0
CASH, DECEMBER 31	8,522	15,597	7,075	16,454	5,719	(10,735)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	3,500	3,061	(439)	3,400	3,780	380
Charges for service:	2,200	3,708	1,508	5,000	2,154	(2,846)
Interest	300	0	(300)	100	343	243
Other	4,000	1,814	(2,186)	2,000	4,288	2,288
Transfers in	0	150	150	0	0	0
Total Receipts	10,000	8,733	(1,267)	10,500	10,565	65
DISBURSEMENTS						
Sheriff	10,000	4,752	5,248	12,500	22,603	(10,103)
Total Disbursements	10,000	4,752	5,248	12,500	22,603	(10,103)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,981	3,981	(2,000)	(12,038)	(10,038)
CASH, JANUARY 1	128	128	0	12,166	12,166	0
CASH, DECEMBER 31	128	4,109	3,981	10,166	128	(10,038)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	1,350	925	(425)	1,500	951	(549)
Interest	0	0	0	100	0	(100)
Other	800	452	(348)	500	832	332
Total Receipts	2,150	1,377	(773)	2,100	1,783	(317)
DISBURSEMENTS						
Prosecuting Attorney	2,500	777	1,723	2,000	1,655	345
Total Disbursements	2,500	777	1,723	2,000	1,655	345
RECEIPTS OVER (UNDER) DISBURSEMENTS	(350)	600	950	100	128	28
CASH, JANUARY 1	623	623	0	495	495	0
CASH, DECEMBER 31	273	1,223	950	595	623	28
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Intergovernmental	500	997	497	0	0	0
Charges for service:	50,000	58,257	8,257	45,000	50,269	5,269
Interest	350	212	(138)	200	348	148
Other	0	0	0	500	1,321	821
Total Receipts	50,850	59,466	8,616	45,700	51,938	6,238
DISBURSEMENTS						
Prosecuting Attorney	48,049	51,233	(3,184)	43,960	43,101	859
Total Disbursements	48,049	51,233	(3,184)	43,960	43,101	859
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,801	8,233	5,432	1,740	8,837	7,097
CASH, JANUARY 1	15,571	15,571	0	6,734	6,734	0
CASH, DECEMBER 31	18,372	23,804	5,432	8,474	15,571	7,097

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT COMPLEX FUND</u>						
RECEIPTS						
Sales taxes	1,190,000	1,211,368	21,368	1,100,000	1,191,923	91,923
Interest	35,000	10,787	(24,213)	45,000	31,429	(13,571)
Other	0	0	0	500	0	(500)
Total Receipts	1,225,000	1,222,155	(2,845)	1,145,500	1,223,352	77,852
DISBURSEMENTS						
Debt service	500,000	516,562	(16,562)	495,000	511,462	(16,462)
Other	9,000	3,687	5,313	9,000	4,625	4,375
Transfers out	850,000	850,000	0	800,000	800,000	0
Total Disbursements	1,359,000	1,370,249	(11,249)	1,304,000	1,316,087	(12,087)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(134,000)	(148,094)	(14,094)	(158,500)	(92,735)	65,765
CASH, JANUARY 1	463,076	463,076	0	555,811	555,811	0
CASH, DECEMBER 31	329,076	314,982	(14,094)	397,311	463,076	65,765
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,800	1,147	(653)	1,575	2,171	596
Other	0	0	0	0	133	133
Total Receipts	1,800	1,147	(653)	1,575	2,304	729
DISBURSEMENTS						
Prosecuting Attorney	2,000	135	1,865	2,000	1,651	349
Total Disbursements	2,000	135	1,865	2,000	1,651	349
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	1,012	1,212	(425)	653	1,078
CASH, JANUARY 1	1,421	1,421	0	768	768	0
CASH, DECEMBER 31	1,221	2,433	1,212	343	1,421	1,078
<u>PROSECUTING ATTORNEY CRIME REDUCTION FUND</u>						
RECEIPTS						
Charges for service:				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Prosecuting Attorney				271	271	0
Total Disbursements				271	271	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(271)	(271)	0
CASH, JANUARY 1				271	271	0
CASH, DECEMBER 31				0	0	0

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EASTERN CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales taxes	550,000	605,688	55,688	550,000	595,967	45,967
Intergovernmental	0	75,000	75,000	0	0	0
Interest	8,000	3,014	(4,986)	15,000	8,721	(6,279)
Other	85,000	93,160	8,160	0	96,500	96,500
Total Receipts	643,000	776,862	133,862	565,000	701,188	136,188
DISBURSEMENTS						
Road and bridge materials	390,000	262,637	127,363	460,000	459,606	394
Equipment	300,000	300,630	(630)	200,000	304,405	(104,405)
Other	10,000	3,750	6,250	11,000	0	11,000
Total Disbursements	700,000	567,017	132,983	671,000	764,011	(93,011)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(57,000)	209,845	266,845	(106,000)	(62,823)	43,177
CASH, JANUARY 1	164,996	164,996	0	227,819	227,819	0
CASH, DECEMBER 31	107,996	374,841	266,845	121,819	164,996	43,177
<u>WESTERN CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales taxes	550,000	605,688	55,688	550,000	595,967	45,967
Intergovernmental	0	75,000	75,000	0	0	0
Interest	8,000	3,014	(4,986)	15,000	8,721	(6,279)
Other	89,500	95,800	6,300	0	86,885	86,885
Total Receipts	647,500	779,502	132,002	565,000	691,573	126,573
DISBURSEMENTS						
Road and bridge materials	443,500	270,861	172,639	460,000	455,270	4,730
Equipment	300,000	260,710	39,290	200,000	173,677	26,323
Other	10,000	3,750	6,250	11,000	26,556	(15,556)
Total Disbursements	753,500	535,321	218,179	671,000	655,503	15,497
RECEIPTS OVER (UNDER) DISBURSEMENTS	(106,000)	244,181	350,181	(106,000)	36,070	142,070
CASH, JANUARY 1	261,793	261,793	0	225,723	225,723	0
CASH, DECEMBER 31	155,793	505,974	350,181	119,723	261,793	142,070
<u>BOARD FOR THE CARE OF THE HANDICAPPED FUND</u>						
RECEIPTS						
Property taxes	194,000	344,136	150,136	153,000	191,081	38,081
Intergovernmental	1,500	3,680	2,180	1,500	1,880	380
Interest	6,000	3,662	(2,338)	10,000	4,976	(5,024)
Total Receipts	201,500	351,478	149,978	164,500	197,937	33,437
DISBURSEMENTS						
Contractual services	240,794	241,935	(1,141)	246,321	224,872	21,449
Office expenditure:	2,000	2,426	(426)	2,000	1,392	608
Total Disbursements	242,794	244,361	(1,567)	248,321	226,264	22,057
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,294)	107,117	148,411	(83,821)	(28,327)	55,494
CASH, JANUARY 1	88,452	88,452	0	116,779	116,779	0
CASH, DECEMBER 31	47,158	195,569	148,411	32,958	88,452	55,494

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DIVISION OF YOUTH SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	206,375	109,555	(96,820)	220,000	235,329	15,329
Other	0	0	0	2,000	29,303	27,303
Total Receipts	206,375	109,555	(96,820)	222,000	264,632	42,632
DISBURSEMENTS						
Salaries and fringe benefit:	206,375	127,848	78,527	189,835	282,153	(92,318)
Other	0	0	0	44,450	0	44,450
Total Disbursements	206,375	127,848	78,527	234,285	282,153	(47,868)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(18,293)	(18,293)	(12,285)	(17,521)	(5,236)
CASH, JANUARY 1	60,289	60,289	0	77,810	77,810	0
CASH, DECEMBER 31	60,289	41,996	(18,293)	65,525	60,289	(5,236)
<u>DRAINAGE DISTRICT #12 FUND</u>						
RECEIPTS						
Property taxes	2,500	3,041	541	3,000	2,585	(415)
Interest	50	0	(50)	100	40	(60)
Total Receipts	2,550	3,041	491	3,100	2,625	(475)
DISBURSEMENTS						
Flood control	500	420	80	500	420	80
Total Disbursements	500	420	80	500	420	80
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,050	2,621	571	2,600	2,205	(395)
CASH, JANUARY 1	2,978	2,978	0	773	773	0
CASH, DECEMBER 31	5,028	5,599	571	3,373	2,978	(395)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	7,000	6,760	(240)	6,000	11,752	5,752
Charges for services	9,000	7,882	(1,118)	8,500	8,456	(44)
Interest	0	0	0	200	29	(171)
Total Receipts	16,000	14,642	(1,358)	14,700	20,237	5,537
DISBURSEMENTS						
Domestic violence shelte	16,000	14,332	1,668	14,000	20,119	(6,119)
Total Disbursements	16,000	14,332	1,668	14,000	20,119	(6,119)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	310	310	700	118	(582)
CASH, JANUARY 1	384	384	0	266	266	0
CASH, DECEMBER 31	384	694	310	966	384	(582)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>THIRTY-SIXTH JUDICIAL JUSTICE COURT ESCROW FUND</u>						
RECEIPTS						
Interest	5,000	1,703	(3,297)	4,500	6,477	1,977
Other	60,334	62,341	2,007	79,100	75,334	(3,766)
Total Receipts	65,334	64,044	(1,290)	83,600	81,811	(1,789)
DISBURSEMENTS						
Salaries	0	0	0	63,900	0	63,900
Other	0	0	0	100,000	0	100,000
Total Disbursements	0	0	0	163,900	0	163,900
RECEIPTS OVER (UNDER) DISBURSEMENTS	65,334	64,044	(1,290)	(80,300)	81,811	162,111
CASH, JANUARY 1	216,008	216,008	0	134,197	134,197	0
CASH, DECEMBER 31	281,342	280,052	(1,290)	53,897	216,008	162,111
<u>JAIL COMMISSARY FUND</u>						
RECEIPTS						
Charges for service:	32,000	50,179	18,179	36,500	35,856	(644)
Interest	50	0	(50)	200	36	(164)
Total Receipts	32,050	50,179	18,129	36,700	35,892	(808)
DISBURSEMENTS						
Sheriff	30,000	40,398	(10,398)	34,700	32,159	2,541
Transfers out	0	9,500	(9,500)	5,500	8,500	(3,000)
Total Disbursements	30,000	49,898	(19,898)	40,200	40,659	(459)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,050	281	(1,769)	(3,500)	(4,767)	(1,267)
CASH, JANUARY 1	1,036	1,036	0	5,803	5,803	0
CASH, DECEMBER 31	3,086	1,317	(1,769)	2,303	1,036	(1,267)
<u>DARE FUND</u>						
RECEIPTS						
Interest	0	0	0	15	8	(7)
Other	1,500	2,248	748	1,000	2,268	1,268
Total Receipts	1,500	2,248	748	1,015	2,276	1,261
DISBURSEMENTS						
Sheriff	1,400	367	1,033	800	2,826	(2,026)
Total Disbursements	1,400	367	1,033	800	2,826	(2,026)
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	1,881	1,781	215	(550)	(765)
CASH, JANUARY 1	473	473	0	1,023	1,023	0
CASH, DECEMBER 31	573	2,354	1,781	1,238	473	(765)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF DRUG FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	500	0	(500)
Interest	200	0	(200)	300	264	(36)
Other	500	3,727	3,227	100	1,325	1,225
Total Receipts	700	3,727	3,027	900	1,589	689
DISBURSEMENTS						
Sheriff	1,500	1,889	(389)	1,500	1,415	85
Total Disbursements	1,500	1,889	(389)	1,500	1,415	85
RECEIPTS OVER (UNDER) DISBURSEMENTS	(800)	1,838	2,638	(600)	174	774
CASH, JANUARY 1	6,726	6,726	0	6,552	6,552	0
CASH, DECEMBER 31	5,926	8,564	2,638	5,952	6,726	774
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for service:	20,000	32,951	12,951	17,000	21,743	4,743
Interest	0	1,130	1,130	1,000	2,068	1,068
Total Receipts	20,000	34,081	14,081	18,000	23,811	5,811
DISBURSEMENTS						
Recorder of Deeds	85,000	0	85,000	45,000	0	45,000
Total Disbursements	85,000	0	85,000	45,000	0	45,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(65,000)	34,081	99,081	(27,000)	23,811	50,811
CASH, JANUARY 1	69,784	69,784	0	45,973	45,973	0
CASH, DECEMBER 31	4,784	103,865	99,081	18,973	69,784	50,811
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for service:	169,000	184,198	15,198	160,000	168,248	8,248
Interest	2,000	464	(1,536)	4,000	2,967	(1,033)
Total Receipts	171,000	184,662	13,662	164,000	171,215	7,215
DISBURSEMENTS						
Salaries	100,000	0	100,000	25,000	0	25,000
Equipment	0	2,645	(2,645)	40,000	38,660	1,340
Utilities	48,000	49,169	(1,169)	116,008	143,968	(27,960)
Other	5,000	2,232	2,768	52,942	36,397	16,545
Transfers out	0	0	0	0	25,000	(25,000)
Total Disbursements	153,000	54,046	98,954	233,950	244,025	(10,075)
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,000	130,616	112,616	(69,950)	(72,810)	(2,860)
CASH, JANUARY 1	24,421	24,421	0	97,231	97,231	0
CASH, DECEMBER 31	42,421	155,037	112,616	27,281	24,421	(2,860)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF CIVIL FEE FUND</u>						
RECEIPTS						
Charges for services:	40,000	35,732	(4,268)	35,000	40,751	5,751
Interest	1,100	38	(1,062)	1,200	1,164	(36)
Total Receipts	<u>41,100</u>	<u>35,770</u>	<u>(5,330)</u>	<u>36,200</u>	<u>41,915</u>	<u>5,715</u>
DISBURSEMENTS						
Sheriff	1,770	48,584	(46,814)	1,350	1,674	(324)
Transfers out	40,000	23,000	17,000	35,000	35,000	0
Total Disbursements	<u>41,770</u>	<u>71,584</u>	<u>(29,814)</u>	<u>36,350</u>	<u>36,674</u>	<u>(324)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(670)	(35,814)	(35,144)	(150)	5,241	5,391
CASH, JANUARY 1	39,336	39,336	0	34,095	34,095	0
CASH, DECEMBER 31	<u>38,666</u>	<u>3,522</u>	<u>(35,144)</u>	<u>33,945</u>	<u>39,336</u>	<u>5,391</u>
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Intergovernmental	0	34,580	34,580	29,000	650	(28,350)
Interest	0	0	0	0	15	15
Other	0	33,599	33,599	0	38,077	38,077
Transfers in	0	33,694	33,694	0	0	0
Total Receipts	<u>0</u>	<u>101,873</u>	<u>101,873</u>	<u>29,000</u>	<u>38,742</u>	<u>9,742</u>
DISBURSEMENTS						
Elections	0	98,487	(98,487)	29,000	37,227	(8,227)
Total Disbursements	<u>0</u>	<u>98,487</u>	<u>(98,487)</u>	<u>29,000</u>	<u>37,227</u>	<u>(8,227)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,386	3,386	0	1,515	1,515
CASH, JANUARY 1	1,596	1,596	0	81	81	0
CASH, DECEMBER 31	<u>\$ 1,596</u>	<u>4,982</u>	<u>3,386</u>	<u>81</u>	<u>1,596</u>	<u>1,515</u>

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

Notes to the Financial Statements

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Senior Citizen's Service Fund	2002 and 2001
Community Development Block Grant Fund	2002 and 2001
Division I Interest Fund	2002 and 2001
Division II Interest Fund	2002 and 2001
Division III Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	2002 and 2001
Law Enforcement Complex Fund	2002 and 2001
Jail Commissary Fund	2002 and 2001
Sheriff Civil Fee Fund	2002 and 2001
Special Election Fund	2002 and 2001
Prosecuting Attorney Bad Check Fund	2002
Board for the Care of the Handicapped Fund	2002
Sheriff Drug Fund	2002
Law Enforcement Training Fund	2001
Eastern Capital Improvement Fund	2001
Division of Youth Services Fund	2001
Domestic Violence Fund	2001
DARE Fund	2001
Emergency 911 Fund	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2002 and 2001, did not include the Community Development Block Grant Fund and Law Library Fund.

2. Cash

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

agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. 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

The county's deposits at December 31, 2002 and 2001, were entirely covered by federal depositary insurance or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

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

Investments

The only investments of the various funds at December 31, 2002 and 2001, were U.S. government securities with reported amounts of \$2,568,000 and \$1,248,000, respectively, (which approximated fair value).

These investments were held by the county's custodial bank in the county's name.

3. Prior Period Adjustment

The Unclaimed Fee Fund's cash balance at January 1, 2001, of \$32 as previously stated has been omitted to reflect only special revenue funds and not agency funds on the financial statements.

The Special Election Fund's cash balance of \$81 at January 1, 2001, was not previously reported but has been added.

Supplementary Schedule

Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	N/A	\$ 10,039	6,364
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	100,540	15,084
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State Program	98-pf-06	11,875	50,000
		99-pf-035	393,300	20,085
		99-pf-52	9,300	164,227
		2002-ED-01	17,682	0
	Program Total		<u>432,157</u>	<u>234,312</u>
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO164-0418	0	1,211
		ERO164-0442	2,528	4,752
		ERO164-0488	4,232	0
	Program Total		<u>6,760</u>	<u>5,963</u>
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	3,727	0
Passed through				
State Department of Public Safety -				
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	ERO172076	100,025	240,427
		ERO172077	5,277	14,986
	Program Total		<u>105,302</u>	<u>255,413</u>
16.575	Crime Victim Assistance	2000-VOCA-0007	12,453	3,930
16.579	Byrne Formula Grant Program	99-NCD11-060	0	14,385
		99-NCD11-061	5,993	6,453
		01-NCD11-020	5,115	0
	Program Total		<u>11,108</u>	<u>20,838</u>

Schedule

BUTLER COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-012(15)	491,808	8,100
		BRO-012(19)	22,445	375,815
		BRO-012(21)	34,022	0
	Program Total		<u>548,275</u>	<u>383,915</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	4,685	20,078
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grant	FEMA-1412-DR	762,982	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Social Services -				
93.563	Child Support Enforcement	N/A	135,301	128,532
	Total Expenditures of Federal Awards		\$ <u>2,133,329</u>	<u>1,074,429</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

BUTLER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

The schedule includes all federal awards administered by Butler County, Missouri, except for the programs accounted for in the Health Center Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended December 31, 2002 and 2001.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31,	
		2002	2001
14.228	Community Development Block Grants/State's Program	\$ 432,157	234,312
14.231	Emergency Shelter Grants Program	6,760	5,963
16.579	Byrne Formula Grant Program	11,108	20,838

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Butler County, Missouri

Compliance

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

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

In our opinion, Butler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

Internal Control Over Compliance

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

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

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

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



Claire McCaskill
State Auditor

November 13, 2003 (fieldwork completion date)

Schedule

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

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

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

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

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

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

Federal Grantor: Federal Emergency Management Agency
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 83.544
Program Title: Public Assistance Grant
Pass-Through Entity
Identifying Number: FEMA-1412-DR-MO
Award Years: 2002 and 2001
Questioned Costs: Not Applicable

Section .31(b) of Circular A-133, *Audit of States, Local Governments, and Non Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. For the years ended December 31, 2002 and 2001, the county's SEFA was not accurate. In total, expenditures were understated by approximately \$608,286 for 2002 and overstated by approximately \$10,844 for 2001. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

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

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

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk provided the following response:

I agree and admit that we missed some of the programs. The 2003 SEFA Schedule will be more complete.

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

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

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

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

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

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

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

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

00-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity	
Identifying Number:	Hargrove-STP99, BRO-012-14, BRO-012-15, and BRO-012-16
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable

The county obtained advance payments of expenses which did not comply with reimbursement requirements of the program.

Recommendation:

The County comply with the requirements to pay expenses prior to submitting a request for reimbursement and discontinue the practice of obtaining advances on this program.

Status:

Implemented. During our review of payments, we noted the county had procedures in place to comply with program reimbursement requirements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 13, 2003. We also have audited the compliance of Butler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 13, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Health Center Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials and the other county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

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

1. Officials' Salaries

- A. Section 50.333.13 RSMo, enacted in 1997, allowed the salary commission meeting in 1997 to provide mid-term increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. While the 1997 salary commission minutes did not address the issue of such mid-term raises, in 1999 Butler County's Associate County Commissioners' salaries were each increased approximately \$5,849 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term in office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment.

Based upon the Supreme Court decision, the raises given to each of the Associate Commissioners, totaling approximately \$11,698 for the two years ended December 31, 2000, should be repaid. Although the County Commissioners are aware of the Supreme Court opinion, a formal decision has not been made regarding repayment.

- B. The Prosecuting Attorney did not receive compensation equal to that of an Associate Circuit Judge as required by Section 56.265, RSMo 2000 for a full-time prosecutor. The county failed to adjust the Prosecuting Attorney's salary annually and applied the same percentage used for other county officials' salaries. This resulted in the Prosecuting Attorney receiving \$3,499, \$3,849, and \$7,460 less than the Associate Circuit Judge in 2002, 2001, and 2000, respectively. The County Commission should review this situation to determine if the Prosecuting Attorney was underpaid and whether any reimbursement is necessary.

WE RECOMMEND the County Commission:

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

- B. Review the salary payments made each year to the Prosecuting Attorney.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will review the legal impact of the Supreme Court's decision, consult legal counsel, and develop a plan accordingly.*
- B. *We will pay the Prosecuting Attorney back in 2004.*

2. Budgetary Procedures

The County Clerk and County Commission are responsible for preparing and approving a county budget and publishing an annual financial statement. Prior audit reports have addressed the inadequacy of the county's budgetary practices and published financial statements. Butler County's 2002 and 2001 budgets and published financial statements revealed the following deficiencies:

- A. Formal budgets were not prepared for various county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury for the years ended December 31, 2002 and 2001. Chapter 50, RSMo 2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.
- B. Actual expenditures exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	2002	2001
Special Road and Bridge	\$ 643,603	96,254
Law Enforcement Complex Fund	11,249	12,087
Jail Commissary	19,898	459
Special Election	98,487	8,227
Sheriff Civil	29,814	324
Prosecuting Attorney Bad Check Fund	3,184	N/A
Board for the Care of the Handicapped	1,567	N/A
Sheriff Drug Fund	389	N/A
Law Enforcement Training Fund	N/A	10,103
Eastern Capital Improvement Fund	N/A	93,011
Division of Youth Services	N/A	47,868
Domestic Violence	N/A	6,119
DARE	N/A	2,026
Emergency 911	N/A	10,075

While the County Clerk prepared quarterly reports comparing budgeted and actual expenditures for the various officials, the county's procedures and reports are not resulting in effective monitoring of the various budgets. It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- C. A review of the annual financial statement published by the county noted the following concerns:
1. The county's published financial statements are not complete. Information contained in the published financial statements did not include appropriate revenue and expenditure detail as required by Section 50.800, RSMo 2000. Revenues are not presented by source and expenditure detail is not shown for many of the smaller county funds.
 2. The annual published financial statements did not include the financial activity of two county funds as required. Section 50.800, RSMo 2000,

provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

To adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be presented in the level of detail required by law and should be reconciled to the county's financial information.

Chapter 50, RSMo 2000, prescribes the procedures to be used by the county to prepare and approve the annual budget and to publish the county's financial statements. It is important for the county to follow these procedures so they can properly monitor the financial status of the county and keep the residents of the county informed about county operations.

Conditions similar to Parts A, B, and C. were noted in our prior reports. Although the County Commission and County Clerk stated they concurred with our prior recommendations, no corrective action has been taken.

WE RECOMMEND the County Commission:

- A. Ensure financial information for all county funds is included in the budgets and that separate budgets are prepared for each fund.
- B. Not authorize expenditures in excess of budgeted amounts.
- C. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

- A. *We will attempt to do better for budgets prepared for 2004.*
- B. *In the future, we will look at preparing amendments if necessary.*
- C. *We concur, and will include more detail in the 2003 financial statement published in 2004.*

3.**Payroll Procedures**

Some payroll expenditures were processed without adequate supporting documentation. The county under-reported medicare wages in error. In addition, some employees commute to and from work in county vehicles.

A. Centralized records are not maintained of time sheets, annual leave, sick leave, and compensatory time earned, taken, and accumulated for all county employees. The County Clerk indicated these records are to be maintained by each individual office but our review noted that some offices are not maintaining these records. The payroll clerk pays the employees the same amount each pay period unless told otherwise. A review of employee payroll records identified the following concerns:

1. A payroll check was issued in error for approximately \$596 to a part-time employee in the Collector's office. The error was discovered and the check was voided in the county's computer system, but the county did not obtain possession of the actual check. It was discovered four months later that the check was cashed by the employee. No effort has been made by the county to recover the amount of the check. Because time sheets were not prepared by this employee, it is unclear if payment was earned.
2. The Road and Bridge department supervisor is tracking the time worked by the Road and Bridge employees and submitting time summaries to the County Clerk's office; however, the employees are not preparing individual time sheets. The employees do not review the time summaries prepared by the supervisor.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared and signed by the employee, verified for accuracy, approved by the applicable supervisor, and filed in a central location with the County Clerk's payroll records. In addition, the County Clerk should prepare payroll on the basis of properly submitted time sheets.

B. The County Clerk's office withholds taxes from compensation paid to the employees, and reports these withholdings quarterly to the Internal Revenue Service. For the fourth quarter of 2002 and 2001 medicare wages were under-reported by \$3,647 and \$7,797 resulting in medicare taxes to be under-paid by \$106 and \$226, respectively. Subsequent to our review, the county received a notice from the Internal Revenue Service regarding medicare wages under reported in 2001; however, penalties and interest have not yet been determined.

The Internal Revenue Code requires employers to withhold and remit federal income taxes; report wages on W-2 forms; pay their share of social security and medicare on

the compensation paid to employees; and ensure W-4 forms are completed by all employees. In addition, Section 143.191, RSMo 2000, requires employers to withhold state income taxes from wages and establishes requirements for reporting wages. The county should determine the total taxes due the applicable taxing authorities and make the required payments.

- C. Three Road and Bridge employees and a Sheriff employee are allowed to use county vehicles to commute to and from work. The County Commission indicated these employees are on-call 24 hours a day for emergency situations; however, there is no documentation in the employee manual.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs are not maintained for the highway department or the sheriff vehicles and are not required by the county.

Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- D. Uniform allowances of \$85 a month were paid to the Sheriff and deputies during the two years ended December 31, 2002. The Sheriff and deputies are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

IRS Regulations 1.62(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments.

Conditions similar to Parts A, C, and D. were noted in prior reports.

WE RECOMMEND the County Commission:

- A. Require centralized records be maintained by the County Clerk's office of time worked, vacation, sick leave, and overtime earned, used, and accumulated. Consider action to recover the payroll check of \$596 that was issued in error to the part-time employee of the Collector's office. Require time sheets to be prepared and signed by Road and Bridge employees and properly reviewed and approved by the Road and Bridge supervisor prior to being submitted to the County Clerk's office.
- B. Implement payroll procedures to ensure that all payroll and payroll tax reporting is complete and correct and ensure a supervisory review is completed and documented.

- C. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.
- D. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

AUDITEE'S RESPONSE

The County Commission and the County Clerk provided the following responses:

- A. *We concur. We have resolved the \$596 with the Collector's office, and we will require timesheets and leave records for all offices not currently complying. We will devise a system to resolve the Road and Bridge situation.*
- B. *The payroll tax issue is resolved and we believe we are properly complying with the law.*
- C. *We will establish a written policy regarding the appropriate use of county vehicles.*
- D. *We are currently working with a CPA to resolve this issue.*

4. County Treasurer's Procedures

The County Treasurer accounts for the receipts and disbursements of the various county funds and several agency funds. The County Treasurer maintains several bank accounts some of which contain significant differences between book and bank balances. In addition, the interest allocation methods are not documented.

- A. As of December 31, 2002, the County Treasurer maintained twelve checking accounts. In addition, old outstanding checks dating back to 1999 totaled \$910 at December 31, 2002. A large number of bank accounts and old outstanding checks create additional and unnecessary record keeping and increases the likelihood that errors will occur in recording transactions. (See Part B. below.)

Overall efficiency could be improved by reducing the number of accounts and combining funds in as few accounts and investment vehicles as possible. Consolidating existing accounts would also allow funds to be pooled for increased investment opportunities. In addition, an attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued, if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. Routine procedures should be established to investigate checks outstanding for a considerable time.

- B. Although the County Treasurer formally documented bank reconciliations for the county's bank accounts, unreconciled differences fluctuated between months and she did not always investigate significant differences noted.

For example, the December 31, 2002 reconciled bank balance reported on the semi-annual settlement exceeded the various funds' book balances by \$9,328; however, the settlement was not accurate. We identified two outstanding checks that were not recorded and the outstanding balance in the payroll checking account totaling \$2,490 is not reflected in a county fund. The remaining difference of \$6,838 is attributed to an unreconciled difference in the County Revenue bank account. While the County Treasurer has adjusted for the outstanding checks, there is no documentation of follow-up on the remaining amounts. Similar discrepancies have existed in the County Revenue December 31 bank reconciliations since at least 1995.

Reconciling the Treasurer's fund ledgers to the bank accounts ensures that the records are in balance and that sufficient cash is available for the payment of all county expenditures. The Treasurer should attempt to determine the reasons for differences between the fund ledger and the bank accounts and the County Commission should be consulted to determine the proper correcting entry for any unexplained differences.

- C. The County Treasurer allocates interest earned to various funds she believes are required per statute to receive interest earned on balances. However, the County Treasurer uses various methods to allocate interest, and does not retain documentation of how the allocation is computed. In addition, the Thirty-sixth Judicial Justice Court Escrow Fund and Emergency 911 Fund were not included in this interest allocation process even though the balances of the two funds totaled \$435,090 at December 31, 2002. To ensure interest is equitably distributed the County Treasurer should retain interest allocation documentation.

Conditions similar to Parts A. and B. have been reported in our four prior reports.

WE RECOMMEND the County Treasurer:

- A. Consider reducing the number of bank accounts maintained, and attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- B. Reconcile the fund ledger to the county's bank accounts. Investigate and correct identified differences. Finally, consult the County Commission to determine the proper correcting entry for all unexplained differences.
- C. Retain documentation of interest distributions.

AUDITEE'S RESPONSE

The County Treasurer provided the following responses:

- A. We are in the process of closing one account now and we will keep in mind closing additional accounts in the future. All of the old outstanding checks, except for \$98 have been disposed of and I am investigating the \$98 currently.*
- B. Most of this difference is due to reconciliations dating back to 1995, and I will consult with the County Commission and determine the proper correcting entry by April 30, 2004.*
- C. Beginning in June 2004, I will maintain more detailed documentation of interest allocations.*

5. Collateral Securities

Collateral securities pledged by the county's depository bank to cover deposits of the County Treasurer and County Collector were insufficient by approximately \$8.2 million and \$8.3 million on January 15, 2003 and January 18, 2002, respectively.

Section 110.020, RSMo 2000, 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 Federal Deposit Insurance Corporation. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

The county apparently has not adequately monitored the level of bank activity. To ensure sufficient collateral securities are pledged, the county should monitor the level of bank activity and notify the depository bank when additional securities need to be pledged.

A similar condition was noted in the prior audit.

WE AGAIN RECOMMEND the County Commission ensure adequate collateral securities are pledged to protect county funds. This can be done by monitoring bank activity and providing timely notice to the depository banks of the need for additional collateral securities.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will work with the Treasurer to ensure the funds are adequately secured at all times.

The County Treasurer provided the following response:

I contacted the bank and additional securities were pledged in January 2004 to resolve this issue.

Controls over the preparation of the property tax books and the county's computer system are not adequate. The county is not in compliance with various statutes regarding the segregation of duties involving the tax books. Prior audit reports have also addressed the inadequacy of the county's property tax book procedures. While the County Commission and County Clerk responded in the 1998 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved.

The County Commission and County Clerk have failed to implement the procedures necessary to adequately comply with state law regarding tax books. The County Assessor enters the tax rates, the County Collector extends the taxes, and the County Assessor prints the tax books.

- A. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures would be verified by the County Clerk from aggregate abstracts, court orders, monthly statements of collections and the tax books. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector is complete and accurate.

Section 51.150(2), RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can be used by the County Commission to verify the County Collector's annual settlements.

- B. While the County Clerk reviews some of the tax statements for accuracy, he does not verify the current and back tax books for accuracy. A review should include, verification of individual entries in the back tax book and footing total tax book charges. The County Clerk is responsible for the accuracy of the personal and real estate tax books and the amounts with which the County Collector is charged. Failure to perform adequate reviews of the tax books could result in errors and irregularities going undetected.

Section 140.050, RSMo 2000, requires the County Clerk to make the back tax book and charge the County Collector with the aggregate amount of taxes, interest, and County Clerk's fees contained in the back tax books.

- C. The property tax system is utilized by the County Clerk, the County Assessor, and the County Collector. The financial system is utilized by the County Clerk and the Treasurer. During our review of the internal controls over these systems, we noted the following concerns:
1. Access to the property tax programs and data files is not adequately restricted. As a result, the assessment data is accessible to the Collector and the property tax data is accessible to the Assessor. Passwords are not changed on a periodic basis to ensure confidentiality. There is less assurance that passwords are effectively limiting access to the property tax data files and programs to only those individuals who need access for their job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
 2. The Treasurer and the County Clerk back up the financial data; however, the backup disks are not stored at an off-site location. Backups of computer information provide a means of recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that county data can be recreated.

WE RECOMMEND the County Commission work with the applicable county officials to:

- A. Ensure the County Clerk maintains an account book with the County Collector.
- B. Ensure the County Clerk formally verifies the accuracy of the tax books.
- C.1. Ensure access to specific computer programs/data files is restricted to authorized individuals through a system of passwords and security codes. Passwords should be unique by individual and changed periodically.
2. Ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A&B. During 2004, we will begin to utilize computer software we have obtained to aid us in implementing these recommendations.*
- C. We will develop a password system and a back-up system by March 31, 2004.*

Controls and procedures over county expenditures need improvements. Bids were not always solicited and documentation was not always retained. Some county expenditures were made for economic development and for a retail study without supporting documentation.

- A. Bids were not always solicited or advertised nor was bid documentation always retained for various purchases by the county. Examples of items purchased for which bid documentation could not be located are as follows:

<u>Item or Service</u>	<u>Cost</u>
Jail Food (purchased from one vendor during the two years ending December 31, 2002)	\$ 83,090
Cleaning Supplies (purchased during the two years ending December 31, 2002)	64,623
Office Supplies (purchased during the two years ending December 31, 2002)	54,701
Uniform Rental/Cleaning Services (purchased during the two years ending December 31, 2002)	31,876
Food for Edgewood Home (purchased during the two years ending December 31, 2002)	21,635
Radio Equipment	17,983
Road Signs	9,002
HVAC Repairs	7,500
Sheriff Computer Equipment	6,945
Truck repairs	5,703
Computer software – Sheriff Department	5,010

In addition, the County Commission has not solicited bids for property and liability insurance since December 1998.

The County Commission indicated bids are sometimes solicited through telephone calls, direct contact with vendors, or the product or service was only available from one vendor in the area; however, documentation of these contacts and sole source procurement was not maintained or recorded in the County Commission minutes.

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of county resources and helps to assure the county receives fair value by contracting with the lowest and best bidder. Competitive bidding

ensures all interested parties are given an equal opportunity to participate in county business. To show full compliance with state law, documentation of bids should include, at minimum, a listing of vendors from whom bids were requested, a copy of the requestor proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

- B. The County Commission approved payments to Poplar Bluff Industries, Inc. for economic development without requiring or retaining adequate supporting documentation. Payments of \$20,000 and \$20,200 were made to Poplar Bluff Industries during the years ended December 31, 2002 and 2001, respectively. In February 2002 and 2001, engagement letters/contracts were obtained from Poplar Bluff Industries indicating they would handle all industrial and economic development needs of the county. Included in these agreements were specifications of services to be provided and progress reporting requirements. However, there was no evidence that the county obtained any additional documentation of services provided. The failure to adequately track the progress requirements could prevent the county from adequately monitoring the actual services received and from determining whether the amounts paid were reasonable compared to the services rendered.

To ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments to vendors. Progress reports should be obtained to allow the commission a basis for adequately monitoring the services received and determining whether the amount paid was reasonable compared to the services rendered.

- C. During the year ended December 31, 2001, the county paid the Poplar Bluff Chamber of Commerce \$2,250 for their portion of a retail study. The County had no supporting documentation for this payment and a copy of the retail study had to be obtained directly from the Poplar Bluff Chamber of Commerce. In addition, there was no contract documenting the rights and obligations of each party and no documentation to support the county's share of the project costs.

Failure to adequately plan, solicit services and document agreements related to county projects may result in misunderstandings between the parties involved and unnecessary expenditures for the county.

In addition, Section 432.070, RSMo 2000, prohibits a county from making a contract unless it is in writing.

- D. In November 2001, the County Commission obtained a loan for \$216,017 to purchase road and bridge equipment. The interest rate for the loan is 4.625 percent and the loan is payable over a three-year period. As such, this loan may constitute long-term debt and the County Commission has no legal authority to enter into such an agreement.

The county should not enter into any indebtedness except as authorized by state law or constitutional provisions. Counties are authorized to borrow funds through bonds, tax anticipation notes, and protested warrants as provided by Chapters 50 and 108, RSMo, or issue bonds as authorized in the Missouri Constitution.

A condition similar to Part B. has been reported in our prior reports.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Obtain adequate supporting documentation for all payments to vendors and require detailed documentation to ensure payments are reasonable.
- C. Enter into written agreements for all services which specify all duties to be performed and the compensation to be paid.
- D. Ensure monies are borrowed in accordance with the provisions of state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *During 2004, we will follow the bid law and maintain documentation of bids.*
- B&C. *During 2004, we will obtain written contracts and strive to obtain adequate supporting documentation.*
- D. *We will ensure future purchases are obtained through lease purchase.*

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. Currently, it is each county official's responsibility to maintain an inventory listing of the fixed assets in their office. Inventories are not always completed annually, and the inventory listings do not always include information applicable to the item, such as cost and date of acquisition. Additions to the inventory listing are not reconciled to equipment expenditures to ensure all fixed assets are properly recorded. During our review of equipment purchases, we noted 7 of 12 items, totaling approximately \$110,000, were not recorded on the county's general fixed asset listing.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will make an effort to request an inventory from every office this year.

The Board for the Care of the Handicapped received approximately \$344,000 and \$191,000 in property taxes during 2002 and 2001, respectively. The Board met annually and the minutes did not adequately report decisions. The Board expenditures exceeded budgeted amounts.

- A. The Board is not adequately monitoring the use of monies provided to the various not-for-profit (NFP) organizations. The Board meets only one time a year to approve funding for the various organizations. The County Commission then approves periodic payments to the organizations based upon schedules established by the annual budget or periodic requests received. The contracts with these organizations require information regarding the number of individuals served, monthly financial reports, or other documentation that would enable the Board to monitor the use of monies provided to these organizations; however, there was no documentation that the Board received any of this information. In addition, any audit reports for these organizations are apparently not submitted to the Board for review, and minutes of the one meeting are not signed attesting to their accuracy.

Without adequate documentation to indicate how the funds were spent or how many developmentally disabled individuals received services, the Board has no assurance that monies distributed to organizations are expended in compliance with statutory provisions and as intended by the Board. In addition, reviewing the audit reports of these organizations may provide additional information to the Board for better monitoring of the organizations.

- B. Actual expenditures exceeded budgeted amounts for the year ended December 31, 2002 by \$1,567. As the board meets only annually, it appears they do not periodically monitor expenditures. It was ruled in *State ex rel. Strong V. Cribb* 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the Board for the Care of the Handicapped:

- A. Adequately monitor the use of monies provided to NFP organizations. In addition, ensure board minutes are signed by the secretary as preparer and by the Board President to attest to their completeness and accuracy.
- B. Ensure the annual budget includes reasonable estimates of expenditures and keep expenditures within budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised.

AUDITEE'S RESPONSE

The Board for the Care of the Handicapped provided the following responses:

- A. *It is the viewpoint of the Board, as we have discussed among ourselves on numerous occasions, that we should meet on an as-needed basis. There have been past years in which we met more frequently when a building project was underway by one of the agencies we fund, or when monies were tighter and we felt the need to monitor our income and expenses more closely.*

Recent years have seen a much smoother financial operation; the agencies have done a good job with their budget requests and have needed no changes during the years. We have felt an increased confidence in the management of the agencies and have not seen the need for as many board meetings. Our board is a strictly voluntary group of individuals who are conscientious and interested in the operations of each of the NFP organizations we fund; however, we choose to meet only when the situation demands it, and lately the demands have been few. In our opinion, it would be more difficult to retain the current board members and/or attract new ones if we met unnecessarily often.

Some of our board members do have ongoing contacts with the agencies and, if they saw the need or knew the law demanded it, it would ask for a general board meeting to discuss their concerns. Again, during 2003, that situation did not occur.

In summary, our board takes its task seriously and will gladly meet whenever situations arise which demand our attention, our discussions, and our votes.

- B. *The total expenditures of \$244,360.90 included dividing payments to ADAPT between completing their 2001 budget (\$2,141) and paying out most of their 2002 budget (\$63,999). ADAPT operates on a different fiscal year than we do and this is the most efficient way to handle that fact. I assume we can solve this discrepancy each year by simply making our current year budget include any unfunded amount from the previous year. In the case mentioned, ADAPT's budget for 2002 would have been stated at \$67,141. We will note this suggestion of yours and will fix things for 2004.*

AUDITOR'S COMMENT

- A. Given the concerns noted, it is questionable whether the Board meeting only one time per year is enough to fulfill the fiduciary duties they have been appointed to perform.

10. County Collector's Accounting Controls and Procedures
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The County Collector's office processed property taxes totaling in excess of \$14.1 million and \$13.6 million during the years ended February 28, 2003 and 2002, respectively. Cash receipt procedures need improvement, annual settlements did not properly reflect all tax collections, and written agreements are not obtained for the collection of taxes for river and drainage districts.

- A. The County Collector accepts cash, checks, and money orders for the payment of property taxes. The tax receipts are marked paid by the County Collector but do not indicate the method of payment. In addition, the composition of tax receipts is not reconciled to the composition of bank deposits. See Part B. below.

To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment should be indicated on all tax receipts, and the composition of receipts should be reconciled to the composition of deposits.

- B. The County Collector does not deposit receipts intact. During our review we noted the following concerns:
1. Monies received for partial payments of property taxes are held in cash in the County Collector's vault until full payment is received. A cash count performed on November 12, 2003 showed partial payments of \$6,132 on hand.
 2. Cash receipts are used to cash personal checks for county employees.
 3. Cash refunds were also made for overpayments of taxes and licenses paid by check.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when the accumulated receipts exceed \$100 and deposits should be reconciled to the daily abstracts. In addition, personal checks should not be cashed with official tax receipts and refunds should be made by check.

- C. The County Collector's annual settlements did not reflect drainage district tax collections totaling \$366,705 and \$343,693 for the two years ended February 28, 2003 and 2002, respectively. In addition, the annual settlement filed for the year

ended February 28, 2003 showed collections exceeded distributions by approximately \$4,500. The County Collector had no explanation for the differences.

Section 139.160, RSMo 2000, requires the County Collector to report on all monies received. When some sources of revenue are not reported, the County Commission cannot properly examine and approve the County Collector's annual settlement.

- D. The County Collector collects taxes for six drainage districts. Five of these drainage districts were created by the Circuit Court, and the County Collector retains fees of two percent of collections. The County Collector indicated she has informal agreements with the districts to collect taxes and retain fees. However, Sections 52.275 and 432.070, RSMo 2000, would appear to require a contract with the county and that it be in writing.

The county should determine if any part of the commissions retained from these collections should be paid to the General Revenue Fund for any county costs involved in the collection of the districts' taxes. The County Collector retained approximately \$15,649 for district commissions during the two years ended February 28, 2003.

WE RECOMMEND the County Collector:

- A. Indicate the method of payment on all paid tax statements. In addition, reconcile the composition of paid tax statements to the composition of deposits.
- B. Deposit all monies received for partial payments intact daily and ensure deposits are reconciled to the daily abstracts. In addition, the County Collector should discontinue the practice of cashing personal checks from tax receipts, and make refunds by check.
- C. File complete and accurate annual settlements.
- D. Enter into a written agreement for the collection of taxes and the amount of fees to be retained. In addition, the contract should address any county costs involved in the tax collection process.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. *We make daily deposits and the amount of the deposit equals the collections. We do not mark the receipts as cash or check, but we can determine which receipts are paid by cash and which are paid by check.*

- B. *It has been our policy to accept money from taxpayers and hold it for them. This is not a partial payment, but a service to the taxpayer.*

A few small checks are cashed for county employees, but not from cash receipts. These few checks are usually \$10.00 or \$20.00 and cashed from change we have on hand. In the future, all refunds will be made by check.

- C. *With regard to the differences between collections and distributions reported on the annual settlement for the year ending February 28, 2003, this annual settlement is in error. I am enclosing a schedule showing the total amount collected and the amount distributed and the difference of \$48.22.*

- D. *We collect taxes for six drainage districts. One of these districts is under the jurisdiction of the County Commission and five of them are under the jurisdiction of the Circuit Court. The taxes collected for the district under the jurisdiction of the county are reported each month and turned over to the county and no commissions are taken and they are included in annual settlements.*

Taxes collected for the districts under the jurisdiction of the Circuit Court are paid directly to the district, and commissions deducted from the collections. These districts have their own auditors.

One of the duties of the Collector as set out in the statutes is to collect drainage taxes and the method of compensation is stated. I do not feel these tax collections should be included in the annual settlement for the county. I will discuss a written agreement with the districts at their next meeting.

11.

Prosecuting Attorney

The Prosecuting Attorney's office collects court-ordered restitution, bad check restitution, and bad check collection fees. The Prosecuting Attorney's office processes receipts over \$195,000 annually. Improvements are needed in internal control and accounting procedures used by the Prosecuting Attorney's office.

- A. Accounting duties for bad check processing are not adequately segregated. The bad check clerk is primarily responsible for receiving, recording, depositing, and disbursing monies for Prosecuting Attorney bad check fees and bad check restitution payments. In addition, a documented supervisory review is not performed by the Prosecuting Attorney.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a

minimum, periodic supervisory reviews of the records should be performed and documented.

- B. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, timely processing, and the subsequent disposition of these complaints have not been established. Currently, Butler County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. The Prosecuting Attorney has not established procedures to ensure all bad check complaint forms are accounted for properly and that all collections on bad checks are properly handled in a timely manner.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and a log should contain information such as the assigned number, the merchant, issuer of the check, the amount of the check, the amount of the administrative fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and the County Treasurer or the criminal case in which charges were filed or other disposition.

- C. We noted the following concerns regarding receipts:

1. Receipt slips are not issued for some monies received by the bad check office. To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly.
2. Bad check and court-ordered restitution payments and fees are not deposited in the Prosecuting Attorney's bank accounts or transmitted to the County Treasurer on a timely basis. Deposits/transmittals are made approximately once a week regardless of when received or the amounts on hand. A cash count on October 30, 2003, noted approximately \$6,500 in receipts on hand, which had been received since the last deposit/transmittal on October 24, 2003. The cash count included two money orders dated October 3 and October 10, 2003, which were in a file and had not been processed.

In addition, partial payments are sometimes held until payment is received in full. We noted three money orders received in April 2001 were not deposited or disbursed until January 2002.

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

3. Cashiers checks and money orders received are not restrictively endorsed immediately upon receipt by the Prosecuting Attorney bad check office. Instead, the endorsement is applied at the time the payments are processed into the bad check computer system. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. In June 1999, the Prosecuting Attorney's office opened a new bad check restitution checking account. This account had old outstanding checks over one year old of approximately \$765 at December 31, 2002. In addition, the old bad check restitution checking account still remains open with a balance of approximately \$5,137 at December 31, 2002, consisting of old outstanding checks dating back to 1992.

Sections 50.470 through 50.500, RSMo 2000, provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund and Sections 447.500 through 447.595, RSMo 2000, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

- E. The Prosecuting Attorney has not established a formal policy specifying when the court should be notified of unpaid cases. In addition, specific procedures have not been established to ensure follow-up collection efforts are adequate. During our review of court-ordered restitution and bad check restitution case files, collection procedures and efforts were not always made timely and there was no clear policy of follow-up collection efforts to be taken or timing of the efforts. For example, we noted several instances where cases were handled inconsistently, such as additional time to make payment was provided to some individuals. No formal approval of additional time to make payment was documented by the Prosecuting Attorney.

The Prosecuting Attorney should establish written procedures for collecting delinquent unpaid restitution and fees. Such procedures should consist of generating periodic reports of cases with balances due and follow up on those for which payments are not being made. In addition, information regarding cases with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

Conditions similar to Parts A, B, C, and E. were noted in prior reports.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented in the bad check office.
- B. Implement procedures to adequately account for bad checks received, process bad checks in a timely manner, and account for the ultimate disposition.

- C.1. Issue pre-numbered receipt slips for all monies received and account for the numerical sequence of receipt slips.
- 2. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed \$100 and retain a listing documenting the monies that were transmitted or deposited.
- 3. Restrictively endorse cashiers checks and money orders immediately upon receipt.
- D. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions and close the old bad check restitution bank account.
- E. Maintain a complete and accurate listing of delinquent unpaid court ordered restitution and bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such delinquent amounts.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *The bad check department is uniquely in a site by itself, with one full time employee and a part-time employee. It is not possible for one party to receive funds and another to disburse the funds. But each month at the time of bank reconciliation, the open items ledger is brought up to date and balanced with the check book. If discrepancies are found they are brought to the attention of the prosecutor and corrections are made. This is done by someone outside of the bad check department. We will randomly check a deposit once a month beginning January 2004.*
- B. *At the time bad checks are received they are to be entered into the computer bounce back program and given a number. The program should be able to give a listing of all checks. When the checks are paid that information is also entered into the computer. We will start a monthly printout of checks entered for each business as checks are received.*
- C. *Regarding receipts and money deposits.*
 - 1. *This is something I will try to implement. Though this office receives a great deal of money orders payable to merchants, these are written in a notebook and a record is kept.*
 - 2. *This is something we will try to improve upon. Money is kept locked in the office until the deposit has been made. But, I will insist that money is deposited on a more timely basis.*

We will start immediately to require that no money orders be left in the files and that if a merchant does not want to receive a partial payment, money will be deposited into the trust account.

3. *All money orders or checks will be endorsed immediately upon receipt for deposit only.*

D. *We are stopping payment on the checks noted in the audit. Checks that can be reissued with a new address will be done and the other money will be looked at to see what needs to be transferred to the unclaimed property section.*

The old check restitution account has been completely audited and the money has been accounted for to the best ability of one of the secretaries. We will disburse these funds in March, 2004.

E. *We have a policy for notifying probation officers of unpaid balances in the criminal restitution cases. We will work on getting the same implemented for the bad check restitution. Also, I will have a report prepared each month listing cases with their unpaid balances for our records.*

Also, the inconsistencies you noted in giving some people additional time to make payments is strictly from a humanistic point. If they call and have circumstances that make it impossible for them to pay by a certain deadline we will extend that time. (i.e.: if they receive a government check on the first of the month). This is generally noted on the paper work and no formal document is produced. The prosecutor is aware and gives the authority to extend time for payment to the collection clerk. The prosecutor makes the determination to waive fees.

12. Sheriff's Accounting Controls and Procedures

The Sheriff handled receipts totaling approximately \$625,000 and \$442,000 during the years ended December 31, 2002 and 2001, respectively. We noted several concerns including procedures have not been established for collecting delinquent board bills, billing rates have not been established in a written contract, and the commissary account balance is not reconciled to the individual inmate account balances.

A. The Sheriff has not established a formal policy for follow up collection efforts for unpaid incarceration costs billed to other political subdivisions. A civil/criminal clerk tracks and bills incarceration costs incurred by other political subdivisions. Payments from the political subdivisions are received and deposited by the civil/criminal clerk. Our review of the billing files as of October 22, 2003, revealed the Sheriff's Office had accounts receivable of \$17,585 of which \$6,970 date back to 2000 and 2001.

The Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

- B. The county houses prisoners for various political subdivisions and does not have any written contracts. The county received approximately \$267,890 and \$90,225 for housing prisoners during the years ended December 31, 2002 and 2001, respectively. Currently, the Sheriff's department charges other counties \$45 a day; however, the City of Poplar Bluff is charged a reduced rate of \$35 a day, per inmate. While the Sheriff indicated the various rates are established, because the City of Poplar Bluff Police Department helps the Sheriff's deliver papers within the city limits, there is no documentation of this agreement.

The County Commission and Sheriff should develop written contracts with those entities regarding inmate housing and related fees. The County Commission and Sheriff should periodically review the costs of operating the jail, including any indirect costs, and establish an appropriate billing rate for all political subdivisions housing prisoners in the county jail.

Section 432.070, RSMo 2000, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

- C. The total of the prisoners' monies in the Sheriff's commissary checking account is not reconciled to the total of the individual prisoner balances. Inmate balances are maintained on computer files but the balances cannot be reconciled to the total in the account. According to the Sheriff's records, the individual inmates' accounts totaled \$9,982 at September 30, 2003. However, the reconciled bank balance was \$11,197 and \$1,215 could not be identified to a specific inmate. Reconciliations between receipts, disbursements, and individual balances and the total in this account are necessary to ensure all monies received are accounted for properly and errors in recording amounts in inmate and commissary balances are detected. This account had significant problems in the past, and while some improvements have been made, some control weaknesses still exist.
- D. Checks received are not always restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- E. The Sheriff and his deputies received mileage reimbursements totaling approximately \$230,000 annually for patrolling, transporting prisoners, and serving papers for attorneys, courts, and other counties relating to civil and criminal cases. The following concerns were noted:

1. Documentation was not always adequate to support approximately \$20,400 in mileage paid to the Sheriff during 2002 and 2001 for patrolling. While deputies appeared to include details (such as odometer readings, destination and purpose) on mileage and dispatch reports used to support the mileage claims, documentation of these details were not always available for the Sheriff. As a result, approximately \$20,400 has been paid to the Sheriff without adequate supporting documentation.
2. Civil service fees and mileage are collected by the Sheriff's Department, deposited into the sheriff's fee account and the mileage is paid directly to the deputies who performed the paper service. Mileage relating to criminal cases such as transporting prisoners, criminal service, and patrolling are paid to the deputies from the county's General Revenue Fund monthly. There are no procedures in place to ensure that reimbursements paid directly to the deputies for civil mileage have not already been reimbursed by the General Revenue Fund. For the two years ended December 31, 2002, approximately \$22,000 was paid from the Sheriff's fee account for civil mileage which may have been also reimbursed by the General Revenue Fund.

WE RECOMMEND the County Commission and Sheriff:

- A. Establish written procedures for pursuing the collection of such delinquent amounts.
- B. Establish a billing rate appropriate for housing inmates in the County jail, and enter into written contracts as required by law.
- C. Reconcile the individual prisoner and commissary balances to the total of the monies in the account on a monthly basis.
- D. Restrictively endorse all checks immediately upon receipt.
- E.1. Maintain adequate documentation to support mileage claims.
2. Establish procedures to ensure that mileage costs paid for civil paper service from the Sheriff's fee account have not already been reimbursed by the General Revenue Fund. Consider requiring all paper service fees to be remitted to the County Treasurer and discontinue reimbursing mileage costs from the Sheriff's fee account.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. In 2004, we will establish written procedures.*
- B. New billing rates have been established.*
- E.1. In 2004, the county will maintain adequate documentation to support mileage claims.*
- 2. In 2004, the County Commission will work with the sheriff to create an appropriate and accurate procedure regarding civil paper service fees.*

The Sheriff provided the following responses:

- A. These delinquent accounts are the result of many of the other county sheriffs refusing to pay for only a night or two of accommodation. They feel if they had to pick up one of our prisoners, then they would not charge for them and vice versa. We have discontinued billing other sheriffs with the exception of the surrounding counties we do a reasonable amount of business with. We have not had any problem with them paying. If they do not pay we will re-bill.*
- B. The Butler County Justice Center now has an agreement signed with all the counties we do regular business with.*

The city of Poplar Bluff's budget does not run out until October. We will renegotiate with them at that time. They can not change their billing until then.

- C. The sheriff and staff agreed to start a new account for the inmates starting February 1, 2004. All monies from previous accounts will be paid out as soon as possible and any excess monies that cannot be accounted for will be put into commissary account to be paid to general revenue.*
- D. All checks are now stamped immediately when we receive them.*
- E.1. The Sheriff will have daily logs for documentation of mileage he is paid for.*
- 2. The reserve deputies will be serving the majority of the papers, with the exception of emergency papers. When a deputy has to serve a paper he will subtract that mileage from his regular criminal mileage.*

13.

Circuit Clerk's Accounting Controls

During the two years ended December 31, 2002, the Circuit Clerk deposited approximately \$2.3 million into the fee account for fines and costs for criminal and civil cases. Open items listing of liabilities did not reconcile to the cash balance.

The Circuit Clerk maintains a listing of liabilities for the fee account. At December 31, 2002, the reconciled cash balance of \$191,266 exceeded the open items listing of liabilities by approximately \$7,300. In addition, old open items dating back to 1999 and prior totaling approximately \$2,300 are still being held.

A complete and accurate listing of open items should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Circuit Clerk should attempt to determine the reasons for the differences and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law. In addition, the status of old open items should be routinely reviewed to determine if any disbursement is necessary. If disbursement is possible, but proper payees cannot be located the monies should be disposed of in accordance with state law. Various statutory provisions including Sections 447.500 through 447.995, RSMo, provide for the disposition of unclaimed monies.

WE RECOMMEND the Circuit Clerk reconcile the open items listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies. In addition, establish procedures to routinely review the status of old open items. Any unclaimed or unidentified monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

From 1988 to 1998 we did from 1 to 8 open items reports each year. In February, 1999, on the advise of the auditors, we started doing the open items reports each month and will continue to do this. These reports are available to the auditors at any time.

On December 31, 2002 we had an open items balance of \$9,596.85. A total of \$2,269.12 was accounted for on old fee sheets and we paid this to the county as unclaimed funds on September 29, 2003. At the end of December, 2003 we had approximately \$7,300.00 in open items. We have gone through the old fee sheets back to the mid-seventies and cannot account for this \$7,300.00. We will be glad to comply with the recommendations.

The Probate Division clerks received approximately \$132,000 and \$126,000 during 2002 and 2001, respectively. Accounting duties were not adequately segregated, monies were not deposited timely, and \$533 in the Probate account was not identified to a specific case.

- A. Accounting duties are not adequately segregated. One individual is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records for each bank account. There is no documentation that an independent review of deposits and accounting records is performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, at a minimum, an independent person, such as the Associate Circuit Judge should review and initial bank reconciliations and agree recorded receipts to deposits. Proper supervision and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

- B. Monies received are not deposited on a timely basis. In addition, the method of payment (cash, check, or money order) is not indicated on the one-write receipt slips and reconciled to the composition of the amounts deposited. A cash count on September 4, 2003, disclosed checks on hand totaling \$270 were subsequently deposited on September 8, 2003.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100. In addition, to ensure receipts are accounted for properly and deposited intact, the composition of receipts should be indicated on the one-write receipt slips and should be reconciled to the composition of bank deposits.

- C. Monthly listings of open items are prepared for the Probate account; however, as of December 31, 2002, the Probate reconciled bank balance of \$4,780 exceeded the open items listing by \$533. In addition, the unidentified amount often varied from month to month.

The Probate Division should continue to attempt to determine the reasons for these differences. If proper disposition of the unidentified monies cannot be determined and the unreconciled difference remains at a constant amount, these monies should be disposed of in accordance with state law.

A similar condition was noted in prior reports.

WE RECOMMEND the Probate Division:

- A. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100. In addition, ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- C. Determine reason for all unidentified cash balances and investigate fluctuations in the unidentified balance. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.

AUDITEE'S RESPONSE

Associate Circuit Judge William J. Clarkson provided the following responses:

- A. *The probate account is kept separate from all other accounts in the office and managed by one person. In the future all receipts, deposits and bank reconciliations will be independently checked and confirmed by the Associate Circuit Judge before filing.*
- B. *Because of staffing deficiencies daily deposits are not always possible. We will endeavor to make deposits on a regular basis which will be at least twice a week. Large deposits, which are rare, will be addressed as necessary and special considerations made.*
- C. *We will monitor the overage for a period of time to determine the customary and usual amount. Once satisfied that this amount is no longer necessary for open files it will be disbursed to the county authority.*

15. Public Administrator's Controls and Procedures

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the two years ended December 31, 2002, the Public Administrator handled approximately 240 cases. Annual settlements filed by the Public Administrator were not always filed in a timely manner. Four of the seven annual settlements we reviewed were filed three to five months late. The Associate Circuit Judge indicated the court notifies the Public Administrator, however some annual settlements are still filed late. Section 473.540, RSMo 2000, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative.

WE RECOMMEND the Public Administrator ensure annual settlements are filed on a timely basis.

AUDITEE'S RESPONSE

The Public Administrator provided the following response:

I try to do settlements in a timely manner, yet sometimes, I have something I feel that for the client is more important at that time. I have spent many hours on a missing client, and it has put me behind. I feel client interaction is important. I also had a co-worker ill, so I tried to cover for them and keep the cost to the county down. I am not trying to make excuses, just writing the truth. Thank you so very much, and I am working hard to file on a timely basis.

16. Senior Citizen's Service Board

The Senior Citizen's Service Board receives approximately \$170,000 annually. The Senior Citizen's Service Board budgets were not complete and board minutes were not signed.

- A. The Senior Citizen's Service Board budgets are not complete. The budgets do not include a comparative statement of actual receipts and disbursements for the two previously completed fiscal years, and the beginning and ending cash balance information was not provided. In addition, the Senior Citizen's Service Board did not perform a reconciliation of prior year's beginning cash, receipts, and disbursements to the ending cash balance. The accounting system reported accurate amounts, but these amounts were not reflected on the budget.

Amounts for the two previous years provide comparative information to help evaluate the reasonableness of the budget estimates for the upcoming year and the preparation of the cash reconciliation would help ensure the accuracy of cash balance information presented. In addition, Chapter 50, RSMo 2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year.

- B. The board minutes are prepared and signed by the board secretary, but the minutes are not signed by the Board President. The board minutes should be signed by the Board President to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Senior Citizen's Service Board:

- A. Ensure budgets are complete and accurate.
- B. Ensure board minutes are signed by the Board President to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

The Senior Citizen's Service Board provided the following responses:

- A. We now have the correct budget form from the County Clerk's office, and we will ensure all information required by statute is included in the 2004 budget.*
- B. Board minutes are now being signed.*

Follow-Up on Prior Audit Findings

BUTLER 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 Butler County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998 and our Special Review of the Butler County Sheriff's Office for the period March 1, 1998 through June 8, 1999. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for various county funds.
- B. The county did not have procedures in place to ensure the county's budget documents were properly prepared and accurately presented financial activities of the county.
- C. The county did not budget sufficient funds in the emergency fund budget within the General Revenue Fund's estimated disbursements.
- D. Disbursements exceeded the approved budgets for ten county funds.
- E. The county's published financial statements were not accurate or complete and the financial statements did not include the financial activity of several county funds.

Recommendation:

The County Commission:

- A. Ensure financial information for all county funds is included in the budgets and that separate budgets are prepared for each fund.
- B. Ensure the budget document contains complete and accurate information about the county's finances and agrees to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- C. Budget the emergency fund in the General Revenue Fund in an amount equal to at least three percent of total estimated receipts in accordance with state law.

- D. And the Board for the Care of the Handicapped and the Division I and Division II courts keep disbursements within the budgetary limits. If additional funds are received which could not be estimated when the budget was adopted, the County Commission should amend the budget by following the procedures required by state law.
- E. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is reconciled to the county's financial records and properly reported in the annual financial statements.

Status:

A, D

&E. Not implemented. See MAR finding number 2.

B. Implemented.

C. Implemented. During 2002 and 2001, the county budgeted more than the required three percent minimum.

2. Property Tax Controls and Procedures

A. Controls over property tax additions and abatements were not adequate.

B. The County Clerk did not maintain an account book with the County Collector.

C. The County Clerk did not recalculate, on a test basis, the tax book extensions, page totals, or grand total of the tax books to verify the tax books charged to the County Collector.

Recommendation:

The County Clerk:

A. Prepare prenumbered addition and abatement court orders from information received directly from the Assessor's Office and periodically reconcile additions and abatements to changes made to the property tax books. The Assessor should maintain copies of the information that is given to the County Clerk. In addition, the County Commission should review and approve all additions and abatements on a more timely basis.

B. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

- C. Review the tax books for accuracy, test individual tax bills and tax book page totals for accuracy, and document all procedures performed.

Status:

- A. Partially implemented. While the County Commission approves all additions and abatements, the County Clerk does not reconcile additions and abatements to property tax books. See MAR finding number 6.

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

3. Collateral Security

The county did not formally monitor its bank balances to ensure that the county's depository banks pledged sufficient collateral securities.

Recommendation:

The County Commission:

Ensure adequate collateral securities are pledged to protect the county's funds. This can be done by monitoring bank activity and providing timely notice to the depository banks of the need for additional collateral securities to be pledged.

Status:

Not implemented. See MAR finding number 5.

4. County Commission Minutes

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

Recommendation:

The County Commission:

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

Status:

Implemented.

5. Personnel Policies and Procedures

- A. Annual leave, sick leave and compensatory time balances were not centrally maintained and were not always compared to monthly employee time sheets to ensure their accuracy.
- B. Time sheets were not maintained by the County Clerk's Office for Sheriff Road Deputies, Sheriff Detectives and the Road and Bridge employees. In addition, time sheets were not always signed by the employee and the employee's supervisor.
- C. Three Road and Bridge employees were allowed to use county vehicles to commute to and from work. Their personal commuting mileage was not reported as an employee fringe benefit.
- D. The Sheriff and deputies were not required to submit invoices or an itemized expense report to support the uniform allowance, nor was the allowance reported on the W-2 forms.

Recommendation:

The County Commission:

- A. Require the County Clerk to maintain centralized leave records and ensure those records reconcile to the employees' time sheets.
- B. Ensure time sheets are signed by all employees and the employee's supervisor to provide supporting documentation for payroll expenditures.
- C. Comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.
- D. Require employees to submit invoices or itemized expense reports for uniform allowances or report the payments as other income on the employees' W-2 forms.

Status:

A, C

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

B. Partially implemented. The Sheriff's employees submit time sheets to the County Clerk; however, the Road and Bridge employees do not submit time sheets. See MAR finding number 3.

6. General Fixed Assets

- A. The county did not have formal procedures for disposing of county owned property.
- B. Property records were not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year and property purchases were not reconciled to the additions per the inventory records.
- C. The duties of fixed asset custody and performing inventory counts were not adequately segregated.

Recommendation:

The County Clerk:

- A. Document the County Commission's approval of all property dispositions and remove all disposed assets from the inventory totals in a timely manner.
- B. Maintain fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year end balances and reconcile fixed asset purchases per the expenditure records to additions per the inventory records.
- C. Provide an adequate segregation of duties between the custody of fixed assets and the performance of inventory counts.

Status:

A-C. Not implemented. See MAR finding number 8.

7. Documentation of County Expenditures

The County Commission approved payments for some expenditures without requiring or retaining adequate supporting documentation.

Recommendation:

The County Commission:

Obtain adequate supporting documentation for all payments to vendors and ensure contracts are sufficiently detailed.

Status:

Not implemented. See MAR finding number 7.

8. Assessment Fund Reimbursements

The County Clerk did not reconcile assessment reimbursements claims to actual expenditures and did not ensure that the reimbursement claim forms were properly completed and accurately calculated.

Recommendation:

The County Clerk:

Contact the State Tax Commission regarding this situation and take appropriate action to correct the overpayments. In addition, the County Commission should ensure assessment reimbursement claims are reconciled to the expenditure records, are properly completed, and accurately calculated.

Status:

Implemented. The State Tax Commission withheld \$2,000 from the 1999 third quarter assessment reimbursement.

9. Associate Circuit Division's Accounting Controls and Procedures

Monthly listings of open items (liabilities) were not prepared and reconciled to the cash balances to ensure the records were in balance and that sufficient cash was available for the payment of all liabilities.

Recommendation:

The Associate Circuit Division:

Prepare a monthly open items listing and reconcile it to the monthly cash records. The Division should determine reasons for all unidentified cash balances, make adjustments to the accounting records for identified differences, and investigate fluctuations in the unidentified balance in a timely manner. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.

Status:

Implemented.

10. County Clerk's Accounting Controls and Procedures/Missing Funds

A. The County Clerk's Office did not have adequate controls in place to ensure the proper safeguarding of county revenue from theft, misuse or loss. Receipts were not issued for all monies received and cash receipts were not transmitted intact to the

County Treasurer. When receipt slips were compared to transmittals, at least \$136 of receipts were not transmitted to the County Treasurer.

- B. Checks and money orders were not restrictively endorsed immediately upon receipt.
- C. Accounting duties were not adequately segregated.

Recommendation:

The County Clerk:

- A. Establish adequate controls to properly safeguard county revenue from theft, misuse or loss. Issue receipt slips for all monies, transmit monies received intact and obtain a receipt slip from the Treasurer at the time of transmittal. Ensure that transmittals indicate which receipts are included in the transmittal and reconcile the cash, checks, and money orders received to the composition of receipt slips and transmittals. The County Clerk should discontinue the practice of cashing personal checks. In addition, the County Clerk should attempt to recover the missing receipts.
- B. Restrictively endorse all checks and money orders immediately upon receipt.
- C. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

Status:

- A. Implemented. The missing receipts were not recovered; however, receipts are issued for all monies and transmitted intact.

B&C. Implemented.

11. County Collector's Accounting Controls and Procedures

- A. The County Collector accepted cash, checks and money orders for payment of property taxes but did not indicate the method of payment on the receipts.
- B. The County Collector did not deposit receipts intact.

Recommendation:

The County Collector:

- A. Ensure the method of payment is indicated on all property tax receipts. The cash, checks, and money orders received per the receipts should be reconciled to the composition of bank deposits.

- B. Deposit all monies received for partial payments intact daily and ensure deposit slips indicate which receipts are included in the deposit. In addition, the practice of cashing checks should be discontinued.

Status:

A&B. Not implemented. See MAR finding number 10.

12. County Treasurer's Accounting and Banking Procedures

- A. The County Treasurer maintained sixteen checking accounts, three investment accounts, and two certificates of deposit. This large number of accounts caused additional record keeping and increased the likelihood that errors could occur in recording transactions.
- B. The County Treasurer did not formally document bank reconciliations nor did the Treasurer reconcile the fund ledger balances to the county's bank accounts or to the check stubs. The December 31, 1998 book balances of the funds maintained in the County Revenue bank account exceeded the reconciled bank account balance.
- C. Interest earned on funds was not allocated to those funds. All of the interest earned was allocated to the General Revenue Fund, Special Road and Bridge Fund, and the Assessment Fund instead of the particular fund that earned the interest.

Recommendation:

The County Treasurer:

- A. Reduce the number of bank accounts maintained.
- B. Perform and adequately document bank reconciliations and reconcile the fund ledger to the county's bank accounts. Investigate and correct identified differences. Finally, consult the County Commission to determine the proper correcting entry for all unexplained differences.
- C. Allocate the interest earned on the County Fund bank account in accordance with the state statutes and various Attorney General opinions.

Status:

A-C. Not implemented. See MAR finding number 4.

13. Juvenile Office Accounting Controls and Procedures

- A. The Juvenile Office did not maintain a restitution ledger to account for restitution assessed, collected, and distributed for each case.
- B. Victim receipt slips did not always indicate the case number or the applicable juvenile's name.
- C. The payee information on many of the money orders on hand was blank and the Juvenile Office did not appear to have consistent procedures to ensure monies were distributed in a timely manner.
- D. Cash balances on hand were not reconciled to records of amounts owed to victims.
- E. The duties of receiving, recording, and custody of juvenile office restitution receipts were not adequately segregated.

Recommendation:

The Juvenile Office:

- A. Maintain a restitution ledger to ensure complete documentation of juvenile restitution activity including but not limited to: juvenile and victim names, amount of restitution ordered and due to each victim, restitution payments received (including receipt date and number), balance of restitution due from the juvenile, distributions to victims (including receipt date and number), balance due to each victim, and the balance of cash on hand.
- B. Record the juvenile name(s) and case number(s) on victim receipt slips.
- C. Ensure the payee information is properly completed for all money orders on hand and distribute restitution to victims in a timely manner.
- D. Reconcile cash balances on hand to amounts owed to victims.
- E. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review to ensure receipts agree to amounts posted to case files and to ensure the open items lists agree to monies on hand.

Status:

- A,
C-E. Implemented.

- B. Not implemented. The receipts slips do not indicate the case number or juvenile's name; however, the victim must sign the receipt slip to indicate receiving the restitution. Although not repeated in our current MAR, our recommendation remains as stated above.

14. Probate Division's Accounting Controls and Procedures

- A. Monthly listings of open items were not prepared for the Dissolution account, instead the open case ledger was maintained and cases were lined out when disbursed.
- B. Case fee sheet totals and the open case ledger were not reconciled to the one-write on a monthly basis to ensure accuracy.

Recommendation:

The Probate Division:

- A. Prepare monthly open items listings for the Dissolution account, determine reasons for all unidentified cash balances and investigate fluctuations in the unidentified balance. After final review, all unidentified balances should be disposed of in accordance with the unclaimed property statutes.
- B. Reconcile case fee sheet totals to the open case ledger and the one-write on a monthly basis.

Status:

A&B. Implemented.

15. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. The Prosecuting Attorney's procedures for issuing receipt slips did not provide adequate documentation of monies received by the office.
- C. Checks and money orders received were not restrictively endorsed immediately upon receipt and were not kept in a secure location until time of deposit or transmittal to the County Treasurer and/or merchant.
- D. Bad check and court-ordered restitution payments and fees were not deposited in the Prosecuting Attorney's bank accounts or transmitted to the County Treasurer on a timely basis.

- E. Court-ordered restitution and bad check collections received and disbursed were not received or recorded in a cash control.
- F. An adequate system to account for all bad checks received as well as the subsequent disposition of these bad checks had not been established.
- G. Monthly listings of open items (liabilities) were not prepared and, consequently, open items were not reconciled with cash balances.
- H. The Prosecuting Attorney had not established a formal policy specifying when the court should be notified of unpaid cases and specific procedures had not been established to ensure follow up collection efforts were adequate.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Issue prenumbered receipt slips for all monies received, account for the numerical sequence of receipt slips, reconcile cash, checks, and money orders received to the composition of bank deposits and ensure all records are retained in accordance with state law.
- C. Restrictively endorse checks and money orders made payable to the Prosecuting Attorney immediately upon receipt and forward checks and money orders made payable to merchants promptly. In addition, receipts should be kept in a secure location until deposited or transmitted.
- D. Deposit or transmit restitution and bad check fees daily or when accumulated receipts exceed \$100 and retain a listing documenting the monies that were transmitted or deposited.
- E. Record all receipts, disbursements, and cash balances on a cash control ledger and reconcile monthly bank balances to monies held in trust.
- F. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.

- G. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- H. Maintain a complete and accurate listing of delinquent unpaid court ordered restitution and bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such delinquent amounts.

Status:

A-D

F&H. Not implemented. See MAR finding number 11.

E&G. Implemented.

16. Sheriff's Accounting Controls and Procedures

- A. The duties of receipting, recording, disbursing, and reconciling the fee account and bond account financial records were not adequately segregated.
- B.
 - 1) Receipt slips were not always issued for bond monies received.
 - 2) Checks and money orders received and deposited in the fee account for civil and criminal fees were not endorsed immediately upon receipt.
- C. Monthly listings of open items (liabilities) were not prepared for the fee account.
- D. The Sheriff had not established a formal policy for follow up collection efforts for unpaid incarceration costs billed to other political subdivisions.
- E. Monies received for gun permit fees were deposited to the fee account and remitted to the County Treasurer but were not included on the Sheriff's monthly report of fees filed with the County Commission.
- F. The duties related to seized property were not adequately segregated.
- G. Due to concerns noted on the inmate and commissary account, a special review is being performed of these areas.

Recommendation:

The Sheriff:

- A. Segregate the duties of receipting, recording, disbursing, and reconciling cash. There should be a supervisory review of reconciliations between receipts and deposits and bank reconciliations should be reviewed and signed by the Sheriff or another designated individual independent of cash duties.
- B.1. Issue prenumbered receipt slips for bond monies immediately upon receipt and account for their numerical sequence.
 - 2. Restrictively endorse checks and money orders immediately upon receipt.
- C. Prepare a monthly listing of open items and reconcile it to the fee account cash balance.
- D. Maintain a complete and accurate listing of delinquent incarceration billings. In addition, written procedures should be established and implemented for pursuing the collections of such delinquent amounts.
- E. Ensure all fees collected are reported to the County Commission on a monthly basis in accordance with state law.
- F. Segregate the duties of custody and record-keeping related to seized property or provide for periodic independent inventories of seized property and the evidence log.
- G. No recommendation made.

Status:

A, B.1,
C,E,
&F. Implemented.

B.2,
D. Not implemented. See MAR finding number 12.

**SPECIAL REVIEW OF
BUTLER COUNTY SHERIFF'S OFFICE
FOR THE PERIOD MARCH 1, 1998 THROUGH JUNE 8, 1999**

1. Missing Funds

The Inmate Account was short \$10,217, and commissary sales were not reported in a timely manner and \$11,000 in commissary sales were not reported at all.

Recommendation:

The Sheriff:

Work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

Status:

Charges were dismissed.

2. Accounting Controls and Procedures

- A. Receipt slips were not issued for monies received from or for inmates. Receipt slips were not prenumbered and did not identify the method of payment.
- B. Receipt slips were not reconciled to deposits, and were not reconciled to inmate's accounts.
- C. Monies received were not adequately safeguarded prior to deposit.
- D. Errors were made and not detected, in calculating the amount of monies to be transferred to the Commissary Account. Sales were not reported in a timely manner.
- E. The inmate account ledger was not reconciled to the inmate bank account.
- F. Segregate the duties of receiving, recording, depositing, and reconciling. If segregation of duties cannot be achieved, at a minimum the accounting records should be periodically reviewed by a supervisor or someone independent of those duties.
- G. Perpetual inventory records were not maintained, and were not reconciled to an actual physical inventory on hand.

Recommendations:

The Sheriff:

- A. Ensure prenumbered receipt slips are issued for all monies received and the composition of the receipt is noted on the receipt slip.
- B. Ensure receipt slips are reconciled to deposits, including the composition of the receipt slips to the composition of deposits. In addition, amounts recorded on the computer should be reconciled to receipts slips and deposits.
- C. Ensure monies are adequately safeguarded until deposited.
- D. Ensure purchases are recorded promptly to the inmates' accounts and the total sale amount transferred to the Commissary Account.
- E. Ensure the Inmate Account balance is reconciled monthly to inmates balances. Any differences should be immediately followed up on and resolved. In addition, all refunds should be promptly recorded to the inmates' accounts.
- F. Ensure accounting duties are adequately segregated or an independent review is made of the records and reconciliations.
- G. Ensure perpetual inventory records are maintained and periodically reconciled to a physical inventory.

Status:

A-D

F&G. Implemented.

E. Not implemented. See MAR finding number 12.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BUTLER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1849, the county of Butler was named after William O. Butler, a Mexican War General. Butler County is a county-organized, third-class county and is part of the Thirty-Sixth Judicial Circuit. The county seat is Poplar Bluff

Butler 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 1,100 miles of county roads and 365 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 33,529 in 1980 and 40,867 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 237.3	233.2	213.1	207.0	131.7	49.3
Personal property	103.4	92.8	90.7	81.5	20.8	17.7
Railroad and utilities	15.6	15.2	16.6	15.3	21.3	17.9
Total	\$ 356.3	341.2	320.4	303.8	173.8	84.9

* First year of statewide reassessment.

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

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

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$.1100	.1100	.1100	.1100
Special Road and Bridge Fund	.0400	.0400	.0400	.0400
Health Center Fund	.1000	.1000	.1000	.1000
Developmentally Disabled Fund	.1000	.1000	.0500	.0500
Senior Citizen's Service Fund	.0500	.0500	.0500	.0500

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

	Year Ended February 28 (29),			
	2003	2002	2001	2000
	\$			
State of Missouri	108,722	105,101	98,452	93,029
General Revenue Fund	415,830	404,353	373,963	351,666
Special Road and Bridge Fund	146,662	142,163	134,214	126,191
Assessment Fund	166,117	159,964	148,852	138,129
Health Center Fund	358,226	346,874	328,695	308,020
Developmentally Disabled Fund	353,738	325,984	166,448	158,729
School districts	10,561,654	10,216,871	9,568,374	8,928,091
Community College	866,204	839,041	794,826	743,747
Ambulance district	63,715	61,793	61,634	59,539
Fire protection districts	492,584	474,651	455,886	405,663
Senior Citizen Board	177,126	171,426	162,426	152,369
Drainage Districts	369,380	346,557	350,723	346,589
Tax Sale Surplus Fund	3,113	12,643	1,931	1,306
Cities	74,799	75,769	71,860	67,639
County Clerk	1,131	1,105	1,033	1,015
Publication Fees	7,051	5,641	4,535	3,075
Tax Maintenance Fund	15,326	0	0	0
County Employees' Retirement	82,558	83,623	93,162	75,480
Commissions and fees:				
General Revenue Fund	239,049	230,101	220,745	197,606
County Collector	8,067	7,582	7,697	7,475
Total	\$ 14,511,052	14,011,242	13,045,456	12,165,358

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	93	89	88	88 %
Personal property	80	86	87	82
Railroad and utilities	100	100	100	100

Butler 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 %
Road and Bridge Capital Improvements	.0025	None	None
Butler County Corrections Center	.0025	None	None

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

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Joe Humphrey, Presiding Commissioner	\$	33,899	32,595	31,645	31,645
Robert L. Myers, Associate Commissioner		31,760	30,539	29,649	28,509
Jeffrey Darnell, Associate Commissioner		31,760	30,539		
Gene Hart, Associate Commissioner				29,649	28,509
Debby Lundstrom, Recorder of Deeds		48,127	46,276	44,928	43,196
John L. Dunivan, County Clerk		48,127	46,276	44,980	43,196
Kevin Barbour, Prosecuting Attorney		92,501	92,151	89,922	87,235
Bill R. Heaton, Sheriff		52,000	50,000	44,845	44,120
Bonita I. Conover, County Treasurer		35,611	34,364	33,285	31,965
Larry Cotrell, County Coroner		17,110	16,452	15,973	15,358
Sharron Payne, Public Administrator		48,127	46,276		
Thomas J. Cox, Public Administrator (1)				245,589	173,490
Brenda Fox, County Collector (2), year ended February 28 (29),	56,309	54,143	52,832	49,276	
Marion Tibbs, County Assessor (3), year ended August 31,		49,027	47,176	45,828	44,096

- (1) Includes fees received from probate cases. The salary reported represents gross fees as reported by the Public Administrator to the Secretary of State. In addition, \$118,529 and \$107,493 was expended from fees during 2000 and 1999, respectively, as reported to the Secretary of State.
- (2) Includes \$8,067, \$7,582, \$7,697 and \$7,475, respectively, of commissions earned for collecting property taxes for drainage districts.
- (3) Includes \$900 annual compensation received from the state.

State-Paid Officials:					
Wanda Ellsworth, Circuit Clerk		47,300	47,300	46,127	44,292
John Bloodworth, Associate Circuit Judge		96,000	96,000	97,382	87,235
William Clarkson, Associate Circuit Judge		96,000	96,000	97,382	87,235