



LINN COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002

From The Office Of State Auditor
Claire McCaskill

Report No. 2004-68
September 13, 2004
www.auditor.mo.gov

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2004

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

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

- The county's schedule of expenditures of federal awards (SEFA), which includes health center programs, contained numerous errors and omissions. Some federal grants pertaining to drug eradication and hazardous materials training and planning were omitted. Some federal grant expenditures were overstated as a result of reporting matching funds in the expenditure totals. In addition, the wrong CFDA numbers and program titles were reported for some grants.
- Although a letter to the state Department of Transportation indicated the county had considered three engineering firms, there was no documentation to support the county commissioners' considerations for selecting the firm. Documentation of a proposal could be located for only the firm selected. As a result, \$68,578 of costs were questioned.
- The county was designated as the recipient for a Community Development Block Grant totaling \$241,000, for construction of a senior center. The county paid \$15,000 to the Green Hills Regional Planning Commission (GHRPC) to administer the grant. The GHRPC submitted requests for payment to the county for approval; however, the county did not obtain and review supporting documentation.
- The Circuit Clerk's procedures related to criminal cost billings are not adequate. The Circuit Clerk does not adequately monitor cases in which the individual has been sentenced to prison to ensure the state is billed within two years of the date of judgment or sentencing. The time limit to submit reimbursement requests to the state for three cases reviewed expired in July 2004, resulting in a potential loss of revenue totaling approximately \$5,000. In addition, criminal cost reimbursements for change of venue cases are not adequately monitored and instances were noted in which the state was billed for the incorrect number of days. There was no procedure in place to ensure manual receipt slips that were

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sometimes issued when the Justice Information System was inaccessible were promptly recorded on the system when accessible. A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk.

- Accounting duties in the Prosecuting Attorney's office are not adequately segregated, receipts are not deposited on a timely basis, monthly listings of open items are not prepared and reconciled to the cash balance, and a listing of accrued court ordered restitution is not maintained by the Prosecuting Attorney.

Also included in the audit are recommendations related to bidding, establishment of a Sheriff Civil Fees Fund, the Public Administrator's salary and procedures, property tax controls and withholdings, township published financial statements, and health center accounting controls.

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

LINN 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 Linn 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 Linn County, Missouri, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Linn County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 20, 2004, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Claire McCaskill
State Auditor

May 20, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Todd C. Stoll
Audit Staff:	Lucinda S. Elliott Cara Wolfe Lamine Bah



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 Linn County, Missouri

We have audited the financial statements of various funds of Linn County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Linn 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 Linn 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 Linn 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

May 20, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 398,856	1,175,445	1,218,177	356,124
Special Road and Bridge	922,800	1,642,562	1,712,064	853,298
Assessment	8,129	140,667	133,134	15,662
Law Enforcement Training	1,952	4,388	6,321	19
Prosecuting Attorney Training	4,837	773	1,216	4,394
Election Services	6,726	624	153	7,197
Prosecuting Attorney Bad Check	31,783	13,437	11,741	33,479
Recorder's User Fees	22,361	10,065	13,387	19,039
Domestic Violence	540	415	540	415
911	48,540	123,453	103,796	68,197
DFS Grant	243	0	243	0
Juvenile Office Grant	(1,454)	11,888	11,781	(1,347)
Drug Court Grant	0	135,751	135,751	0
Tax Maintenance	1,037	9,457	2,409	8,085
Health Center	549,655	553,263	562,968	539,950
Circuit Clerk Interest	548	286	445	389
CDBG - Senior Center Grant	0	261,000	261,000	0
Law Library	6,843	2,953	2,955	6,841
Total	\$ 2,003,396	4,086,427	4,178,081	1,911,742

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

Exhibit A-2

LINN 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	\$ 490,143	1,132,339	1,223,626	398,856
Special Road and Bridge	742,318	1,544,872	1,364,390	922,800
Assessment	1,102	143,492	136,465	8,129
Law Enforcement Training	2,586	2,850	3,484	1,952
Prosecuting Attorney Training	5,269	506	938	4,837
Election Services	5,053	1,673	0	6,726
Prosecuting Attorney Bad Check	27,866	11,048	7,131	31,783
Recorder's User Fees	15,280	10,860	3,779	22,361
Domestic Violence	495	540	495	540
911	30,696	124,674	106,830	48,540
DFS Grant	(5,573)	30,928	25,112	243
Grant	25	0	25	0
Juvenile Office Grant	(1,539)	16,916	16,831	(1,454)
Tax Maintenance	0	1,037	0	1,037
Health Center	549,090	544,924	544,359	549,655
Circuit Clerk Interest	6,187	1,928	7,567	548
Law Library	9,190	2,783	5,130	6,843
Total	\$ 1,878,188	3,571,370	3,446,162	2,003,396

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

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 4,108,728	4,083,474	(25,254)	3,550,936	3,568,587	17,651
DISBURSEMENTS	5,127,103	4,175,126	951,977	4,598,457	3,441,032	1,157,425
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,018,375)	(91,652)	926,723	(1,047,521)	127,555	1,175,076
CASH, JANUARY 1	1,996,437	1,996,553	116	1,868,918	1,868,998	80
CASH, DECEMBER 31	978,062	1,904,901	926,839	821,397	1,996,553	1,175,156
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	118,083	98,794	(19,289)	108,900	107,874	(1,026)
Sales and use tax:	628,000	654,025	26,025	615,000	676,409	61,409
Intergovernmental	203,211	126,978	(76,233)	146,943	99,116	(47,827)
Charges for services:	166,600	198,545	31,945	137,450	180,816	43,366
Interest	12,500	8,048	(4,452)	25,000	13,583	(11,417)
Other	34,110	57,504	23,394	34,238	33,133	(1,105)
Transfers in	40,000	31,551	(8,449)	33,000	21,408	(11,592)
Total Receipts	1,202,504	1,175,445	(27,059)	1,100,531	1,132,339	31,808
DISBURSEMENTS						
County Commission	80,239	76,667	3,572	77,619	74,314	3,305
County Clerk	76,006	66,838	9,168	73,983	64,963	9,020
Elections	83,665	25,856	57,809	102,100	77,107	24,993
Buildings and ground:	134,248	67,857	66,391	154,248	90,112	64,136
Employee fringe benefit:	126,500	101,390	25,110	117,500	94,393	23,107
County Treasurer and Ex Officio						
County Collector	68,037	59,992	8,045	68,958	61,872	7,086
Ex Officio Recorder of Deeds	45,129	42,058	3,071	42,546	41,113	1,433
Circuit Clerk	31,450	22,381	9,069	31,050	27,695	3,355
Court administrator	22,921	19,198	3,723	23,007	19,869	3,138
Public Administrator	26,200	24,414	1,786	26,800	25,016	1,784
Sheriff	233,258	248,218	(14,960)	236,312	230,907	5,405
Jail	190,000	173,879	16,121	162,000	175,107	(13,107)
Prosecuting Attorney	108,404	104,089	4,315	76,152	69,403	6,749
Juvenile Officer	79,543	51,106	28,437	62,286	46,283	16,003
County Coroner	20,080	17,307	2,773	20,270	12,756	7,514
Insurance	28,000	20,951	7,049	28,000	23,234	4,766
Publication costs	9,000	6,376	2,624	9,000	5,805	3,195
Legal fees	40,000	8,096	31,904	50,000	11,079	38,921
University Extension	21,817	21,817	0	20,500	20,500	0
Copy machines	15,200	11,530	3,670	14,860	13,316	1,544
Green Hills Planning Commission	6,400	5,319	1,081	6,400	5,319	1,081
Public Defender	3,571	4,743	(1,172)	3,575	3,330	245
Cars	47,000	36,227	10,773	47,000	27,282	19,718
Court Reporter	0	0	0	1,166	1,166	0
County Emergency Director	1,000	0	1,000	1,000	0	1,000
Planning and zoning	1,500	0	1,500	2,000	0	2,000
Public health and welfare services:	800	800	0	800	800	0
Other	4,254	1,068	3,186	3,754	885	2,869
Transfers out	3,500	0	3,500	0	0	0
Emergency Function	50,000	0	50,000	83,000	0	83,000
Total Disbursements	1,557,722	1,218,177	339,545	1,545,886	1,223,626	322,260
RECEIPTS OVER (UNDER) DISBURSEMENTS	(355,218)	(42,732)	312,486	(445,355)	(91,287)	354,068
CASH, JANUARY 1	398,856	398,856	0	490,143	490,143	0
CASH, DECEMBER 31	43,638	356,124	312,486	44,788	398,856	354,068

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	50,000	56,090	6,090	45,000	54,610	9,610
Sales taxes	550,000	553,709	3,709	500,000	587,380	87,380
Intergovernmental	1,019,193	1,009,664	(9,529)	974,460	876,099	(98,361)
Interest	0	16,779	16,779	25,000	21,670	(3,330)
Other	2,700	6,320	3,620	3,100	5,113	2,013
Total Receipts	1,621,893	1,642,562	20,669	1,547,560	1,544,872	(2,688)
DISBURSEMENTS						
Salaries	140,000	99,163	40,837	140,000	117,273	22,727
Employee fringe benefit:	49,800	24,992	24,808	46,000	32,228	13,772
Supplies	5,250	3,613	1,637	3,900	3,892	8
Insurance	6,000	4,595	1,405	5,000	3,500	1,500
Road and bridge materials	282,500	284,982	(2,482)	277,000	207,165	69,835
Equipment purchase:	65,000	164,284	(99,284)	65,000	35,905	29,095
Construction, repair, and maintenance	733,750	445,737	288,013	627,750	210,225	417,525
Distribution to townships						
Sales taxes	636,449	458,638	177,811	618,703	507,938	110,765
County aid road trust monies	161,730	161,730	0	121,297	121,297	0
Federal emergency management monies	50,000	24,344	25,656	125,873	103,584	22,289
Capital improvements:	25,000	8,435	16,565	50,000	0	50,000
Transfers out	40,719	31,551	9,168	33,000	21,383	11,617
Total Disbursement:	2,196,198	1,712,064	484,134	2,113,523	1,364,390	749,133
RECEIPTS OVER (UNDER) DISBURSEMENTS	(574,305)	(69,502)	504,803	(565,963)	180,482	746,445
CASH, JANUARY 1	922,800	922,800	0	742,318	742,318	0
CASH, DECEMBER 31	348,495	853,298	504,803	176,355	922,800	746,445
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	136,232	139,358	3,126	144,618	142,045	(2,573)
Charges for services:	150	147	(3)	0	144	144
Interest	1,000	892	(108)	600	1,196	596
Other	100	270	170	600	107	(493)
Transfers in	500	0	(500)	0	0	0
Total Receipts	137,982	140,667	2,685	145,818	143,492	(2,326)
DISBURSEMENTS						
Assessor	145,774	133,134	12,640	146,170	136,465	9,705
Total Disbursement:	145,774	133,134	12,640	146,170	136,465	9,705
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,792)	7,533	15,325	(352)	7,027	7,379
CASH, JANUARY 1	8,129	8,129	0	1,102	1,102	0
CASH, DECEMBER 31	337	15,662	15,325	750	8,129	7,379

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	2,600	4,388	1,788	2,000	2,850	850
Total Receipts	2,600	4,388	1,788	2,000	2,850	850
DISBURSEMENTS						
Sheriff	4,500	6,321	(1,821)	4,500	3,484	1,016
Total Disbursement:	4,500	6,321	(1,821)	4,500	3,484	1,016
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(1,933)	(33)	(2,500)	(634)	1,866
CASH, JANUARY 1	1,952	1,952	0	2,586	2,586	0
CASH, DECEMBER 31	52	19	(33)	86	1,952	1,866
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	450	773	323	350	506	156
Total Receipts	450	773	323	350	506	156
DISBURSEMENTS						
Prosecuting Attorney	4,000	1,216	2,784	4,000	938	3,062
Total Disbursement:	4,000	1,216	2,784	4,000	938	3,062
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,550)	(443)	3,107	(3,650)	(432)	3,218
CASH, JANUARY 1	4,837	4,837	0	5,269	5,269	0
CASH, DECEMBER 31	1,287	4,394	3,107	1,619	4,837	3,218
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for service:	0	624	624	2,000	1,673	(327)
Total Receipts	0	624	624	2,000	1,673	(327)
DISBURSEMENTS						
County Clerk	3,400	153	3,247	3,400	0	3,400
Total Disbursement:	3,400	153	3,247	3,400	0	3,400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,400)	471	3,871	(1,400)	1,673	3,073
CASH, JANUARY 1	6,726	6,726	0	5,053	5,053	0
CASH, DECEMBER 31	3,326	7,197	3,871	3,653	6,726	3,073
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	7,500	12,907	5,407	5,000	10,376	5,376
Interest	500	530	30	1,000	672	(328)
Total Receipts	8,000	13,437	5,437	6,000	11,048	5,048
DISBURSEMENTS						
Prosecuting Attorney	23,500	11,741	11,759	7,550	7,131	419
Total Disbursement:	23,500	11,741	11,759	7,550	7,131	419
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,500)	1,696	17,196	(1,550)	3,917	5,467
CASH, JANUARY 1	31,783	31,783	0	27,866	27,866	0
CASH, DECEMBER 31	16,283	33,479	17,196	26,316	31,783	5,467

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	9,000	9,800	800	6,500	10,524	4,024
Interest	300	265	(35)	550	336	(214)
Total Receipts	9,300	10,065	765	7,050	10,860	3,810
DISBURSEMENTS						
Ex Officio Recorder of Deeds	16,250	13,387	2,863	14,000	3,779	10,221
Total Disbursement:	16,250	13,387	2,863	14,000	3,779	10,221
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,950)	(3,322)	3,628	(6,950)	7,081	14,031
CASH, JANUARY 1	22,361	22,361	0	15,280	15,280	0
CASH, DECEMBER 31	15,411	19,039	3,628	8,330	22,361	14,031
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	500	415	(85)	450	540	90
Total Receipts	500	415	(85)	450	540	90
DISBURSEMENTS						
Shelter for victims	540	540	0	495	495	0
Total Disbursement:	540	540	0	495	495	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(40)	(125)	(85)	(45)	45	90
CASH, JANUARY 1	540	540	0	495	495	0
CASH, DECEMBER 31	500	415	(85)	450	540	90
<u>911 FUND</u>						
RECEIPTS						
Charges for service:	124,938	122,623	(2,315)	122,488	123,917	1,429
Interest	810	830	20	1,000	732	(268)
Other	0	0	0	0	25	25
Total Receipts	125,748	123,453	(2,295)	123,488	124,674	1,186
DISBURSEMENTS						
Personal services:	49,249	49,249	0	46,904	46,904	0
Contractual services:	68,188	53,603	14,585	63,057	59,926	3,131
Office supplies	137	0	137	138	0	138
Training and education	2,000	944	1,056	2,000	0	2,000
Total Disbursement:	119,574	103,796	15,778	112,099	106,830	5,269
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,174	19,657	13,483	11,389	17,844	6,455
CASH, JANUARY 1	48,540	48,540	0	30,696	30,696	0
CASH, DECEMBER 31	54,714	68,197	13,483	42,085	48,540	6,455

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DFS GRANT FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	40,760	30,928	(9,832)
Total Receipts	0	0	0	40,760	30,928	(9,832)
DISBURSEMENTS						
Juvenile Officer	0	0	0	35,187	25,112	10,075
Transfer out	243	243	0	0	0	0
Total Disbursement:	243	243	0	35,187	25,112	10,075
RECEIPTS OVER (UNDER) DISBURSEMENTS	(243)	(243)	0	5,573	5,816	243
CASH, JANUARY 1	243	243	0	(5,573)	(5,573)	0
CASH, DECEMBER 31	0	0	0	0	243	243
<u>GRANT FUND</u>						
RECEIPTS						
Intergovernmental				15,000	0	(15,000)
Total Receipts				15,000	0	(15,000)
DISBURSEMENTS						
Sheriff equipment				10,000	0	10,000
Ex Officio Recorder of Deeds				5,000	0	5,000
Transfer out				0	25	(25)
Total Disbursement:				15,000	25	14,975
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	(25)	(25)
CASH, JANUARY 1				25	25	0
CASH, DECEMBER 31				25	0	(25)
<u>JUVENILE OFFICE GRANT FUND</u>						
RECEIPTS						
Intergovernmental	20,391	11,645	(8,746)	21,579	16,916	(4,663)
Transfer in	0	243	243	0	0	0
Total Receipts	20,391	11,888	(8,503)	21,579	16,916	(4,663)
DISBURSEMENTS						
Juvenile Officer	18,937	11,781	7,156	20,040	16,831	3,209
Total Disbursement:	18,937	11,781	7,156	20,040	16,831	3,209
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,454	107	(1,347)	1,539	85	(1,454)
CASH, JANUARY 1	(1,454)	(1,454)	0	(1,539)	(1,539)	0
CASH, DECEMBER 31	0	(1,347)	(1,347)	0	(1,454)	(1,454)

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DRUG COURT GRANT FUND</u>						
RECEIPTS						
Intergovernmental	168,760	135,751	(33,009)			
Total Receipts	<u>168,760</u>	<u>135,751</u>	<u>(33,009)</u>			
DISBURSEMENTS						
Salaries	80,000	78,835	1,165			
Employee fringe benefit:	6,540	6,438	102			
Insurance	4,800	4,258	542			
Travel and training	16,200	5,229	10,971			
Equipment	1,500	1,579	(79)			
Consultant	10,000	10,000	0			
Contracts	49,720	29,412	20,308			
Total Disbursement:	<u>168,760</u>	<u>135,751</u>	<u>33,009</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>0</u>	<u>0</u>	<u>0</u>			
CASH, JANUARY 1	<u>0</u>	<u>0</u>	<u>0</u>			
CASH, DECEMBER 31	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>			
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	7,000	9,457	2,457	1,350	1,037	(313)
Total Receipts	<u>7,000</u>	<u>9,457</u>	<u>2,457</u>	<u>1,350</u>	<u>1,037</u>	<u>(313)</u>
DISBURSEMENTS						
Ex Officio County Collector	5,000	2,409	2,591	0	0	0
Total Disbursement:	<u>5,000</u>	<u>2,409</u>	<u>2,591</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>2,000</u>	<u>7,048</u>	<u>5,048</u>	<u>1,350</u>	<u>1,037</u>	<u>(313)</u>
CASH, JANUARY 1	<u>1,037</u>	<u>1,037</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>3,037</u></u>	<u><u>8,085</u></u>	<u><u>5,048</u></u>	<u><u>1,350</u></u>	<u><u>1,037</u></u>	<u><u>(313)</u></u>
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	241,000	240,597	(403)	219,000	240,294	21,294
Intergovernmental	191,000	203,132	12,132	195,400	188,734	(6,666)
Charges for service:	95,600	99,388	3,788	89,600	101,739	12,139
Interest	15,000	10,146	(4,854)	33,000	14,157	(18,843)
Total Receipts	<u>542,600</u>	<u>553,263</u>	<u>10,663</u>	<u>537,000</u>	<u>544,924</u>	<u>7,924</u>
DISBURSEMENTS						
Salaries and benefits	473,000	457,260	15,740	435,500	440,567	(5,067)
Insurance	11,573	14,036	(2,463)	8,400	9,891	(1,491)
Property and maintenance	8,000	6,298	1,702	6,000	7,843	(1,843)
Office supplies and postage	8,900	10,995	(2,095)	10,000	8,573	1,427
Utilities and telephone	9,800	9,759	41	9,800	9,350	450
Office and medical equipmen	9,000	5,589	3,411	9,000	2,403	6,597
Travel and education:	18,000	15,396	2,604	15,800	14,913	887
Contract services	30,000	7,115	22,885	30,000	23,272	6,728
Advertisement and due:	4,000	6,826	(2,826)	4,000	3,167	833
Medical and education supplie:	24,000	29,694	(5,694)	17,000	24,380	(7,380)
Capital expenses	5,000	0	5,000	25,000	0	25,000
Total Disbursement:	<u>601,273</u>	<u>562,968</u>	<u>38,305</u>	<u>570,500</u>	<u>544,359</u>	<u>26,141</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(58,673)</u>	<u>(9,705)</u>	<u>48,968</u>	<u>(33,500)</u>	<u>565</u>	<u>34,065</u>
CASH, JANUARY 1	<u>549,655</u>	<u>549,655</u>	<u>0</u>	<u>549,090</u>	<u>549,090</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>490,982</u></u>	<u><u>539,950</u></u>	<u><u>48,968</u></u>	<u><u>515,590</u></u>	<u><u>549,655</u></u>	<u><u>34,065</u></u>

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	0	286	286	0	1,928	1,928
Total Receipts	0	286	286	0	1,928	1,928
DISBURSEMENTS						
Circuit Clerk	432	445	(13)	6,107	7,567	(1,460)
Total Disbursement:	432	445	(13)	6,107	7,567	(1,460)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(432)	(159)	273	(6,107)	(5,639)	468
CASH, JANUARY 1	432	548	116	6,107	6,187	80
CASH, DECEMBER 31	0	389	389	0	548	548
<u>CDBG - SENIOR CENTER GRANT FUND</u>						
RECEIPTS						
Intergovernmental	241,000	241,000	0			
Other	20,000	20,000	0			
Total Receipts	261,000	261,000	0			
DISBURSEMENTS						
Senior Center	261,000	261,000	0			
Total Disbursement:	261,000	261,000	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

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

Notes to the Financial Statements

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Law Library Fund for the years ended December 31, 2003 and 2002.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2003
Circuit Clerk Interest Fund	2003 and 2002

D. Published Financial Statements

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

However, the county's published financial statements for the years ended December 31, 2003 and 2002, did not include the Health Center Fund or the 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 depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

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

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

3. Prior Period Adjustment

The County Employee's Retirement Fund was previously reported but has not been included in this report because it is an agency fund and is not considered county operating funds.

Supplementary Schedule

Schedule

LINN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-2158	\$ 0	24,181
		ERS045-3158	25,308	10,170
		ERS045-4148	10,599	0
	Program Total		<u>35,907</u>	<u>34,351</u>
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-250	241,000	0
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.585	Drug Court Discretionary Grant Program	2002-DC-BX-0023	135,751	0
16.607	Bulletproof Vest Partnership Program	N/A	1,847	0
16.710	Public Safety Partnership and Community Policing Grant	97UMWX1366	0	6,717
Passed through				
State Department of Public Safety -				
16.523	Juvenile Accountability Incentive Block Grant	2000-SUP-08-JAIBG	17,257	0
16.575	Crime Victim Assistance	2001-VOCA-0013	25,101	4,614
		2002-VOCA-0045	8,000	0
	Program Total		<u>33,101</u>	<u>4,614</u>
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,360	1,044

Schedule

LINN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-058(27)	0	3,196
		BRO-058(30)	323,644	29,908
		BRO-058(31)	2,000	0
		BRO-058(32)	2,500	0
	Program Total		<u>328,144</u>	<u>33,104</u>
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	HMEP2003	1,851	0
		HMEP2004	1,851	0
	Program Total		<u>3,702</u>	<u>0</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	379	3,470
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grants	1412-DR-MO	0	158,176
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.268	Immunization Grant	PGA064-2158A	0	5,685
		PGA064-3158A	3,500	3,359
		N/A	49,357	46,285
	Program Total		<u>52,857</u>	<u>55,329</u>
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	DH030260001	6,252	0
Department of Social Services -				
93.563	Child Support Enforcement	N/A	0	715
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA067-2158C	0	935
		PGA067-3158C	960	0
		PGA067-4158C	150	0
		PGA067-2158S	0	1,115
		PGA067-3158S	890	445
		PGA067-4158S	285	0
	Program Total		<u>2,285</u>	<u>2,495</u>

Schedule

LINN COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
Department of Health and Senior Services				
93.991	Preventive Health and Health Services Block Gran	AOCO2380044	0	17,944
		DH030018001	13,750	6,875
		AOCO4380001	14,763	0
	Program Total		<u>28,513</u>	<u>24,819</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-2158M	0	12,433
		ERS146-3158M	12,317	4,105
		ERS146-4158M	4,102	0
		DH0200271640	0	324
		N/A	464	421
	Program Total		<u>16,883</u>	<u>17,283</u>
	Total Expenditures of Federal Awards		<u>\$ 905,238</u>	<u>342,117</u>

* The CFDA number for this program changed to 97.036 in October 2002

N/A - Not applicable

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

Notes to the Supplementary Schedule

LINN 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 Linn County, Missouri.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$3,702 to a subrecipient under Interagency Hazardous Materials Public Sector Training and Planning Grants (CFDA number 20.703) during the year ended December 31, 2003.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Linn County, Missouri

Compliance

We have audited the compliance of Linn County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

In our opinion, Linn County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 03-1, 03-2, and 03-3.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 03-1, 03-2, and 03-3.

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, of the reportable conditions described above, we consider finding numbers 03-2 and 03-3 to be material weaknesses.

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



Claire McCaskill
State Auditor

May 20, 2004 (fieldwork completion date)

Schedule

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

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

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? x yes no

Reportable condition identified that is not considered to be a material weakness? x yes none reported

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

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction
93.268	Immunization Grants

Questioned Costs: Not Applicable

Section .310(b) of Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have a procedure in place to track federal financial assistance for the preparation of the SEFA. The county SEFA contained numerous errors and omissions and was overstated approximately \$21,000 for the year ended December 31, 2003, and understated approximately \$65,000 for the year ended December 31, 2002. Expenditures of some federal grants pertaining to drug eradication and hazardous materials training and planning were omitted. Some federal grant expenditures were overstated as a result of the county including matching funds in the expenditure totals. In addition, some federal grant expenditures were understated. Also, the wrong CFDA numbers and program titles were reported for some federal grant expenditures. The County Clerk relies on the Health Center, the Sheriff's Office, and the Juvenile Office to provide information regarding the federal grants they receive. However, the information provided by the Health Center was not always accurate and the Sheriff's Office and Juvenile Office failed to report all federal grants.

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 grants.

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

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated she submits SEFA forms to the Juvenile Office, the Sheriff's Office, and the Health Center. The Sheriff's Office gave the form back unsigned with no grants. The Juvenile Officer signed the form, but indicated no federal monies. The County Clerk indicated she will strive to obtain the correct information.

The Health Center Administrator indicated the Health Department will interact more closely with the Linn County Clerk in order to prepare a more accurate and complete schedule of expenditures of federal awards. The Health Department Administrator will also refer to the State Auditors any pertinent questions regarding specific contracts where proper jurisdiction is questioned. The Health Department will evaluate current contracts in affect January 1, 2004, to confirm CFDA numbers and current revenue to expenses for those grants.

03-2. Procurement of Professional Services Contract
--

Federal Grantor: U.S. Department of Transportation

Pass-Through Entity
Identifying Number: 98-PF-250
Award Years: 2003
Questioned Costs: Not Applicable

During the year ended December 31, 2003, Linn County was designated as the recipient for a Community Development Block Grant (CDBG), which was used for the construction of a senior center. Grant funding for this program totaled \$241,000. As the grant recipient, the county was responsible for monitoring the senior center project to ensure that all costs were proper and that the terms and conditions of the grant were executed properly. However, the county elected to transfer this responsibility and paid \$15,000 to the Green Hills Regional Planning Commission (GHRPC) to administer the grant. The GHRPC submitted requests for payment to the county for approval, which the county in turn submitted to the state. The county did not obtain and review supporting documentation accompanying requests for payment.

OMB Circular A-102, Common Rule, Standards for Financial Management Systems, requires supporting documentation to be maintained for all expenditures claimed for federal reimbursement. Since we were able to obtain supporting documentation for these payments from the GHRPC, no costs were questioned.

WE RECOMMEND the County Commission properly monitor federal grant expenditures to ensure compliance with federal regulations and retain supporting documentation for expenditures of federal monies.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated they will implement the recommendation.

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

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

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

01-1. Adoption of Budgets

The County did not adopt budgets for some funds.

Recommendation:

The County adopt a budget for all funds.

Status:

Partially implemented. The County did not adopt a budget for the Law Library Fund for the years ended December 31, 2003 and 2002. Although not repeated in the current Schedule of Findings and Questioned Costs, our recommendation remains as stated above.

01-2. Payroll Reconciliation

Items on the 941's were not reconciled to the W-2s and W-3s.

Recommendation:

Complete payroll records should be maintained and reconciled.

Status:

Implemented.

01-3. Warrants in Excess of Budgeted Amounts

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

Recommendation:

Warrants should not be issued in excess of budgeted funds.

Status:

Partially implemented. Warrants were issued in excess of approved budgets for the Law Enforcement Training Fund in 2003 and in the Circuit Clerk Interest Fund in 2003 and 2002. Although not repeated in the current Schedule of Findings and Questioned Costs, our recommendation remains as stated above.

01-4. Published Financial Statements

The County's published financial statements did not include all County funds.

Recommendation:

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

Status:

Partially implemented. The County's published annual financial statements for the years ended December 31, 2003 and 2002, did not include the Health Center Fund and the Law Library Fund. Although not repeated in the current Schedule of Findings and Questioned Costs, our recommendation remains as stated above.

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

LINN 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.

Findings - Two Years Ended December 31, 2001

01-5. 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:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-058(27)
Award Year:	2001 and 2000
Questioned Costs:	Not Applicable

The schedule of Federal Financial Assistance does not accurately report federal expenditures for the Health Center.

Recommendation:

The County adopt procedures in which federal awards may be correctly identified.

Status:

Not implemented. See finding number 03-1.

Findings - Two Years Ended December 31, 1999

99-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Numbers:	96-PF-22 and 7-PF-840
Award Years:	1999 and 1998
Questioned Costs:	Not Applicable

The County did not have a procedure in place to track federal financial assistance for the preparation of the SEFA. The County's Schedule of Federal Awards contained numerous errors and omissions.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards. In addition, the Health Center should provide complete federal grant information to the County Clerk.

Status:

Not implemented. See finding number 03-1.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Linn County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 20, 2004. We also have audited the compliance of Linn County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 20, 2004.

Because the Senate Bill 40 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.

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

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

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

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

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

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Linn County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Contracts and Expenditures

Modifications to the terms of the contract for boarding or prisoners were not documented and bids were not solicited for some items.

- A. Linn County paid Livingston County approximately \$8,000 less for boarding of prisoners than provided by the terms of the contract. For the past several years Linn County has had a written agreement with Livingston County for boarding prisoners. Effective 2003, the terms of the contract provided accommodations for up to 2,555 inmate days for the calendar year for the sum of \$77,927 (\$30.50 per inmate day). The contract provided a billable rate of \$35 for inmate days in excess of 2,555.

In July 2003 Linn County exceeded 2,555 prisoner board days at Livingston County. For the remainder of the year, Livingston County billed Linn County \$30.50 for almost all additional prisoner days instead of \$35 per day, resulting in total billings of approximately \$8,000 less than provided by the terms of the contract. The 2004 contract was modified to a billable rate of \$30.50 per prisoner day in excess of 2,555 inmate days.

The County Commission indicated there was a verbal agreement with Livingston County to reduce the billing rate for 2003; however, the circumstances were not documented in the County Commission minutes nor was there a documented contract amendment. To ensure all parties clearly understand the terms of the contract and avoid misunderstandings, any changes should be documented in contract amendments.

- B. Although bids were solicited for most items required by state law, bids were not solicited for vehicles costing \$34,000, election programming costing \$7,923, galvanized steel costing \$5,612, and air conditioning service and warranty costing \$11,343.

Section 50.660, RSMo 2000, requires advertisement for bids for all 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 economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business.

WE RECOMMEND the County Commission:

- A. Ensure modifications to contracts are supported by documented contract amendments.
- B. Solicit bids for all purchases in accordance with state law and maintain documentation of bids.

AUDITEE'S RESPONSE

The County Commission indicated they will implement the recommendations.

2.

Criminal Costs

The Circuit Clerk's procedures related to criminal cost billings are not adequate. The Circuit Clerk does not adequately monitor the cases in which the individual has been sentenced to prison to ensure that the state is billed within two years of the date of judgment or sentencing, nor does the Circuit Clerk adequately monitor change of venue cases. In addition, we noted instances in which the Circuit Clerk billed the state for the incorrect number of days. Section 221.105, RSMo, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. Section 33.120, RSMo, requires all such billings to be submitted to the state's Office of Administration within two years of the date of judgment or sentence.

- A. The Circuit Clerk does not ensure criminal cost information is entered into the Justice Information System (JIS) and billed to the state in a timely manner. The Sheriff's secretary indicated that when an individual is sentenced and transported to prison, the number of days the individual was boarded by Linn County is provided to the Circuit Clerk's office. The Circuit Clerk indicated that when the number of prisoner days is received from the Sheriff's office, it is placed in the individual's case file and the information is entered on JIS as time allows. A criminal cost bill is not submitted to the state until the information has been entered on the JIS. During a review of the case files which had not yet been entered into the JIS, we noted several cases in which criminal costs should have been billed to the state for reimbursement. Of the

cases reviewed, there were 3 cases with a total of 247 inmate days, or reimbursements totaling approximately \$5,000, for which the two year time limit expired in July 2004. While the Circuit Clerk was made aware of these 3 cases in May 2004, she indicated she had still not billed the state for them as of August 17, 2004.

In addition, if an individual is housed for only a few days, the Circuit Clerk indicated she may take the jail costs out of the bond or bill the individual, rather than request reimbursement from the state. During our review of selected cases, we noted 3 instances in which the Circuit Clerk billed the individual and the costs were not received. These cases were not billed to the state, resulting in lost revenue of approximately \$160 (See MAR No. 3 for comments related to accrued cost procedures).

Failure to ensure criminal cost billings are submitted in a timely manner affects the county's cash flow and may result in lost revenue to the county.

- B. The Circuit Clerk does not adequately monitor criminal cost reimbursements on change of venue cases. In some criminal cases, individuals serve jail time for Linn County charges; however, if there is a change of venue to another county, the Circuit Clerk in the other county is responsible for submitting the criminal cost billing to the state. When the other county receives reimbursement from the state, Linn County's share of this reimbursement should be turned over to the Linn County Treasurer. Once there is a change of venue, the Linn County Circuit Clerk does not monitor amounts due, nor does she provide information which would allow the County Treasurer to monitor amounts due.

Failure to monitor criminal cost reimbursement amounts for change of venue cases may result in Linn County not receiving all monies due.

- C. The Circuit Clerk does not always bill the state for the correct number of prisoner days. During our review of selected cases, we noted one instance in which the Circuit Clerk billed the state for 5 more days of jail time than the individual had served. We also noted an instance in which the Circuit Clerk billed the state for the correct number of days; however, the wrong dates were indicated on the bill. The state adjusted the bill to agree to the number of days reflected by the dates reported, resulting in a reimbursement of approximately \$200 less than due.

Failure to ensure information on the criminal cost billing is accurate results in incorrect reimbursement amounts.

WE RECOMMEND the Circuit Clerk:

- A. Ensure criminal cost information is entered into the JIS and billed to the state in a timely manner. In addition, the state should be billed for criminal costs which can not be withheld from bonds.
- B. Adequately monitor criminal cost reimbursements for change of venue cases.
- C. Ensure information on the criminal cost billing is accurate.

AUDITEE'S RESPONSE

- A&C. The Circuit Clerk indicated she realizes this is a concern. Due to the lack of full-time employees and to staffing problems since the inception of the JIS, her office has fallen behind. She is currently cross-training staff and is working to correct this situation.*
- B. The Circuit Clerk indicated she will discuss this with the County Treasurer and determine a way to adequately monitor criminal cost reimbursements for such cases.*

3. Circuit Clerk's Accounting Controls and Procedures
--

The Circuit Clerk does not account for manual receipt slips or maintain a complete listing of accrued costs.

- A. Manual rediform receipt slips are sometimes issued when monies are collected in court or the JIS is inaccessible. However, there is no procedure in place to ensure these transactions are promptly recorded on the JIS and that related monies are deposited. Failure to account for all manual rediform receipt slips reduces controls over monies received.
- B. A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk's Office and monitoring procedures related to accrued costs are not adequate. When a case is closed and the costs determined, the Circuit Clerk's Office prepares and sends a cost bill to the defendant and to the Division of Probation and Parole. If payment was not received, there was no evidence that the Circuit Clerk's Office initiated any further collection procedures. As of April 14, 2004, the JIS alone reflected approximately \$241,000 in outstanding accrued costs; however, this list is not all inclusive because many cases outstanding prior to implementation of the JIS are not reflected in the JIS.

A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected on a timely basis.

WE RECOMMEND the Circuit Clerk:

- A. Establish procedures to account for manual rediform receipt slips issued and verify these receipts have been recorded on the JIS and deposited.
- B. Establish adequate procedures to monitor and collect outstanding accrued costs.

AUDITEE'S RESPONSE

- A. *The Circuit Clerk indicated they currently staple one copy of the manual receipt slip to the copy of the JIS receipt and include the copies in the case file.*
- B. *The Circuit Clerk indicated she works very closely with Probation and Parole for circuit criminal cases. Before JIS, cost bills were sent out; however, because of bad addresses or other circumstances, very few results were obtained. For traffic and associate criminal cases show cause letters are sent, which require defendants to pay or come to court and explain why they have not paid. It would not be of any benefit to go back and update the accrued cost listings for those cases prior to JIS. Each case file does include a fee sheet which reflects the amount due.*

4.

Sheriff Civil Fees Fund

A separate fund has not been established for the Sheriff's civil fees. As noted in a prior report, a fund had been established but was closed in 1999 and the balance was transferred to the General Revenue Fund. Section 57.280, RSMo, requires monies to be accounted for separately to ensure that the proceeds are spent on law enforcement purposes.

WE AGAIN RECOMMEND the County Commission establish the Sheriff Civil Fees Fund as required by state law, and start crediting sheriff civil fees to this fund. In addition, an annual budget should be prepared outlining the plans for this fund.

AUDITEE'S RESPONSE

The County Commission indicated they will discuss this with the Sheriff. If the decision is made not to establish a fund, the reasoning will be documented and they will ensure that the Sheriff is in agreement. If a separate fund is established, a budget will be prepared.

5.

Public Administrator's Salary

There was no documentation from legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum.

The current Public Administrator, who took office in January 2001, elected to be placed on salary rather than a fee basis. Section 473.742, RSMo, provides a salary scale based on the average number of open letters in the two years preceding the term when the salary is elected. The County Commission set the Public Administrator's salary at 91 percent of this amount to correspond with the percentage of the maximum salaries provided by state law paid to other officials for their respective offices.

Without a documented legal opinion, it is not clear whether the amount paid to the Public Administrator is in accordance with state law.

WE RECOMMEND the County Commission consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

AUDITEE'S RESPONSE

The County Commission indicated they will implement the recommendation.

6. Prosecuting Attorney's Accounting Controls and Procedures

Accounting duties are not adequately segregated, receipts are not deposited on a timely basis, and monthly listings of open items and accrued court ordered restitution are not prepared. The Prosecuting Attorney collects court-ordered restitution and bad check restitution and related fees. Money orders payable to the Prosecuting Attorney are deposited into an official account for subsequent distribution; money orders payable to the victim are forwarded to the victim.

A. Accounting duties are not adequately segregated. Currently, the secretary is responsible for receiving and recording monies, preparing deposits, preparing checks, and reconciling bank statements. The Prosecuting Attorney does sign all checks and the monthly bad check fee report; however, this is the only documented review of the work performed by the clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits, a review of bank reconciliations, and a review of bad check restitution records.

B. Receipts are not deposited on a timely basis. According to the Prosecuting Attorney's secretary, deposits are made approximately once or twice a month. A cash count on January 27, 2004, identified \$2,365 of undeposited receipts, some dating back to January 6, 2004.

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

- C. Monthly listings of open items are not prepared and reconciled to the cash balance. The last monthly listing prepared was for July 1998 and agreed to the reconciled cash balance.

Upon our request, the Prosecuting Attorney's secretary prepared a listing of open items and attempted to reconcile the listing to the reconciled cash balance as of February 29, 2004. The total reconciled bank balance was approximately \$24,000 and exceeded the open items listing by approximately \$2,600.

Periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of any differences.

- D. A listing of accrued court ordered restitution owed to the court is not maintained by the Prosecuting Attorney and monitoring procedures related to accrued court ordered restitution are not adequate.

Upon our request, the Prosecuting Attorney's secretary prepared a listing of accrued court ordered restitution as of February 29, 2004. Accrued costs totaled approximately \$72,000. Our review of selected cases from this listing noted approximately \$6,500 in accrued court ordered restitution in which the offender's probation was revoked and the offender was sent to prison. According to the Prosecuting Attorney, these monies are uncollectible.

A complete and accurate listing of accrued court ordered restitution would allow the Prosecuting Attorney to more easily review the amounts due and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible.

WE RECOMMEND the Prosecuting Attorney:

- A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance, and require that any differences be investigated and resolved.

- D. Maintain a listing of accrued court ordered restitution. Any uncollectible accrued court ordered restitution should be written off following review and approval by the Judge.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *Due to budget restraints and the inability to hire additional staff, the secretary will continue to be responsible for receiving and recording monies, preparing deposits, preparing checks, and reconciling bank statements. In an effort to better review the work performed by the secretary, he will require the secretary to prepare a daily list of incoming receipts. He will review each defendant restitution sheet before making a payment to a victim for restitution.*
- B. *His office will begin depositing funds at least twice per week.*
- C. *His office has begun reconciling the listing to the reconciled cash balance. The current secretary began working for this office in October 2001. The secretary prior to the current secretary did not adequately keep a record of receipts to the Prosecuting Attorney's Office. He took office on January 1, 2003, and was not aware of this problem at the time. His office will follow the recommendations of the Missouri State Auditor concerning what to do with the remaining unidentified balance.*
- D. *His office has begun preparing a complete and accurate listing of accrued court ordered restitution in each restitution case. He and the secretary review every restitution file each month to determine whether the defendant has paid court ordered restitution for that month. Restitution amounts become uncollectible when the defendant's probation is revoked and the defendant is sent to jail or prison.*

7. Property Tax Controls and Withholdings
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The County Clerk does not maintain an account book with the Ex Officio County Collector, page totals are not generated for the tax books, and the Ex Officio County Collector withholds 1 percent for assessment costs from property taxes charged rather than collected.

- A. The County Clerk does not maintain an account book with the Ex Officio County Collector. An account book would summarize all taxes charged to the Ex Officio County Collector and township collectors, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the collectors each year is complete and accurate.

In addition, Section 51.250(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable in the county treasury. A properly maintained account book can also be used by the County Commission to verify the accuracy of the Ex Officio County Collector's annual settlements.

- B. The property tax system generates a total by township and a grand total; however, page totals are not generated. Without page totals, the ability to verify the accuracy of the tax books is limited.
- C. The Ex Officio County Collector withholds amounts for assessment costs from property taxes charged rather than collected. The amount of all current taxes charged to each political subdivision is multiplied by 1 percent, and that amount is withheld by the Ex Officio County Collector from each political subdivision's share of railroad and utility taxes. Section 137.720, RSMo 2000, requires taxes withheld for assessment costs to be based on the amount of taxes actually collected.

WE RECOMMEND:

- A. The County Clerk establish and maintain an account book of the Ex Officio County Collector's and township collector's transactions, and the County Commission use this account book to verify the accuracy of the Ex Officio County Collector's annual settlements.
- B. The County Commission authorize programming changes to print future tax books with the appropriate control totals, including page totals and a summary page of all page totals.
- C. The Ex Officio County Collector base withholdings for the Assessment Fund on actual property tax collections.

AUDITEE'S RESPONSE

- A. *The County Clerk indicated she does balance out the current charges to collections reported by the Township Collectors, which includes additions and abatements, and reconciles these amounts to the delinquent tax book. She will also check into ways to monitor delinquent charges of the Ex Officio County Collector.*
- B. *The County Clerk indicated she foots the personal and real tax books for three townships to ensure the accuracy of the tax books. The County Commission indicated that in light of the verification by the County Clerk, it would not be cost effective to authorize program changes to include additional control totals.*
- C. *The Ex Officio County Collector indicated she plans on withholding assessment costs from actual taxes collected rather than charged as of November 2004.*

8.**Public Administrator's Accounting Controls and Procedures**

The Public Administrator temporarily withdrew monies from some bank accounts to ensure the wards remained eligible for Medicaid benefits.

During our review of selected cases administered by the Public Administrator, we noted 12 disbursements from 8 cases totaling \$9,700 for cashier's checks. The Public Administrator indicated that she obtained the cashier's checks and kept them in a locked box to reduce the balance in the respective bank accounts to ensure the wards remained eligible for Medicaid benefits.

Section 208.210(1), RSMo 2000, requires recipients to notify county welfare offices if they possess property which affects their right to receive benefits. In addition, Section 208.210(2), RSMo 2000, provides, "...if during the life, or upon the death, of any person who is receiving or has received benefits, it is found that the recipient or his spouse was possessed of any property or income in excess of the amount reported that would affect his needs or right to receive benefits, or if it be shown such benefits were obtained through misrepresentation, nondisclosure of material facts, or through mistake of fact, the amount of benefits, without interest, may be recovered from him or his estate by the division of family services as a debt due the state".

WE RECOMMEND the Public Administrator discontinue this practice and contact the Department of Social Services, Family Support Division to determine whether any monies are due to the state. In addition, the Associate Circuit Judge should investigate unusual transactions such as those noted above.

AUDITEE'S RESPONSE

The Public Administrator stated, "I have already discontinued the practice of transferring funds to a cashier's check.

In any instance when I have more than \$1,000.00 in a bank account at the end of the month, I will report it to the Division of Family Services, unless there is an appropriate, immediate need towards which the money can be spent, in which case I will spend the money.

I would like to take this opportunity to explain to you why I instituted the procedure I did, and why I believe it was appropriate and fiscally responsible to do so.

Bear in mind that in all instances my clients were on limited funds, otherwise they would not have been on Medicaid in the first place. It is true that sometimes their bank accounts, by watching their expenditures from their limited incomes, would exceed \$1,000.00. I was advised that to remain eligible the amount in the "bank account" at the end of the month must be under \$1,000.00. I was advised that it made no difference what the money was used for as long as the "account" at the end

of the month was under \$1,000.00. It seemed to me that it was not a fiscally responsible way to spend their money. In most instances the funds were already committed, just not appropriate to spend at that time. In visiting with other Public Administrators and officials in the Division of Family Services, I formed an opinion that it was appropriate and a common practice to transfer funds to a cashier's check, and at a later time use the funds for real needs of the client. The examples where I applied this practice was for clothing, furniture, pre-paid burial plans, court costs and attorney fees incurred but not billed, to reimburse the County for my salary and expenses, paying for medicine and doctors when bills were incurred and later not approved for Medicaid. It was stressed that the important thing was that these funds always be accounted for, and I have always accounted for these transfers in all my settlements with the Court, as well as showing the subsequent expenditures. This seemed to me to be a very common-sense and fiscally responsible approach to the problem of helping persons with limited needs live as comfortably as their health and finances would provide. In addition, generally the funds were spent within three months or less. I can recall only one instance when it may have been longer than that.

Frankly, I believe my policy was fiscally very responsible and I did not at any time have any idea that I was violating any law or statute, as stated before, understood that it was a common, accepted practice to do this.

I will contact DFS about the area of discussion of the cashier's checks."

The Associate Circuit Judge stated, "In reviewing not only PA cases but all cases in the Probate Division we routinely reconcile accounts, verify assets and inspect entries for out of the ordinary transactions. If something unusual is identified my general practice is to discuss it with the attorney for the estate and then take action if I am not satisfied with the explanation.

In the cases noted in your report I did just that. The explanation I received in all but one case was reasonable. Basically all but one of these estates were technically insolvent and an incurred but unbilled board bill would deplete the cash on hand and thus result in eligibility. The PA merely waited for the bill to arrive before using the set aside funds for payment. The same result could have been achieved by merely prepaying the obligation. I recall that the funds in one of the cases exceeded current needs and the practice was ended. I believe this practice is no longer in use."

9. Township Published Financial Statements

The County Clerk does not ensure financial statements of township road boards are prepared and published as required by state law. Section 231.290, RSMo 2000, requires the County Clerk to prepare a form to be utilized by the townships to provide a detailed account of their financial activity, along with an inventory of the township's property, which should be published in a local newspaper and filed with the County Clerk. The County Clerk indicated 11 of 15 townships returned completed financial statements to her; however, she does not track whether the township financial statements are published.

WE RECOMMEND the County Clerk ensure all townships file completed financial statements with her office and publish financial statements in a local paper in accordance with state law.

AUDITEE'S RESPONSE

The County Clerk indicated she will look into procedures to implement this recommendation.

10. Health Center's Accounting Controls and Procedures

The Health Center does not deposit all cash receipts intact. According to the Health Center Administrator, cash receipts are accumulated and periodically deposited separately from checks; checks are deposited on a daily basis. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

WE RECOMMEND the Health Center Board of Trustees deposit all monies intact daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Health Department Administrator and Board of Trustees indicated the Health Department has no problems with implementing a new procedure as recommended. Effective September 1, 2004, it will be Health Department policy to deposit cash and check receipts intact when the accumulated receipts total \$100 or more. The Administrator transcribes all receipts, cash and checks, into the budget computer. The Administrator will be responsible to see that the Office Support Assistant records and deposits all money when it exceeds the \$100 limit. In order to preserve some continuity the Health Department has been seeking a vendor who could provide consecutive numbered receipts. When an affordable product can be found the health department will implement their use.

Follow-Up on Prior Audit Findings

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

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Board of Prisoner Contract

Linn County entered into a contract with Livingston County for the boarding of prisoners. According to the contract terms, Livingston County provided accommodations for up to seven prisoners per day at a rate of \$210 (\$30 per prisoner). This \$210 rate applied regardless of the actual number of prisoners boarded so long as the number did not exceed seven. The boarding rate per prisoners was \$35 per day for each prisoner in excess of seven.

For February 1999 through July 2000 Linn County had less than seven prisoners at the Livingston County jail approximately 80 percent of the time. Had the county paid only for the prisoners actually boarded in Livingston County during this time period, at the normal daily boarding rate of \$35, the county would have paid approximately \$23,500 less.

A formal cost-benefit analysis was not performed to determine the best and most economical means of obtaining boarding of prisoner services.

Recommendation:

The County Commission review the board of prisoner contract with Livingston County for reasonableness and possibly modify the terms to allow for a better matching of number of prisoners spaces to the average number of prisoners generally housed in Livingston County. A cost-benefit analysis should be performed and other options considered prior to renewing this contract in the future.

Status:

Partially implemented. Although no formal documented cost-benefit analysis was performed, the terms of the board of prisoner contract with Livingston County were modified in 2001. However, we noted concerns related to the contract for 2003. See MAR finding number 1.

2. Controls Over County Expenditures

- A. A review of expenditures indicated that while the county generally made efforts to seek competitive prices for major purchases, the methods utilized did not always comply with statutory provisions.
- B. The County Commission approved some payments for road and bridge work where the invoices submitted did not indicate what work was done, the work site, or the number of hours charged to the job. In addition, the County Commission approved road and bridge payments to vendors without requiring acknowledgement of receipt of goods or services to be documented on the invoices.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained. If bids are not obtained and/or sole source procurement is necessary, the County Commission minutes should thoroughly reflect the circumstances.
- B. Ensure that the invoices adequately document the items and/or services for which payment is being requested and acknowledgement of receipt of goods and/or services prior to approving payment.

Status:

- A. Partially implemented. Bids were solicited for most items required by state law; however, instances were noted where bids were not solicited. See MAR finding number 1.
- B. Implemented.

3. Computer Controls and Property Tax System

- A. The county did not have a formal contingency plan for the computer system.
- B. No security system was in place to detect and stop incorrect log-on attempts after a certain number of tries.
- C. The computer program did not generate property tax book page or control totals, but only a summary total at the end of each tax book.
- D. The County Clerk did not maintain an account book with the Ex Officio County Collector.

Recommendation:

- A. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.
- B. The County Commission establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- C. The County Commission authorize programming changes to print future tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.
- D. The County Clerk establish and maintain an account book with the Ex Officio County Collector for the County Commission to use to verify the accuracy of the Ex Officio County Collector's annual settlements.

Status:

- A. Implemented.
- B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. The property tax system generates a total by township and a grand total; however, page totals are not generated. See MAR finding number 7.
- D. Not implemented. See MAR finding number 7.

4. Sheriff Civil Fee Fund

The Sheriff's civil fees were credited to the Sheriff Civil Fee Fund for part of 1998; however, this was stopped and the fees were credited to the General Revenue Fund. The Sheriff Civil Fund was closed in 1999 and the balance was transferred to the General Revenue Fund.

Recommendation:

The County Commission have the County Treasurer reestablish the Sheriff Civil Fee Fund as required by state law, and start crediting sheriff civil fees to this fund. The County Sheriff should prepare an annual budget outlining his plans for this fund.

Status:

Not implemented. See MAR finding number 4.

5. Prosecuting Attorney Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated.
- B. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as subsequent disposition of these bad checks had not been established.
- C. Receipts were not deposited intact on a timely basis or kept in a secure location prior to being deposited. In addition checks and money orders were not being restrictively endorsed until the deposit was prepared.
- D. Receipt slips were not issued for some monies received.
- E. Monthly listings of open items were no longer being prepared. A listing was prepared as of March 31, 2000, which included cases where the total amount had been collected, but not distributed and partial payments which were being held for inactive cases. In addition, numerous errors were found in amounts paid over to the County Treasurer for fees, resulting in \$225 being held in the Prosecuting Attorney's bank account.
- F. Adequate records of payments received and disbursements made were not being maintained in case files.

Recommendation:

The Prosecuting Attorney:

- A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.
- B. Maintain a log to adequately account for all bad checks filed with the Prosecuting Attorney's office and their ultimate disposition. A bad check log would provide a record of all bad checks filed with the Prosecuting Attorney and provide more assurance that all receipts and disbursements related to these cases are properly handled.
- C. Restrictively endorse money orders immediately upon receipt, maintain receipts in a secure location until deposited, and deposit receipts intact daily or when accumulated receipts exceed \$100. In addition, the Prosecuting Attorney should repay any undeposited amounts to his official bank account.

- D. Immediately issue receipt slips for all monies received and reconcile receipts to deposits.
- E. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance, and require that any difference be investigated and resolved. For cases where the total amount due has been received the balances should be distributed and monies held in inactive cases should be prorated and distributed. In addition, the Prosecuting Attorney should remit the \$225 in fees to the County Treasurer.
- F. Indicate the original amount of restitution owed, all payments received, and a balance of the amount currently owed on the case balance records along with disbursements of restitution to the victim. These case balance records should periodically be reviewed by the Prosecuting Attorney to ensure the payments are being handled properly and in a timely manner.

Status:

A. Not implemented. See MAR finding number 6.

B, D

&F. Implemented.

C. Partially implemented. All money orders are restrictively endorsed immediately upon receipt and monies are held in a secure location. However, receipts are not deposited intact daily or when accumulated receipts exceed \$100. See MAR finding number 6.

E. Not implemented. Monthly listings of open items are not prepared and reconciled to cash balances. See MAR finding number 6. No cases were noted for which the total amount due had been received and not distributed; however, monies are held in some inactive cases which should be prorated and distributed. Although not repeated in the current MAR, the recommendation remains as stated above.

6. Sheriff's Reserve Deputy Association Bank Account

Sheriff's department deputies and reserve deputies maintained a checking account outside the county treasury, designed as the "Sheriff Reserve Deputy Association", into which calendar commissions, donations from businesses and the public, and fundraising proceeds were deposited.

Because the calendar commissions were earned in the Sheriff's official capacity and the federal grant reimbursement related to a program for which the county was the designated grantee, these accountable fees should have been deposited into the county treasury.

Recommendation:

The Sheriff meet with the Prosecuting Attorney and County Commission regarding this account and the appropriate handling of the various types of receipts. In addition, the Sheriff needs to ensure that all accountable monies be transmitted to the County Treasurer in the future.

Status:

Effective in November 2000, the bank account was closed. The Sheriff indicated the calendar sales were discontinued. In the future, if calendar commissions, donations, and fundraising proceeds are received, the monies should be transmitted to the County Treasurer.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LINN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1837, the county of Linn was named after Lewis F. Linn, a U.S. Senator. Linn County is a township-organized, third-class county and is part of the Ninth Judicial Circuit. The county seat is Linneus.

Linn 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 800 miles of county roads and 400 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 townships maintain county roads and bridges.

The county's population was 15,495 in 1980 and 13,754 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2003	2002	2001	2000	1985*	1980**
		(in millions)					
Real estate	\$	64.0	62.6	62.1	55.5	48.6	26.9
Personal property		39.4	38.4	37.8	34.8	15.2	11.0
Railroad and utilities		16.6	17.8	18.1	16.9	12.6	7.8
Total	\$	120.0	118.8	118.0	107.2	76.4	45.7

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$.0725	.0650	.0725	.0800
Health Center Fund		.2000	.2000	.2000	.2100
Senate Bill 40 Board Fund		.1982	.1973	.1963	.2000

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 and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2004	2003	2002	2001
State of Missouri	\$ 37,709	48,316	36,518	33,595
General Revenue Fund	117,613	110,169	117,278	116,265
Roads	689,886	669,604	649,660	612,244
Assessment Fund	77,851	79,205	77,466	71,394
Health Center Fund	243,505	243,347	237,351	226,830
Senate Bill 40 Board Fund	237,070	235,976	228,202	213,114
School districts	4,648,872	4,581,608	4,432,375	4,070,101
Townships	118,413	123,969	119,664	110,190
Fire protection districts	39,302	38,219	37,933	35,231
Township Bond Fund	37,406	50,154	64,478	72,267
Ambulance district	349,982	348,326	337,387	315,099
Yellow Creek Watershed	18,290	19,619	16,374	13,785
Cities	102,656	98,524	102,180	98,659
County Employees' Retirement	37,771	32,743	25,923	24,310
Investment interest	1,650	2,303	3,977	7,417
Late assessment sheet fees	4,831	5,666	6,002	2,936
Commissions and fees:				
General Revenue Fund	55,565	56,658	55,907	52,771
Township Collectors	53,818	53,088	51,921	48,764
Total	\$ 6,872,189	6,797,496	6,600,598	6,124,973

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2004	2003	2002	2001	
Real estate	93.3	93.1	92.8	92.5	%
Personal property	92.9	93.0	91.3	92.6	
Railroad and utilities	100.0	100.0	100.0	100.0	

Linn 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	%
Capital improvements, road & bridge	.0050	2009	None	
Use	.0010	None	None	

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

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Rick Solomon, Presiding Commissioner		24,823	22,565	22,565	22,565
Randy Wade, Associate Commissioner		22,823	22,823	22,823	
Becky Thudium, Associate Commissioner					18,583
Jim Libby, Associate Commissioner		22,823	22,823	22,823	18,583
Peggy Ward, County Clerk		34,580	31,160	31,160	31,160
Tracy L. Carlson, Prosecuting Attorney		40,950			
Robert L. Sanders, Prosecuting Attorney (1)			36,900	36,900	36,900
Tom Parks, Sheriff		38,220	38,220	38,220	35,000
Wesley Rhodes, County Coroner		10,010	10,010	10,010	6,770
Nancy Ross, Public Administrator (2)		22,750	22,750	22,750	
James L. Duncan, Public Administrator (3)					16,786
Pamela Reed, Treasurer and Ex Officio County Collector, year ended March 31,	34,580	34,580	34,580	32,742	
David Long, County Assessor (4), year ended August 31,		35,480	35,480	34,900	34,900

(1) Appointed January 2000.

(2) Effective January 1, 2001, the Public Administrator is on a salary basis.

(3) Includes fees received from probate cases.

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

State-Paid Officials:

E. Elaine Clough, Circuit Clerk and Ex Officio Recorder of Deeds		47,300	47,300	47,300	46,127
James Williams, Associate Circuit Judge		96,000	96,000	96,000	97,382