



**MCDONALD COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

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

**Report No. 2004-83
September 30, 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 McDonald 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 McDonald County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Cash receipts totaling \$16,375 collected by the McDonald County Sheriff's office from January 2003 through March 2004, were not deposited and are missing. Unrecorded checks totaling \$12,148 of accountable fees were deposited into the Sheriff's bond bank account. These unrecorded checks were apparently substituted for the missing cash bond receipts. In an effort to further conceal the shortage, \$1,000 was transferred to the bond account from the civil fee bank account and \$1,600 of cash from the Sheriff's calendar sale proceeds and another \$500 unrecorded bond was deposited into the bond account.

In March 2003, our office performed a limited review of the Sheriff's management practices and provided recommendations of how accounting controls and procedures could be improved; however, the Sheriff failed to implement most of those recommendations. The Sheriff indicated that an employee of his office notified him in December 2003 that a \$300 cash bond recorded in the jail receipt book was not deposited into the bond account; however, there was no evidence that an investigation into the missing monies was performed by the Sheriff.

These shortages may have been prevented or detected if our recommendations had been implemented or had the Sheriff conducted an investigation of the missing bond or notified our office. These missing funds were not detected on a timely basis due to various internal control weaknesses including little or no review by someone independent of the Sheriff, lax cash receipting procedures, and the lack of appropriate reconciliations. The Sheriff indicated he is cooperating with the Missouri State Highway Patrol investigation.

- The Sheriff apparently claimed and was paid for more miles than he actually incurred in the personal vehicle used to conduct official business. In addition, the validity of civil service payments to the Sheriff and his office employees is questionable, and controls over fuel purchases for county patrol cars need improvement.

(over)

YELLOW SHEET

- Controls and procedures over the Sheriff's seized property need improvement. Three ATVs and two dirt bikes seized in October 2000 were not included on the current seized property listing, and as of August 3, 2004, the three ATVs and one of the dirt bikes were being stored at a former deputy's family property.
- Controls and procedures over the Sheriff's inmate and commissary funds need improvement. Duties are not adequately segregated, inmates' monies are not deposited or properly accounted for, and a system for tracking the profit and loss from the sales of commissary items has not been established.
- The county did not prepare budgets for various county funds, which resulted in significant omissions from the county's financial statements. In addition, the county's annual published financial statements did not include the financial activity of several county funds.
- As noted in our prior two reports, the county did not distribute a portion of its General Revenue Fund property tax collections to the Special Road and Bridge Fund as authorized by a ballot issue approved by voters. At December 31, 2003, the General Revenue Fund owed \$276,036 to the Special Road and Bridge Fund.
- Officials' salary increases of \$27,160 for the year ending December 31, 2004 are not supported by salary commission actions, and the Public Administrator, the County Collector, and the County Assessor salary amounts were questionable.
- Time sheets or other records of actual time worked and leave records of the Sheriff's office employees are not filed with the County Clerk. In addition, an employee of the Sheriff's office was supervised by her spouse, an adequate review of her timesheets was apparently not performed which allowed inaccuracies to go undetected, and as a result, compensatory wages paid to her upon termination totaling \$14,000 appear questionable.
- The County Treasurer does not prepare formal bank reconciliations; however, upon our request bank reconciliations were performed at December 31, 2003 and 2002. The reconciled bank balances were \$1,519 and \$548 less than the total book balances recorded on the Treasurer's semi-annual settlement. In addition, the County Treasurer does not properly reconcile her records with the County Clerk, and the County Commission does not review the Treasurer's semi-annual settlements. Also, county records are not always maintained at the county courthouse.

Also included in the audit were recommendations related to officials' bond coverage, county expenditures and closed meeting minutes, budgetary practices, general fixed assets and health department procedures. The audit also suggested improvements in the procedures of the Prosecuting Attorney, the Circuit Court, the Public Administrator, the Assessor, and the 911 Authority Board.

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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 McDonald 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 McDonald 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 McDonald 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 August 3, 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 McDonald County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

August 3, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela A. Tillery, CPA
In-Charge Auditor:	Rachel A. Simons
Audit Staff:	Jay Ross
	Troy Royer
	Roberta Bledsoe



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of McDonald County, Missouri

We have audited the financial statements of various funds of McDonald County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 3, 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 McDonald 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 03-1 and 03-2. We also 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 McDonald 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 03-1 and 03-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above, finding numbers 03-1 and 03-2, to be material weaknesses. We also 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 McDonald 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

August 3, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

MCDONALD 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	\$ 106,427	1,393,545	940,242	559,730
Special Road and Bridge	626,648	2,083,403	1,976,834	733,217
Assessment	449	199,093	201,337	(1,795)
Law Enforcement	224,032	1,116,733	1,190,851	149,914
Law Enforcement Training	(5,310)	4,590	7,654	(8,374)
Prosecuting Attorney Training	(1,097)	800	0	(297)
Health Department	19,884	276,857	294,198	2,543
Prosecuting Attorney Bad Check	7,197	27,352	32,813	1,736
Recorder's	26,995	13,813	6,918	33,890
Extradition and Transportation	(286)	10,783	10,225	272
Prosecuting Attorney Delinquent Sales Tax	541	818	358	1,001
Sheriff Civil	4,413	13,251	16,812	852
Health Department Building	3,270	560	3,830	0
Family Access	90	0	90	0
Domestic Violence	478	1,504	1,584	398
Election Service	2,867	923	3,484	306
Assistant Prosecuting Attorney Grant	(191)	19,500	28,370	(9,061)
Community Development Block Grant	0	286,937	286,937	0
Law Library	828	7,457	3,100	5,185
Circuit Court Interest	10,057	1,037	1,039	10,055
Collector Maintenance	0	19,069	12,882	6,187
Recorder's Interest	185	110	90	205
DARE	7,042	5,082	9,788	2,336
Total	\$ 1,034,519	5,483,217	5,029,436	1,488,300

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

Exhibit A-2

MCDONALD 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	\$ 160,547	1,655,832	1,709,952	106,427
Special Road and Bridge	361,545	2,543,031	2,277,928	626,648
Assessment	(3,668)	171,329	167,212	449
Law Enforcement Training	(3,274)	10,327	12,363	(5,310)
Prosecuting Attorney Training	(1,936)	839	0	(1,097)
Health Department	63	266,879	247,058	19,884
Prosecuting Attorney Bad Check	7,795	27,449	28,047	7,197
Recorder's	26,539	11,117	10,661	26,995
Extradition and Transportation	(1,496)	16,248	15,038	(286)
Prosecuting Attorney Delinquent Sales Tax	623	11	93	541
Sheriff Civil	8,352	11,086	15,025	4,413
Health Department Building	9,431	0	6,161	3,270
Family Access	90	0	0	90
Domestic Violence	471	1,631	1,624	478
Election Service	2,198	3,058	2,389	2,867
Assistant Prosecuting Attorney Grant	179	27,978	28,348	(191)
Law Library	2,556	3,036	4,764	828
Circuit Court Interest	7,407	3,278	628	10,057
Law Enforcement	0	224,032	0	224,032
Community Development Block Grant	0	354,233	354,233	0
Recorder's Interest	328	148	291	185
DARE	1,767	10,835	5,560	7,042
Total	\$ 579,517	5,342,377	4,887,375	1,034,519

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

Exhibit B

MCDONALD 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	\$ 5,082,871	5,478,025	395,154	4,104,638	4,753,129	648,491
DISBURSEMENTS	5,477,608	5,019,558	458,050	4,518,699	4,527,291	(8,592)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(394,737)	458,467	853,204	(414,061)	225,838	639,899
CASH, JANUARY 1	1,026,354	1,027,292	938	576,323	577,422	1,099
CASH, DECEMBER 31	631,617	1,485,759	854,142	162,262	803,260	640,998
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	345,675	380,764	35,089	455,923	448,385	(7,538)
Sales taxes	600,000	704,543	104,543	630,000	642,892	12,892
Intergovernmental	37,500	53,464	15,964	211,240	185,645	(25,595)
Charges for services	190,500	244,631	54,131	289,000	319,833	30,833
Interest	6,000	4,466	(1,534)	10,000	7,317	(2,683)
Other	6,660	5,677	(983)	38,750	40,760	2,010
Transfers in	90	0	(90)	11,000	11,000	0
Total Receipts	1,186,425	1,393,545	207,120	1,645,913	1,655,832	9,919
DISBURSEMENTS						
County Commissioner	83,240	79,762	3,478	83,240	81,352	1,888
County Clerk	85,357	87,583	(2,226)	85,130	84,490	640
Elections	35,856	38,003	(2,147)	78,100	61,021	17,079
Buildings and grounds	119,000	106,239	12,761	78,500	72,078	6,422
Employee fringe benefit	65,000	52,651	12,349	156,500	151,693	4,807
County Treasurer	30,750	29,340	1,410	30,550	28,908	1,642
County Collector	92,834	89,324	3,510	92,033	87,312	4,721
Ex Officio Recorder of Deed	37,691	33,500	4,191	38,506	29,815	8,691
Circuit Clerk	0	0	0	14,800	9,599	5,201
Court administration	0	0	0	35,566	25,603	9,963
Public Administrator	43,600	44,070	(470)	43,250	42,890	360
Sheriff	0	0	0	286,818	303,642	(16,824)
Jail	0	0	0	228,165	237,016	(8,851)
Prosecuting Attorney	0	0	0	179,898	176,239	3,659
Juvenile Officer	0	0	0	31,105	20,446	10,659
County Coroner	0	0	0	18,100	16,305	1,795
Civil Defense	3,000	4,746	(1,746)	2,000	1,487	513
LEPC grant	9,275	10,713	(1,438)	9,398	4,958	4,440
Insurance	35,000	38,774	(3,774)	40,000	29,425	10,575
University Extensior	27,864	27,864	0	27,480	27,480	0
Litter control grant	12,000	20,032	(8,032)	10,000	10,501	(501)
Debt service	40,377	40,421	(44)	66,384	47,441	18,943
Other	72,003	66,310	5,693	75,794	73,313	2,481
Transfers out	313,000	153,560	159,440	43,000	30,000	13,000
Emergency Func	35,000	17,350	17,650	46,851	56,938	(10,087)
Total Disbursements	1,140,847	940,242	200,605	1,801,168	1,709,952	91,216
RECEIPTS OVER (UNDER) DISBURSEMENTS	45,578	453,303	407,725	(155,255)	(54,120)	101,135
CASH, JANUARY 1	106,975	106,427	(548)	160,547	160,547	0
CASH, DECEMBER 31	152,553	559,730	407,177	5,292	106,427	101,135

Exhibit B

MCDONALD 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	6,000	6,326	326	5,000	6,339	1,339
Sales taxes	600,000	704,265	104,265	620,000	642,905	22,905
Intergovernmental	1,145,000	1,314,403	169,403	1,260,930	1,877,022	616,092
Interest	6,000	5,894	(106)	10,000	6,904	(3,096)
Other	0	2,515	2,515	0	9,861	9,861
Transfers in	50,000	50,000	0	0	0	0
Total Receipts	1,807,000	2,083,403	276,403	1,895,930	2,543,031	647,101
DISBURSEMENTS						
Salaries	414,546	420,613	(6,067)	408,957	408,018	939
Employee fringe benefit	89,471	87,268	2,203	77,496	77,411	85
Supplies	75,000	80,060	(5,060)	75,000	57,600	17,400
Insurance	18,000	18,049	(49)	18,000	10,463	7,537
Road and bridge materials	695,000	635,012	59,988	485,000	534,461	(49,461)
Equipment repairs	140,000	143,849	(3,849)	116,000	129,472	(13,472)
Equipment purchases	130,000	12,932	117,068	76,500	83,076	(6,576)
Construction, repair, and maintenance	410,000	386,031	23,969	771,250	920,866	(149,616)
Debt service	145,000	158,719	(13,719)	100,707	24,281	76,426
Other	43,000	34,301	8,699	28,000	32,280	(4,280)
Total Disbursements	2,160,017	1,976,834	183,183	2,156,910	2,277,928	(121,018)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(353,017)	106,569	459,586	(260,980)	265,103	526,083
CASH, JANUARY 1	626,648	626,648	0	361,545	361,545	0
CASH, DECEMBER 31	273,631	733,217	459,586	100,565	626,648	526,083
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	140,000	136,315	(3,685)	147,000	135,761	(11,239)
Charges for services	2,000	3,060	1,060	0	1,686	1,686
Interest	150	138	(12)	300	134	(166)
Other	6,606	6,580	(26)	0	3,748	3,748
Transfers in	53,000	53,000	0	33,000	30,000	(3,000)
Total Receipts	201,756	199,093	(2,663)	180,300	171,329	(8,971)
DISBURSEMENTS						
Assessor	201,813	201,337	476	175,994	167,212	8,782
Total Disbursements	201,813	201,337	476	175,994	167,212	8,782
RECEIPTS OVER (UNDER) DISBURSEMENTS	(57)	(2,244)	(2,187)	4,306	4,117	(189)
CASH, JANUARY 1	449	449	0	(3,668)	(3,668)	0
CASH, DECEMBER 31	392	(1,795)	(2,187)	638	449	(189)

Exhibit B

MCDONALD 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 FUND</u>						
RECEIPTS						
Sales taxes	600,000	704,487	104,487			
Intergovernmental	125,344	216,111	90,767			
Charges for service:	80,000	74,086	(5,914)			
Interest	0	2,372	2,372			
Other	46,000	61,337	15,337			
Transfers in	212,590	58,340	(154,250)			
Total Receipts	1,063,934	1,116,733	52,799			
DISBURSEMENTS						
Sheriff	469,116	495,754	(26,638)			
Jail	222,208	242,777	(20,569)			
Prosecuting Attorney	202,669	216,684	(14,015)			
Juvenile Officer	32,205	31,537	668			
Coroner	17,950	18,075	(125)			
Circuit Clerk	14,500	12,921	1,579			
Court Administration	55,107	52,176	2,931			
Employee fringe benefit	117,232	113,946	3,286			
Other	4,500	6,981	(2,481)			
Transfers out	5,500	0	5,500			
Total Disbursements	1,140,987	1,190,851	(49,864)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(77,053)	(74,118)	2,935			
CASH, JANUARY 1	224,032	224,032	0			
CASH, DECEMBER 31	146,979	149,914	2,935			
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,500	1,298	(202)	1,300	1,560	260
Charges for service:	3,500	3,292	(208)	10,000	3,767	(6,233)
Other	5,000	0	(5,000)	7,000	5,000	(2,000)
Transfers in	5,500	0	(5,500)	0	0	0
Total Receipts	15,500	4,590	(10,910)	18,300	10,327	(7,973)
DISBURSEMENTS						
Sheriff	10,000	7,654	2,346	15,000	12,363	2,637
Total Disbursements	10,000	7,654	2,346	15,000	12,363	2,637
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,500	(3,064)	(8,564)	3,300	(2,036)	(5,336)
CASH, JANUARY 1	(5,310)	(5,310)	0	(3,274)	(3,274)	0
CASH, DECEMBER 31	190	(8,374)	(8,564)	26	(5,310)	(5,336)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	950	800	(150)	700	839	139
Total Receipts	950	800	(150)	700	839	139
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	950	800	(150)	700	839	139
CASH, JANUARY 1	(1,097)	(1,097)	0	(1,936)	(1,936)	0
CASH, DECEMBER 31	(147)	(297)	(150)	(1,236)	(1,097)	139

Exhibit B

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

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH DEPARTMENT FUND						
RECEIPTS						
Intergovernmental	306,349	255,278	(51,071)	236,595	243,605	7,010
Charges for services:	22,000	14,805	(7,195)	12,000	15,455	3,455
Other	11,100	6,774	(4,326)	4,510	7,819	3,309
Transfers in	10,000	0	(10,000)	10,000	0	(10,000)
Total Receipts	349,449	276,857	(72,592)	263,105	266,879	3,774
DISBURSEMENTS						
Salaries	163,304	170,385	(7,081)	140,084	136,537	3,547
Employee fringe benefit	28,093	26,266	1,827	25,328	23,956	1,372
Office	147,160	85,607	61,553	79,449	76,985	2,464
Equipment	2,500	3,897	(1,397)	1,600	1,207	393
Mileage and training	6,000	7,084	(1,084)	5,500	6,301	(801)
Other	500	959	(459)	2,090	2,072	18
Total Disbursements	347,557	294,198	53,359	254,051	247,058	6,993
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,892	(17,341)	(19,233)	9,054	19,821	10,767
CASH, JANUARY 1	19,884	19,884	0	63	63	0
CASH, DECEMBER 31	21,776	2,543	(19,233)	9,117	19,884	10,767
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for service:	27,000	27,199	199	26,988	27,317	329
Interest	150	153	3	200	132	(68)
Total Receipts	27,150	27,352	202	27,188	27,449	261
DISBURSEMENTS						
Prosecuting Attorney	18,000	24,563	(6,563)	18,688	17,047	1,641
Transfers out	12,500	8,250	4,250	11,000	11,000	0
Total Disbursements	30,500	32,813	(2,313)	29,688	28,047	1,641
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,350)	(5,461)	(2,111)	(2,500)	(598)	1,902
CASH, JANUARY 1	7,197	7,197	0	7,795	7,795	0
CASH, DECEMBER 31	3,847	1,736	(2,111)	5,295	7,197	1,902
RECORDER'S FUND						
RECEIPTS						
Charges for service:	9,000	10,290	1,290	9,000	10,152	1,152
Interest	1,000	804	(196)	800	965	165
Other	0	2,719	2,719	0	0	0
Total Receipts	10,000	13,813	3,813	9,800	11,117	1,317
DISBURSEMENTS						
Ex Officio Recorder of Deed	23,100	6,918	16,182	15,500	10,661	4,839
Total Disbursements	23,100	6,918	16,182	15,500	10,661	4,839
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,100)	6,895	19,995	(5,700)	456	6,156
CASH, JANUARY 1	26,995	26,995	0	26,539	26,539	0
CASH, DECEMBER 31	13,895	33,890	19,995	20,839	26,995	6,156

Exhibit B

MCDONALD 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>EXTRADITION AND TRANSPORTATION FUND</u>						
RECEIPTS						
Intergovernmental	15,000	10,783	(4,217)	10,000	16,248	6,248
Total Receipts	15,000	10,783	(4,217)	10,000	16,248	6,248
DISBURSEMENTS						
Sheriff	10,000	10,225	(225)	10,000	15,038	(5,038)
Total Disbursements	10,000	10,225	(225)	10,000	15,038	(5,038)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	558	(4,442)	0	1,210	1,210
CASH, JANUARY 1	(286)	(286)	0	(1,496)	(1,496)	0
CASH, DECEMBER 31	4,714	272	(4,442)	(1,496)	(286)	1,210
<u>PROSECUTING ATTORNEY DELINQUENT SALES TAX FUND</u>						
RECEIPTS						
Intergovernmental	967	818	(149)	1,852	11	(1,841)
Total Receipts	967	818	(149)	1,852	11	(1,841)
DISBURSEMENTS						
Prosecuting Attorney	1,500	358	1,142	1,852	93	1,759
Total Disbursements	1,500	358	1,142	1,852	93	1,759
RECEIPTS OVER (UNDER) DISBURSEMENTS	(533)	460	993	0	(82)	(82)
CASH, JANUARY 1	541	541	0	623	623	0
CASH, DECEMBER 31	8	1,001	993	623	541	(82)
<u>SHERIFF CIVIL FUND</u>						
RECEIPTS						
Intergovernmental	0	760	760	0	0	0
Charges for service:	12,000	10,926	(1,074)	19,000	11,086	(7,914)
Other	0	1,565	1,565	0	0	0
Total Receipts	12,000	13,251	1,251	19,000	11,086	(7,914)
DISBURSEMENTS						
Sheriff	15,500	16,812	(1,312)	23,296	15,025	8,271
Total Disbursements	15,500	16,812	(1,312)	23,296	15,025	8,271
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	(3,561)	(61)	(4,296)	(3,939)	357
CASH, JANUARY 1	4,413	4,413	0	8,352	8,352	0
CASH, DECEMBER 31	913	852	(61)	4,056	4,413	357
<u>HEALTH DEPARTMENT BUILDING FUND</u>						
RECEIPTS						
Transfers in	0	560	560	0	0	0
Total Receipts	0	560	560	0	0	0
DISBURSEMENTS						
Renovations	3,270	3,830	(560)	0	6,161	(6,161)
Total Disbursements	3,270	3,830	(560)	0	6,161	(6,161)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,270)	(3,270)	0	0	(6,161)	(6,161)
CASH, JANUARY 1	3,270	3,270	0	9,431	9,431	0
CASH, DECEMBER 31	0	0	0	9,431	3,270	(6,161)

Exhibit B

MCDONALD 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>FAMILY ACCESS FUND</u>						
RECEIPTS						
Charges for service:	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Transfers out	90	90	0	90	0	90
Total Disbursements	90	90	0	90	0	90
RECEIPTS OVER (UNDER) DISBURSEMENTS	(90)	(90)	0	(90)	0	90
CASH, JANUARY 1	90	90	0	90	90	0
CASH, DECEMBER 31	0	0	0	0	90	90
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	2,000	1,504	(496)	2,000	1,631	(369)
Total Receipts	2,000	1,504	(496)	2,000	1,631	(369)
DISBURSEMENTS						
Domestic Violence Shelte	2,478	1,584	894	2,471	1,624	847
Total Disbursements	2,478	1,584	894	2,471	1,624	847
RECEIPTS OVER (UNDER) DISBURSEMENTS	(478)	(80)	398	(471)	7	478
CASH, JANUARY 1	478	478	0	471	471	0
CASH, DECEMBER 31	0	398	398	0	478	478
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	1,813	1,813
Charges for service:	3,000	923	(2,077)	2,000	1,245	(755)
Total Receipts	3,000	923	(2,077)	2,000	3,058	1,058
DISBURSEMENTS						
Elections	3,500	3,484	16	3,000	2,389	611
Total Disbursements	3,500	3,484	16	3,000	2,389	611
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(2,561)	(2,061)	(1,000)	669	1,669
CASH, JANUARY 1	2,867	2,867	0	2,198	2,198	0
CASH, DECEMBER 31	2,367	306	(2,061)	1,198	2,867	1,669
<u>ASSISTANT PROSECUTING ATTORNEY GRANT FUND</u>						
RECEIPTS						
Intergovernmental	28,573	19,500	(9,073)	24,000	27,978	3,978
Total Receipts	28,573	19,500	(9,073)	24,000	27,978	3,978
DISBURSEMENTS						
Prosecuting Attorney	28,382	28,370	12	24,179	28,348	(4,169)
Total Disbursements	28,382	28,370	12	24,179	28,348	(4,169)
RECEIPTS OVER (UNDER) DISBURSEMENTS	191	(8,870)	(9,061)	(179)	(370)	(191)
CASH, JANUARY 1	(191)	(191)	0	179	179	0
CASH, DECEMBER 31	0	(9,061)	(9,061)	0	(191)	(191)

Exhibit B

MCDONALD 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>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	295,767	286,937	(8,830)			
Total Receipts	295,767	286,937	(8,830)			
DISBURSEMENTS						
Public Water Supply District #1	295,767	286,937	8,830			
Total Disbursements	295,767	286,937	8,830			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	5,000	7,450	2,450	3,300	3,036	(264)
Interest	0	7	7	50	0	(50)
Total Receipts	5,000	7,457	2,457	3,350	3,036	(314)
DISBURSEMENTS						
Law Library	3,500	3,100	400	3,400	4,764	(1,364)
Total Disbursements	3,500	3,100	400	3,400	4,764	(1,364)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	4,357	2,857	(50)	(1,728)	(1,678)
CASH, JANUARY 1	828	828	0	2,556	2,556	0
CASH, DECEMBER 31	2,328	5,185	2,857	2,506	828	(1,678)
<u>CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	2,400	1,037	(1,363)	1,200	3,278	2,078
Total Receipts	2,400	1,037	(1,363)	1,200	3,278	2,078
DISBURSEMENTS						
Circuit Court	2,800	1,039	1,761	2,100	628	1,472
Total Disbursements	2,800	1,039	1,761	2,100	628	1,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	(2)	398	(900)	2,650	3,550
CASH, JANUARY 1	8,571	10,057	1,486	6,308	7,407	1,099
CASH, DECEMBER 31	8,171	10,055	1,884	5,408	10,057	4,649
<u>COLLECTOR MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	56,000	19,013	(36,987)			
Interest	0	56	56			
Total Receipts	56,000	19,069	(36,931)			
DISBURSEMENTS						
Collector	56,000	12,882	43,118			
Total Disbursements	56,000	12,882	43,118			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,187	6,187			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	6,187	6,187			

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

Notes to the Financial Statements

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Fund	2002
Community Development Block Grant Fund	2002
Recorder's Interest Fund	2003 and 2002
DARE Fund	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>
Special Road and Bridge Fund	2002
Law Enforcement Fund	2003
Prosecuting Attorney Bad Check Fund	2003
Extradition and Transportation Fund	2003 and 2002
Sheriff Civil Fund	2003
Health Department Building Fund	2003 and 2002
Assistant Prosecuting Attorney Grant Fund	2002
Law Library Fund	2002

Although Section 50.740, RSMo 2000, requires a balanced budget, deficit budget balances were budgeted in the Prosecuting Attorney Training Fund for the years ended December 31, 2003 and 2002 and the Extradition and Transportation Fund for the year ended December 31, 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 did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant Fund	2002
Law Library Fund	2003 and 2002
Circuit Court Interest Fund	2003 and 2002
Collector Maintenance Fund	2003
Recorder's Interest Fund	2003 and 2002
DARE Fund	2003 and 2002

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

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

3. Prior Period Adjustment

The Health Department Fund cash balance at January 1, 2002, as previously stated was separated into two funds for the purpose of presenting the Health Department Building Fund as a separate fund.

The 911 Fund cash balance of \$216,303 at January 1, 2002, was previously reported but has been removed as the McDonald County 911 Authority Board is audited and separately reported on by other independent auditors.

The Family Access Fund's, Election Service Fund's and Assistant Prosecuting Attorney Grant Fund's cash balances of \$90, \$2,198, and \$179, respectively, at January 1, 2002, were not previously reported but have been added.

The Circuit Court Interest Fund's cash balance at January 1, 2002, as previously stated has been increased by \$1,234 to reflect interest earned that was not reported in the prior audit.

Supplementary Schedule

Schedule

MCDONALD 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	ERS-045-2160	\$ 0	72,192
		ERS-045-3160W	82,424	22,087
		ERS-045-4160	25,359	0
	Program total		<u>107,783</u>	<u>94,279</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State Program	2001-ED-11	295,767	354,233
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.609	Community Prosecution and Project Safe Neighborhood		19,500	23,249
Passed through				
State Department of Public Safety				
16.523	Juvenile Accountability Incentive Block Grant	99JAIBG-INT-10	0	10,000
16.554	National Criminal History Improvement Program	2000-RH-CX-K02	0	3,278
16.575	Crime Victim Assistance	2001-VOCA-0015	12,687	1,669
		2002-VOCA-0051	3,328	0
	Program total		<u>16,015</u>	<u>1,669</u>
16.592	Local Law Enforcement Block Grants Program	2001-LBG-082	0	9,000
		2002-LBG-050	9,000	0
	Program total		<u>9,000</u>	<u>9,000</u>
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	760	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-060-6	0	556,423

Schedule

MCDONALD 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
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Propert	N/A	0	236
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grants ⁴	FEMA-1412-DR	430,690	586,992
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Childre	ERS146-3160L	6,150	0
93.268	Immunization Grant:	N/A	58,966	52,114
		PGA064-216C	0	4,755
		PGA064-3160A	5,750	550
	Program total		<u>64,716</u>	<u>57,419</u>
93.288	Bioterrorism Enhanced Communication	N/A	6,158	0
Department of Social Services -				
93.563	Child Support Enforcemen	N/A	19,790	17,491
Department of Health and Senior Services -				
93.575	Child Care and Development Block Gran	PGA067-2160C	0	1,745
		PGA067-3160C	1,550	450
		PGA064-4160C	380	0
	Program total		<u>1,930</u>	<u>2,195</u>
Department of Social Services -				
93.994	Maternal and Child Health Services Block Gran to the States	ERS146-2160M	0	16,253
		ERS146-3160M	16,328	5,442
		ERS146-4160M	5,518	0
		N/A	545	491
	Program total		<u>22,391</u>	<u>22,186</u>
	Total Expenditures of Federal Award		<u>\$ 1,000,650</u>	<u>1,738,650</u>

* The CFDA number for this program changed to 97.046 in October 200

N/A - Not applicabl

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

Notes to the Supplementary Schedule

MCDONALD 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 McDonald 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 the Federal Surplus Personal Property Program (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 \$295,767 and \$354,233 to a subrecipient under the Community Development Block Grant/State's Program (CFDA number 14.228) during the years ended December 31, 2003 and 2002, respectively.

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 McDonald County, Missouri

Compliance

We have audited the compliance of McDonald 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, McDonald 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.

Internal Control Over Compliance

The management of McDonald 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.

Our consideration of the internal control over compliance 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

August 3, 2004 (fieldwork completion date)

Schedule

MCDONALD 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? x yes no

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

Noncompliance material to the financial statements noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes x no

Reportable condition identified that is not considered to be a material weakness? yes x 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? yes x no

- B. The county's annual published financial statements did not include the financial activity of the CDBG Fund and several other county funds. Receipts and disbursements of approximately \$371,000 and \$365,000, respectively, were omitted from the 2002 annual published financial statements. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Similar conditions were noted in the prior report.

WE RECOMMEND the County Commission and other applicable officials:

- A. Ensure budgets are prepared for all county funds as required by state law.
- B. Ensure the financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A&B. We were not aware the CDBG fund had to be budgeted and published since the funds passed through to the water district. We will ensure this is done for all special revenue funds in the future.

03-2.

County Road Monies

In April 1998, McDonald County voters renewed a fifty cent county revenue property tax levy for an additional four years. The ballot designated that thirty-eight cents (or 76 percent) of the levy was for general revenue and twelve cents (or 24 percent) was for road and bridge. The County Commission subsequently ordered that 24 percent of the General Revenue Fund property tax collections be allocated to the Special Road and Bridge Fund. In the prior audit, it was reported that at December 31, 1999 the General Revenue Fund owed \$217,580 to the Special Road and Bridge Fund.

Although the county levied property taxes during the years ended December 31, 2002, 2001, and 2000, the county did not transfer 24 percent of property taxes levied totaling \$321,363 to the Special Road and Bridge Fund. However, the county did not make the 3 percent administrative transfer from the Special Road and Bridge Fund as allowed by statute in 2003, 2002, 2001, and 2000, which totaled to \$212,907. The County Commission indicated, during our prior audit for the years ended December 31, 1999 and 1998, that by not taking the transfers it considered this as at least partially offsetting the amount owed to the Special

Road and Bridge Fund. During the year ending December 31, 2003, the county transferred \$50,000 from the General Revenue Fund to the Special Road and Bridge Fund. Taking these adjustments and transfers into consideration, at December 31, 2003 the General Revenue Fund owed \$276,036 to the Special Road and Bridge Fund. The county has budgeted to transfer an additional \$50,000 in 2004.

In addition, the County Commission indicated in the prior audit for the years ending December 31, 2001 and 2000, that it would repay the outstanding amount with interest when funds became available. Given that the General Revenue Fund's balance at December 31, 2003 was \$559,730, the County Commission should reevaluate its plans to repay the Special Road and Bridge Fund.

This condition was noted in the prior two reports.

WE RECOMMEND the County Commission continue to transfer funds from the General Revenue Fund to the Special Road and Bridge Fund and reevaluate its plans to repay the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will continue to transfer funds to the Special Road and Bridge Fund as funds become available.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

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

MCDONALD 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 McDonald County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2001.

01-1. County Road Monies

The prior audit report for the two years ended December 31, 1999 disclosed that a balance of \$217,580 was due to the Special Road and Bridge Fund from the General Revenue Fund, and the balance had not been repaid.

Recommendation:

The county authorize a transfer of \$217,580 from the General Revenue Fund to the Special Road and Bridge Fund.

Status:

Partially implemented. The prior audit did not report additional amounts due to the Special Road and Bridge Fund from the General Revenue Fund for taxes levied during the two years ending December 31, 2001 and 2000. See finding number 03-2. for amounts due to the Special Road and Bridge Fund for the four years ending December 31, 2003, 2002, 2001, and 2000.

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

MCDONALD 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.

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of McDonald County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 3, 2004. We also have audited the compliance of McDonald 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 August 3, 2004.

Because the McDonald County 911 Authority Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report 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 board 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 McDonald 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.

Sheriff Missing Bond Monies

Cash receipts totaling \$16,375 collected by the McDonald County Sheriff's office from January 2003 through March 2004, were not deposited.

Jail employees collect bond monies from defendants, issue jail receipt slips which indicate the method of payment received (cash or check), and place the monies collected in a locked box. The Sheriff's bookkeeper removes the monies from the locked box, records the amounts received in a bond receipt book, prepares the deposit slip, and deposits the monies into the bond bank account. The bookkeeper is also responsible for subsequent disbursements of the bond monies including refunds and remittance to the applicable courts.

A comparison of jail receipts issued to amounts deposited from January 2003 through March 2004 identified bond monies that were not deposited as shown in the following table:

2003	Jail Receipts Issued	Unrecorded Receipts	Amounts Deposited	Unaccounted Monies
January	\$ 7,694	\$ 1,000	\$ 7,821	\$ (873)
February	5,499	600	5,630	(469)
March	4,009	0	3,637	(372)
April	3,596	792	4,038	(350)
May	6,738	0	3,933	(2,805)
June	6,225	1,286	5,362	(2,149)
July	9,395	1,664	11,514	455
August	8,057	500	4,649	(3,908)
September	17,879	1,516	19,096	(299)
October	5,855	5,279	10,199	(935)
November	6,681	428	3,209	(3,900)
December	8,300	388	8,402	(286)
2004				
January	5,945	1,212	7,398	241
February	7,992	0	5,040	(2,952)
March	8,079	583	10,889	2,227
Total	<u>111,944</u>	<u>15,248</u>	<u>110,817</u>	<u>(16,375)</u>

Items actually contained in deposits did not always agree to the cash bond receipts listed on the deposit slips. Unrecorded checks totaling \$12,148 of accountable fees (which should have been turned over to the county) were actually deposited into the Sheriff's bond bank account. These unrecorded checks were apparently substituted for the missing cash bond receipts that were recorded on the deposit slips. In addition, in an effort to conceal the shortage, the Sheriff transferred \$1,000 from the civil fee bank account to the bond bank account. The Sheriff indicated the bookkeeper advised him that she had erroneously deposited a bond into the civil account; however, he did not review the related accounts prior to transferring the monies. To further conceal the shortage, \$1,600 of cash from the Sheriff's calendar sale proceeds was deposited into the bond account. Additionally, a \$500 check for a bond was deposited, but this was not recorded in the bond receipt book. This bond was subsequently refunded to the defendant from the bond account.

In addition, the March 31, 2004 bond account reconciled cash balance was \$399; however, the account has liabilities totaling \$18,194, including the unrecorded transactions above which total to \$14,748 and cash bonds received totaling \$3,446 which have not been distributed. The majority of this shortage has been identified in the table above. Further contributing to the shortage, bond monies were disbursed to various courts for which evidence of a corresponding receipt or deposit could not be identified. For example, a bond form prepared by the Sheriff's office indicated a \$100 cash bond was received on

February 12, 2003; however, a jail receipt slip was apparently not issued, and the bond monies were not subsequently deposited. In addition, a check was issued to a local city for the bond monies received.

Based on concerns brought to our attention (relating to how monies were being handled by the Sheriff's office), representatives of the State Auditor's Office performed a limited review of citizen concerns and management practices and issued a letter to the Sheriff in March 2003, which provided recommendations of how accounting controls and procedures could be improved. However, the Sheriff failed to implement most of these recommendations.

Further, the Sheriff indicated that an employee of his office notified him in December 2003 that a \$300 cash bond recorded in the jail receipt book had not been deposited into the bond account; however, there was no evidence that an investigation into the missing bond monies was performed by the Sheriff, or that any other office was contacted.

These shortages may have been prevented or detected if our recommendations reported in the letter to the Sheriff in March 2003 had been implemented. In addition, the misappropriations may have been identified earlier and further misappropriations may have been prevented had the Sheriff conducted an investigation of the missing bond or contacted our office.

The discrepancies noted above were not detected due to various internal control weaknesses including little or no review by someone independent of the bookkeeper. (See MAR finding number 2).

WE RECOMMEND the Sheriff take the necessary action to recover the missing funds and work with law enforcement officials regarding any criminal prosecution.

AUDITEE'S RESPONSE

The Sheriff provided the following response:

Your audit uncovered potential criminal activities, namely theft by an employee in the bookkeeper position in the Sheriff's office. During your audit, preliminary examination revealed some problems. These initial findings were investigated further. After the audit was started, the bookkeeper began avoiding the auditor and then began avoiding work and eventually terminated her employment during the audit.

I will take your recommendation and cooperate with the Missouri Highway Patrol during a criminal investigation into the matter.

2.

Sheriff Accounting Controls and Procedures

Many significant problems were identified in the control procedures of the Sheriff's office to account for monies collected, including lack of proper segregation of duties or an

independent review of accounting records. Formal bank reconciliations were not prepared on the bond account, open items (liabilities) listings were not prepared on the bond or civil accounts, and accountable fees in the civil account were used for various office expenditures. Other controls and procedures regarding the handling of calendar sales have not been established. Given the Sheriff's office processes approximately \$153,000 annually, overall controls need improvement.

The Sheriff's office maintains a civil fee account for the deposit of criminal and civil process and gun permit fees and another account for the deposit of bonds. The Sheriff also provides meals to prisoners, houses prisoners for other entities, sells advertising space for Sheriff's office calendars, and conducts partition sales.

- A. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank accounts are not adequately segregated. The Sheriff's bookkeeper performs all of these duties. In addition, there is no indication that supervisory reviews are performed to ensure all transactions are accounted for properly and assets are adequately safeguarded.

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. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Sheriff.

- B. Receipt slips are not always issued for some monies received. For example, as noted in MAR finding number 1., receipt slips were not issued for several checks received for accountable fees and bonds. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders) and the composition should be reconciled to the bank deposits.
- C. Deposits are not always made intact and on a timely basis. For example, a \$250 cash bond received on November 14, 2003 was held and not deposited until February 23, 2004, over 3 months after being received. In addition, unrecorded checks were substituted for cash bond receipts (as discussed in MAR finding number 1). Failure to deposit receipts intact daily or when accumulated receipts exceed \$100 increases the risk of loss or misuse of funds.
- D. We noted the following concerns with the Sheriff's bond bank account and the related open items listing:
 - 1. Formal bank reconciliations were not performed for the bond bank account. In addition, a running balance in the checkbook register has not been

maintained. The reconciled bank balance (per audit) at March 31, 2004, was \$399.

2. Monthly listings of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances. We identified various liabilities of the bond account as of March 31, 2004 as follows.

Due to	Description	Amount
General Revenue Fund	Jail telephone commissions	\$ 6,788
General Revenue Fund	State extradition reimbursement	5,279
Applicable Courts	Bonds from defendants	3,446
General Revenue Fund	Calendar sale proceeds	1,600
General Revenue Fund	Transfer from the civil fee account	1,000
General Revenue Fund	Vending machine commission	81
Total		\$ 18,194

To ensure all receipts and disbursements are properly recorded and accounted for, it is essential that a balance be maintained in the check register, and reconciled to the monthly bank balance. Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities.

- E. We noted the following concerns with the Sheriff's civil fee bank account and the related open items listing:

1. Monthly listings of open items (liabilities) were not prepared, and consequently, liabilities were not reconciled with cash balances. We prepared an open items listing as of December 31, 2003, and liabilities exceeded the cash balance (per audit) by \$2,112. A portion of this shortage is due to the \$1,000 transfer to the bond account noted above and to expenditures made from the civil account (see E.2). Additional differences exist due to payments made for civil process fees noted in MAR finding number 3.

Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balances and that sufficient cash is available for the payment of all liabilities.

2. The Sheriff used monies deposited into his civil fee bank account to purchase computer equipment (\$1,559), candy for the DARE program (\$317), office equipment (\$240), rifle repairs (\$125), association dues (\$165), flowers

(\$54), and post office box rental (\$50). These expenditures totaling \$2,510 were not approved by the County Commission and were not handled through the county's normal procurement process.

Monies deposited into the civil fee account represent accountable fees which should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury to make purchases. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states, “. . . sheriffs of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.”

- F. The Sheriff did not maintain records to document the number and average cost of meals served to inmates. During the years ended December 31, 2003 and 2002, the county expended approximately \$24,000 and \$18,000, respectively, on food costs for the jail. In addition, employees have been provided meals at no cost from the jail, and the county's personnel policy does not address whether employees of the Sheriff's office are to be provided meals by the county.

To properly account for all meals and the average cost of meals served, these records should be maintained. In addition, a written personnel policy addressing this issue is needed to control and reduce unnecessary expenditures.

- G. The Sheriff does not bill other cities and counties for housing prisoners resulting in lost revenues to the county. By not billing other cities and counties an amount sufficient to recover all costs, the county may be subsidizing the cost to house other entity's prisoners. In addition, the Sheriff indicated that he received bills from other entities for housing McDonald County prisoners that he refused to pay since it is his policy to not charge for housing prisoners. The Sheriff may be incurring liabilities for housing costs because he does not have written agreements with other entities to house McDonald County prisoners at no cost.

The County Commission and Sheriff should periodically review the costs of operating the jail, including any indirect costs, establish an appropriate billing rate for housing prisoners in the county jail, and bill those entities accordingly. In addition, Section 432.070 RSMo 2000, requires all contracts to be in writing. Further, Section 221.105 RSMo 2000, requires the governing body of any county to fix the amount to be expended for the cost of incarceration of prisoners confined in the jail.

- H. Advertising space was sold for the Sheriff's office 2003 calendars. Our review revealed the following:

1. The Sheriff did not deposit all of these monies into a bank account or properly account for the monies. For example, proceeds from the sale of advertising space on the calendars should have totaled to \$4,490 based upon

the prices and sizes of the advertisements contained on the calendar. As noted in MAR finding number 1, \$1,600 was deposited into the Sheriff's bond account. An additional \$1,565 was deposited into the Sheriff's civil fee account. The monies deposited into the Sheriff's civil fee account were subsequently remitted to the County Treasurer. The Sheriff also paid \$1,110 for printing costs related to the calendars from these funds. The remaining \$215 was unaccounted for.

These monies represent accountable fees and should be paid to the County Treasurer as required by Section 50.360, RSMo 2000. The Sheriff should ensure any future calendar sale proceeds are remitted to the County Treasurer and calendar expenditures are purchased through the county expenditure process.

2. Monies received from the sale of advertisements were not reconciled to the advertisements contained on the calendar. For example, receipt slips were not issued to two local businesses, including one business owned by the Sheriff's mother-in-law, which had advertisements on the calendar that were typically sold for \$90. As a result, there is no assurance that the advertisements were actually paid. In addition, the calendar did not include an advertisement for one business that paid \$200.

To help ensure receipts are properly accounted for and deposited, prenumbered receipt slips should be issued for all monies received and reconciled to the number of advertisement sold. In addition, the Sheriff should review calendar records and determine whether a \$200 refund is due to the business owner.

- I. The Sheriff failed to withhold \$1,605 in accountable fees from a partition sale held in October, 2003. The Sheriff deposited the proceeds from the sale into his civil fee account and issued a check for the entire amount to the parties involved. A month later the Sheriff sent the attorney in the case a bill for these fees. As of August 3, 2004, the Sheriff had not received payment nor had he made any further attempts to collect the fees which are due to the county.

Attorney General's Opinion No. 108, 1970 to Holman, provides that commissions on partition sales are accountable fees and should be paid into the county's General Revenue Fund. The Sheriff should make further attempts to collect these fees due to the county, and in the future, withhold partition sale fees from the proceeds of the sale.

- J. The Sheriff's office received approximately \$16,000 in donations during the years ended December 31, 2003 and 2002, that were deposited into a bank account to operate the DARE program. The Sheriff has no authority to maintain custody of this account. These monies represent accountable fees and should be turned over to the

County Treasurer. At December 31, 2003, the account balance totaled \$2,336. Attorney General's Opinion No. 45, 1992 to Henderson, concluded that the Sheriff of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

Conditions similar to parts A., B., D., E., and J. were also noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Sheriff should perform documented reviews of the accounting records.
- B. Issue prenumbered receipt slips for all monies received and reconcile the composition of receipts to the composition of bank deposits.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- D.1. Maintain a balance in the checkbook register and prepare monthly bank reconciliations for the bond bank account.
 - 2. Prepare monthly listings of open items and reconcile the listing to the bank balance. In addition, remit liabilities of \$14,748 to the General Revenue Fund and \$3,446 of bond monies to the applicable courts.
- E.1. Prepare monthly listings of open items and reconcile the listing to the bank balance of the civil fee bank account.
 - 2. Cease all bank account transactions except for the deposit and disbursement of accountable monies received for the performance of official duties. In addition, expenditures should be authorized by the Sheriff and made through the County Commission's normal expenditure process as provided for in the budgets of the various funds.
- F. Maintain attendance records for all prisoners held in the county jail and periodically calculate the prisoner meal cost. In addition, the Sheriff and the County Commission should review whether employees should be provided meals at the county's expense and, if necessary, update the county personnel policy.
- G. And the County Commission review the cost of housing prisoners, establish a billing rate, and bill the applicable entities. In addition, obtain written agreements with other entities detailing the costs to be billed for housing prisoners.
- H. In the future, remit all calendar proceeds to the County Treasurer, issue receipt slips for all calendar monies received, and reconcile amounts received to advertisements sold. In addition, review calendar records and determine whether the business owner

- is due a refund.
- I. Ensure fees from partition sales are collected and turned over to the County Treasurer for deposit into the General Revenue Fund.
 - J. Turn over custody of the DARE account to the County Treasurer.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Some segregation of accounting and bookkeeping duties has been put into place. An additional employee has been hired to perform these duties. Both administrative employees review each other's work and jointly make deposits and account for monies received. In addition, another part time employee reviews end of month reports and ensures that bank accounts balance.*
- B. *Prenumbered receipts are now used for some types of receipts and will be used for all receipts in the near future.*
- C. *All monies are currently deposited daily, or when they total over \$100.*
- D. *These recommendations have been put into place as well.*
- E. *We will implement this suggestion as soon as possible.*
- F. *An average cost per meal is now maintained. The jail menu has been simplified and tighter controls have been put into place regarding meals. Jail staff is still allowed to eat meals in the jail, as they are not regularly allowed to leave the facility for meal breaks. This also suppresses inmate complaints regarding quality of food.*
- G. *I take exception to this recommendation, as I feel that there is no need to prepare a written agreement to do nothing. If the County Commission resolves to bill municipalities and other counties, I will abide by their decision.*
- H. *No calendar was done for 2004 and a calendar company will do any future calendars and all monies will be remitted to the County Treasurer.*
- I. *I will implement this recommendation.*
- J. *The DARE program is chartered by, but not controlled by the Sheriff's office specifically or the county in general. The DARE bank account is not associated with the Sheriff's office. DARE officers are exploring the formation of a board of directors who would independently control any expenditures associated with the local DARE program.*

The County Commission provided the following response:

G. *We will contact the Sheriff regarding this matter.*

3. Sheriff Mileage, Civil Process Fees, and Fuel Purchases

The Sheriff apparently claimed and was paid for more miles than he actually incurred. His mileage reimbursement claims did not detail destination, beginning and ending mileage, or the purpose of each trip. In addition, the validity of civil process mileage paid to the Sheriff and his deputies is questionable, and controls over fuel purchases for county patrol cars need improvement.

A. The Sheriff apparently claimed and was reimbursed for more miles than he actually incurred, and the reimbursement claim forms did not include the destination and purpose of each trip. The Sheriff submits monthly reimbursement claim forms to the county which report the date and total miles driven in his personal vehicle used to conduct official duties. The county reimbursed the Sheriff 30 cents per mile for mileage incurred during the period January through June 2004, and years ending December 31, 2003 and 2002, totaling \$3,660, \$8,307 and \$8,524, respectively. Mileage reimbursement claims filed for April, May, and June 2004 were compared to the odometer readings of the Sheriff's personal vehicle for the same time period. The total mileage claimed by the Sheriff for the three month period was 5,446 miles; however, the odometer reading of his personal vehicle for this same period was 4,017 miles or a difference of 1,429 miles. This resulted in the Sheriff being overpaid \$429 during April through June 2004.

Section 57.430, RSMo 2000, requires the Sheriff to file accurate and itemized mileage statements showing in detail the miles traveled, the date of the trip, the nature of the business engaged in during each trip, and the places to and from which the Sheriff has traveled, when he is driving a personal vehicle. To ensure mileage reimbursements are reasonable and represent valid expenditures, payments should be made only for actual mileage incurred. The reimbursement claim forms should include sufficient detail, including actual odometer readings, and be reviewed for accuracy.

B. The validity of civil process mileage paid to the Sheriff and his office employees is questionable. The Sheriff and his employees frequently serve papers for attorneys, courts, and other counties relating to civil cases and collect fees and mileage reimbursements for such process. Accountable fees, typically consisting of a \$20 base fee for each civil paper service request and \$16 for mileage, are deposited into the Sheriff's civil fee account. Monthly, the bookkeeper remits the \$20 base fee to the County Treasurer and pays the \$16 mileage fee directly to the Sheriff or the employee who performed the paper service. A civil process log is maintained by the Sheriff's bookkeeper that lists the defendant, the party to be served, the amount of

fees collected, and the person who performed the paper service. There was \$8,968 and \$5,028 paid from the civil fee account for civil process fees during the years ended December 31, 2003 and 2002, respectively. During our review we noted the following concerns:

1. The Sheriff is reimbursed for official business mileage incurred on his personal vehicle (as discussed in point A. above) and each deputy drives a county-owned vehicle; therefore, the \$16 mileage payments appear questionable. The Sheriff indicated the deputies use their personal cars to serve papers; however, there was no documentation supporting that papers were served by deputies while in a personal vehicle. In addition, the mileage reimbursement claims submitted by the Sheriff do not detail the nature of county business being conducted; therefore, there is no assurance that the mileage claimed on the monthly reimbursement report is not civil process mileage.

Further, the Sheriff indicated that his officers are off duty when serving papers and that this \$16 fee also compensates them for their time, as well as the mileage incurred. These fees are not subject to payroll withholdings and are not reported on the employees' W-2 forms. Any full-time county employee serving as a deputy should be compensated under normal county payroll procedures, calculating hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms.

2. The bookkeeper paid herself \$207 for civil papers that she did not serve in April and August 2003. For example, court records and the civil process log indicate the Sheriff served papers for a case in April 2003; however, the bookkeeper paid herself the related \$68 civil process fee. In addition, the bookkeeper paid herself amounts in excess of those recorded on the civil process log during both April and August 2003. The Sheriff's bookkeeper paid herself \$3,657 in civil process fees during the year ending December 31, 2003.

To ensure all monies are accounted for properly, all receipts relating to civil process, including the base fee and the mileage reimbursement should be deposited in the Sheriff's civil fee account and remitted to the county treasury. Section 57.407, RSMo 2000, requires the Sheriff to turn over accountable fees to the county treasury.

- C. Receipts or other documentation of fuel purchased by each deputy is not always retained, and each deputy's activity and patrol car usage logs are not compared to fuel purchases for propriety. In addition, other control procedures, such as requiring deputies to record the vehicle being fueled and the odometer reading when they purchase fuel, have not been established. Fuel is purchased from local vendors with credit cards assigned to each deputy. Fuel purchases were \$30,735 and \$22,716 for the years ended December 31, 2003 and 2002, respectively. The county's personnel

policy allows deputies to drive county owned patrol cars home each day as long as the car is used for county business only. Our review of fuel purchases noted the following concerns:

1. Credit card receipts or other documentation of fuel purchased by each deputy is not always retained; therefore, the Sheriff cannot reconcile credit card receipts for fuel purchases to the monthly credit card statements prior to payment. In addition, the Sheriff does not adequately review the credit card statement prior to approving them for payment. For example, the February 2003 statement indicated that 5.5 gallons of diesel fuel was purchased by a deputy; however, the Sheriff indicated that none of the patrol cars use diesel fuel. (See C.2. for additional examples).

Fuel purchases should be supported by credit card receipts or other documentation. Such documentation is necessary to ensure purchases are valid and necessary expenditures of county funds. In addition, credit card receipts should be retained and reconciled to the monthly credit card statement prior to payment. Further, the Sheriff needs to ensure an adequate review is performed to ensure fuel purchases are necessary, reasonable, and adequately documented.

2. Deputies daily activity and daily patrol car usage logs are maintained; however, the logs are not compared to fuel purchases for propriety. In addition, other control procedures, such as requiring deputies to record the vehicle being fueled and the odometer reading when they purchase fuel, have not been established. For example, the same deputy noted above purchased fuel at three different times during a ten hour period when he was off duty on February 16, 2003. In another instance, he purchased fuel at two different times during a 15 hour period when he was off duty on February 22, 2003. Given that the deputy was off duty, it appears questionable whether the fuel purchased was solely used for county business.

The daily activity and daily patrol car usage and maintenance logs should be reviewed by the Sheriff and County Commission to verify the propriety of fuel purchases.

WE RECOMMEND the Sheriff:

- A. And the County Commission require the submission of detailed and accurate mileage claims to verify the actual miles driven by the Sheriff. The County Commission should also review the claims to determine if the number of miles claimed appears reasonable.
- B. Discontinue reimbursing mileage costs and paying civil service fees to himself and his employees. All paper service fees should be remitted to the County Treasurer.

The Sheriff's office should use the county owned patrol cars to serve papers, and the papers should be served during employee's regular working hours or pre-approved over-time hours.

- C. Retain documentation of fuel purchases and reconcile those credit card receipts to the monthly statement prior to payment. In addition, adequately review fuel purchases, including comparing daily activity logs to fuel purchases. Also, require deputies to record the vehicle being fueled and the odometer reading when they purchase fuel.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I have provided a monthly mileage log to the County Clerk and County Commission regarding my mileage reimbursement. During the first year of my term, I requested a county provided vehicle, but this request was turned down as economically unfeasible. Mileage paid has never exceeded mileage budgeted. Total miles turned in are actual miles driven.*
- B. *This recommendation would be up to the County Commission to release funds for additional automobiles and personnel.*
- C. *This recommendation can be implemented.*

The County Commission provided the following response:

- A. *We will request this information from the Sheriff.*

4. Sheriff Seized Property

Under the Criminal Activity Forfeiture Act, Section 513.600, RSMo 2000, the Sheriff may seize property after an investigation reveals that the property was purchased from proceeds of drug sales by a defendant. The Sheriff also routinely seizes property to be used as evidence for cases that are not drug-related. Controls and procedures over seized property need improvement.

- A. In October 2000, the Sheriff's office seized three ATVs and two dirt bikes in connection with a drug arrest. These items were not included on the seized property listing and the value of the property was not documented. In addition, the Sheriff indicated that he did not know the current disposition or location of the seized property. The Sheriff's office stored the property at a local storage facility until October 2001, when the court ordered the Sheriff to dispose of the property. The Sheriff released one of the dirt bikes to the storage facility in exchange for storage fees; however, there was no invoice for storage fees and the value of the dirt bike was not known. In addition, the county and the storage company did not have a written

agreement related to the storage of the property. Further, at our request, the Sheriff contacted a former deputy involved in the case to determine the status of the remaining seized property. The deputy indicated in an email to the Sheriff that the three ATVs and one dirt bike were located at his family's property. As of August 3, 2004, the Sheriff has not reclaimed this property.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. To properly account for seized property, the Sheriff should reclaim the property and dispose of it in accordance with law.

B. The Sheriff's chief deputy is responsible for maintaining the inventory listing of seized property, which was started in June 2003. During our review of the listing, several weaknesses were noted:

1. The seized property listing maintained is not accurate or complete. For example, on March 4, 2004 the listing indicated a rifle was on hand; however, the rifle could not be located in the seized property room. Subsequently, the chief deputy located a release form for the rifle indicating it was released on May 19, 2003, over nine months earlier.

In addition, the Sheriff's office seized cash from a local business totaling \$1,052. These monies were deposited and are still on hand in the Sheriff's civil fee bank account and were never added to the seized property listing.

A complete and accurate seized property listing should be maintained and periodically reconciled to items in the seized property room.

2. The seized property room contained several guns that did not have any property tags indicating the case number or other identifying information. The Sheriff indicated that these guns were not tagged or otherwise identified when he came into office in January 2001.

Section 542.301(5), RSMo 2000, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper access or use.

A condition similar to part B. was noted in our prior report.

WE RECOMMEND the Sheriff:

A Reclaim the three ATVs and one dirt bike from the former deputy and dispose of the property in accordance with law.

- B. Maintain a complete and accurate listing of all seized property received including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, periodically reconcile the listing to the property items in the seized property room, and obtain a court order to dispose of unclaimed seized property.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A&B. I will implement these recommendations.

5. Sheriff Commissary

The Sheriff operates a commissary for inmates to purchase various snacks and personal items. The duties related to the inmate and commissary funds are not adequately segregated, and the Sheriff does not have an account for inmates' monies. In addition, prenumbered receipt slips are not always issued for some monies received from (or for) inmates and adequate documentation was not always retained for some cash refunds to inmates. Also, the Sheriff's office does not have a system for tracking the profit and loss from commissary sales and does not maintain a perpetual inventory of commissary items. Further, the commissary inventory does not appear to be adequately secured.

- A. The duties related to the inmate and commissary funds are not adequately segregated. One person is responsible for receiving monies, recording receipts to the inmates' ledger, and transmitting the funds to individual inmate envelopes. In addition, the same person is responsible for conducting the commissary sales, recording the sales to the inmates' accounts, and purchasing commissary items for resale. To ensure these monies are properly recorded and handled, the duties of receipting and transmitting the inmate funds needs to be segregated from those of recording receipts to the inmates' ledger. Also, someone without access to cash receipts should record the commissary sales to the inmates' ledgers and determine the commissary profits.
- B. The Sheriff does not have an account for inmates' monies, rather cash is held in separate envelopes for each inmate. Each inmate envelope contains a ledger sheet that indicates the original amount received and any additions and subtractions from the monies; however, cash contained in the inmates' envelopes did not always agree to the amounts indicated on the ledger. For example, one inmate's ledger indicated a balance of \$24; however, no cash was contained in the envelope.

To adequately protect such monies from loss or misuse, it should be deposited into a separate inmate bank account and an accurate ledger should be maintained documenting each inmate's balance, receipts, and disbursements. This ledger should be reconciled monthly to the inmate account.

- C. Prenumbered receipt slips are not issued for monies received from (or for) inmates. In addition, unnumbered receipt slips issued for some inmate monies did not identify the method of payment (i.e., cash, check, or money order). To ensure receipts are handled properly, prenumbered receipt slips should be issued for all monies received, and the method of payment should be recorded on the receipt slip.
- D. Inmates are often given a cash refund of their monies upon release from jail, however adequate supporting documentation, such as a receipt signed by the inmate, is not always retained for some cash refunds. To ensure all monies are properly accounted for, adequate supporting documentation should be obtained for all cash refunds.
- E. The Sheriff's office does not have a system for tracking the profit or loss from the sale of commissary items. A jailer distributes order forms weekly to each inmate reflecting the items available for purchase. The jailer indicated each item for sale is marked up for a minimal profit. The jailer then records the amount of each inmate's purchases on the inmate's ledger sheet, removes the amount of the purchase from the applicable inmate's envelope, and places the proceeds into a lock box. On May 3, 2004, we conducted a cash count and found \$530 on hand from commissary proceeds. The proceeds are also used to replenish the commissary inventory and to purchase computer equipment.

To adequately account for activity of the commissary fund, records should be maintained in a manner to allow for the tracking of profit and loss on all sales from the commissary. Commissary proceeds represent accountable fees which should be turned over to the County Treasurer. In addition, invoices for the replenishment of the commissary inventory and computer equipment should be paid by the county.

- F. During our review of commissary inventory and the related records, we noted the following concerns:

- 1. The Sheriff's office does not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.

- 2. The commissary inventory does not appear to be adequately secured. Although the commissary inventory is maintained in a locked closet, the Sheriff allows employees access to the closet to purchase commissary items. To establish accountability and adequately protect commissary inventory from loss, theft or misuse, commissary inventory should be secured in a

location with access limited to the individual responsible for the inventory. In addition, Sheriff's office employees should be prohibited from purchasing items from the commissary.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit all inmate money into a separate bank account and maintain an accurate ledger indicating balances, receipts, and disbursements by inmate. This ledger should be reconciled monthly to the bank account balance.
- C. Issue prenumbered receipt slips for all monies received. In addition, the composition of the receipts should be reconciled to the composition of the deposits.
- D. Obtain adequate supporting documentation for any refunds not made by check.
- E. Develop records to adequately track profits or losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees. In addition, invoices for the replenishment of the commissary inventory and computer equipment should be paid by the county.
- F.1. Ensure perpetual inventory records are maintained and are periodically reconciled to a physical inventory.
 - 2. Ensure commissary inventory is adequately secured. In addition, discontinue allowing employees to purchase items from the commissary.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A,C,

E&F. I will implement these recommendations.

B. I will discuss the opening of an inmate account with the County Treasurer. If this were implemented there would be no problem with maintaining an accurate ledger and reconciling the balances.

D. Inmates are required to sign for any monies returned to them. These records are being maintained at this time.

6.**Officials' Compensation and Bond Coverage**

Officials' salary increases for the year ending December 31, 2004 are not supported by salary commission actions. In addition, the Public Administrator, the County Collector, and the County Assessor were apparently overpaid. Also, the County Assessor and County Coroner did not obtain bond coverage as required by state law.

- A. Salary increases paid to elected officials totaling \$27,160 during the year ending December 31, 2004 (except as noted) are not supported by salary commission actions. Salary increases by official are as follows:

Official	2004 Salary Increase
Presiding Commissioner	\$ 1,980
Eastern Commissioner	1,980
Western Commissioner	1,980
County Clerk	3,000
Treasurer	2,220
Collector (year ended February 28, 2005)	3,000
Coroner	2,000
Public Administrator	1,000
Assessor (year ended August 31, 2005)	3,000
Sheriff	3,000
Prosecuting Attorney	4,000
Total	\$ <u>27,160</u>

The salary commission met on November 16, 2001 and voted not to take any salary increases based on increases in assessed valuation until the county's financial condition improved. The salary commission did not meet in 2003 to re-evaluate their financial condition or approve any salary increases.

Section 50.333, RSMo 2000, provides for the salary commission to meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. The County Commission should ensure future salary decisions are documented and supported by actions of the salary commission. In addition, the County Commission should review this situation and consider obtaining repayment of these salary overpayments.

- B. Effective in 2000, state law provided for the Public Administrator to elect to receive a salary based on a salary schedule or to receive fees on her assigned cases. The Public Administrator elected to receive a salary starting in January 2001. The County Clerk calculated the Public Administrator's salary based on the county's assessed valuation level in 2001, while all other officials' salaries paid during this time period

were calculated based upon the assessed valuation level in 1997 of \$130,390,502. The Public Administrator was paid \$40,000 annually instead of \$38,000 during the three years ending December 31, 2003 resulting in an apparent overpayment of \$6,000.

The County Commission should review this situation and consider obtaining reimbursement from the Public Administrator.

- C. The County Collector and Assessors' salaries increased in January 2004 due to an increase in the county's assessed valuation. The increase in salary should not have become effective until March 1 and September 1, 2004, respectively, the date of these office holders' incumbency. The county should review this situation and consider obtaining reimbursement of the \$500 and \$2,000 in overpayments, respectively. Section 50.333.8 RSMo 2000, states that the elected officials' salaries shall be adjusted each year on the official's year of incumbency for any increase in the maximum allowable salary caused by a change in the last completed assessment.
- D. The County Assessor and County Surveyor have not obtained bond coverage as required by state law.

Section 52.040, RSMo 2000, provides that every County Assessor shall before entering upon the duties of his office, obtain a bond of \$1,000. Section 60.030, RSMo 2000, requires the County Surveyor to be covered by a bond in an amount not less than \$1,000 or more than \$5,000 with the amount to be determined by the County Commission.

WE RECOMMEND the County Commission:

- A. Review these salary increases and consider obtaining repayment of the salary overpayments. In addition, ensure the salary commission approves all salary increases and salary commission minutes clearly document all decisions made.
- B. Review this situation and consider obtaining reimbursement of the \$6,000 from the Public Administrator, and in the future, ensure the correct salary amounts are calculated.
- C. Review this situation and consider obtaining reimbursement of the salary increases.
- D. Require the County Assessor and County Surveyor to obtain a bond as required by state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. We will consult with the Prosecuting Attorney regarding this situation. We will also address this at the next salary commission meeting.*
- B&C. We will review these situations and address them at the next salary commission meeting.*
- D. We will obtain bond coverage for the Assessor and Surveyor.*

7. Personnel Policies and Procedures

Time sheets or other records of actual time worked and records of compensatory, vacation, and sick leave earned (used) and accumulated of the Sheriff's office employees are not always filed with the County Clerk. In addition, an employee of the Sheriff's office was supervised by her spouse, an adequate review of her time sheets was apparently not performed which allowed inaccuracies to go undetected, and as a result, compensatory wages paid to her upon termination totaling \$14,000 appear questionable. Also, the Sheriff nor the County Commission have implemented proper controls to ensure compensatory time balances are reviewed for excessive balances. Further, the Health Department Administrator does not prepare a time sheet, and time sheets for some county employees are not always signed by the employee or their supervisor.

- A. Deputies earn compensatory time for any time worked in excess of 171 hours in a 28 day cycle as required by the Fair Labor Standards Act (FLSA). Time sheets are prepared and signed by deputies and approved by either the Sheriff or the chief deputy. The chief deputy is responsible for tracking compensatory, vacation, and sick leave time earned (taken) to accumulated balances on a computerized spreadsheet. The chief deputy also prepares payroll vouchers from the employee time sheets and submits the vouchers to the County Clerk's office for payment. Our review of the Sheriff's office payroll records revealed the following:
 - 1. Time sheets or other records of actual time worked and records of compensatory, vacation, and sick leave earned (used) and accumulated of the Sheriff's office employees are not always filed with the County Clerk. As a result, the County Commission has no documentation of work performed to support some payroll expenditures. The time records should be filed in a central location with the county's payroll records. In addition, without centralized leave records, the County Commission cannot ensure that employees' compensatory, vacation, and sick leave balances are accurate and that all employees are treated equitably. Centralized leave records will also aid in determining final pay for employees leaving employment.

2. The chief deputy's spouse was an employee of the Sheriff's office and was directly supervised by her husband. The chief deputy routinely approved her time sheet. Employees should not be supervised by a closely related family member. This type of relationship should be avoided to ensure all employees are treated equitably and fairly. A comprehensive personnel policy manual would provide guidance and control to ensure equitable treatment among employees, and the avoidance of misunderstandings.

3. An adequate review of the employee's time sheets (noted in A.2.) was apparently not performed which allowed inaccuracies to go undetected. The time sheets prepared by employees of the Sheriff's office report the beginning and ending times of work, and the employee calculates and records the total hours worked each day on the timesheet based upon these times; however, we noted numerous errors in this employee's calculation of total hours worked. For example, the employee's August 2002 time sheet reported total hours worked of 236 hours; however, the calculation of total hours worked based on the beginning and ending times of work was 220, this resulted in an overage of 24 hours of compensatory time or \$240 in wages. The time sheets prepared by this employee were not properly reviewed by the Sheriff, the County Clerk, or the County Commission to ensure their accuracy. In addition, neither the Sheriff nor the chief deputy signed this time sheet documenting their approval.

Further, in January 2003 this employee was terminated, and the county paid her for 1,400 hours of accumulated compensatory time or \$14,000 based upon her time sheets. Compensatory wages paid to the employee appear to be questionable due to inaccuracies in the time sheets noted above.

Proper control over payroll requires documentation, such as time sheets prepared and signed by employees and approved by their supervisors, to provide evidence of actual time worked each month. The lack of adequate review procedures allows the potential for errors and misstatements which may not be detected. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

4. The computer spreadsheet of leave balances maintained by the chief deputy is inaccurate. The beginning balances do not always agree to the prior year's balances and the spreadsheet calculations are incorrect causing erroneous leave balances to be reported. For example, one deputy's compensatory balance was understated by 105 hours in December 2003 due to an error in calculations on the spreadsheet.

To ensure employees receive leave benefits as allowed by law and the county's personnel policy, leave records should be reviewed for accuracy. The accumulated leave balances should be carefully reviewed for consistency

and mathematical accuracy to ensure that employee leave balances are correct and employees receive the proper amount of leave and overtime compensation.

5. The Sheriff nor the County Commission have implemented proper controls to ensure compensatory time balances are reviewed for excessive balances. The employee noted in A.1. had an accumulated balance of 1,400 hours, and two other Sheriff's office employees had accumulated compensatory time in excess of 1,000 hours at December 31, 2003. In addition, another three Sheriff's office employees were carrying in excess of 480 hours of compensatory time at December 31, 2003. The FLSA provides for employees regularly engaged in public safety activities to accumulate a maximum of 480 hours of compensatory time. Hours in excess of this maximum are to be paid or taken off by the employee in the next pay period.

Proper controls over the management of compensatory time balances require the county to evaluate balances for reasonableness, the reasons for large or increasing balances, and provide solutions to prevent excessive balances. Excessive compensatory time represents a large liability for the county which could require significant cash resources upon payment.

- B. The County Treasurer also serves as the county's Health Department Administrator; however, a time sheet is not prepared for the Health Department Administrator's position documenting the number of hours worked. The Health Department Administrator's position is paid an annual salary of \$27,500. As a result, the County Commission has no documentation of work performed to support these payroll expenditures. Records of actual time worked should be prepared and filed in a central location with the county's payroll records.
- C. Time sheets submitted to the County Clerk are not always signed by the employee or the employee's supervisor. Time sheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month.

A condition similar to part A. was also noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require the Sheriff's employees to file timesheets with the County Clerk's office, and establish a written policy which restricts related employees from directly supervising each other, and ensure all employees are not supervised by closely related family member. In addition, the Sheriff and the County Clerk should review time sheets and leave records for accuracy. Leave balances should also be monitored to minimize excessive leave balances.

- B. Require the Health Department Administrator to prepare a time sheet and file it with the County Clerk.
- C. Ensure all time sheets have been signed by both the employee and the employee's supervisor.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *We will require the Sheriff to submit timesheets for all employees and review them for accuracy.*

We refused to pay the \$14,000 of overtime for a long period of time until the Prosecuting Attorney advised us to pay versus the cost of going to court. We will work with the Sheriff to resolve these concerns.

- B. *Beginning September 2004, a timesheet will be required for the Health Department Administrator.*
- C. *This will be implemented immediately.*

The Health Department Administrator provided the following response:

- B. *Beginning in September, I will prepare a time sheet and file it with the County Clerk.*

8.	Property Tax System
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Several control weaknesses exist over the property tax system. The County Assessor makes changes to the property tax system during periods when she has no statutory authority. In addition, controls over property tax additions and abatements are not adequate, and the County Clerk does not maintain an account book with the County Collector. Also, amounts reported on the County Collector's annual settlements for delinquent taxes, additions, and abatements were not always accurate.

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data, and the computer room staff are responsible for entering the tax rates and extending and printing the tax books. The County Clerk verifies the tax books and the County Collector collects the property taxes.

- A. The County Assessor is responsible for entering the assessed valuation data from the assessment sheets. This data is to be completed by May 31 of each year. In addition, the County Assessor has access to the assessment data in the property tax system

during the meetings of the county Board of Equalization so she can change assessed valuations when approved by the board. After the meetings of the Board of Equalization are completed, the County Assessor has no statutory authority to make changes to the assessment data. However, the County Assessor and her staff are allowed access to the assessment data at all times. As a result, there is an increased risk that unauthorized changes can be made to the assessment data. In addition, Section 137.260, RSMo 2000, requires that the tax book only be changed by the County Clerk under order of the County Commission.

- B. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the property tax records for additions and abatements occurring throughout the year, while the County Assessor makes these changes to the computer property tax data files. The County Collector provides totals of abatements and additions to the County Commission for their approval. However, the manual changes to the tax books are not compared to the actual changes in the tax data files or to amounts reflected on the County Collector's annual settlement by someone independent of tax collection duties. As a result, amounts reported for additions and abatements on the County Collector's annual settlements are not accurate as noted in point E. below. Since the County Collector is responsible for collecting the taxes, this procedure for making changes, without independent and subsequent review of actual changes made, weakens controls over the collection of taxes.

Section 137.260, RSMo 2000, requires the tax books only be changed by the County Clerk under order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax system and charge these amounts to the County Collector.

- C. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, court orders, monthly collection reports, and totals of all charges and credits. Section 51.150(2), RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A complete account book would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlements.
- D. Passwords and other procedures are not in place to limit access to the various data files and programs utilized by the County Assessor and County Collector. Lack of such passwords and procedures provides the potential for personnel to make undetected and unauthorized changes to information.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

- E. Amounts reported on the County Collector's annual settlement for delinquent taxes, additions, and abatements were not always accurate. Delinquent taxes reported on the County Collector's annual settlements did not agree to the delinquent tax books. For example, for the year ended February 28, 2004, current delinquent real estate taxes were understated by \$31,000 in comparison to the related delinquent tax book. Rather than reporting the delinquent tax amount from the tax book on her annual settlement, the County Collector calculated the amount reported by beginning with current charges, subtracting collections and abatements, and adding additions. In addition, amounts reported on the annual settlement for additions and abatements were not accurate due to the poor controls noted in part B. Because of the poor controls noted in parts A.-D. above and in addition to the County Collector not reconciling the delinquent tax amount reported to the delinquent tax book, the amounts reported on the annual settlements were incorrect. Although the County Collector has since attempted to correct these errors, differences between the annual settlement and the related tax records still remain.

Section 139.160, RSMo 2000, states that “. . . the collector shall . . . settle his accounts of all monies received by him on account of taxes and other sources of revenue . . .” By incorrectly reporting delinquent taxes, additions, and abatements, the County Collector has not provided the County Commission with an accurate and complete settlement.

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

- A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.
- B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile all additions and abatements to changes made to the property tax records and charge these amounts to the County Collector.
- C. Ensure the County Clerk maintains an account book with the County Collector and use this information to verify the accuracy of the County Collector's annual settlement.
- D. Establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.

- E. Require the County Collector to file complete and accurate annual settlements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A, B

- &D. We will work with the computer programmer to implement these recommendations for the upcoming tax year.*

The County Clerk provided the following response:

- C. I will implement an account book in the upcoming tax year.*

The County Collector provided the following responses:

- D. I will discuss implementing passwords with the computer programmer.*
- E. I will continue to strive to balance with the charges to which I am assigned. I will continue to work with the Assessor and the County Clerk to endeavor to determine whether the charges are correct or not. When my office balances and then I have to balance with another office, differences do exist and have since I took office. I have been using the old method of balancing with the Assessor's office. I feel that each of my annual settlements is true based upon the information available.*

9. County Expenditures and Closed Meeting Minutes

Bids were not always solicited or retained for proper documentation, the need for cellular telephones was not documented, and Forms 1099 Miscellaneous were not always prepared. In addition, the county did not always enter into written agreements, and minutes were not always prepared to document matters discussed in closed meetings.

- A. The county did not always solicit bids or retain bid documentation for various purchases. Examples of items purchased for which bid documentation could not be located are as follows:

<u>Item or Services</u>	<u>Cost</u>
Fuel for the Sheriff's office (annually)	\$ 30,735
Food for the jail (annually)	23,682
Election supplies (annually)	19,733
Office equipment	10,303
Computer equipment	7,520
Painting of the old courthouse	5,600
Asphalt	4,994

The County Commission and County Clerk indicated that bids were solicited for some of these purchases through telephone calls or some items were only available from one vendor; however, documentation of these calls and sole source procurement situations were not maintained.

Section 50.660, RSMo 2000, requires 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 bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

- B. The County Clerk purchased 11 cellular telephones in 1998 for election workers to use at polling sites. The County Clerk paid monthly services on these telephones which totaled to approximately \$1,600 during the nine months ending September 30, 2003 (or approximately \$12,798 during the six year period from 1998 to 2003). The County Clerk indicated some of the cellular telephones did not get reception at the polling sights, and all of the phones were subsequently donated to the domestic abuse shelter in September 2003.

Given that elections take place approximately three to four times a year and the cellular phones were apparently not used at other times, it does not appear reasonable for the County Clerk to have purchased cellular phones and to have incurred monthly service charges. In addition, the county has not established guidelines to determine whether a cellular telephone is needed or a benefit to the county.

- C. The county did not have adequate procedures in place to ensure Forms 1099-MISC are always filed with the Internal Revenue Service (IRS) when required. As a result, the county did not file Forms 1099-MISC with the IRS for payments in 2002 totaling \$31,500 and \$4,400 for special prosecutor and painting services, respectively.

Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099.

- D. The county does not always enter into written agreements. For example:
 - 1. The county was unable to produce documentation that a written contract existed with the special prosecutor to whom they paid \$31,500 during the year ending December 31, 2003.
 - 2. Although the county has a written rental agreement with the 911 Authority Board to provide a building in exchange for a monthly rental fee, the county has not entered into a written agreement with the board to share costs of any

improvements made to the building. The County Commission met in June 2004, and agreed to share the costs of a new air conditioning unit with the board.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid.

- E. Fuel and maintenance logs are maintained for each vehicle or piece of equipment of the Road and Bridge Department, which reports the date and amount of fuel pumped or purchased and any maintenance service provided; however, the logs are not periodically reconciled to fuel purchases. One fuel tank is maintained at the Road and Bridge Department and six other tanks are located at various employees' residences through out the county. Fuel can also be purchased at various gas stations in the county. During the years ending December 31, 2003 and 2002, the county spent approximately \$79,000 and \$56,000, respectively, for fuel. In addition, vehicle mileage and equipment usage logs, which report the number of miles driven or hours used, are not maintained for some vehicles and equipment in the Road and Bridge Department.

The fuel and maintenance logs maintained should be periodically reconciled to fuel purchases and other maintenance charges. In addition, mileage and usage logs are necessary to document appropriate use of the vehicles and to also support fuel charges. The logs should include the date, vehicle operator, purpose and destination of each trip, and the daily beginning and ending odometer readings. These logs should be reviewed by the County Commission to ensure all mileage is recorded and the vehicles are being properly utilized.

- F. Minutes were not always prepared to document the matters discussed in closed meetings. The County Commission held six closed sessions between February and August 2003, and while the regular meeting minutes did disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings.

Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent they relate to certain specified subjects, including litigation, real estate transactions, and personnel issues. Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law, Chapter 610, RSMo, regarding these closed meetings have been followed.

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

WE RECOMMEND the County Commission:

- A. And other applicable officials solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. In the future, document the need for each cellular telephone and its usage to ensure the reasonableness of such costs.
- C. Ensure Forms 1099-MISC are prepared and submitted as required.
- D. Enter into written contracts as required by state law.
- E. Ensure the Road and Bridge Department maintains logs for vehicles and equipment which include the purpose and destination of each trip, and the daily beginning and ending odometer readings for vehicles or hour readings for equipment. Ensure the logs are reviewed by a supervisor to ensure vehicles and equipment are used only for county business and to help identify vehicles and equipment which should be replaced. In addition, ensure information on the logs is periodically reconciled to fuel purchases and other maintenance charges.
- F. Ensure minutes are prepared and retained for all closed meetings.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will continue to improve in this area and will document sole source providers.*
- C. *We will continue to improve on issuing 1099-MISC forms to all applicable parties.*
- D. *In the future, we will obtain written agreements when necessary.*
- E. *We will reconcile the fuel logs to fuel purchases periodically and require vehicle and equipment logs to be maintained on all vehicles and equipment.*
- F. *This will be done in the future.*

The County Clerk provided the following response:

- B. *I need telephones in each polling place, and I will have phones there by any means that I have to.*

The County Commission deferred to the County Clerk's response on part B.

AUDITOR'S COMMENT

- B. The need for telephones is not being questioned, however, the reasonableness of the related costs should be considered and written policies and procedures developed for their use.

10. Budgetary Practices

The County Clerk and County Commission are responsible for preparing and approving a county budget which serves as a complete financial plan for the county. Expenditures were approved in excess of budgeted amounts and available monies for several county funds. In addition, budgets prepared for two funds had deficit balances.

- A. The County Commission and other officials approved expenditures in excess of budgeted amounts for the following funds during the years ended December 31, 2003 and 2002:

Fund	Year Ended December 31,	
	2003	2002
Special Road and Bridge Fund	\$ N/A	121,018
Law Enforcement Fund	49,864	N/A
Prosecuting Attorney Bad Check Fund	2,313	N/A
Extradition and Transportation Fund	225	5,038
Sheriff Civil Fund	1,312	N/A
Health Department Building Fund	560	6,161
Assistant Prosecuting Attorney Grant Fund	N/A	4,169
Law Library Fund	N/A	1,364

The County Clerk indicated that she did not amend the Special Road and Bridge Fund's budget because the county received and expended federal emergency management assistance in an emergency situation. The remaining budgets were not amended because they were apparently not properly monitored by other county officials.

It was ruled in State ex. Rel. Strong v. Cribbs, 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds, which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget. To allow the budgets to be used as a planning tool and to ensure compliance with state law, budget amendments should be made prior to

incurring the actual expenditures, valid reasons which necessitate excess disbursements should be provided to support amendments, and public hearings should be held prior to the adoption of all budget amendments.

- B. The County Commission and other officials allowed the following funds to incur expenditures in excess of available monies which resulted in deficit fund balances at December 31, 2003 and 2002:

Fund	December 31,	
	2003	2002
Assessment Fund	\$ (1,795)	N/A
Law Enforcement Training Fund	(8,374)	(5,310)
Prosecuting Attorney Training Fund	(297)	(1,097)
Extradition and Transportation Fund	N/A	(286)
Assistant Prosecuting Attorney Grant Fund	(9,061)	(191)

The County Clerk indicated that other officials did not properly monitor expenditures, which resulted in these deficit fund balances.

Counties are not authorized to have deficit fund balances. Article VI, Section 26(a) of the Missouri Constitution states, "No county ...shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years..." The County Commission and other officials should review cash balances prior to approving expenditures for all funds to prevent this situation from reoccurring.

- C. The budgets prepared for the Prosecuting Attorney Training Fund had projected deficit ending fund balances of \$147 and \$1,236 for the years ending December 31, 2003 and 2002, respectively. In addition, the budget prepared for the Extradition and Transportation Fund projected a deficit ending fund balance of \$1,496 for the year ending December 31, 2002.

Appropriating expenditures in excess of available resources reduces the County Commission's ability to effectively manage the county's resources. In addition, counties are not authorized to prepare budgets with deficit fund balances. Article VI, Section 26 (a) of the Missouri Constitution states, "no county...shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years..."

Conditions similar to parts A. and B. were noted in our prior report.

WE RECOMMEND the County Commission and other applicable officials:

- A. Ensure expenditures are kept within the amounts budgeted. In addition, if valid reasons necessitate excess expenditures, the budget should be formally amended following the same process by which the annual budget is approved.
- B. Ensure expenditures are not incurred in excess of available monies.
- C. Discontinue appropriating expenditures in excess of available resources.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *We will work with other county officials and amend budgets as necessary.*
- B. *We will work with other county officials to monitor balances.*
- C. *We will work with other county officials to correct this in the future.*

11.

General Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. The County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records, and physical inventories are not being performed for assets assigned to some officials. Several fixed assets purchased during the years ended December 31, 2003 and 2002 were not added to the listing, including a trailer used to haul equipment and a copy machine. In addition, the value of the county's building and grounds have not been included on the listing. Property records do not always include the necessary information for some assets, such as serial number, make, model, identification number, acquisition by fund, acquisition date, and the date and method of disposal. Also, property items were not always properly numbered, tagged, or otherwise identified.

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

Property control tags should also be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

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

AUDITEE'S RESPONSE

The County Clerk indicated she will take care of her office's fixed asset records, and all other officials should be responsible for their own office's fixed assets.

The County Commission concurred with the County Clerk's response.

12. County Treasurer Accounting Controls and Procedures
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The County Treasurer does not prepare formal bank reconciliations, financial records are not reconciled with the County Clerk's records, and the County Commission does not review the Treasurer's semi-annual settlements (SAS). In addition, outstanding checks are not adequately followed up on, and documentation of how bank interest is allocated to the various funds is not retained. Also, county records are not always maintained at the county courthouse, and unclaimed fees were not remitted to the state. The County Treasurer processes county monies of approximately \$11.5 million annually and is also employed as the health department administrator.

A. The County Treasurer's SAS, which are reports to the County Commission of the receipts, disbursements, and ending cash balances of all county funds, should provide a reconciliation of these ending fund cash balances to the reconciled bank account balances. During our review of the SAS and the related bank reconciliations, the following concerns were noted:

1. The County Treasurer does not prepare formal bank reconciliations, and as a result, fund balances reported on the SAS were incorrect. Upon our request, the County Treasurer prepared formal bank reconciliations for December 31, 2003 and 2002. The reconciled bank balances were \$1,519 and \$548 less than the total book balances recorded on the County Treasurer's SAS. Adjustments have been made to the audited financial statements to correct these errors.

Complete formal reconciliations between the bank receipts, disbursements, and balances and the county fund ledgers are necessary to ensure all monies have been accounted for properly. Any discrepancies noted should be investigated and resolved on a timely basis. In addition, the SAS should be reconciled to bank records to ensure accounting records are accurate and complete.

2. The County Treasurer does not properly reconcile her accounting records with the County Clerk. As a result, errors in reconciling items such as stop payments on county checks went undetected. The County Clerk ordered stop payments on checks that were lost. These checks were subsequently voided and re-issued.

Section 51.150.1, RSMo 2000, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile their accounting records.

3. The County Treasurer files a copy of her SAS with the County Clerk, but it is not reviewed by the County Commission. Section 54.150, RSMo 2000, provides the County Treasurer shall settle her accounts with the County Commission semi-annually.

- B. At December 31, 2003, the County Treasurer's bank account had outstanding checks totaling \$1,560 that were over one year old. These old outstanding checks create additional and unnecessary record keeping responsibilities. The County Treasurer should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.
- C. The County Treasurer allocates interest earned on county bank accounts to various funds based on approximate percentages she calculates monthly. Documentation of how these allocations are calculated is not retained. For example, the County Treasurer indicated she generally allocates interest based on average fund balances for the General Revenue Fund, the Special Road and Bridge Fund, and the Law Enforcement Fund. The School Fund and the Recorder's Fund receive approximately five percent of earned bank interest, and the County Employees Retirement Fund (CERF), the Assessment Fund, and the Prosecuting Attorney Bad Check Fund receive between one half and one percent of earned interest based on her calculations.

Section 110.150, RSMo 2000, requires the interest upon each fund shall be computed upon the daily balances with the depository, and shall be credited to the applicable county funds.

- D. The County Treasurer does not always maintain custody of the county's financial records at the courthouse because she normally works at home or at the health department. The most up-to-date county fund ledger is maintained on the health department's computer system and can not be accessed at the courthouse. Also, the County Treasurer typically carries county monies received, receipt slips, check books, deposit slips, and bank statements in a book bag or stores the records in the trunk of her car or at her residence. The county's financial records are official documents and should be maintained at the county courthouse.
- E. In 2003, the County Commission (at the County Treasurer's request) authorized the County Treasurer to turnover \$5,300 of unclaimed fees to the Law Enforcement Fund instead of remitting the fees to the state. The majority of these funds represented unidentified monies from the Circuit Court. The County Treasurer indicated that it is her normal procedure to turnover all unclaimed fees to the applicable county fund. It is not clear whether the county had the authority to retain these unclaimed monies. Sections 447.500 through 447.595, RSMo 2000, requires unidentified monies be turned over to the state Unclaimed Property Section. The County Commission and County Treasurer should review these sections of state law and take appropriate action.

WE RECOMMEND the County Treasurer:

- A. Reconcile the SAS to the bank account balances, document detailed monthly bank reconciliations, and resolve any discrepancies on a timely basis. In addition, the accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented and fully investigated. Further, the County Commission should review and approve the Treasurer's SAS.
- B. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Ensure interest is properly allocated to applicable funds and retain documentation of those interest allocations.
- D. Maintain all official county financial records at the county courthouse.
- E. And the County Commission review the procedures for turning over unidentified amounts to state Unclaimed Property.

AUDITEE'S RESPONSE

The Treasurer provided the following responses:

- A. The receipts I record and the disbursements given to me by the County Clerk are reconciled monthly with my monthly report, bank statement, and fund balances and an outstanding check list. I then turn the reports over to County Clerk's office to be reconciled with her records. If I am not notified of any differences, I believe all records are reconciled. In addition to the three or four daily balance reports the County Commission receives from me, the County Commission will also review and sign off on my SAS.*
- B. Procedures will be adopted. I will schedule a meeting with the County Commission to review state law regarding how to dispose of old outstanding checks where the payee can not be located.*
- C. This has been implemented.*
- D. This will be implemented. My county financial records are maintained at the courthouse. The records I work on at home are in my possession at all times until completed and filed at the courthouse. I am now utilizing the office computer to keep records on.*
- E. Sections 447.500 through 447.595 will be reviewed with the County Commission and procedures will be adopted. The unidentified monies received from the Circuit Court will be turned over to the state's Unclaimed Property Section.*

13.

Health Department Procedures

Donations are not recorded on the Health Department's daily receipt log, and each receipt is not always itemized on the log. In addition, the method of payment received is not always indicated on the log, and receipts are not always deposited timely by the Health Department Administrator.

- A.** Donations are not recorded on the daily receipt log, and monies received for death and birth certificates, sanitation permits, health inspections, and state reimbursement checks are recorded in total by type of receipt, on the log rather than being itemized. In addition, the method of payment received (cash, check, money order, etc.) is not always indicated on the receipt log.

To ensure receipts are accounted for properly and deposited intact, all receipts should be itemized and recorded on the receipt log. In addition, the method of payment received should be recorded on the receipt log and the composition of recorded receipts should be reconciled to the composition of amounts deposited.

- B. Receipts are not deposited in a timely manner by the Health Department Administrator. Deposits are generally made twice a month. For example, health department receipts dating from October 2 through October 10, 2003, totaling \$14,518, were deposited on October 10, 2003. Receipts included in this deposit totaling \$2,094 were received prior to or on October 6, 2003. To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.

Conditions similar to parts A. and B. were noted in our prior report.

WE RECOMMEND the Health Department Administrator/County Treasurer:

- A. Ensure all receipts are itemized and recorded, including method of payment, on the cash control log and reconcile the composition of receipts to the composition of deposits.
- B. Deposit all monies intact daily or when receipts exceed \$100.

AUDITEE'S RESPONSE

The Health Department Administrator provided the following responses:

- A. *All staff have been instructed to always note the method of payment on the daily log which was created upon the recommendation by the State Auditor's Office during the prior audit. All receipts are being reconciled to the composition of deposits.*
- B. *This has been implemented.*

14. Prosecuting Attorney Accounting Controls and Procedures
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Duties are not adequately segregated, monthly bank reconciliations and listings of open items (liabilities) are not performed, and receipts are not deposited intact or on a timely basis.

The Prosecuting Attorney processed bad check fees and restitution totaling approximately \$57,000 during the years ended December 31, 2003 and 2002. The Prosecuting Attorney maintains an account for the deposit of bad check fees, bad check restitution (money orders made out to the Prosecuting Attorney), and court-ordered restitution. Money orders for bad check restitution that are made payable to the merchant are remitted directly to the merchant.

- A. The duties of receiving, recording, depositing and disbursing monies are not adequately segregated. One individual performs all of these duties. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

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. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.

B. We noted the following concerns with the Prosecuting Attorney's bank account and the related open items listing:

1. Monthly bank reconciliations have not been performed since August 2000. In addition, the check book register was not properly maintained. At our request, monthly bank reconciliations were performed for the calendar years 2003 and 2002, and the check book register balance was updated. The December 31, 2003 reconciled bank balance was \$5,057 and exceeded the check book register balance by \$2,079.

Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner.

2. Monthly listings of open items (liabilities) are not prepared, and consequently, liabilities are not reconciled with cash balances. Although our office had requested an open items listing to be prepared, a listing had not been prepared and reconciled with cash balances as of August 3, 2004.

Only by preparing open items listings on a monthly basis and reconciling them to the cash balance can the Prosecuting Attorney be assured the records are in balance and that sufficient cash is available to cover liabilities.

C. Receipts are not deposited intact or in a timely manner. For example, a cash count conducted on June 30, 2004, identified \$774 of money orders on hand. Money orders totaling \$491 were deposited that day; however, the remaining \$283 of money orders were held and not deposited until July 6, 2004. Receipts are immediately recorded into a one-write receipt book and are then posted to the computerized bad check system as time permits. The Prosecuting Attorney's clerk indicated that she typically holds money orders received until she has time to post the money order into the bad check system. To adequately safeguard receipts and to reduce the risk of loss, theft,

or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.

- D. Cashiers checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the payments are processed into the bad check computer program. To reduce the risk of loss or misuse of funds, cashiers checks and money orders should be restrictively endorsed immediately upon receipt.

Conditions similar to parts A and B were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.
- B.1. Maintain a checkbook balance and prepare monthly bank reconciliations. In addition, identify the difference between the reconciled bank balance and the check book register balance.
 - 2. Prepare monthly listings of open items and reconcile the listing to the cash balance.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- D. Restrictively endorse cashiers checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *The four areas mentioned in this category are broken down as receiving, recording, depositing, and disbursing monies. In our office, the receiving and recording of payments are now handled by various employees. While this is primarily the responsibility of one employee, all employees are cross trained, capable and willing to assist with this function. With the size of our office and the volume of payments that come through here, it is impossible to dedicate another individual to this duty. All the employees carry a heavy workload which seems to be increasing on a daily basis. Our budget and office space do not allow the addition of more employees at this time.*

Deposits will be handled solely by one person with back up support in the event of her absence due to sickness and/or vacation.

The disbursing of funds again falls under the responsibility of this same person. We are comfortable with this arrangement since she does not have check signing capabilities.

- B.1. *We are currently correcting past issues concerning the reconciliation of the bank statements and any open items. Monthly bank reconciliations are occurring with proper identification of the difference between the reconciled bank statement and the check book register.*
- 2. *We are preparing an open items list and reconciling the listing to the cash balance as recommended.*
- C. *Duties have been shifted within the office to allow dedicated time for an employee to process payments and to make daily deposits.*
- D. *We currently endorse all money orders as we receive them as recommended.*

15. Circuit Court Accounting Controls and Procedures

The Circuit Clerk maintains several old bank accounts that create additional and unnecessary record keeping. In addition, open items (liabilities) listings are not reconciled to the related cash balance of the court's consolidated account, and some open items have been held for several years.

The Circuit Clerk's office processed receipts from fines and costs for criminal and civil cases of \$551,393 and \$3,460,666 during the years ending December 31, 2003 and 2002, respectively. Receipts totaling \$2,909,208 were received from cases related to the condemnation of land due to the construction of highway 71 during the year ending December 31, 2002.

- A. The Circuit and Associate Division Courts maintain several old bank accounts that are no longer utilized. The accounts and balances at December 31, 2003, are as follows:

Account	Bank Balance at December 31, 2003
Associate Division Civil I	\$ 13,542
Associate Division Civil II	4,960
Child Support	1,821
Probate Division	85

In addition, the Associate Division Civil I account contained an unidentified balance of \$2,208 at December 31, 2003. Maintaining these old bank accounts creates additional and unnecessary record keeping responsibilities. Monies in these accounts should be disbursed and the accounts closed. The court should make an effort to identify the cases that are associated with the excess cash balance in the Associate Division Civil I account. If the proper disposition of the monies cannot be determined, the monies should be disposed of as provided by state law.

B. The Circuit, Associate, and Probate Courts were consolidated in 1998 and each court deposited its receipts into one consolidated court bank account; however, each division continued to maintain a separate monthly listing of open items (liabilities) which were applicable to this account. During our review of the listings of open items, we noted the following concerns:

1. Although the three courts prepare listings of open items, the court did not consolidate the listings and properly reconcile them with the cash balance of the consolidated bank account. At December 31, 2003, the reconciled cash balance of \$75,682 exceeded the open item listing balance by \$16,772. A similar unreconciled balance existed during our prior audit.

A complete and accurate listing of open items should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities.

2. The open items listings for the Circuit, Associate, and Probate Courts included more than \$36,090 that had been held since 2002 with at least one case dating back to 1992.

The status of old open items should be routinely reviewed to determine if any disbursement is necessary. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 2000, and Sections 447.500 through 447.995, RSMo 2000, provide for the disposition of unclaimed monies.

C. The Circuit Clerk has not established procedures to routinely follow up on old outstanding checks for the Associate Division Criminal/Traffic, Associate Division Civil I, and Child Support bank accounts maintained by his office. At December 31, 2003, outstanding checks totaling \$801 for the various bank accounts had been outstanding for more than one year. These old outstanding checks create additional and unnecessary record keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued, if possible. If the payee cannot be located, the monies should be disposed of as provided by state law. In addition, procedures should be established to periodically investigate checks outstanding for a considerable amount of time.

D. Disbursements to the state, county, and other applicable parties for fees collected in the Probate Court are not made timely. The fees collected in January, February, March, and April 2002 totaling approximately \$2,703, were not disbursed until May 2002. State law requires that all fees collected by the Probate Clerk for court cases to be distributed monthly to the state and the County Treasurer. Timely disbursement of fees collected is necessary to provide adequate controls over account balances and to increase the likelihood that discrepancies are detected in a timely manner.

- E. A complete listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk relies on the probation and parole officers to ensure that monies owed to the court are paid. A complete and accurate accrued cost listing would allow the Circuit Clerk to more easily review the amounts owed to the court and take the appropriate steps to ensure all amounts owed are collected on a timely basis.
- F. Documentation was not retained for a \$75 disbursement made payable to the Cole County Circuit Judge from the Circuit Court Interest Fund. The Associate Circuit Division Judge indicated the disbursement was for a voluntary contribution to a lobbyist organization for circuit judges.

All expenditures should be adequately supported by paid receipts or vendor provided invoices. Such documentation is necessary to ensure purchases are valid expenditures of county funds. In addition, this expenditure does not appear to be a prudent use of the Circuit Court Interest Funds.

Conditions similar to parts A., B., and C. were noted in our prior report.

WE RECOMMEND the Circuit Clerk:

- A. Disburse the monies held in the old bank accounts to the appropriate parties so the accounts can be closed, and attempt to identify the excess cash balance which exists in the Associate Division Civil I account. Amounts which cannot be identified and remain unclaimed should be disposed of as provided by state law.
- B. Reconcile the monthly listings of open items to the cash balance and attempt to investigate the unidentified monies. In addition, adopt procedures to periodically follow up on old open items, and any unclaimed or unidentified monies should be disposed of in accordance with state law.
- C. Attempt to resolve the old outstanding checks, and establish procedures to periodically investigate checks outstanding for a considerable amount of time.
- D. Disburse Probate Court fees collected to the applicable parties each month.
- E. Establish procedures to monitor and collect accrued costs.
- F. Maintain adequate supporting documentation of all disbursements, and ensure expenditures are a prudent use of Circuit Court Interest Funds.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. *The probate account was closed in the first quarter of 2004, and the other old accounts were closed in July and August 2004. Unidentified amounts have been disposed of according to statute.*

B. *We are in the process of disbursing monies to identified parties and any remaining balances to unclaimed fees related to this consolidated account.*

On January 14, 2004, the McDonald County Courts converted to the state JIS court operating procedure and opened a new consolidated account. Under JIS, all accounts are reconciled and balanced daily, with open items lists being printed monthly.

C. *All old outstanding checks have been reviewed and taken care of. We have implemented a review program by clerks and supervisors on all outstanding checks on a quarterly basis.*

D. *All Probate Court fees are disbursed monthly from the primary account utilizing the new JIS accounting program.*

E. *All cases where the costs are setup on a payment schedule are tracked monthly and reviewed. We are also now using the Missouri tax offset program.*

F. *This recommendation is being fully implemented.*

16. Public Administrator Accounting Controls and Procedures
--

The Public Administrator has not filed final and/or annual settlements for 15 decedent estates in a timely manner, and a potential note receivable for a ward has not been adequately investigated. In addition, documentation of a formal appraisal was not retained, and a Form 1099-MISC was not prepared.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the years ending December 31, 2003 and 2002, the Public Administrator handled approximately sixty-one cases.

A. The Public Administrator has not filed final and/or annual settlements for 15 decedent estates, and some of these wards have been deceased for several years. For example, a final settlement has not been filed for a ward that has been deceased for four years, and has assets valued at approximately \$25,000. The Associate Circuit Division Judge indicated that he was unaware of the number of decedent estates that had not been finalized and filed with the court. In addition, the Probate Court has not established procedures to ensure that settlements are filed in a timely manner.

Section 475.290 RSMo 2000, requires final settlements to be filed within sixty days of termination of the estate. In addition, Section 473.540, RSMo 2000, requires settlements to be filed annually. Failure to file settlements on a timely basis for review by the Associate Circuit Division Judge increases the risk that error or misuse of funds could go undetected.

- B. The court assigned a new ward to the Public Administrator in December 2002. In January 2003, the Public Administrator received \$8,850 on behalf of the ward that she believed was related to a promissory note receivable from the sale of the ward's property located in another state. The Public Administrator indicated she attempted to contact the payor of the monies to determine the nature of the monies received; however, no further investigation into the ward's potential asset has been made by the Public Administrator, and the ward has since deceased.

Failure to follow up on the status of the note receivable could result in the loss of assets of the estate.

- C. Documentation of an appraisal was not retained for a ward's property sold in September 2002 for \$25,000. The Public Administrator obtained a letter in May 2004 from the real estate company which conducted this sale indicating the property's appraised value was \$26,500. The annual settlement for the year ending June 10, 2003, which reported this sale, had been prepared by the Public Administrator; however, it had not been filed with the Probate Court as of April 2004. To ensure the amount received from the sale was reasonable, the Public Administrator should retain documentation of appraisals.
- D. A Form 1099-MISC was not prepared for an individual who was paid \$965 for cleaning services from one estate. Sections 6041 and 6051 of the Internal Revenue Code requires an IRS Form 1099-MISC be completed for every payee other than corporations receiving \$600 or more in aggregate during a calendar year for services performed as a trade or business by non employees.
- E. Some voided checks were not always properly defaced and retained. To adequately account for all disbursements, voided checks should be properly defaced and retained.

WE RECOMMEND the Public Administrator:

- A. And the Associate Circuit Division Judge ensure final and/or annual settlements are filed on a timely basis, and the Probate Court should implement procedures to track and notify the Public Administrator when a settlement is due.
- B. Investigate the status of the note receivable.
- C. Retain documentation of property appraisals.

- D. Ensure 1099-MISC forms are issued in accordance with IRS regulations.
- E. Ensure voided checks are properly defaced and retained.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *I am working on filing final settlements on all these decedent estates.*
- B. *I will contact the Associate Circuit Division Judge regarding a spending limit for researching this note receivable and will follow his orders.*
- C. *This will be implemented in the future.*
- D. *In the future, I will issue 1099-MISC forms as necessary.*
- E. *I will implement this immediately.*

The Associate Circuit Division Judge provided the following response:

- A. *Statistics on decedent estates can be accessed from Probate Court records; however, the Probate Clerk had not made him aware of the number of delinquent decedent estates.*

The Probate Clerk provided the following response:

- A. *The new computer system, implemented in January 2004, will help notify the court that settlements are due. The court will send out notifications 40 days prior to the due date. If settlements are not filed, a delinquent notice will be sent. If settlements are not filed within 30 days of the delinquent notice, citations will be sent. In addition, the Public Administrator had not filed suggestions of death on 8 of these estates.*

17. Assessor Accounting Controls and Procedures
--

Accounting duties are not adequately segregated. In addition, receipt slips are not issued for some monies received, receipts are not always transmitted timely or intact, and checks are not restrictively endorsed immediately upon receipt. A monthly report of fees collected is also not prepared. While the Assessor does not collect a large amount of fees, control weaknesses such as these need to be improved.

The Assessor transmitted approximately \$5,100 and \$7,100 to the County Treasurer during the years ended December 31, 2003 and 2002, respectively, from the sale of maps, plat books, and photocopies.

A. Accounting duties are not adequately segregated. One employee is primarily responsible for receiving, recording, and transmitting monies to the County Treasurer. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and duties are properly segregated. At a minimum, there should be a documented independent comparison of receipt slips to amounts transmitted to the County Treasurer.

B. The County Assessor's office accepts cash, checks, and money orders. Prenumbered receipt slips are not issued for some monies received. In addition, receipt slips do not always indicate the method of payment.

To help ensure receipts are properly recorded and transmitted, prenumbered receipt slips should be issued for all monies received immediately upon receipt. In addition, the receipt slips should indicate the method of payment and the composition should be reconciled to the transmittals.

C. Receipts are not always transmitted to the County Treasurer intact or in a timely manner. Receipts are typically transmitted every two to three months. For example, receipt slips issued for monies received during the period November 1, 2003 through January 31, 2004 totaled to \$1,804; however, on February 12, 2004 only \$1,661 was transmitted for these months to the County Treasurer which resulted in a shortage of \$143.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted intact to the County Treasurer monthly. The Assessor should investigate the \$143 in receipts which could not be traced to transmittal and take appropriate action to recover any missing amounts.

D. Checks are not restrictively endorsed immediately upon receipt. Instead, endorsements are applied after monies are turned over to the County Treasurer. To adequately safeguard receipts, all checks should be restrictively endorsed immediately upon receipt.

E. The Assessor does not file monthly reports of fees collected with the County Commission. Section 50.370, RSMo 2000, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

WE RECOMMEND the Assessor:

A. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.

- B. Issue prenumbered receipt slips for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer.
- C. Transmit all monies intact to the County Treasurer on a monthly basis and investigate the \$143 shortage and take appropriate action to recover any missing amounts.
- D. Restrictively endorse all checks and money orders immediately upon receipt.
- E. Prepare monthly reports of fees as required by state law.

AUDITEE'S RESPONSE

The Assessor provided the following responses:

*A, B,
D&E. These have already been implemented.*

C. I have already started transmitting monies intact to the County Treasurer monthly, and I am currently investigating the shortage.

18.	911 Authority Board Accounting Controls and Procedures
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Accounting duties are not adequately segregated and dual signatures on checks are not required by the 911 Authority Board.

In August 2000 under Section 190.335, RSMo 2000, the voters of McDonald County passed a one-half cent local sales tax for the purpose of providing central dispatching of fire protection, emergency ambulance service, including emergency telephone services, and other emergency services.

- A. Accounting duties are not adequately segregated. The 911 Authority Board bookkeeper is primarily responsible for collecting, recording, depositing, and disbursing all monies. To ensure proper recording of all transactions, the duties of handling, recording, distributing, and reconciling cash should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person should review and initial bank reconciliations and agree recorded receipts to deposits.
- B. Dual signatures on checks are not required by the 911 Authority Board. The board's bookkeeper usually signs all checks. Dual signatures would help provide assurance that checks represent payment for legitimate Emergency 911 Authority expenditures.

WE RECOMMEND the 911 Authority Board:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the board should perform documented reviews of the work performed.
- B. Require dual signatures on checks.

AUDITEE'S RESPONSE

The 911 Authority Board provided the following responses:

- A. *We are not able to segregate the accounting duties at this time since we only have one bookkeeper. However, we have already taken appropriate action to insure the board reviews and records approval on all detailed income statements, cash reports, bank reconciliations, and financial statements.*
- B. *We are not able to require dual signature on checks at this time since we only have one bookkeeper and the non-compensated board members meet once a month. However, we have already taken appropriate action to insure all purchase orders, invoices, and time cards are created and approved by the 911 Director, and that the board reviews and records approval on all detailed asset, operating, and payroll disbursements.*

Follow-Up on Prior Audit Findings

MCDONALD 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 McDonald 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 are repeated in the current MAR.

1. County Financial Condition

The McDonald County General Revenue Fund experienced a decline in cash balances. The county exhausted most of its accumulated cash balance, improperly retained road monies, and borrowed funds to purchase patrol cars. In addition, the county levied taxes at a lower rate than required.

Recommendation:

The County Commission consider various alternatives of increasing receipts and/or reducing disbursements to ensure that the General Revenue Fund's financial condition improves and is able to maintain an adequate operating cash reserve.

Status:

Partially implemented. The county passed a one-half cent law enforcement sales tax in February 2002, that funds all law enforcement activities and alleviates the burden on the General Revenue Fund. In addition, the loan for the patrol cars has been paid in full, and the General Revenue Fund and Law Enforcement Fund balances at December 31, 2003 were \$559,730 and \$149,914, respectively. However, the county has continued to improperly retain road monies. See finding number 03-2.

2. Budgetary and Reporting Practices

- A. Actual expenditures exceeded budgeted amounts in various county funds.
- B. Formal budgets were not prepared for various county funds.
- C. The annual published financial statements of the county did not include the financial activity of some county funds.
- D. The Health Center Fund and the Sheriff Civil Fund had negative cash balances at December 31, 1999.

Recommendation:

The County Commission:

- A. Ensure expenditures are kept within the amounts budgeted. If additional disbursements are necessary, the circumstances should be fully documented and the budgets properly amended.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- D. Ensure expenditures are not incurred in excess of available monies.

Status:

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

B&C. Not implemented. See finding number 03-1.

3. County Expenditures

- A. Bids were not always solicited nor was bid documentation always retained for various purchases.
- B. The County received monies from the Department of Public Safety for Peace Officers Standards and Training (POST) commission; however, these monies were not receipted by the County Treasurer, the check was endorsed and turned directly over to the local law enforcement academy to pay for training, and documentation of disbursing these funds was not retained.
- C. The road and bridge grader operators were allowed to grade private roads in the county, even though the county had a written policy prohibiting the use of county equipment and resources on private property. In addition, a log was not maintained to document the roads graded.
- D. The county did not obtain a professional appraisal prior to purchasing land located next to the county's road and bridge barn.

Recommendation:

- A. The County Commission and other County Officials 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 official minutes should reflect the necessitating circumstances.

- B. The County Treasurer ensure all monies received by the county are deposited, posted to the fund ledger, and payments are made through the county disbursing system.
- C. The County Commission discontinue the practice of allowing county equipment and resources to be used on private property and ensure usage logs are maintained to monitor the use of county equipment.
- D. The County Commission obtain professional appraisals on land it considers purchasing and review all possible options for the most cost-effective method of obtaining land.

Status:

- A. Not implemented. See MAR finding number 9.

B&D. Implemented.

- C. Partially implemented. Although the County Commission does not allow county equipment to be used on private property, usage logs are not maintained for county equipment. See MAR finding number 9.

4. Personnel Policies and Procedures

- A. The county's employee policy regarding the accumulation of overtime may not have been in compliance with the Fair Labor Standards Act (FLSA).
- B. Centralized records of leave balances and leave used and earned were not maintained for all offices.

Recommendation:

The County Commission:

- A. Review the current overtime and compensatory time policies to ensure such policies comply with the FLSA.
- B. Maintain centralized records of leave earned, used, and accumulated for all county employees.

Status:

- A. Partially implemented. The personnel policy was revised in March 2004 to comply with the FLSA; however, adequate reviews of Sheriff's office employee time sheets were apparently not performed which allowed inaccuracies to go undetected, and the Sheriff nor the County Commission have implemented proper controls to ensure compensatory time balances are reviewed for excessive balances. See MAR finding number 7.
- B. Not implemented. See MAR finding number 7.

5. Property Tax Books

The County Assessor entered the assessment information into the county's computer system, and the county's computer operator entered the tax rates and generated tax books. There was no evidence that the County Clerk was adequately verifying the tax books charged to the County Collector.

Recommendation:

The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.

Status:

Implemented.

6. Court Accounting Controls and Procedures

- A. The Circuit Clerk did not adequately supervise the various courts under his control.
- B. The reconciled cash balances of the consolidated Circuit Court account exceeded the open items listing.
- C. Cash bonds had been held in the criminal account of the Associate Division for more than two years.
- D. Fines and costs collected for traffic cases filed prior to January 1998 were not disbursed in a timely manner.
- E. A listing of accrued cases owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.
- F. The Associate and Probate Divisions maintained several old bank accounts that were no longer utilized.

Recommendation:

The Circuit Clerk:

- A. Actively supervise the various offices under his supervision.
- B. Attempt to identify the excess cash balance which currently exists in the consolidated Circuit Court account.
- C. Ensure bond monies are distributed on a timely basis. Unclaimed bonds should be disposed of in accordance with Chapter 447, RSMo 1994.
- D. Ensure Associate Division court costs are distributed on a monthly basis as required.
- E. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.
- F. Identify the monies held in the old bank accounts and disburse the monies so that the accounts can be closed.

Status:

A&D. Implemented.

B,C,

E&F. Not implemented. See MAR finding number 15.

7. Sheriff's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Monthly listings of open items (liabilities) were not prepared for the fee account.
- C.1. Receipt slips were not always issued for monies received.
 - 2. Checks received and deposited into the fee account were not endorsed immediately upon receipt.
- D. Adequate controls over seized property had not been established and periodic inventories of the property on hand was not conducted.
- E.1. The Sheriff did not have authority to maintain custody of the DARE and River Patrol bank accounts.
 - 2. Bank reconciliations were not performed for the DARE and River Patrol accounts.

Recommendations:

The Sheriff:

- A. Segregate the duties of receipting, recording, disbursing, and reconciling cash. There should be a supervisory review of reconciliations between receipts and deposits and bank reconciliations should be reviewed and signed by the Sheriff or another designated individual independent of cash duties.
- B. Prepare an open items listing monthly and reconcile it to the fee account cash balance.
- C.1. Issue prenumbered receipt slips for bond monies immediately upon receipt and account for their numerical sequence.
 - 2. Restrictively endorse checks and money orders immediately upon receipt.
- D. Maintain a complete inventory record of all seized property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.
- E. Turn over the remaining \$1,819 of funds to the County Treasurer. Until such time as the funds are turned over, the Sheriff's department should prepare and retain bank reconciliations for all accounts.

Status:

- A.-
 - C.1. Not implemented. See MAR finding number 2.
 - C.2. Implemented.
 - D. Not implemented See MAR finding number 4.
 - E. Partially implemented. The River Patrol bank account was closed and is now handled by the county. The Sheriff still maintains custody of the DARE bank account; however, bank reconciliations are now performed. See MAR finding number 2.
8. Prosecuting Attorney's Accounting Controls and Procedures
- A. Accounting and bookkeeping duties were not adequately segregated.
 - B. Checks and money orders were not restrictively endorsed until the deposit was prepared.

- C. A monthly report of bad check fees turned over to the County Treasurer was not filed with the County Commission.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented review of the work performed.
- B. Restrictively endorse checks and money orders immediately upon receipt.
- C. File monthly reports of bad check fees in accordance with state law.

Status:

A&B. Not implemented. See MAR finding number 14.

C. Implemented.

9. Health Department Procedures

- A. Receipt slips were not written for all monies received.
- B. Receipts were not transmitted to the County Treasurer intact and the change fund was not kept at a constant amount.

Recommendation:

The Health Center Administrator:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of all receipts.
- B. Remit all monies received to the County Treasurer intact daily or when accumulated receipts exceed \$100. If a change fund is needed, the fund should be established and maintained at a constant amount.

Status:

- A. Partially implemented. The Health Department has established a receipt log; however, donations are not recorded on the log, and the method of payment received is not always recorded on the log. See MAR finding number 13.

- B. Partially implemented. The Health Department maintains a change fund at a constant amount; however, receipts are not deposited in a timely manner. See MAR finding number 13.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MCDONALD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1849, the county of McDonald was named after Alexander McDonald, a Revolutionary War soldier and congressman. McDonald County is a county-organized, third-class county and is part of the 40th Judicial Circuit. The county seat is Pineville.

McDonald 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 731 miles of county roads and 42 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 14,917 in 1980 and 21,681 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	\$	100.1	90.1	88.3	86.1	46.0	13.6
Personal property		49.5	47.5	46.8	46.4	16.3	7.1
Railroad and utilities		14.4	16.0	16.6	17.7	6.1	4.7
Total	\$	164.0	153.6	151.7	150.2	68.4	25.4

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund*	\$	N/A	.2854	.3007	.2960

* The voter approved levy designates that 76 percent was for the General Revenue Fund and 24 percent was for the Special Road and Bridge Fund. This temporary levy was not renewed in 2003.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to

penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2004	2003	2002	2001
State of Missouri	\$ 50,525	46,159	46,649	45,134
General Revenue Fund	61,252	437,888	461,102	438,376
Special Road and Bridge Fund	6,931	6,326	6,423	6,457
Assessment Fund	54,247	54,747	56,365	54,634
School districts	4,934,912	4,246,016	4,283,912	4,159,645
Cities	30,359	29,735	29,860	32,644
Library district	164,363	152,305	153,390	148,277
Crowder College	655,294	599,379	602,927	590,252
Overplus Fund	21,849	3,339	20,042	0
Tax Sale Advertising	1,602	1,042	1,050	588
Tax Maintenance Fund	19,351	6,574	N/A	N/A
County Clerk	3,829	1,215	729	971
County Employees' Retirement	51,683	48,519	47,809	39,317
Commissions and fees:				
General Revenue Fund	85,273	98,688	109,879	82,282
Total	\$ 6,141,470	5,731,932	5,820,137	5,598,577

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2004	2003	2002	2001	
Real estate	88	88	89	88	%
Personal property	86	86	88	88	
Railroad and utilities	100	99	99	100	

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Road and bridge operations	.0050	None	100	
911 services	.0050	None	None	
Law enforcement	.0050	None	None	

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

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Bill Wilson, Presiding Commissioner		27,080	27,080	27,080	27,080
Lawrence Myers, Associate Commissioner		25,080	25,080	25,080	14,580
Gayle Brock, Associate Commissioner		14,630	N/A	N/A	N/A
John Hobbs, Associate Commissioner		10,450	25,080	25,080	N/A
Henry Smith, Associate Commissioner		N/A	N/A	N/A	14,580
Joye Helm, County Clerk		38,000	38,000	38,000	38,000
Stephen Geeding, Prosecuting Attorney		45,000	45,000	45,000	45,000
Robert Evenson, Sheriff		42,000	42,000	42,000	N/A
Don Schlessman, Sheriff		N/A	N/A	N/A	29,520
Mary Lou Shaddox, County Treasurer		28,120	28,120	28,120	28,120
Gale Duncan, County Coroner		11,000	11,000	11,000	5,330
Donna Underwood, Public Administrator (1)		40,000	40,000	40,000	10,518
Cloteel Atkins, County Collector , year ended February 28 (29),	38,500	38,000	38,000	38,000	
Laura Pope, County Assessor (2), year ended August 31,		38,900	38,675	38,900	N/A
Kenneth Christerson, County Assessor (3), year ended August 31,		N/A	N/A	N/A	38,900
James Loncarich, County Surveyor (4)		N/A	N/A	N/A	N/A
<p>(1) Includes salary of \$4,000 and fees received from probate cases of \$6,518 in 2000.</p> <p>(2) Includes annual compensation received from the state of \$900 for 2003 and 2001 and \$675 in 2002.</p> <p>(3) Includes \$900 annual compensation received from the state for 2000.</p> <p>(4) Compensation on a fee basis.</p>					
State-Paid Officials:					
Gene Hall, Circuit Clerk and Ex Officio Recorder of Deeds		47,300	47,300	47,300	46,127
John LePage, Associate Circuit Judge		96,000	96,000	96,000	97,382

General obligation bonds, dated October 1, 1994, were issued in the original amount of \$1,950,000. These bonds were issued to provide funds loaned to Sibley Industries pursuant to an agreement to acquire, construct, extend, and improve an industrial plant. Bonds payable at December 31, 2003, totaled \$1,395,000 and this debt issue is scheduled to be fully liquidated in 2014.

All improvements are owned by Sibley Industries. The loan agreement requires Sibley Industries to pay the principal, interest, and fiscal charges as they become due. All payments

servicing the debt are paid directly to the trustee bank by Sibley Industries. If Sibley Industries defaults on the payments, the improvements and/or plant reverts to the county and the county is obligated to make the debt service payments and may levy a property tax for such purpose.