



Susan Montee, CPA  
Missouri State Auditor

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August 2007

Lawrence County, Missouri

Years Ended  
December 31, 2006 and 2005



Office of  
Missouri State Auditor  
Susan Montee, CPA

August 2007

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

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The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$176,858 and overstated by \$66,404 for the years ended December 31, 2006 and 2005, respectively.

The county was awarded a Community Development Block Grant (CDBG) to repair and rebuild other political subdivisions' property, including Pierce City, the Barry/Lawrence County Library, and the Pierce City Senior Center and to clean up debris within the county, which resulted from tornado damages incurred in May 2003. Adequate supporting documentation was not retained to support how \$52,500 of CDBG funds were expended or how \$118,600 of the county's in-kind matching funds were provided. The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to subrecipients. In addition, reimbursement claims for some expenditures were not filed by the county in a timely manner, and the county made two duplicate payments and one overpayment which were subsequently caught by Pierce City.

The county paid a reserve officer \$135,214 in wages and expenses to transport prisoners but has not performed a formal cost/benefit analysis to determine the reasonableness of the costs incurred. The county did not always solicit bids nor was bid documentation always retained for various purchases, and controls over fuel usage in the Common road departments and the Sheriff's office need improvement. The county does not have a formal written policy regarding cellular phone usage, and did not enter into written agreements with four cities to provide dispatching services.

The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Lawrence County.

Compensatory time earned is not being calculated in accordance with the county's personnel policy, and as a result, the county may be increasing its payroll liability. Some employees do not prepare a time sheet, and leave records maintained by the County Clerk's office are not always accurate.

(over)

YELLOW SHEET

Property tax system procedures and controls are not sufficient. Neither the County Clerk nor the County Commission adequately reviews the property tax additions and abatements, and the County Clerk does not maintain an account book with the County Collector. Inadequate password procedures make computer systems and data vulnerable to unauthorized use, modification or destruction.

Receipting and record keeping procedures over civil process fees and bonds collected in the Sheriff's office need improvement. The providing of meals to various jailers and dispatchers is not addressed in the county's personnel policy. The Sheriff's office has no formal follow-up procedures for unpaid prisoner board bills and does not track remaining amounts due. The civil process mileage rate charged by the Sheriff's office was not in compliance with state law, procedures over inmate personal monies are not adequate, and purchases of flowers were made from the Sheriff's Special Fund.

Monies received in the Prosecuting Attorney's office are not always deposited in a timely manner. In addition, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner, and the amount of bad check fees charged to the bad check writer can be reduced without obtaining written approval from the Prosecuting Attorney.

Annual/final settlements were not always filed in a timely manner by the Public Administrator, and adequate procedures were not in place to ensure client funds were adequately secured. In addition, an asset was reported as being sold on an annual settlement when it was still in possession of the ward.

The Senior Citizens Service Board does not require senior centers to document how funds provided are spent and did not always enter into written contracts for funding requests. Board minutes are not signed by the Board President or the Board Secretary, a record of votes cast is not documented, and board actions were not always documented in the minutes. In addition, a written agreement is not maintained with the depository bank.

Accounting duties of the Board of Developmentally Disabled are not adequately segregated, invoices are not marked paid or otherwise cancelled prior to payment, and there was no documentation that the Director reviewed the time sheets of a part time employee.

Also included in the report are recommendations related to county property records and the health center. The audit also suggested improvements in the procedures of the County Collector, County Treasurer, Recorder of Deeds, County Clerk, and County Assessor.

**All reports are available on our Web site: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

LAWRENCE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



**SUSAN MONTEE, CPA**  
**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 Lawrence 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 Lawrence County, Missouri, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lawrence County, Missouri, as of December 31, 2006 and 2005, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lawrence 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, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 10, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Lawrence 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.



Susan Montee, CPA  
State Auditor

May 10, 2007

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
Audit Manager: Pamela Allison Tillery, CPA  
In-Charge Auditor: Jay Ross  
Audit Staff: Candace Copley  
Jason Kunau  
Natalie McNish



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

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

To the County Commission  
and  
Officeholders of Lawrence County, Missouri

We have audited the financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Lawrence County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

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

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



Susan Montee, CPA  
State Auditor

May 10, 2007

## Financial Statements

Exhibit A-1

LAWRENCE COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 267,343	4,470,086	4,172,057	565,372
Special Road and Bridge	185,536	2,432,987	2,394,902	223,621
Assessment	265,319	343,249	293,289	315,279
Common #1 Road District	65,012	380,296	398,103	47,205
Common #2 Road District	125,927	256,128	318,648	63,407
Prosecuting Attorney Bad Check	35,126	33,934	26,274	42,786
Emergency 911	21,897	414,755	426,267	10,385
Law Enforcement Training	857	7,149	3,383	4,623
Election Services	24,149	3,966	9,686	18,429
Sheriff Special	11,198	13,596	20,904	3,890
Domestic Violence	0	1,135	1,135	0
Prosecuting Attorney Training	2,181	1,641	1,863	1,959
Collector's Tax Maintenance	16,271	34,563	19,757	31,077
Tornado	198,302	182,594	380,896	0
Inmate Security	7,755	4,290	0	12,045
Community Development Block Grant	91,298	10,960	102,258	0
Recorder User Fee	134,018	39,628	20,218	153,428
Capital Projects	400,000	200,000	124,284	475,716
Law Enforcement Restitution	0	17,723	0	17,723
Developmentally Disabled	277,966	294,976	390,770	182,172
Senior Citizens Service	49,743	165,103	133,317	81,529
Law Library	8,765	7,748	2,747	13,766
Circuit Clerk Interest	5,933	375	5,741	567
Associate Circuit Division Interest	5,337	987	0	6,324
Recorder Grant	1	0	0	1
Total	\$ 2,199,934	9,317,869	9,246,499	2,271,304

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

Exhibit A-2

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 518,119	3,558,757	3,809,533	267,343
Special Road and Bridge	271,803	2,306,251	2,392,518	185,536
Assessment	286,306	328,660	349,647	265,319
Common #1 Road District	66,342	388,958	390,288	65,012
Common #2 Road District	55,888	255,930	185,891	125,927
Prosecuting Attorney Bad Check	44,034	36,678	45,586	35,126
Emergency 911	121,013	190,102	289,218	21,897
Law Enforcement Training	3,078	7,307	9,528	857
Election Services	20,725	3,839	415	24,149
Sheriff Special	21,494	20,897	31,193	11,198
Domestic Violence	215	1,110	1,325	0
Prosecuting Attorney Training	3,836	1,254	2,909	2,181
Collector's Tax Maintenance	16,320	31,987	32,036	16,271
Tornado	156,856	100,725	59,279	198,302
Inmate Security	3,320	4,435	0	7,755
Community Development Block Grant	49,426	288,346	246,474	91,298
Recorder User Fee	128,950	35,233	30,165	134,018
Capital Projects	200,000	200,000	0	400,000
Drug and Dare	116	0	116	0
Local Law Enforcement Block Grant	18,553	1,440	19,993	0
Developmentally Disabled	246,619	262,309	230,962	277,966
Senior Citizens Service	60,473	154,313	165,043	49,743
Law Library	5,280	6,054	2,569	8,765
Circuit Clerk Interest	10,971	507	5,545	5,933
Associate Circuit Division Interest	10,624	414	5,701	5,337
Recorder Grant	5,114	29,937	35,050	1
Total	\$ 2,325,475	8,215,443	8,340,984	2,199,934

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

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>TOTALS - VARIOUS FUNDS</b>						
RECEIPTS	\$ 9,384,183	9,316,882	(67,301)	8,870,288	8,185,092	(685,196)
DISBURSEMENTS	10,128,306	9,246,499	881,807	9,329,936	8,300,233	1,029,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	(744,123)	70,383	814,506	(459,648)	(115,141)	344,507
CASH, JANUARY 1	2,194,404	2,194,596	192	2,306,036	2,309,737	3,701
CASH, DECEMBER 31	1,450,281	2,264,979	814,698	1,846,388	2,194,596	348,208
<b>GENERAL REVENUE FUND</b>						
<b>RECEIPTS</b>						
Property taxes	309,650	352,408	42,758	294,256	298,482	4,226
Sales taxes	1,447,500	1,494,626	47,126	1,390,925	1,426,500	35,575
Intergovernmental	1,011,046	1,030,606	19,560	911,460	859,705	(51,755)
Charges for services	843,817	867,188	23,371	839,329	855,518	16,189
Interest	52,800	98,506	45,706	26,000	37,210	11,210
Other	26,280	63,573	37,293	22,800	58,842	36,042
Transfers in	515,302	563,179	47,877	395,557	22,500	(373,057)
Total Receipts	4,206,395	4,470,086	263,691	3,880,327	3,558,757	(321,570)
<b>DISBURSEMENTS</b>						
County Commission	190,980	187,160	3,820	213,230	166,997	46,233
County Clerk	87,200	86,856	344	87,700	87,099	601
Elections	277,280	282,252	(4,972)	117,800	127,850	(10,050)
Buildings and grounds	108,650	93,101	15,549	107,054	128,797	(21,743)
Employee fringe benefits	425,130	420,811	4,319	347,300	352,010	(4,710)
County Treasurer	34,796	34,672	124	34,740	34,521	219
County Collector	86,800	85,106	1,694	85,756	81,338	4,418
Recorder of Deeds	87,000	85,796	1,204	87,000	83,313	3,687
Circuit Clerk	21,540	22,476	(936)	23,189	23,941	(752)
Associate Circuit Court	41,136	38,966	2,170	43,625	41,274	2,351
Court administration	30,127	33,825	(3,698)	31,913	23,381	8,532
Public Administrator	63,763	63,198	565	62,820	62,472	348
Sheriff	838,856	850,351	(11,495)	849,097	882,690	(33,593)
Jail	424,173	405,380	18,793	366,381	474,254	(107,873)
Prosecuting Attorney	254,417	252,718	1,699	247,888	237,655	10,233
Juvenile Officer	113,412	126,016	(12,604)	106,509	121,521	(15,012)
County Coroner	33,050	28,408	4,642	30,500	26,163	4,337
Child support enforcement	126,973	125,677	1,296	117,363	118,440	(1,077)
Emergency management	16,200	16,129	71	17,500	16,173	1,327
Insurance and bonds	87,700	89,760	(2,060)	85,200	79,736	5,464
University extension	36,500	36,500	0	35,500	35,500	0
Other	29,800	29,535	265	28,300	11,154	17,146
Health Center	423,031	449,364	(26,333)	406,074	393,021	13,053
Transfers out	328,000	328,000	0	200,000	200,233	(233)
Emergency Fund	126,192	0	126,192	116,410	0	116,410
Total Disbursements	4,292,706	4,172,057	120,649	3,848,849	3,809,533	39,316
RECEIPTS OVER (UNDER) DISBURSEMENTS	(86,311)	298,029	384,340	31,478	(250,776)	(282,254)
CASH, JANUARY 1	267,343	267,343	0	518,119	518,119	0
CASH, DECEMBER 31	181,032	565,372	384,340	549,597	267,343	(282,254)

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND:

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	50,000	53,258	3,258	52,500	47,694	(4,806)
Sales taxes	1,220,000	1,247,133	27,133	1,220,000	1,218,665	(1,335)
Intergovernmental	1,515,100	1,112,309	(402,791)	1,083,768	1,038,612	(45,156)
Interest	900	232	(668)	1,000	1,280	280
Loan repayments	20,000	20,000	0	0	0	0
Other	0	55	55	100	0	(100)
Total Receipts	2,806,000	2,432,987	(373,013)	2,357,368	2,306,251	(51,117)
<b>DISBURSEMENTS</b>						
Distributions to special road districts	1,721,831	1,720,034	1,797	1,869,262	1,755,455	113,807
Loans to special road districts	40,000	0	40,000	0	20,000	(20,000)
Bridge construction	470,000	48,524	421,476	23,593	0	23,593
Road sign project	9,200	11,974	(2,774)	12,300	9,142	3,158
Salaries	12,281	13,191	(910)	12,350	11,924	426
Employee fringe benefits	976	1,009	(33)	950	912	38
TIF distribution	11,000	16,954	(5,954)	12,000	221	11,779
Engineering	12,000	6,453	5,547	30,000	9,653	20,347
Other	450	510	(60)	300	649	(349)
Transfers out	574,169	576,253	(2,084)	595,980	584,562	11,418
Total Disbursements	2,851,907	2,394,902	457,005	2,556,735	2,392,518	164,217
RECEIPTS OVER (UNDER) DISBURSEMENTS	(45,907)	38,085	83,992	(199,367)	(86,267)	113,100
CASH, JANUARY 1	185,536	185,536	0	271,803	271,803	0
CASH, DECEMBER 31	139,629	223,621	83,992	72,436	185,536	113,100
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	293,187	306,502	13,315	304,000	292,049	(11,951)
Charges for services	25,000	19,659	(5,341)	20,000	28,557	8,557
Interest	6,000	16,663	10,663	3,500	6,801	3,301
Other	1,500	425	(1,075)	66,240	1,253	(64,987)
Total Receipts	325,687	343,249	17,562	393,740	328,660	(65,080)
<b>DISBURSEMENTS</b>						
Assessor	307,358	293,289	14,069	393,740	349,647	44,093
Total Disbursements	307,358	293,289	14,069	393,740	349,647	44,093
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,329	49,960	31,631	0	(20,987)	(20,987)
CASH, JANUARY 1	265,319	265,319	0	286,306	286,306	0
CASH, DECEMBER 31	283,648	315,279	31,631	286,306	265,319	(20,987)

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>COMMON #1 ROAD DISTRICT FUND</u></b>						
RECEIPTS						
Property taxes	54,500	51,781	(2,719)	52,500	45,631	(6,869)
Other	5,000	4,660	(340)	500	15,292	14,792
Transfers in	321,161	323,855	2,694	332,159	328,035	(4,124)
Total Receipts	380,661	380,296	(365)	385,159	388,958	3,799
DISBURSEMENTS						
Salaries and fringe benefits	124,083	109,670	14,413	110,315	112,059	(1,744)
Maintenance	255,000	246,417	8,583	268,000	230,984	37,016
Equipment	35,000	34,743	257	35,000	39,896	(4,896)
Mileage and training	300	87	213	0	116	(116)
Other	7,600	7,186	414	5,300	7,233	(1,933)
Total Disbursements	421,983	398,103	23,880	418,615	390,288	28,327
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,322)	(17,807)	23,515	(33,456)	(1,330)	32,126
CASH, JANUARY 1	65,012	65,012	0	66,342	66,342	0
CASH, DECEMBER 31	23,690	47,205	23,515	32,886	65,012	32,126
<b><u>COMMON #2 ROAD DISTRICT FUND</u></b>						
RECEIPTS						
Property taxes	20,000	20,125	125	19,800	19,274	(526)
Other	2,000	4,605	2,605	2,800	1,128	(1,672)
Transfers in	232,008	231,398	(610)	242,821	235,528	(7,293)
Total Receipts	254,008	256,128	2,120	265,421	255,930	(9,491)
DISBURSEMENTS						
Salaries and fringe benefits	44,098	40,249	3,849	41,144	44,837	(3,693)
Maintenance	276,000	269,044	6,956	223,800	133,058	90,742
Equipment	10,000	3,579	6,421	20,000	1,647	18,353
Mileage and training	300	390	(90)	500	208	292
Other	8,900	5,386	3,514	4,400	6,141	(1,741)
Total Disbursements	339,298	318,648	20,650	289,844	185,891	103,953
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,290)	(62,520)	22,770	(24,423)	70,039	94,462
CASH, JANUARY 1	125,927	125,927	0	55,888	55,888	0
CASH, DECEMBER 31	40,637	63,407	22,770	31,465	125,927	94,462
<b><u>PROSECUTING ATTORNEY BAD CHECK FUND</u></b>						
RECEIPTS						
Intergovernmental	0	0	0	0	4,638	4,638
Charges for services	29,000	31,946	2,946	25,250	29,817	4,567
Interest	800	1,494	694	0	792	792
Other	2,200	494	(1,706)	0	1,198	1,198
Transfers in	0	0	0	0	233	233
Total Receipts	32,000	33,934	1,934	25,250	36,678	11,428
DISBURSEMENTS						
Prosecuting Attorney	47,538	26,274	21,264	39,738	45,586	(5,848)
Total Disbursements	47,538	26,274	21,264	39,738	45,586	(5,848)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,538)	7,660	23,198	(14,488)	(8,908)	5,580
CASH, JANUARY 1	35,126	35,126	0	44,034	44,034	0
CASH, DECEMBER 31	19,588	42,786	23,198	29,546	35,126	5,580

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>EMERGENCY 911 FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	116,200	114,540	(1,660)	28,200	10,800	(17,400)
Charges for Services	175,000	172,215	(2,785)	195,000	179,302	(15,698)
Transfers in	128,000	128,000	0	0	0	0
<b>Total Receipts</b>	<b>419,200</b>	<b>414,755</b>	<b>(4,445)</b>	<b>223,200</b>	<b>190,102</b>	<b>(33,098)</b>
<b>DISBURSEMENTS</b>						
Salaries and fringe benefits	164,350	163,104	1,246	143,322	155,476	(12,154)
Supplies	65,100	63,728	1,372	76,440	70,136	6,304
Equipment	18,000	17,169	831	45,000	57,071	(12,071)
Mileage and training	3,000	1,104	1,896	4,000	3,077	923
Other	91,000	90,162	838	0	3,458	(3,458)
Transfers out	91,000	91,000	0	0	0	0
<b>Total Disbursements</b>	<b>432,450</b>	<b>426,267</b>	<b>6,183</b>	<b>268,762</b>	<b>289,218</b>	<b>(20,456)</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(13,250)</b>	<b>(11,512)</b>	<b>1,738</b>	<b>(45,562)</b>	<b>(99,116)</b>	<b>(53,554)</b>
CASH, JANUARY 1	21,897	21,897	0	121,013	121,013	0
CASH, DECEMBER 31	<b>8,647</b>	<b>10,385</b>	<b>1,738</b>	<b>75,451</b>	<b>21,897</b>	<b>(53,554)</b>
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	0	2,288	2,288	0	2,387	2,387
Charges for services	7,000	4,827	(2,173)	8,000	4,920	(3,080)
Other	0	34	34	50	0	(50)
<b>Total Receipts</b>	<b>7,000</b>	<b>7,149</b>	<b>149</b>	<b>8,050</b>	<b>7,307</b>	<b>(743)</b>
<b>DISBURSEMENTS</b>						
Sheriff	7,500	3,383	4,117	7,317	9,528	(2,211)
<b>Total Disbursements</b>	<b>7,500</b>	<b>3,383</b>	<b>4,117</b>	<b>7,317</b>	<b>9,528</b>	<b>(2,211)</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(500)</b>	<b>3,766</b>	<b>4,266</b>	<b>733</b>	<b>(2,221)</b>	<b>(2,954)</b>
CASH, JANUARY 1	857	857	0	3,078	3,078	0
CASH, DECEMBER 31	<b>357</b>	<b>4,623</b>	<b>4,266</b>	<b>3,811</b>	<b>857</b>	<b>(2,954)</b>
<b><u>ELECTION SERVICES FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	0	0	0		755	755
Charges for services	4,000	3,070	(930)	900	2,656	1,756
Interest	200	896	696	65	428	363
<b>Total Receipts</b>	<b>4,200</b>	<b>3,966</b>	<b>(234)</b>	<b>965</b>	<b>3,839</b>	<b>2,874</b>
<b>DISBURSEMENTS</b>						
Election expense	22,000	9,686	12,314	16,500	415	16,085
<b>Total Disbursements</b>	<b>22,000</b>	<b>9,686</b>	<b>12,314</b>	<b>16,500</b>	<b>415</b>	<b>16,085</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(17,800)</b>	<b>(5,720)</b>	<b>12,080</b>	<b>(15,535)</b>	<b>3,424</b>	<b>18,959</b>
CASH, JANUARY 1	24,149	24,149	0	20,725	20,725	0
CASH, DECEMBER 31	<b>6,349</b>	<b>18,429</b>	<b>12,080</b>	<b>5,190</b>	<b>24,149</b>	<b>18,959</b>

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SHERIFF SPECIAL FUND</u></b>						
RECEIPTS						
Intergovernmental	0	10,019	10,019	0	0	0
Charges for services	20,500	3,577	(16,923)	20,750	20,781	31
Transfers In	0	0	0	0	116	116
Total Receipts	20,500	13,596	(6,904)	20,750	20,897	147
DISBURSEMENTS						
Sheriff	31,250	20,904	10,346	37,500	31,193	6,307
Total Disbursements	31,250	20,904	10,346	37,500	31,193	6,307
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,750)	(7,308)	3,442	(16,750)	(10,296)	6,454
CASH, JANUARY 1	11,198	11,198	0	21,494	21,494	0
CASH, DECEMBER 31	448	3,890	3,442	4,744	11,198	6,454
<b><u>DOMESTIC VIOLENCE FUND</u></b>						
RECEIPTS						
Charges for services	1,500	1,135	(365)	1,100	1,110	10
Total Receipts	1,500	1,135	(365)	1,100	1,110	10
DISBURSEMENTS						
Domestic violence shelters	1,500	1,135	365	1,300	1,325	(25)
Total Disbursements	1,500	1,135	365	1,300	1,325	(25)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(200)	(215)	(15)
CASH, JANUARY 1	0	0	0	215	215	0
CASH, DECEMBER 31	0	0	0	15	0	(15)
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
RECEIPTS						
Charges for services	1,200	1,641	441	1,200	1,254	54
Total Receipts	1,200	1,641	441	1,200	1,254	54
DISBURSEMENTS						
Prosecuting Attorney	3,000	1,863	1,137	3,750	2,909	841
Total Disbursements	3,000	1,863	1,137	3,750	2,909	841
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,800)	(222)	1,578	(2,550)	(1,655)	895
CASH, JANUARY 1	2,181	2,181	0	3,836	3,836	0
CASH, DECEMBER 31	381	1,959	1,578	1,286	2,181	895

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>COLLECTOR'S TAX MAINTENANCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	30,302	34,563	4,261	32,617	31,987	(630)
Total Receipts	<u>30,302</u>	<u>34,563</u>	<u>4,261</u>	<u>32,617</u>	<u>31,987</u>	<u>(630)</u>
<b>DISBURSEMENTS</b>						
Equipment	23,996	9,864	14,132	25,973	21,323	4,650
Mileage and training	981	1,035	(54)	850	981	(131)
Other	5,875	6,358	(483)	5,793	8,232	(2,439)
Transfers out	0	2,500	(2,500)	0	1,500	(1,500)
Total Disbursements	<u>30,852</u>	<u>19,757</u>	<u>11,095</u>	<u>32,616</u>	<u>32,036</u>	<u>580</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(550)</u>	<u>14,806</u>	<u>15,356</u>	<u>1</u>	<u>(49)</u>	<u>(50)</u>
CASH, JANUARY 1	16,271	16,271	0	16,320	16,320	0
CASH, DECEMBER 31	<u>15,721</u>	<u>31,077</u>	<u>15,356</u>	<u>16,321</u>	<u>16,271</u>	<u>(50)</u>
<b><u>TORNADO FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	170,000	182,594	12,594	259,764	100,725	(159,039)
Total Receipts	<u>170,000</u>	<u>182,594</u>	<u>12,594</u>	<u>259,764</u>	<u>100,725</u>	<u>(159,039)</u>
<b>DISBURSEMENTS</b>						
Debris removal	0	16,004	(16,004)	62,063	43,313	18,750
Natural Resource Conservation Service Project	0	24	(24)	0	15,966	(15,966)
Transfers out	368,302	364,868	3,434	354,557	0	354,557
Total Disbursements	<u>368,302</u>	<u>380,896</u>	<u>(12,594)</u>	<u>416,620</u>	<u>59,279</u>	<u>357,341</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(198,302)</u>	<u>(198,302)</u>	<u>0</u>	<u>(156,856)</u>	<u>41,446</u>	<u>198,302</u>
CASH, JANUARY 1	198,302	198,302	0	156,856	156,856	0
CASH, DECEMBER 31	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>198,302</u>	<u>198,302</u>
<b><u>INMATE SECURITY FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	4,000	4,290	290	3,000	4,435	1,435
Total Receipts	<u>4,000</u>	<u>4,290</u>	<u>290</u>	<u>3,000</u>	<u>4,435</u>	<u>1,435</u>
<b>DISBURSEMENTS</b>						
Sheriff	0	0	0	0	0	0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>4,000</u>	<u>4,290</u>	<u>290</u>	<u>3,000</u>	<u>4,435</u>	<u>1,435</u>
CASH, JANUARY 1	7,755	7,755	0	3,320	3,320	0
CASH, DECEMBER 31	<u>11,755</u>	<u>12,045</u>	<u>290</u>	<u>6,320</u>	<u>7,755</u>	<u>1,435</u>

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND:

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	41,430	10,960	(30,470)	339,969	288,346	(51,623)
Total Receipts	41,430	10,960	(30,470)	339,969	288,346	(51,623)
<b>DISBURSEMENTS</b>						
Debris removal	10,500	0	10,500	271,148	96,663	174,485
Pierce City City Hall	0	0	0	24,720	1,733	22,987
Barry/Lawrence County Library	0	0	0	50,524	30,817	19,707
Grant administration	3,500	3,375	125	22,950	19,575	3,375
Other	83,728	15,073	68,655	53	97,686	(97,633)
Transfers out	35,000	83,810	(48,810)	20,000	0	20,000
Total Disbursements	132,728	102,258	30,470	389,395	246,474	142,921
RECEIPTS OVER (UNDER) DISBURSEMENTS	(91,298)	(91,298)	0	(49,426)	41,872	91,298
CASH, JANUARY 1	91,298	91,298	0	49,426	49,426	0
CASH, DECEMBER 31	0	0	0	0	91,298	91,298
<b><u>RECORDER USER FEE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	31,000	33,706	2,706	36,000	32,455	(3,545)
Interest	3,500	5,922	2,422	1,500	2,524	1,024
Transfers in	0	0	0	0	254	254
Total Receipts	34,500	39,628	5,128	37,500	35,233	(2,267)
<b>DISBURSEMENTS</b>						
Recorder of Deeds	39,000	20,218	18,782	46,000	23,165	22,835
Transfers out	0	0	0	0	7,000	(7,000)
Total Disbursements	39,000	20,218	18,782	46,000	30,165	15,835
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	19,410	23,910	(8,500)	5,068	13,568
CASH, JANUARY 1	134,018	134,018	0	128,950	128,950	0
CASH, DECEMBER 31	129,518	153,428	23,910	120,450	134,018	13,568
<b><u>CAPITAL PROJECTS FUND</u></b>						
<b>RECEIPTS</b>						
Transfers in	200,000	200,000	0	200,000	200,000	0
Total Receipts	200,000	200,000	0	200,000	200,000	0
<b>DISBURSEMENTS</b>						
Property acquisition	116,493	116,493	0	0	0	0
Courthouse improvements	7,006	7,006	0	0	0	0
Jail improvements	8,200	0	8,200	0	0	0
Patrol office improvements	4,300	0	4,300	0	0	0
Other	785	785	0	0	0	0
Total Disbursements	136,784	124,284	12,500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	63,216	75,716	12,500	200,000	200,000	0
CASH, JANUARY 1	400,000	400,000	0	200,000	200,000	0
CASH, DECEMBER 31	463,216	475,716	12,500	400,000	400,000	0

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT RESTITUTION FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	10,000	17,723	7,723			
Total Receipts	10,000	17,723	7,723			
<b>DISBURSEMENTS</b>						
Sheriff	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	17,723	7,723			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	10,000	17,723	7,723			
<b><u>DRUG AND DARE FUND</u></b>						
<b>RECEIPTS</b>						
Other				0	0	0
Total Receipts				0	0	0
<b>DISBURSEMENTS</b>						
Transfers out				116	116	0
Total Disbursements				116	116	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(116)	(116)	0
CASH, JANUARY 1				116	116	0
CASH, DECEMBER 31				0	0	0
<b><u>LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental				0	1,411	1,411
Interest				0	29	29
Total Receipts				0	1,440	1,440
<b>DISBURSEMENTS</b>						
Sheriff				18,553	19,993	(1,440)
Total Disbursements				18,553	19,993	(1,440)
RECEIPTS OVER (UNDER) DISBURSEMENTS				(18,553)	(18,553)	0
CASH, JANUARY 1				18,553	18,553	0
CASH, DECEMBER 31				0	0	0

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND:

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>DEVELOPMENTALLY DISABLED FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	259,000	279,318	20,318	264,100	252,563	(11,537)
Intergovernmental	1,000	2,592	1,592	900	11	(889)
Interest	5,000	9,074	4,074	4,000	8,270	4,270
Other	0	3,992	3,992	0	1,465	1,465
Total Receipts	265,000	294,976	29,976	269,000	262,309	(6,691)
<b>DISBURSEMENTS</b>						
Contractual services	400,000	328,674	71,326	287,236	173,756	113,480
Equipment	60,500	59,678	822	53,900	1,063	52,837
Insurance	2,300	2,418	(118)	2,300	2,151	149
Administration	0	0	0	1,100	53,992	(52,892)
Total Disbursements	462,800	390,770	72,030	344,536	230,962	113,574
RECEIPTS OVER (UNDER) DISBURSEMENTS	(197,800)	(95,794)	102,006	(75,536)	31,347	106,883
CASH, JANUARY 1	277,966	277,966	0	246,619	246,619	0
CASH, DECEMBER 31	80,166	182,172	102,006	171,083	277,966	106,883
<b><u>SENIOR CITIZENS SERVICE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	163,400	163,414	14	158,500	153,353	(5,147)
Intergovernmental	600	867	267	500	7	(493)
Interest	600	822	222	1,000	953	(47)
Total Receipts	164,600	165,103	503	160,000	154,313	(5,687)
<b>DISBURSEMENTS</b>						
Contractual services	193,000	130,548	62,452	191,000	162,883	28,117
Office expenditures	3,000	2,769	231	3,000	2,160	840
Total Disbursements	196,000	133,317	62,683	194,000	165,043	28,957
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,400)	31,786	63,186	(34,000)	(10,730)	23,270
CASH, JANUARY 1	49,743	49,743	0	60,473	60,473	0
CASH, DECEMBER 31	18,343	81,529	63,186	26,473	49,743	23,270

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW LIBRARY FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	5,000	7,748	2,748	4,890	6,054	1,164
Total Receipts	5,000	7,748	2,748	4,890	6,054	1,164
<b>DISBURSEMENTS</b>						
Law library	2,600	2,747	(147)	2,950	2,569	381
Total Disbursements	2,600	2,747	(147)	2,950	2,569	381
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,400	5,001	2,601	1,940	3,485	1,545
CASH, JANUARY 1	8,765	8,765	0	5,280	5,280	0
CASH, DECEMBER 31	11,165	13,766	2,601	7,220	8,765	1,545
<b><u>CIRCUIT CLERK INTEREST FUND</u></b>						
<b>RECEIPTS</b>						
Interest	1,000	375	(625)	1,018	507	(511)
Total Receipts	1,000	375	(625)	1,018	507	(511)
<b>DISBURSEMENTS</b>						
Circuit Clerk	750	5,741	(4,991)	2,500	5,545	(3,045)
Total Disbursements	750	5,741	(4,991)	2,500	5,545	(3,045)
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	(5,366)	(5,616)	(1,482)	(5,038)	(3,556)
CASH, JANUARY 1	5,741	5,933	192	7,270	10,971	3,701
CASH, DECEMBER 31	5,991	567	(5,424)	5,788	5,933	145

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

Notes to the Financial Statements

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, 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 Associate Circuit Division Interest Fund and the Recorder Grant Fund for the years ended December 31, 2006 and 2005.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Bad Check Fund	2005
Emergency 911 Fund	2005
Law Enforcement Training Fund	2005
Domestic Violence Fund	2005
Tornado Fund	2006
Local Law Enforcement Block Grant Fund	2005
Law Library Fund	2006
Circuit Clerk Interest Fund	2006 and 2005

D. Published Financial Statements

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

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Associate Circuit Division Interest Fund	2006 and 2005
Recorder Grant Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

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

institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Lawrence County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, the Developmentally Disabled and the Senior Citizens Service Boards' deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

### Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

### 3. Prior Period Adjustment

The Inmate Security Fund's cash balance of \$3,320 at January 1, 2005, was not previously reported but has been added.

Supplementary Schedule

Schedule

LAWRENCE 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,	
			2006	2005
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5155	\$ 0	88,955
		ERS045-6155	96,418	26,153
		ERS045-7155	24,230	0
	Program Total		<u>120,648</u>	<u>115,108</u>
10.559	Summer Food Service Program for Children	ERS146-5155I	0	700
		ERS146-6155I	700	0
	Program Total		<u>700</u>	<u>700</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	94-DR-301	245	980
		2003-DR-09	5,875	107,102
		2003-DR-05	11,828	133,892
		2000-DR-401	500	4,500
	Program Total		<u>18,448</u>	<u>246,474</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through state				
Department of Public Safety				
16.592	Local Law Enforcement Block Grants Program	2005-LBGJ-051	0	18,553
16.738	Edward Byrne Memorial Justice Assistance Grant Program	N/A	8,591	0
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,532	1,008

Schedule

LAWRENCE 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,	
			2006	2005
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Constructior	BRO-055-17	0	1,387
		BRO-055-18	0	2,207
		BRO-055-19	24,491	0
		BRO-055-20	24,032	0
		BRO-NBIS(703)	0	1,231
	Program Total		<u>48,523</u>	<u>4,825</u>
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant:	N/A	0	3,801
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Secretary of State				
39.011	Election Reform Payment:	N/A	116,709	64,000
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	N/A	1,095	7,844
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.268	Immunization Grants	N/A	110,228	51,336
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	ERS161-50013	0	8,934
		ERS146-6155C	310	259
		ERS161-60052	11,201	8,083
		ERS161-70023	11,664	0
		AOC06380184	3,574	385
		DH050032063	0	3,442
		AOC07380063	10,344	0
		DH060031031	10,680	0
	Program Total		<u>47,773</u>	<u>21,103</u>
93.557	Education and Prvention Grants to Reduce Sexual Abuse of Runaway, Homeless, and Street Youtl	N/A	6,728	0
Department of Social Services -				
93.563	Child Support Enforcemen	N/A	90,194	85,888

Schedule

LAWRENCE 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,	
			2006	2005
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA067-5155C	0	2,000
		PGA067-6155C	1,423	0
		PGA067-6128C	500	0
		PGA067-5121C	0	1,500
		PGA067-6121C	1,231	345
		PGA067-5223C	0	1,650
		PGA067-5207C	0	430
		PGA067-5155S	0	2,580
		AOC06380184	3,035	676
	Program Total		<u>6,189</u>	<u>9,181</u>
93.617	Voting Access for Individuals with Disabilities-Grants to States	N/A	0	924
Department of Social Services -				
93.667	Social Services Block Grant	N/A	0	102
Department of Health and Senior Services				
93.778	Medical Assistance Program	N/A	2	0
93.945	Assistance Programs for Chronic Disease Prevention and Control	N/A	0	1,000
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4155M	0	21,085
		AOC06380184	31,309	7,016
		PGA067-6155C	746	1,254
			<u>32,055</u>	<u>29,355</u>
SOCIAL SECURITY ADMINISTRATION				
Direct Program:				
96.001	Social Security-Disability Insurance	N/A	20	39
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Program	N/A	89,640	63,090
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster)	N/A	20,445	0
97.042	Emergency Management Performance Grant	N/A	8,591	8,505
	Total Expenditures of Federal Award:		<u>\$ 728,111</u>	<u>732,836</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

LAWRENCE 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 Lawrence 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 Immunization Grants (CFDA number 93.268) 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 federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31, 2006	2005
14.228	Community Development Block Grants/State's Program	\$ 15,073	138,307

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

State Auditor's Report



**SUSAN MONTEE, CPA**  
**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 Lawrence County, Missouri

Compliance

We have audited the compliance of Lawrence 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, 2006 and 2005. 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.

As described in finding number 06-2 in the accompanying Schedule of Findings and Questioned Costs, Lawrence County, Missouri, did not comply with requirements regarding the

retention of adequate supporting documentation that are applicable to its Community Development Block Grants/State's Program. Compliance with such requirements is necessary, in our opinion, for Lawrence County, Missouri, to comply with the requirements of that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Lawrence 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, 2006 and 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-3.

### Internal Control Over Compliance

The management of Lawrence 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 through 06-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We do not consider any of the significant deficiencies referred to above to be material weaknesses.

The responses of Lawrence County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA  
State Auditor

May 10, 2007

Schedule

LAWRENCE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2006 AND 2005

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to the financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified for all major programs, except CFDA number 14.228, which was qualified

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplement Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
93.268	Immunization Grants
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## **Section II - Financial Statement Findings**

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

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

<b>06-01. Schedule of Expenditures of Federal Awards</b>
--

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health and Senior Services
Federal CFDA Number:	10.557
Program Title:	Special Supplement Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ERS045-5155, ERS045-6155, ERS045-7155
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor: U.S. Department of Housing and Urban Development  
Pass-Through Grantor: Department of Economic Development  
Federal CFDA Number: 14.228  
Program Title: Community Development Block Grants/State's Program  
Pass-Through Entity  
Identifying Number: 94-DR-301, 2003-DR-09, 2003-DR-05, 2000-DR-401  
Award Years: 2006 and 2005  
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Health and Human Services  
Pass-Through Grantor: Department of Health and Senior Services  
Federal CFDA Number: 93.268  
Program Title: Immunization Grants  
Pass-Through Entity  
Identifying Number: Not Applicable  
Award Years: 2006 and 2005  
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Health and Human Services  
Pass-Through Grantor: Department of Social Services  
Federal CFDA Number: 93.563  
Program Title: Child Support Enforcement  
Pass-Through Entity  
Identifying Number: Not Applicable  
Award Years: 2006 and 2005  
Questioned Costs: Not Applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$176,858 and overstated by \$66,404 for the years ended December 31, 2006 and 2005, respectively.

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

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2006 the County Clerk failed to include federal monies of \$90,194 under the Child Support Enforcement Program and \$89,640 under the State Domestic Preparedness Equipment Support Program. For 2005, several small federal grants were not included and several other small federal grants were overstated on the SEFA. Compilation of the SEFA requires consulting county financial records and requesting

information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

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

**WE RECOMMEND** the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission and County Clerk provided the following response:*

*We have implemented a new accounting system this year to help track federal expenditures. We will also contact each elected official regarding federal grants they have applied for and received funding from.*

**06-02. Inadequate Supporting Documentation**

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	2000-DR-401 and 2003-DR-09
Award Years:	2006 and 2005
Questioned Costs:	\$171,100

Adequate supporting documentation was not retained to support how some CDBG funds were expended or how the county's in-kind matching funds were provided.

The county was awarded a Community Development Block Grant (CDBG) to repair and rebuild other political subdivisions' property, including Pierce City, the Barry/Lawrence County Library, and the Pierce City Senior Center and to clean up debris within the county, which resulted from tornado damages incurred in May 2003.

A. Adequate supporting documentation was not retained to support how some CDBG funds were expended. In November 2004 and March 2005, the county requested additional funding totaling \$25,000 and \$27,500 to be reimbursed to the Pierce City Senior Center and the Barry/Lawrence County Library, respectively. The additional funds were for reimbursement of construction costs that exceeded the original

estimates. The county received the additional funds on December 10, 2004 and March 23, 2005 and did not disburse these funds to the senior center or the library.

The County Commission indicated that the additional funds were for the county's share of the construction costs that were paid at the beginning of the project; however, the county could not provide documentation of these costs. In addition, representatives from the Pierce City Senior Center and the Barry/Lawrence County Library indicated that the county did not assist them with any startup construction costs.

Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. Without adequate documentation there is no assurance that federal funds have been used in accordance with grant requirements.

- B. Adequate documentation was not retained to support the county's in-kind matching funds. The county agreed to expend \$118,600 of in-kind matching funds in the form of debris removal and administrative support. The county clerk indicated that the county provided \$117,000 for workers to remove debris, \$1,000 in administrative services through his office, and \$600 for contracted debris removal. However, the county did not maintain time sheets documenting hours worked on this project by county personnel or debris removal workers or retain documentation of the contracted debris removal to support the in-kind match.

The project contract states "such records will include but not be limited to invoices/receipts, canceled checks and documentation from the service provider of their in-kind match for each reimbursement request." In addition, Section .20 (a) (6) of the Common Rule states, accounting records must be supported by source documentation such as canceled checks, paid bills, payrolls, or time and attendance records. To support in-kind match expenditures and ensure compliance with grant requirements, detailed time sheets should be prepared and all invoices for debris removal should be retained and reviewed and approved by the County Commission.

**WE RECOMMEND** the County Commission resolve the questioned costs with the grantor agency and ensure that adequate documentation is maintained for all expenditures of federal monies and in-kind matching funds.

#### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission provided the following response:*

*We will review these transactions and contact the grantor agency to resolve these issues.*

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	94-DR-301, 2003-DR-09, 2003-DR-05, 2000-DR-401
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to subrecipients. In addition, reimbursement claims for some expenditures were not filed by the county in a timely manner, and the county made two duplicate payments and one overpayment to Pierce City for reimbursement of expenditures incurred.

The county was awarded a Community Development Block Grant (CDBG) to repair and rebuild other political subdivisions' property, including Pierce City, the Barry/Lawrence County Library, and the Pierce City Senior Center and to clean up debris within the county, which resulted from tornado damages incurred in May 2003.

- A. The county has not established cash management procedures to ensure minimal time elapses between its receipt of federal project monies and the distribution of such monies to subrecipients. A reimbursement totaling \$3,723 was received on October 28, 2005 and held until February 16, 2006, when the related payment was made to the subrecipient. There was no explanation why this payment was not made timely.

The County contracted with the Missouri Department of Economic Development for this funding under the CDBG Program. Section .300(c) of the Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to, "comply with laws, regulations, and provisions of contracts or grant agreements related to each of its Federal programs". The CDBG Administrative Manual provides that CDBG funds requested must be disbursed within 5 days of receipt.

- B. The county expended \$3,011 in June and July, 2003 related to the CDBG program; however, reimbursement claims for these expenditures were not filed until March 2, 2005. In addition, Pierce City expended \$1,058 and \$1,468 during 2004; however, reimbursement claims for these expenditures were not filed by the county until October 2005 and January 2006, respectively.

To maximize revenues, the County Commission and County Clerk should ensure that procedures are in place to ensure requests for reimbursements are made in a timely manner. In addition, the failure to submit reimbursement claims on a timely basis results in possible unreimbursed costs to the county.

- C. The county made two duplicate payments and one overpayment to Pierce City for CDBG expenditures incurred. The county issued a check on March 6 and again on March 20 to reimburse the city for \$5,461. Also, the county issued a check on May 5 and again on June 6, 2005 to reimburse the city for \$1,779. In addition, the county overpaid the city \$91 on August 5, 2005. The Pierce City Clerk identified these errors, and subsequently notified and reimbursed the county.

These double payments occurred because the County Clerk sometimes used invoices and at other times used reimbursement claim forms to reimburse subrecipients for expenditures incurred. The overpayment occurred because the county reimbursed the city based upon an original reimbursement claim form instead of an amended claim form. A consistent method of reimbursing subrecipients and canceling all invoices and related reimbursement claim forms is necessary to reduce the possibility of duplicate or overpayments.

**WE RECOMMEND** the County Commission establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with CDBG requirements. In addition, the County Commission should ensure CDBG claims are submitted on a timely basis, and ensure a consistent method of reimbursing subrecipients is used and all invoices and related reimbursement claim forms are properly cancelled to reduce the possibility of duplicate or overpayments.

#### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission provided the following response:*

*In the future when federal funds are received, these recommendations will be implemented.*

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

LAWRENCE 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 Lawrence County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2004.

04-1. Segregation of duties

Accounting duties were not adequately segregated.

Recommendation:

Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

Status:

The County Clerk and County Treasurer reconcile their accounts monthly, and the County Commission reviews the County Treasurer's monthly settlement for accuracy. Although not repeated in the current report, the recommendation remains as stated above.

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

LAWRENCE 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, 2004, 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

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

We have audited the financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 10, 2007. We also have audited the compliance of Lawrence 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, 2006 and 2005, and have issued our report thereon dated May 10, 2007. That report expressed a qualified opinion on the county's compliance with those types of requirements for the Community Development Block Grants/State's Program (CFDA number 14.228).

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

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

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

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

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

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes 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 Lawrence 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 other matters, if applicable) 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*. Lawrence County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

<b>1.</b>	<b>County Expenditures</b>
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The county paid a reserve officer \$135,214 in wages and expenses to transport prisoners but has still not performed a formal cost/benefit analysis to determine the reasonableness of the costs incurred. In addition, the validity of some of the mileage paid appears questionable. The county did not always solicit bids nor was bid documentation always retained for various purchases, and controls over fuel usage in the Common road departments and the Sheriff's office need improvement. The county does not have a formal written policy regarding cellular phone usage, and did not enter into written agreements with four cities to provide dispatching services.

- A. As similarly noted in our prior report, the county paid a reserve officer and reimbursed mileage and expenses to transport prisoners as follows:

Type of payment	Years Ending December 31,	
	2006	2005
Wages	\$ 14,405	16,019
Mileage	44,200	42,828
Expenses	2,809	14,953
Total	61,414	73,800

Wages were paid at a rate of \$9.84 and \$9.55 per hour and mileage was reimbursed at 44.5 and 40.5 cents per mile during 2006 and 2005, respectively. Based upon the mileage reimbursement and rates, the reserve officer was reimbursed for approximately 99,000 and 105,000 miles in 2006 and 2005, respectively. Expense reimbursements typically included the cost of airline tickets, meals, and lodging for this officer and the prisoners transported. The Sheriff indicated he utilized this reserve officer in lieu of a transport service or other on-duty officers due to the officer's reliability and the amount of travel.

1. Neither the Sheriff nor the County Commission has performed a formal cost/benefit analysis to determine the reasonableness of costs incurred related to the transporting of prisoners.
2. The validity of some mileage paid to this reserve officer is questionable. For example, this officer claimed reimbursement of 600 miles or \$291 on January 17, 2007 for traveling to Booneville and Vandalia from Mount Vernon. However, his records also indicate he was transporting a prisoner from the state of California by air on this date and did not pick up his vehicle from the Springfield airport until 11:20 p.m. on January 17, 2007. His records indicate he traveled to the state of California on January 14, 2007, and his return trip was delayed due to poor weather conditions.

Given the excessive amounts of mileage reimbursements and wages paid to this officer, the County Commission and Sheriff should review the costs of purchasing and maintaining a vehicle for transporting prisoners and utilizing a full-time officer or a private transport company. A formal cost/benefit analysis of the costs related to transporting prisoners would better support the county's decision-making process. In addition, 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. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below:

Item or Service	Cost
Voting system	\$ 90,000
Filing cabinets	8,580
Printing of assessment forms	8,521
Mailing service	6,350

In addition, the former Circuit Clerk failed to obtain bids for microfilming services totaling \$5,342 that was paid from the Circuit Clerk's Interest Fund.

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

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business.

Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- C. Fuel and usage logs are not maintained for each road and bridge vehicle or piece of equipment, and logs of fuel pumped from tanks stored at each Common Road department were not maintained. As a result, fuel usage is not reconciled to fuel purchases. Common Road department #1 maintains a diesel and an unleaded fuel tank and Common Road department #2 maintains an unleaded fuel tank at their road and bridge sheds. During the years ending December 31, 2006 and 2005, Common Road department #1 spent approximately \$25,000 and \$24,900 and Common Road department #2 spent approximately \$5,800 and \$5,000, respectively for fuel. Common Road department #1 chip and seal their own roads while Common Road department #2 contracts this service out, and as a result, fuel costs are greater for the Common Road department #1.

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

- D. Mileage logs which document the mileage of patrol cars for Sheriff's office personnel were not compared to fuel purchases for propriety. Each officer indicates their badge number on the individual fuel tickets, however, these fuel tickets were not compared to mileage logs maintained. Fuel purchases made at local stations for the Sheriff's office totaled approximately \$53,000 and \$45,000 during 2006 and 2005 respectively. Mileage logs should be used to reconcile gasoline purchases and other maintenance charges.
- E. The county does not have a formal written policy regarding cellular phone usage. The county has 19 cellular phones issued to various employees. The county paid cellular phone costs totaling \$8,080 and \$7,305 during the years ending December 31, 2006 and 2005, respectively.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy is needed regarding cellular phones. Such a policy should address which employees need a cellular phone, proper use of the phone, the appropriate plan needed, and a review and authorization process. The county should prohibit the personal use of the cellular phones, except in cases of emergency.

- F. The county did not enter into written agreements with four cities within the county to

provide dispatching services. Additionally, the county has not determined if the amount billed covers the county costs. The county bills the city of Mt. Vernon \$3,375, the city of Marionville \$1,650, and the cities of Miller and Verona \$330 each quarterly. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

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

**WE AGAIN RECOMMEND** the County Commission:

- A. And the Sheriff perform a cost/benefit analysis of costs related to the transporting of prisoners, and 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. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- C. Ensure the Common Road departments maintain 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. Logs of fuel pumped from each tank should also be maintained. In addition, ensure the logs are periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for county business.
- D. And the Sheriff adequately review fuel purchases for the Sheriff's office, including comparing mileage logs to fuel purchases.
- E. Develop a policy regarding the use of cellular phones, which includes procedures to monitor their use, periodically assess which employees need a cellular phone, and ensure the most cost-effective cellular phone plans are selected based on actual business usage.
- F. Enter into written agreements, and ensure such agreements contain adequate details and protections for the county.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *We will continue to work with the Sheriff and request that he provide a cost/benefit analysis. We will also perform a cost benefit analysis. We will also review the county's liability, and request that a county vehicle be used to transport prisoners.*

- B. *We will continue to try and document sole source vendors and obtain bids when required.*
- C. *Common road department #1 has already implemented this recommendation and Common road department #2 will implement this recommendation.*
- D. *We will request the Sheriff's office to reconcile mileage logs to fuel purchases.*
- E. *We have implemented this recommendation.*
- F. *We will implement this recommendation.*

<b>2. Apportionment of Railroad and Utility Taxes</b>
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The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Lawrence County during the years ended December 31, 2006 and 2005. The County Clerk distributed the taxes based on an incorrect formula he had used in calculations. State law and guidelines set by the Department of Elementary and Secondary Education (DESE) require specific calculations based on various factors. The following table indicates the total amounts over or (under) paid to the various school districts for 2006 and 2005 tax collections:

<u>School District</u>	<u>Over (Under) Paid</u>
Monett R-I	\$ 5,098
Ash Grove R-II	449
Mount Vernon R-V	13,043
Pierce City R-VI	4,804
Verona R-VII	313
Aurora R-VIII	(28,823)
Marionville R-VIII	4,767
Sarcoxi C-110	349

In addition, the County Clerk indicated he used the same formulas in his calculations in prior years.

**WE RECOMMEND** the County Clerk consult with the various school districts and the DESE for guidance on how to correct these errors. The County Clerk should also review prior year calculations to ensure their accuracy, and future apportionments should be computed in accordance with applicable laws and regulations.

**AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*We have recalculated all prior years calculations and plan to correct this when railroad and utility funds are disbursed this year. We will also contact DESE about this issue.*

**3.****Payroll Procedures**

Compensatory time earned is not being calculated in accordance with the county's personnel policy, non working time (vacation, sick leave, and compensatory time taken) is being used in the calculation of compensatory time earned, and as a result, the county may be increasing its payroll liability. Some employees do not prepare a time sheet, and leave records maintained by the County Clerk's office are not always accurate.

- A. Compensatory time earned is not being calculated in accordance with the county's personnel policy. For example, an employee in the County Clerk's office accrued compensatory time for hours worked in excess of 7 hours per day or 35 hours per week. In addition, some employees accruing compensatory time are using non working time (vacation, sick leave, and compensatory time taken) in their calculation to determine compensatory time earned. For example, a Sheriff's deputy's time sheet indicated that he had 92 actual hours worked, 63 compensatory hours used, and 8 hours holiday for a total of 163 hours for the work period. The deputy's time sheet also indicated he had accrued three hours of compensatory time. The Sheriff and County Clerk reviewed and approved each of their respective employee's timesheets and did not question either situation. Timesheets and leave records are maintained by the County Clerk's office.

The county's personnel policy indicates overtime is based on work hours in excess of forty hours in a standard work week and will be compensated at time and a half, except for law enforcement employees. Under the provisions of the FLSA, work in excess of 171 hours in a twenty-eight day pay period is adopted for law enforcement personnel and will be compensated at time and a half. In addition, law enforcement personnel's salaries are based upon 160 hours per month and any time worked between 160 and 171 hours is awarded compensatory time at their regular hourly rate. The county's personnel policy also indicates regular working hours for all full-time employees shall be 35 to 40 hours in any five consecutive days.

Compensatory time represents a large liability to the county which could require significant cash resources upon payment. At December 31, 2006, county employees had almost 1,300 hours of compensatory time accumulated per their records. Allowing employees to accrue compensatory time in violation of the county's personnel policy increases this payroll liability. In addition, non working time (vacation, sick leave, and compensatory time taken) should not be used in the calculation of compensatory time earned.

- B. Timesheets and leave records are not prepared by some salaried employees including the Assistant Prosecuting Attorney, a road supervisor, and the jail supervisor. The County Clerk pays these employees the same amount each pay period unless told otherwise by the employee's supervisor. Detailed time sheets document hours

actually worked; provide information necessary to monitor overtime worked, leave and compensatory time usage and balances; and are beneficial in demonstrating compliance with county policy and federal Fair Labor Standards Act (FLSA) requirements. Time sheets should be signed by all employees, verified for accuracy, approved by the applicable supervisor, and filed with the County Clerk's office. In addition, leave records should be maintained by the County Clerk's office for all employees.

- C. Employee leave records maintained by the County Clerk's office are not always accurate. For example, leave used by a Sheriff's deputy, and a part-time employee of the Public Administrator and the County Treasurers' offices which was reflected on their time sheets was not accurately posted on the employee's leave records.

To ensure employees receive leave benefits as allowed by 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.

A condition similar to Part B. was noted in the prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure employees only accrue compensatory time in accordance with the county's personnel policy and unproductive time is not used in the calculation of overtime.
- B. Require all employees to prepare time sheets. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk. In addition, leave records should be maintained for all employees.
- C. Ensure leave records are reviewed for accuracy.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *We will implement this recommendation and will clarify how compensatory or over time is to be calculated in the personnel policy.*
- B. *An exception time sheet is prepared by the road supervisor to show time not worked, such as vacation and sick leave taken. We will require these other salaried employees to prepare a timesheet.*
- C. *We will implement a standardized time sheet to help monitor leave balances and verify them for accuracy.*

**4.****Property Tax and Computer System Controls**

Property tax system procedures and controls are not sufficient. Neither the County Clerk nor the County Commission adequately reviews the property tax additions and abatements, and the County Clerk does not maintain an account book with the County Collector. Computer systems and data are vulnerable to unauthorized use, modification or destruction.

The county's assessment list and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Clerk enters the tax rates and the County Collector prints the tax books. In addition to the property tax computer system, the County Clerk maintains a computer system for preparing checks and maintaining receipt and disbursement information. In our review of controls relating to the two computer systems, we noted the following concerns:

- A. The County Assessor annually prepares an electronic data base of property tax files and enters or updates assessed valuations. After this is completed other county officials perform various statutorily-required duties related to the county's property taxes and a report is provided to the Board of Equalization (BOE). Any changes to assessed valuation information at this point should only be made upon approval of the BOE. However, the Assessor does not have a separate working data base and continued to make changes to the tax book master file after approved by the BOE. No subsequent review of these changes was performed. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the assessment data and that disputes or questions regarding the propriety of property valuations might arise.
- B. Controls over property tax additions and abatements are not adequate. The County Collector makes manual changes to the property tax books 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 monthly totals of additions and abatements to the County Commission for their approval. However, no independent and subsequent review of the actual changes made to the tax books and the property tax data files as compared to the approved change requests and/or court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors and irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission.

The county's failure to follow control procedures established under statutory guidelines, allows a greater opportunity for errors or inappropriate transactions to

occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

- C. Neither the County Commission nor the County Clerk provides a review of the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records 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 Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

- D. The security of a password system is dependent upon keeping passwords confidential. Passwords are not kept confidential and are not changed on a regular basis. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. Passwords are important even in an environment where the computer is physically accessible only to county personnel. Passwords have been successfully providing security for computer systems for a long time. They are integrated into many systems and programs, and users are familiar with them. When properly managed in a controlled environment, passwords can provide effective security.

While the County Commission responded in the 2002 and 1998 audits, as well as other previous audits, that these recommendations would be implemented, conditions have not improved.

**WE AGAIN RECOMMEND:**

- A. The County Commission restrict access to the assessment data as appropriate and ensure any changes are fully monitored and documented.
- B. The County Commission and County Clerk develop procedures to ensure any changes to the property tax system are properly approved and monitored.
- C. The County Clerk maintain records that summarize property tax system transactions and changes and properly monitor property tax system activities.
- D. The County Commission require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

**AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*We will take these recommendations under advisement.*

<b>5. County Property Records and Procedures</b>
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The County Clerk's procedures to account for county property are not sufficient and county property records are not complete. The County Clerk has no procedure to identify property purchases and disposals throughout the year. In addition, tags identifying property items as county property are not being assigned and affixed to the items. While each of the various county departments submitted annual physical inventory reports and explanations of significant changes to the County Clerk's office for the year ending December 31, 2005, these reports were not used to monitor property additions and were not prepared for the year ending December 31, 2006.

Property additions that were not included in the county's records included land purchased for the new court house totaling \$106,000, voting booths totaling \$90,000, filing cabinets for the Health Center totaling \$8,500, and computer and projector equipment for Emergency Management totaling \$2,700.

Adequate property records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over county property. The comparison of periodic inventories to overall county property records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new property items are necessary to properly protect county assets.

**WE RECOMMEND** the County Clerk request physical inventory reports annually from each of the county departments and utilize them to monitor property additions and dispositions. In addition, the County Clerk should implement a procedure for tracking and tagging new property items throughout the year.

**AUDITEE'S RESPONSE**

*The County Clerk provided the following response:*

*We have implemented this recommendation.*

<b>6. Sheriff's Controls and Procedures</b>
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Receipting and record keeping procedures over civil process fees and bonds need improvement. The providing of meals to various jailers and dispatchers is not addressed in the county's personnel policy. The Sheriff's office has no formal follow-up procedures for unpaid prisoner board bills and does not track remaining amounts due. The civil process mileage rate charged by the Sheriff's office was not in compliance with state law, procedures over inmate personal monies are not adequate, and several purchases of flowers were made from the Sheriff's Special Fund that do not appear to be a necessary and prudent use of public funds.

The Sheriff's office collected civil and criminal process fees, gun permit fees, and cash bonds during the years ended December 31, 2006 and 2005 of approximately \$223,000 and \$287,000, respectively.

A. Receipt slips are not always issued immediately upon receipt for civil processing fees, and these fees are not always deposited intact (or in a timely manner). Civil processing fees are not receipted or deposited until the Sheriff's office tries to serve the related papers. If an attempt to serve the papers cannot be made, the civil processing fee is returned. There was approximately \$565 on hand during our audit.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. In addition, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected. If a refund is necessary, it should be made by check.

B. Rediform receipt slips are used for bonds posted at the jail. In addition, some bond receipt slips were not issued in numerical order and were not posted to the bond ledger. Cash bonds are to be posted to the bond ledger when received; however, \$250 which was receipted on December 13, 2006 was not posted. Without accounting for official prenumbered receipt slips for monies collected and posting all

bonds to the bond ledger, the Sheriff's office cannot ensure all monies collected are ultimately recorded and deposited.

- C. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. The Sheriff indicated that employees (jailers and dispatchers) who are on duty at the jail during meal times are provided meals; however, documentation of the number of meals provided to employees is not maintained. Additionally, the number of meals provided to employees is not included in the average meal cost thus overstating the county's average meal costs. The county's personnel policy does not address whether employees of the sheriff's department are to be provided meals by the county. A written personnel policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings. Total meals should also be used in determining the average meal costs.
- E. The Sheriff's office has no formal follow-up procedures for unpaid board bills and does not track remaining amounts due. Lawrence County boards prisoners for surrounding counties and cities. The Sheriff's office prepares and sends board bills to the other governments. When a board bill payment is received by the County Treasurer, a copy of the receipt slip issued is given to the Sheriff's office. When payments are received by the Sheriff's office the receipt is deposited into the Sheriff's bank account and subsequently disbursed to the County Treasurer. Formal reconciliations of board bills and payments received should be performed to ensure payments are received on a timely basis, second billings are sent out if necessary, and records are maintained accurately.
- F. The civil process mileage rate charged by the Sheriff's office was not in compliance with state law. The Sheriff's office frequently serves papers for attorneys, courts, and other counties relating to civil cases and collects fees and mileage reimbursements for such process. According to Section 57.280, RSMo, the Sheriff's office is allowed to charge the IRS mileage rate for serving papers. However, during 2006, the sheriff charged an average of 46.7 cents per mile when the IRS rate was 44.5 cents per mile, an overcharge of 2.2 cents per mile. The Sheriff should review the civil process mileage rate being charged to ensure it is in compliance with state law.
- G. Procedures over inmate personal monies are not adequate. Deputies are responsible for collecting monies in the possession of each inmate at the time of arrest. These monies are placed in a sealed packet with the inmate's name and amount of money collected noted on the outside of the packet and are posted to a "prisoner money tracking form" and the inmate's case file. The packets are then secured in a safe within the jail. At each shift change, the jailer is responsible for accounting for each packet in the safe and reconciling those packets to the tracking forms. However, a cash count conducted on December 19, 2006 indicated \$100 of inmate monies

collected on August 20, 2005 had not been posted to the prisoner's tracking form. In addition, a receipt slip or other documentation is not issued to and signed by the inmate to document the amount of personal monies collected.

To ensure proper accountability over the inmate's personal monies, receipt slips should be issued to and signed by each inmate to document monies collected and a periodic supervisory review of the inmate monies and accounting records should be performed by someone independent of inmate collection and related jail duties.

- H. Several purchases of flowers totaling \$267 were made from the Sheriff's Special Fund during the two years ended December 31, 2006. These purchases do not appear to be necessary or prudent uses. The Sheriff should ensure that funds are only spent on items which are necessary and beneficial to county residents.

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

**WE RECOMMEND** the Sheriff:

- A. Require receipt slips to be issued immediately for civil process fees, and deposit all monies intact on a timely basis. If a refund is necessary, it should be made by check.
- B. Ensure bond receipt slips are issued in order and all cash bonds received are posted to the bond ledger.
- C. Restrictively endorse checks and money orders immediately upon receipt.
- D. Consult with the County Commission and determine whether sheriff's department employees should be provided meals at county expense and if necessary, update the county personnel policy.
- E. Maintain a listing of prisoner board billings, and compare prisoner board billings and the subsequent payments received on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.
- F. Ensure the mileage rate is in compliance with state law.
- G. Issue receipt slips signed by the inmate to document personal monies collected at the time of arrest. In addition, a periodic supervisory review of inmate's personal monies and the related accounting records should be performed by someone independent of the collection and related jail duties.
- H. Avoid purchases of unnecessary items.

## **AUDITEE'S RESPONSE**

*The Sheriff provided the following responses:*

- A. *We do not plan to implement this recommendation and will continue with our current procedures.*
- B, D, F-H. *We will implement these recommendations.*
- C. *We have already implemented this recommendation.*
- E. *We have implemented a procedure to track board bills during 2007.*

<b>7. Prosecuting Attorney's Procedures</b>
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Monies received are not always deposited in a timely manner. In addition, procedures have not been adopted to ensure that bad check complaints are filed with the court in a timely manner, and the Prosecuting Attorney's secretary can reduce the amount of bad check fees charged to the bad check writer without obtaining written approval from the Prosecuting Attorney.

The Prosecuting Attorney's office collected bad check and other restitution and fees during the years ending December 31, 2006 and 2005 of approximately \$31,900 and \$29,900, respectively. Restitution payments are typically remitted directly to the victims or merchants on a periodic basis, and bad check fees are deposited into the Prosecuting Attorney bad check fee account.

- A. Monies received are not always deposited in a timely manner. Receipts are normally deposited once a week. For example, bad check fees collected from October 31 to November 3, 2006, totaling \$555 were not deposited until November 8, 2006. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made more frequently if significant amounts of cash are collected.
- B. Procedures have not been adopted by the Prosecuting Attorney to ensure that bad check complaints are filed with the court in a timely manner. For example, the Prosecuting Attorney received a bad check from a local vendor on March 14, 2007, and his office issued a 10 day letter on March 20, 2007 and a subsequent five day letter on April 11, 2007 requesting payment of the bad check; however, as of June 8, 2007, charges have not been filed against the bad check writer.

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

- C. The Prosecuting Attorney's secretary indicated that she reduces the amount of bad

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

**WE RECOMMEND** the Prosecuting Attorney:

- A. Deposit all monies in a timely manner.
- B. Ensure charges are filed on bad check cases in a timely manner.
- C. Approve and document all waivers of bad check fees.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney provided the following responses:*

- A. *As you are aware we are a small, but extremely busy office. During the time in question October 31 to November 2, we had five jury trials scheduled to be heard. The monies were accounted for during that week on Friday, November 3 and were deposited the following Wednesday, November 8. On Monday November 6, I had one staff member out for recertification on a criminal history program, and my lead secretary was in St. Louis with her husband regarding a brain tumor. Additionally, Monday the 6th we had a very busy associate court docket and four preliminary hearings scheduled. Moreover, on Monday's our office typically receives about 30% more telephone calls than other working days.*

*This put our office in somewhat of a crunch. I have advised my staff when we are short on staff; the first priority is to the day to day operation of the office. It would appear that the bad check clerk, because of her assistance within our office, did not have time to deposit the funds until Wednesday.*

- B. *I have instructed the bad check clerk, that the primary goal on bad check cases is to obtain prompt payment of restitution for the victim. A misdemeanor bad check complaint can be filed within a year of the date of the receipt of the check. The statute of limitations on a felony check, (one over \$150 or no account) is three years from the date of issuance. Once a criminal complaint is filed with the court, court costs attach to the case. If the state dismisses the case without a plea, no court costs are required to be paid.*

*Once a ten day letter has been sent and we believe we have a good address, we will on occasion send a second letter. If the person calls the bad check clerk and offers to pay the check, but requests time to pay or has a viable reason for delaying payment I have allowed the bad check clerk to delay the filing of charges. With some individuals we have allowed up to six months to pay off checks prior to filing a charge. Regarding the check mentioned we have another seven months to file the complaint.*

*The amount of paperwork generated to file a complaint in associate court is more labor intensive than sending an additional letter to try to resolve the matter. I believe it is a prudent use of staff time to not file the charge if it appears we can collect the restitution.*

- C. *It is true that I have given the bad check clerk the freedom to think for herself and make decisions to reduce some fees on bad checks without obtaining written approval. Our office usually receives in excess of 1,500 bad checks a year for collection. While there are a number of cases that the person only writes one bad check, the majority of the individuals have more than two checks. Bad check fees are set by statute based upon the amount of the check. The bad check clerk will ask me about reduction of the fees.*

*A couple of examples that come to mind include a person who wrote five or six bad checks. They later were placed under a guardian and conservatorship by the court. The person's estate was very small, and we waived some of the fees after the checks were paid to the victim.*

*Another incident involved a business that obtained a check from a customer, deposited into an account, and then wrote checks to other vendors. The customer's check was dishonored causing the business checks to bounce. With verification of the incident, we waived some additional fees.*

*Because of the bad check clerk's experience with handling these cases, I have allowed her to make judgment calls on cases when I am not available. It has been my experience in working with the clerk, that if she has reduced a fees when I was not available, that she advised me of the action she took the next day when I hand her the mail for processing, or on the next working day.*

<b>8. Public Administrator's Controls and Procedures</b>
--

Annual/final settlements were not always filed in a timely manner, and adequate procedures were not in place to ensure client funds were adequately secured. In addition, an asset was reported as being sold on another annual settlement when it was still in possession of the ward.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the years ended December 31, 2006 and 2005, the Public Administrator handled approximately 84 cases.

- A. Annual settlements were not always filed in a timely manner. Annual settlements were filed 18 to 32 days late for 4 of 5 estates reviewed.

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

- B. The Public Administrator has not filed final and/or annual settlements for 11

decedent estates, and some of these wards have been deceased for several years. While the Probate Court has recently notified and sent second notices to the Public Administrator regarding these decedent estates, it did not do so in a timely manner. For example, a final settlement has not been filed for a ward that has been deceased since April 6, 2005, and the court did not notify the Public Administrator by letter until December 11, 2006, and did not issue a second notice until May 22, 2007.

Section 475.290 RSMo, requires final settlements to be filed within sixty days of termination of the estate. In addition, Section 473.540, RSMo, 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.

- C. The Public Administrator has not established adequate procedures to ensure all client balances are adequately secured. The Public Administrator maintained funds for clients in bank accounts totaling \$131,211, \$117,846, and \$101,272, which were not adequately covered by collateral securities. The client's funds on deposit exceeded the Federal Deposit Insurance Corporation (FDIC) coverage of \$100,000. No collateral securities were pledged by the depository bank to cover the monies in excess of the FDIC coverage.

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

- D. A vehicle owned by one ward was not reported on the estate's annual settlement. The Public Administrator listed the vehicle as being sold on the annual settlement; however, the vehicle was still in the possession of the client and related expenditures were being made for the use of the vehicle. For settlements to accurately present the activity and status of a particular case, all assets should be properly reflected on the settlements.

Although conditions similar to Parts A., C., and D. were noted in the 2002 audit, as well as other previous audits, these conditions have not improved.

**WE RECOMMEND** the Public Administrator and the Associate Judge:

- A. Ensure settlements are filed in a timely manner.
- B. 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 in a more timely manner.
- C. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

- D. Ensure annual settlements accurately reflect all assets owned by the ward.

**AUDITEE'S RESPONSE**

*The Public Administrator provided the following responses:*

- A. *I will make an extra effort to work with the attorneys to ensure annual settlements are filed in a timely manner.*
- B. *I will work with the courts and attorneys to ensure final settlements for decedent estates are filed in a more timely manner.*
- C. *I will ensure adequate collateral securities are pledged to cover funds over \$100,000.*
- D. *I will review annual settlements prepared by attorneys more thoroughly to ensure they are accurate.*

*The Associate Circuit Division Judge provided the following responses:*

- A. *The Public Administrator has an existing tickler system for annual settlements. Some delay may come from the time she delivers the file to the attorney for the estate for preparation of the annual settlement. I have requested that she set up a second docket to show the date the file was delivered and calendar for 30 days to remind the attorney if the settlement has not been prepared.*
- B. *The Probate Clerk typically calls or talks with the Public Administrator if an annual settlement is late. I have instructed the clerk to send second notices if the final settlement has not been settled within 60 days. I have also requested the Public Administrator to set up a separate docket for wards/protectee at the time she is notified of a death.*
- C. *It is my understanding that accrual of interest caused the accounts to exceed FDIC coverage. I have requested the Public Administrator to call the bank each time she received a renewal notice to ascertain the balance and to transfer and divide the account among institutions to receive the \$100,000 coverage.*
- D. *I understand this comment is in reference to the George Knox estate. Two vehicles (one car and one truck of minimal value) were inventoried. One vehicle was sold per order of the court. Two vehicles were shown sold on the annual settlement. This was simply a mistake that was overlooked by my office, the attorney preparing the settlement, and the Public Administrator.*

**9.**

**Collector's Controls and Procedures**

The County Collector did not distribute the interest received from bank deposits on a timely basis. Interest earned from January 1, 2005 through December 31, 2006, totaling approximately \$78,000, has not been distributed to various political subdivisions within the

county.

Timely distribution of the interest earned to the political subdivisions is important because most political subdivisions rely on these types of revenues to fund their operation and it also reduces the amount of reconciling items on the monthly bank reconciliation.

A condition similar was noted in our prior report.

**WE RECOMMEND** the County Collector allocate interest on a timely basis.

**AUDITEE'S RESPONSE**

*The County Collector provided the following response:*

*I distributed interest totaling \$78,048 to the Lawrence County Treasurer on July 3, 2007.*

<b>10. County Treasurer's Procedures</b>
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Interest earned on the County Treasurer's general checking account is not properly allocated. Road funds such as the Class #3 Road and Bridge Fund, and Common #1 and Common #2 Road Funds are included in the account; however, interest earned on the account totaling \$88,051 during the two years ending December 31, 2006, was only credited to the General Revenue Fund, Assessment Fund, Prosecuting Attorney Bad Check Fund, Election Services Fund, Recorder User Fee Fund, and the Capital Improvement Sales Tax Fund.

Section 110.150, RSMo, and the Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, county library funds, county health center funds, special road and bridge funds, and assessment funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the County Treasurer distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

**AUDITEE'S RESPONSE**

*The Treasurer provided the following response:*

*Following the prior audit report, interest was allocated to some funds as recommended including one of the county's road funds, the Capital Improvement Sales Tax Fund. I will consider allocating interest to another road fund, the Class #3 Road and Bridge Fund.*

**11.****Recorder of Deed's Procedures**

The total fees abstracted and disbursed each month (which includes amounts charged by local title companies) is not reconciled to the bank balance. For example, at December 31 2006, the reconciled bank balance was \$25,323 while the total of fees abstracted and disbursed for that month was \$29,442, resulting in a difference of \$4,119. Listings of amounts charged by local title companies were not maintained or used to aid in reconciling the amounts abstracted to the bank balance.

All receipts, including charges made by local title companies, are recorded in a daily receipt book. When the related document is filed and recorded, the document and fee are recorded in the abstract book. The abstract book is totaled each month and the fees are disbursed to the applicable parties. Amounts charged by the four title companies are billed at the end of the month and are subsequently paid. At our request, the Recorder prepared a listing of amounts billed to the title companies for December 2006 which totaled to \$5,528, resulting in an average of \$1,409.

Monthly reconciliations between total receipts, total fees abstracted, amounts charged, and the reconciled bank balance would provide assurance that the records are in balance and that sufficient cash is available for fees to be distributed.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the Recorder of Deed's perform monthly reconciliations of total receipts and total fees abstracted, amounts charged, and the reconciled bank balance to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine the proper disposition.

**AUDITEE'S RESPONSE**

*The Recorder of Deeds provided the following response:*

*I will continue to try and make a reconciliation of this account.*

**12.****County Clerk's Controls and Procedures**

The County Clerk's office accepts cash, checks, and money orders. Rediform receipt slips are used, receipt slips are not issued for some monies received, and the method of payment received is not always indicated on the receipt slips. In addition, receipts are not always transmitted to the County Treasurer intact. Some cash receipts are used as a change fund, and the change fund is not maintained at a constant amount. Also, checks are not restrictively endorsed immediately upon receipt.

Without issuing and accounting for official prenumbered receipt slips for all monies collected, including the method of payment, the County Clerk cannot ensure all monies collected are ultimately recorded and transmitted. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made. Checks and money orders should be restrictively endorsed immediately upon receipt to reduce the potential for loss, theft, or misuse of funds.

The County Clerk's office processed receipts for notary licenses, liquor licenses and voter lists of approximately \$17,800 and \$18,100 during the years ending December 31, 2006 and 2005. While the County Clerk does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

**WE RECOMMEND** the County Clerk issue official prenumbered receipt slips for all monies collected, ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals. If a change fund is needed, it should be maintained at a constant amount. Restrictively endorse checks and money orders immediately upon receipt.

**AUDITEE'S RESPONSE**

*The County Clerk provided the following response:*

*We are in the process of implementing your recommendations.*

<b>13. Assessor's Controls and Procedures</b>
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The Assessor's office accepts cash, checks, and money orders. The original copies of voided receipt slips were not always retained, receipt slips were not always issued in numerical order, and the method of payment was not always indicated on the receipt slips. In addition, accounting duties have not been adequately segregated. One deputy clerk collects fees, records transactions, and transmits fees collected to the County Treasurer. The Assessor also does not file a monthly report of fees with the County Commission.

The Assessor cannot ensure all monies collected are ultimately recorded and properly transmitted without accounting for the original copies of voided receipt slips, the numerical sequence of receipt slips issued, and the method of payment received. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed by the Assessor. Section 50.370, RSMo, requires county officials to file a report with the county commission and pay monies received for official services to the county treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

The Assessor's office processed receipts for maps and plat books of approximately \$19,800 and \$25,200 during the years ending December 31, 2006 and 2005, respectively. While the Assessor does not appear to collect a large amount of fees, control weaknesses such as these need to be improved.

**WE RECOMMEND** the Assessor maintain the original copies of voided receipt slips, account for the numerical sequence of receipt slips issued, and ensure the method of payment is recorded on the receipt slips and the composition is reconciled to transmittals. The Assessor should segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented. The Assessor should file a monthly report of fees with the County Commission as required by Section 50.370, RSMo.

**AUDITEE'S RESPONSE**

*The County Assessor provided the following response:*

*We have changed our procedures and are currently in the process of implementing these recommendations.*

<b>14. Health Center's Controls and Procedures</b>
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Donations are not always recorded on the daily receipt log or transmitted to the County Treasurer and are used to provide change. We counted \$103 in unrecorded cash receipts (donations) on December 18, 2006. In addition, checks and money orders received are not restrictively endorsed immediately upon receipt.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly accounted for and transmitted, all receipts should be recorded on the receipt log, transmitted intact on a timely basis, and reconciled to the amounts transmitted to the County Treasurer. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

A similar condition was noted in our prior report.

**WE RECOMMEND** the Health Center record all receipts on the receipt log and reconcile the amounts transmitted to the County Treasurer. In addition, the health center should transmit all monies received intact in a timely basis, maintain the change fund at a constant amount, and restrictively endorse checks immediately upon receipt.

**AUDITEE'S RESPONSE**

*The Health Center Administrator provided the following response:*

*We have implemented these recommendations, and it was an oversight that some of the checks were not endorsed. It is our standard procedure to restrictively endorse all checks when received.*

The board does not require senior centers to document how funds provided by the board are spent and did not always enter into written contracts for funding requests. Board minutes are not signed by the Board President or the Board Secretary, a record of votes cast is not documented, and board actions were not always documented in the minutes. In addition, a written agreement is not maintained with the depository bank.

- A. While the board's written contracts to provide funding to various senior centers require financial reports to be provided to document how funds are spent, the board does not obtain this information from the senior centers.

In addition, while the board typically enters into formal written contracts for funding requests from various facilities that provide services to senior citizens, it did not enter into a contract for a funding request totaling \$1,222 with one facility. To ensure board funds are properly expended, financial reports documenting how funds are spent should be obtained from the senior centers and reviewed by the board. In addition, written contracts provide the framework necessary to detail the services to be provided and the amount of monies to be paid, and Section 432, RSMo, requires contracts to be in writing.

- B. Board minutes are normally prepared by the Board Secretary, but some of the minutes were not signed. The board minutes should be signed by the board secretary as preparer and by the board president or other board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

In addition, board minutes did not always record the votes cast. Board minutes typically stated that the "motion carried". Further, minutes did not always document actions taken by the board. For example, the board entered into and signed five contracts with various facilities on January 25, 2006 to provide funding totaling \$155,400; however, there was no documentation in the board minutes that the contracts were approved by the board.

Section 610.020, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative that the minutes be prepared to clearly document all business and discussions conducted.

- C. The Senior Board does not have a depository contract with its bank. A depository agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking

accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged. Additionally, the contract should specify the required number of signatures on checks, and procedures for authorizing electronic transfers from the board's account.

**WE RECOMMEND** the Senior Citizens Service Board:

- A. Require the senior centers to provide financial reports documenting how funds provided by the board are spent, and enter into written contracts for all funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received.
- B. Ensure minutes are signed by the Board Secretary and by the Board President, a record of votes taken is documented, and minutes clearly document all business conducted.
- C. Enter into a written agreement with its depository bank.

**AUDITEE'S RESPONSE**

*The Senior Citizens Service Board provided the following responses:*

- A. *We agree with this recommendation. We will begin requiring senior centers to provide financial reports, documenting how funds provided by the Board are spent and will require written contracts for all funding requests that clearly detail the services to be performed and the compensation to be paid and benefits received.*
- B. *We agree with this recommendation. Effective July 2007, the Board minutes will be signed by the Board Secretary and the Board President, a record of votes taken will be documented, and minutes will clearly document all business conducted.*
- C. *We agree with this recommendation. We have already entered into a written agreement with the depository bank.*

<b>16. Board of the Developmentally Disabled</b>
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Accounting duties are not adequately segregated, invoices are not marked paid or otherwise cancelled prior to payment, and there was no documentation that the Director reviewed the time sheets of a part time employee.

- A. Accounting duties have not been adequately segregated. The Director records transactions, prepares and makes deposits, prepares checks, and performs monthly bank reconciliations. A secretary works part-time and assists the director with clerical work. While the board reviews a monthly report of the previous month's

activity prepared by the director, no other documented reviews of the accounting records are performed. Internal controls would be improved by segregating the duties of recording transactions, making deposits, and preparing checks from reconciling the bank account. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records and bank reconciliations should be performed and documented by the board.

- B. Invoices are typically not marked paid or otherwise cancelled. Instead a copy of the check is stapled to the invoice to denote payment. In addition, receipt of goods or services is not indicated on the invoice prior to payment. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the board actually received the items or services being paid.
- C. A time sheet is prepared by a part time employee each month; however, there was no documentation that the Director reviewed the time sheets to ensure their accuracy. Timesheets should be signed by the employee's supervisor to indicate their agreement to the actual time reported each month and to ensure the accuracy of time worked and leave taken.

**WE RECOMMEND** the Board of the Developmental Disabled:

- A. Adequately segregate accounting duties or perform a periodic review of the accounting records and bank reconciliations.
- B. Ensure all invoices are properly cancelled, by marking the invoice "Paid" to reduce the possibility of duplicate payments. Also, require all invoices to be initialed or signed to indicate acceptance of the goods or services.
- C. Ensure the part time employee's timesheets are approved and signed by the Director.

**AUDITEE'S RESPONSE**

*The Board for the Developmentally Disabled provided the following responses:*

- A. *We agree with this recommendation. The Board Treasurer has already started reviewing the monthly bank statement and the board checkbook register to review accounting records and bank reconciliations.*
- B. *We agree with this recommendation. We will ensure that all invoices are properly cancelled by marking the invoice "paid" to reduce all possibility of duplicate payments. Also, we will require all invoices to be initialed or signed to indicate the acceptance of the goods or services.*

- C. *We agree with this recommendation. The Lawrence County Board for the Developmentally Disabled Director will review and approve all employee time sheets, although this was being done, the Director will now be required to sign time sheets showing his agreement to actual time reported each month.*

## Follow-Up on Prior Audit Findings

LAWRENCE 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 Lawrence County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

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

1. County Expenditures

- A. A cost/benefit analysis of costs related to the transporting of prisoners was not performed. Adequate documentation was not always maintained to support all expenditures and monthly expense accounts were not adequately reviewed for accuracy and propriety.
- B. Bids were not always solicited nor was bid documentation always retained for various purchases.
- C. The county incurred expenditures for an employee appreciation dinner which did not appear to be a necessary and prudent use of public funds.

Recommendation

The County Commission:

- A. And the Sheriff perform a cost/benefit analysis of costs related to the transporting of prisoners. In addition, ensure adequate documentation is received and maintained to support all expenditures and monthly expense accounts are adequately reviewed for accuracy and propriety.
- B. 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.
- C. Ensure all expenditures of county monies are necessary and prudent uses of public funds.

Status:

- A&B. Not implemented. See MAR finding number 1.
- C. Implemented.

2. Property Tax Controls

- A. Access to assessment data and the ability to make changes to that data was available to the County Assessor and his staff at all times.
- B. Manual changes made to the tax books by the County Collector were not compared to the actual changes made to the computerized tax data files by the County Assessor or to amounts reflected on the collector's annual settlement by someone independent of tax collection duties.
- C. The County Clerk did not maintain an account book with the County Collector.
- D. The county did not have an adequate password system or procedures to restrict access to the computer systems.

Recommendation:

The County Commission work with 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.
- D. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.

Status:

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

3. Personnel Policies and Elected Official's Bonds

- A. The Sheriff's office did not file time sheets or other records of actual time worked with the County Clerk's office.
- B. Records of vacation or sick leave earned, taken and accumulated were not maintained for some county employees.
- C. The county did not appear to have adequate bond coverage for all elected officials.

Recommendation:

The County Commission:

- A. Require Sheriff's employees to file time sheets with the County Clerk's office to be filed in a central location with the county's payroll records.
- B. Maintain centralized leave records for all county employees.
- C. Ensure all elected officials are bonded as required by statute.

Status:

A. Partially implemented. See MAR finding number 3.

B&C. Implemented.

4. Closed Meeting Minutes

Minutes were not always prepared to document the matters discussed in closed meetings nor were the reasons for closing the meeting or final disposition of matters discussed documented in the open meeting minutes.

Recommendation:

The County Commission ensure minutes are prepared, and retained for all closed meetings, reasons for closing a meeting are documented, and the final disposition of matters discussed in closed meetings is made public as required by state law.

Status:

Implemented. The County Commission did not hold any closed meetings during the years ending December 31, 2006 and 2005.

5. General Fixed Assets

Periodic inventories and inspections were not being made by each county official or the County Clerk, and as a result, a reconciliation was not performed between the property and the inventory listing. Additions to the inventory listing were not always reconciled to equipment expenditures nor were property tags affixed to newly purchased assets immediately upon receipt.

Recommendation:

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

Also, inventories and inspections should be performed by each county official and the County Clerk. In addition, general fixed asset purchases should be periodically reconciled to general fixed asset additions. Further, property control tags should be affixed.

Status:

Not implemented. See MAR finding number 5.

6. Collector's Controls and Procedures

A. The County Collector did not distribute the interest received from bank deposits on a timely basis.

B. The County Collector did not deposit receipts intact or on a timely basis. Excess tax collections were maintained in the change fund, and the balance had accumulated to a significant amount. In addition, the method of payment received was not consistently indicated on the paid tax receipt.

C. Bank reconciliations were not documented monthly for the partial payment account, and checks written on the regular and partial payment accounts had been outstanding for over a year.

Recommendation:

The County Collector:

A. Allocate interest on a timely basis.

B. Deposit all monies received intact daily and ensure the method of payment is indicated on each paid tax receipt. Any excess tax collections should be identified and investigated immediately. In addition, the County Collector should reconcile the

composition of receipts to the composition of bank deposits.

- C. Document monthly bank reconciliations. In addition, reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions, and establish routine procedures to investigate checks outstanding for a considerable time.

Status:

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

B&C. Implemented.

7. Sheriff's Controls and Procedures

- A. The duties of recording and depositing receipts, preparing and signing checks, and maintaining the accounting records were not adequately segregated.
- B. Receipts were not deposited on a timely basis.
- C. The Sheriff's office maintained a special bank account, which included funds from a law enforcement block grant, and deposited and held bullet proof vest grant monies in the Sheriff's fee bank account until they were expended. The Sheriff had no statutory authority to maintain such monies outside the County Treasury.

Recommendation:

The Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit monies daily or when accumulated receipts exceed \$100.
- C. Discontinue all bank account transactions except for the deposit and disbursement of bonds and accountable monies received for the performance of official duties. Ensure all monies which are presently held in the accounts are disbursed to the County Treasurer, and in the future, turn over all fees to the county Treasurer.

Status:

- A. Implemented.
- B. Not implemented. See MAR number 6.
- C. Implemented. The Sheriff turned these monies over to the County Treasurer.

8. Recorder of Deed's Controls and Procedures

- A. Total receipts were not reconciled to total fees abstracted and disbursed, and listings of marriage license fees remaining in the bank account were not prepared.
- B. The Recorder of Deeds maintained custody of the Recorder User Fee Fund, but had not established adequate internal controls to properly handle the revenues and expenditures of these funds. In addition, a form 1099-MISC was not issued.

Recommendation:

The Recorder of Deeds:

- A. Perform monthly reconciliations of total receipts and total fees abstracted, and prepare monthly listings of marriage license fees to ensure the cash balance agrees to the amount of undistributed fees. Any amounts remaining unidentified should be investigated to determine proper disposition.
- B. Turn custody of the Recorder User Fee Fund to the County Treasurer and ensure Forms 1099-MISC are issued in accordance with IRS regulations.

Status:

- A. Not implemented. See MAR finding number 11.
- B. Implemented. The Recorder User Fee Fund was turned over to the County Treasurer.

9. Public Administrator's Procedures

- A. Annual settlements were not always prepared in a timely manner.
- B. Annual settlements filed by the Public Administrator were not always complete.
- C. The Public Administrator maintained funds for a client in a non-interest bearing checking account, and these funds were not adequately covered by collateral securities.

Recommendation:

The Public Administrator and the Associate Circuit Judge:

- A. Ensure annual settlements are filed on a timely basis.
- B. Ensure annual settlements are accurate prior to filing, including listing any real estate

assets on the annual settlement.

- C. Maintain estate's funds in interest-bearing accounts, and ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

A&B. Not implemented. See MAR finding number 8.

- C. Partially implemented. Estate funds are maintained in interest-bearing accounts; however, adequate collateral securities have not been pledged for all funds on deposit in excess of FDIC coverage. See MAR finding number 8.

10. Circuit Clerk's Controls and Procedures

A shortage of cash receipts from copy monies totaling \$267 was identified. In addition, copy receipts were not transmitted to the County Treasurer monthly and were not periodically counted and reconciled to recorded receipts by an independent person.

Recommendation:

The Circuit Clerk investigate the shortage and take appropriate action. In the future, the Circuit Clerk should remit copy monies received to the County Treasurer at least monthly.

Status:

Implemented. All copy monies on hand were transmitted to the County Treasurer in June 2003. Copy monies collected subsequent to June 2003 were transmitted to the County Treasurer monthly. The Former Circuit Clerk believed the shortage of funds occurred because postage was purchased for juror questionnaires from these monies and was not recorded on the copy receipt log.

11. County Treasurer's Procedures

Interest earned on the County Treasurer's general checking account was not properly allocated.

Recommendation:

The County Treasurer distribute all interest earned in accordance with statutory provisions and opinions of the Attorney General.

Status:

Not implemented. See MAR finding number 10.

12. Prosecuting Attorney's Procedures

The Prosecuting Attorney maintained U.S. Treasury forfeiture monies in the Prosecuting Attorney bad check fee account. The Prosecuting Attorney had no statutory authority to maintain such monies outside the County Treasury.

Recommendation:

The Prosecuting Attorney turn over the remaining balance of forfeiture monies held in the bad check fee account to the County Treasurer.

Status:

Implemented. The Prosecuting Attorney expended all remaining forfeiture monies.

13. Health Center's Controls and Procedures

- A. Donations were not recorded on the daily receipt log until the end of the month and the method of donation payments received were not always indicated on the receipt log.
- B. Receipts were not always transmitted to the County Treasurer intact on a timely basis. In addition, the change fund was not maintained at a constant amount and receipts were kept in an unattended file room accessible to all employees.
- C. Health Center personnel did not periodically calculate and monitor the average cost per client of providing Comprehensive Family Planning (CFP) services.

Recommendation:

The County Commission require the Health Center to:

- A. Record all receipts, including method of payment, on the receipt log and reconcile the composition of receipts to the composition of transmittals to the County Treasurer.
- B. Transmit all monies intact daily or when receipts exceed \$100, maintain the change fund at a constant amount, and store receipts in a secure location.
- C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

Status:

- A. Partially implemented. The method of payment was recorded on receipt slips; however, some donations were not recorded on the daily receipt log. See MAR finding number 14.
- B. Partially implemented. Receipts were stored in a secure location; however, receipts were not transmitted intact, and the change fund was not maintained at a constant amount. See MAR finding number 14.
- C. Implemented.

14. Board of the Developmentally Disabled

- A. Funds on deposit were not adequately covered by collateral securities.
- B. The financial activity presented in the 2002 budget was inaccurate.

Recommendation:

The Board of the Developmentally Disabled:

- A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Ensure the budget is prepared accurately to reflect the financial activity of the board.

Status:

A&B. Implemented.

15. Senior Citizen Service Board

- A. The board had no statutory authority to maintain The Senior Citizens Service Fund outside the County Treasury, and the board had not obtained a legal opinion to support its decision to maintain custody of the fund.
- B. Funds on deposit were not adequately covered by collateral securities.

Recommendation:

The Senior Citizens Service Board:

- A. Turn over custody of the Senior Citizens Service Fund to the County Treasurer.
- B. Ensure adequate collateral securities are pledged for all funds on deposit in excess of

FDIC coverage.

Status:

- A. Not implemented. Although not repeated in the current report our recommendation remains as stated above.
- B. Implemented.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

LAWRENCE COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1845, the county of Lawrence was named after James Lawrence, a naval hero of the War of 1812. Lawrence County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Mount Vernon.

Lawrence 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 1509 miles of county roads and 117 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 24,585 in 1980 and 35,304 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	232.9	227.1	196.6	193.5	91.1	35.3
Personal property		95.7	84.4	80.4	81.0	23.2	14.0
Railroad and utilities		33.5	35.2	34.5	31.1	16.3	15.6
Total	\$	362.1	346.7	311.5	305.6	130.6	64.9

\* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.1150	.0963	.0900	.0900
Special Road and Bridge Fund *		.0700	.0700	.0700	.0700
Developmentally Disabled Fund		.0883	.0800	.0800	.0800
Senior Citizens Service Fund		.0486	.0483	.0500	.0500

\* The county has thirteen special and two common road districts that receive four-fifths of the tax collections from within these districts, and the County Special Road and Bridge Fund retains one-fifth. The two common road districts and most special road districts have additional tax levies which are distributed entirely to those districts.

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),			
	2007	2006	2005	2004
State of Missouri	\$ 111,057	105,303	96,366	94,286
General Revenue Fund	456,767	340,835	298,022	287,154
Road funds	929,919	898,243	820,818	805,248
Assessment Fund	206,420	191,920	175,017	134,374
Developmentally Disabled Fund	320,980	278,593	254,932	249,701
Senior Citizens Service Fund	174,196	164,408	155,492	152,580
School districts	12,660,424	11,941,645	10,952,823	10,129,730
Library district	641,831	608,986	567,297	555,869
Ambulance districts	267,304	257,640	235,556	228,445
Fire protection district	26,441	25,970	24,239	23,167
Nursing home district	397,431	375,885	354,792	347,760
Neighborhood improvement district	13,743	14,177	0	0
Junior College	5,749	5,725	5,150	5,146
Cities	223,931	196,162	185,599	184,521
Tax Increment Financing	38,700	38,467	37,113	31,286
County Employees' Retirement	43,064	41,754	34,864	33,615
Collector's Tax Maintenance Fund	34,563	31,987	31,655	31,110
Commissions and fees:				
General Revenue Fund	331,702	340,359	282,589	274,897
County Collector	4,254	3,873	2,652	2,721

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
Real estate	93	94	93	93
Personal property	87	90	91	90
Railroad and utilities	100	87	100	100

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ .0050	None	50	%
Capital improvements	.0050	2013	None	

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Joe Ruscha, Presiding Commissioner		30,380	30,380	30,380	30,380
Earl Dotson, Associate Commissioner		29,700	29,700		
J. Everett Ament, Associate Commissioner				28,380	28,380
Rodney Barnes, Associate Commissioner		29,700	29,700	28,380	28,380
Pam Robertson, Recorder of Deeds		43,000	43,000	43,000	43,000
Gary Emerson, County Clerk		43,000	43,000	43,000	43,000
Robert E. George, Prosecuting Attorney		96,000	96,000	96,000	96,000
Ed Weisacosky, Sheriff (1)		53,120	50,780		
Doug Seneker, Sheriff (2)				48,780	48,780
Sharon Kleine, County Treasurer		31,820	31,820	31,820	31,820
Don C. Lakin, County Coroner		16,000	16,000	15,000	15,000
Pam Fobair, Public Administrator		45,000	45,000	43,000	43,000
Kelli McVey, County Collector (3), year ended February 28 (29),	47,254	46,873	45,653	45,721	
Doug Bowerman, County Assessor (4), year ended August 31,		45,688			
David Tunnell, County Assessor (5), year ended August 31,			43,688	43,765	43,866
Sam Goodman, County Surveyor (6)					

- (1) Salary was \$50,000 in 2006 and 2005 and \$48,000 in 2004 and 2003. Includes \$2,340 adjustment for pre-tax deductions made in 2005 for Counties Employee's Retirement Fund (CERF) contributions. The county determined the official was not eligible for CERF in 2006 and subsequently made the adjustment to his salary in 2006. Includes \$780 uniform allowance in 2006 and 2005.
- (2) Includes \$780 uniform allowance in 2004 and 2003.
- (3) Includes \$4,254, \$3,873, \$2,653 and \$2,721 during 2007, 2006, 2005, and 2004, respectively, of commissions earned for collecting city property taxes.
- (4) Includes \$688 annual compensation received from the state in 2006 and 2005.
- (5) Includes \$765 and \$866 annual compensation received from the state in 2004 and 2003, respectively.
- (6) Compensation on a fee basis.

State-Paid Officials:

Cindy Faucett-Supiran, Circuit Clerk	48,500	48,500	47,850	47,300
Larry W. Meyer, Associate Circuit Judge	96,000	96,000	96,000	96,000
Scott S. Sifferman, Associate Circuit Judge	96,000	96,000	96,000	96,000