AUDIT REPORT

MADISON COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002

From The Office Of State Auditor
Claire McCaskill

Report No. 2003-104
September 30, 2003
www.auditor.state.mo.us

Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2003

YELLOW SHEET

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

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

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

Many of the findings noted in this audit report were noted in past audit reports; however, little or no improvement has been made.

- Problems with county budgetary practices have been noted in past audit reports and county officials indicated their intent to implement reported recommendations; however, little or no improvement has been made. The budget documents contained numerous inaccuracies and deficiencies. In addition, the budgets for several funds were overspent. Formal budgets were not prepared for several county funds and in 2001 the county failed to budget the required three percent for emergency situations. The published financial statements did not include all funds, did not agree to the actual numbers presented on the budget, and did not list disbursements by vendor.

- As noted in prior reports, bids were not always solicited or advertised by the county nor was bid documentation retained for various purchases including road repair work reimbursed with federal grants.

- Also as noted in our prior report, the county does not have adequate procedures in place to track federal financial assistance for the preparation of the schedule of expenditures of federal awards. The county's schedules for 2002 and 2001 contained several errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions in federal funds.

(over)

- As noted in prior audit reports, the financial condition of the county remains weak. At December 31, 2002, the combined debt of the General Revenue, Special Road and Bridge, and Law Enforcement Sales Tax Funds was $426,069. While $150,000 of this was reimbursed by state reimbursements for storm damage, the remaining $276,069 represents monies borrowed to lease purchase land and equipment.

- The county has not taken action on mid-term salary increases given to the associate county commissioners in 1997. On May 15, 2001, the Missouri Supreme Court handed down an opinion that challenged the validity of Section 50.333.13, RSMo. This section of law allowed salary commissions in 1997 to provide mid-term salary increases for associate commissioners elected in 1996. As noted in our prior report, the 1997 salary commission voted to give the associate commissioners the mid-term increase.

- The County Treasurer's salary was increased $7,514 annually, effective with the start of a new term of office on January 1, 2003, based on approval given by the salary commission at a meeting held in July 2002. There was no legal documentation supporting whether that meeting complied with Section 50.333, RSMo 2000.

- Problems were noted regarding the Tax Increment Financing Project including the bonds not sold competitively, the county not competitively seeking proposals for various services, and some of the TIF monies not properly invested.

- Controls over the preparation of and additions to the property tax books were not adequate. Prior audit reports have also addressed this problem and conditions have not improved.

- Many similar conditions from previous reports were noted in the County Collector's procedures including inadequate reconciliations, the failure to properly compare collections to deposits, and incomplete and incorrect annual settlements. Although the County Collector indicated in prior reports he would implement these recommendations, conditions have not improved.

- Several problems were noted regarding the records and procedures for the Sheriff's Commissary Account including inadequate records to track profit and loss on the sale of items, lack of segregation of duties, lack of bank reconciliations, poor receipt and disbursement records, and questionable disbursements. Problems were also noted regarding the Sheriff's fee account controls and procedures including lack of segregation of duties, and untimely deposits and bank reconciliations.

- Several problems from prior audit reports are repeated for the Prosecuting Attorney including inadequate supervision and review, untimely deposits, no bank reconciliations being performed, and no monthly reports filed with the County Commission.

The audit also includes recommendations to improve contracts, disbursement procedures, various payroll procedures and policies, telephone policies, and vehicle records. In addition, the audit included recommendations to the Madison County Health Center regarding fixed assets, leave records, and disbursements.

All reports are available on our website: **www.auditor.state.mo.us**

MADISON COUNTY, MISSOURI

TABLE OF CONTENTS

Page

FINANCIAL SECTION

State Auditor's Reports: 2-6

Financial Statements and Supplementary Schedule of Expenditures of Federal Awards 3-4

Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 5-6

Financial Statements: 7-16

Exhibit	Description	
	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds	
A-1	Year Ended December 31, 2002	8
A-2	Year Ended December 31, 2001	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2002 and 2001	10-16

Notes to the Financial Statements 17-21

Supplementary Schedule: 22-24

Schedule of Expenditures of Federal Awards, Years Ended December 31, 2002 and 2001 23-24

Notes to the Supplementary Schedule 25-27

FEDERAL AWARDS - SINGLE AUDIT SECTION

State Auditor's Report: 29-31

MADISON COUNTY, MISSOURI

TABLE OF CONTENTS

Page

FEDERAL AWARDS - SINGLE AUDIT SECTION

Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 30-31

Schedule: 32-40

Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2002 and 2001 33-40

Section I - Summary of Auditor's Results 33

Section II - Financial Statement Findings 34

Number	Description	
02-1.	County Budgets and Financial Records	34
02-2.	Bidding Compliance	37

Section III - Federal Award Findings and Questioned Costs 38

02-3.	Federal Emergency Management Agency Project Bidding	38
02-4.	Schedule of Expenditures of Federal Awards	39

Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 41-43

Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133 44-47

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report - State Auditor's Findings 49-79

1.	County Financial Condition	51
2.	Budgetary Practices and Published Financial Statements	52

MADISON COUNTY, MISSOURI

TABLE OF CONTENTS

Page

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report - State Auditor's Findings

Number	Description	
3.	Officials' Salaries and Payroll Policies	54
4.	Tax Increment Financing Project	58
5.	Disbursement Procedures	59
6.	Contract Procedures	61
7.	Telephone Policies	62
8.	Vehicle Records	63
9.	Property Tax Book Procedures	64
10.	County Collector's Controls and Procedures	66
11.	Sheriff's Commissary Account Controls and Procedures	69
12.	Sheriff's Fee Account Controls and Procedures	73
13.	Prosecuting Attorney's Controls and Procedures	74
14.	Health Center Procedures	77

Follow-Up on Prior Audit Findings 80-92

STATISTICAL SECTION

History, Organization, and Statistical Information 94-97

FINANCIAL SECTION

State Auditor's Reports

CLAIRE C. McCASKILL
Missouri State Auditor

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

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

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

224 State Capitol • Jefferson City, MO 65101

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

In accordance with *Government Auditing Standards*, we also have issued our report dated July 10, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Claire McCaskill
State Auditor

July 10, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Norma Payne
Audit Staff:	A. Dailey
	Kate Petschonek

CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Madison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-1 and 02-2. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Madison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that

224 State Capitol • Jefferson City, MO 65101

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-1 and 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

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

Claire McCaskill
State Auditor

July 10, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

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

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	34,296	1,192,932	1,211,137	16,091
Special Road and Bridge		55,274	1,383,176	1,397,185	41,265
Assessment		4,436	132,303	132,226	4,513
Law Enforcement Training		21,440	6,247	15,590	12,097
Prosecuting Attorney Training		745	998	791	952
911		5,125	179,575	170,546	14,154
Prosecuting Attorney Bad Check		827	8,406	9,187	46
Special Law Enforcement		6,128	116	1,078	5,166
Domestic Violence		6,272	2,154	2,750	5,676
Recorder's User Fees		12,818	11,530	883	23,465
Capital Improvement		62	2,235	0	2,297
Forfeiture		14,619	10,358	10,532	14,445
Health Center		73,874	421,612	478,479	17,007
Circuit Clerk Interest		1,709	594	242	2,061
Associate Circuit Division Interest		66	425	290	201
Madison County Law Enforcement Sales Tax		17,196	491,751	491,754	17,193
Sheriff Commissary		1,332	25,663	25,845	1,150
TIF Project Construction		0	908,500	0	908,500
TIF Debt Service Reserve		0	57,281	0	57,281
TIF Debt Service		0	33,643	26,103	7,540
Tax Maintenance Collector		0	752	0	752
Total	$	256,219	4,870,251	3,974,618	1,151,852

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

Exhibit A-2

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

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	15,315	1,127,946	1,108,965	34,296
Special Road and Bridge		20,272	606,235	571,233	55,274
Assessment		1,346	119,177	116,087	4,436
Law Enforcement Training		19,931	7,588	6,079	21,440
Prosecuting Attorney Training		1,719	1,211	2,185	745
911		11,612	140,380	146,867	5,125
Prosecuting Attorney Bad Check		5,111	6,748	11,032	827
Special Law Enforcement		5,439	689	0	6,128
Domestic Violence		7,055	1,717	2,500	6,272
Recorder's User Fees		9,620	5,692	2,494	12,818
Capital Improvement		26,290	25,349	51,577	62
Forfeiture		9,222	16,060	10,663	14,619
Health Center		76,488	444,659	447,273	73,874
Circuit Clerk Interest		1,432	933	656	1,709
Associate Circuit Division Interest		801	1,241	1,976	66
Madison County Law Enforcement Sales Tax		0	30,046	12,850	17,196
Flood Buy-Out		5,800	20,581	26,381	0
Sheriff Commissary		375	24,367	23,410	1,332
Total	$	217,828	2,580,619	2,542,228	256,219

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

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS $	2,960,589	3,844,412	883,823	2,449,826	2,505,625	55,799
DISBURSEMENTS	3,037,332	3,922,670	(885,338)	2,310,841	2,479,587	(168,746)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(76,743)	(78,258)	(1,515)	138,985	26,038	(112,947)
CASH, JANUARY 1	254,887	254,887	0	211,137	211,653	516
CASH, DECEMBER 31	178,144	176,629	(1,515)	350,122	237,691	(112,431)
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	138,000	107,828	(30,172)	178,700	154,190	(24,510)
Sales taxes	393,449	405,352	11,903	390,703	381,989	(8,714)
Intergovernmental	203,406	310,961	107,555	173,117	186,265	13,148
Charges for services	182,659	194,420	11,761	182,082	200,138	18,056
Reimbursement for Tax Increment Financing cos	0	0	0	0	24,430	24,430
Interest	1,200	1,346	146	1,500	1,246	(254)
Other	67,385	83,296	15,911	108,094	114,336	6,242
Transfers in	19,401	89,729	70,328	29,293	65,352	36,059
Total Receipts	1,005,500	1,192,932	187,432	1,063,489	1,127,946	64,457
DISBURSEMENTS						
County Commission	63,772	65,127	(1,355)	63,402	63,514	(112)
County Clerk	67,396	64,783	2,613	61,787	61,881	(94)
Elections	60,259	53,714	6,545	19,276	28,815	(9,539)
Buildings and grounds	61,708	108,113	(46,405)	53,788	59,851	(6,063)
Employee fringe benefit	96,621	136,059	(39,438)	117,775	146,092	(28,317)
County Treasurer	24,829	23,326	1,503	23,839	23,310	529
County Collector	58,039	55,200	2,839	56,167	55,904	263
Circuit Clerk	25,252	21,985	3,267	21,187	20,311	876
Associate Circuit Court	10,630	9,771	859	10,344	8,035	2,309
Court Administration	3,150	3,150	0	2,119	7,598	(5,479)
Public Administrator	14,027	13,903	124	13,484	13,721	(237)
Sheriff	0	0	0	196,261	227,066	(30,805)
Jail	0	0	0	62,500	63,186	(686)
Prosecuting Attorney	63,906	64,323	(417)	61,402	65,159	(3,757)
Juvenile Officer	0	0	0	44,622	26,000	18,622
County Coroner	20,275	17,516	2,759	16,225	19,107	(2,882)
Tax Increment Financing	0	0	0	0	24,430	(24,430)
Other	114,513	125,243	(10,730)	85,227	80,303	4,924
Debt service	206,000	202,265	3,735	52,740	57,931	(5,191)
Transfers out	77,000	246,659	(169,659)	26,765	56,751	(29,986)
Emergency Fund	30,855	0	30,855	0	0	0
Total Disbursements	998,232	1,211,137	(212,905)	988,910	1,108,965	(120,055)
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,268	(18,205)	(25,473)	74,579	18,981	(55,598)
CASH, JANUARY 1	34,296	34,296	0	15,315	15,315	0
CASH, DECEMBER 31	41,564	16,091	(25,473)	89,894	34,296	(55,598)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	231,500	255,150	23,650	216,600	229,470	12,870
Intergovernmental	337,180	693,221	356,041	353,276	352,938	(338)
Charges for services	12,000	15,595	3,595	7,000	13,570	6,570
Interest	1,200	1,217	17	1,800	1,158	(642)
Loan proceeds	0	283,000	283,000	0	0	0
Other	11,500	14,993	3,493	36,000	9,099	(26,901)
Transfers in	20,000	120,000	100,000	0	0	0
Total Receipts	613,380	1,383,176	769,796	614,676	606,235	(8,441)
DISBURSEMENTS						
Salaries	176,000	192,565	(16,565)	176,000	168,838	7,162
Employee fringe benefit	64,664	65,825	(1,161)	58,050	55,070	2,980
Supplies	101,600	110,644	(9,044)	94,800	91,073	3,727
Insurance	19,000	11,944	7,056	14,000	16,147	(2,147)
Road and bridge materials	93,500	80,031	13,469	112,000	81,040	30,960
Equipment repairs	20,500	23,647	(3,147)	5,000	6,403	(1,403)
Rentals	3,000	0	3,000	8,000	1,068	6,932
Equipment purchases	114,670	137,845	(23,175)	100,180	103,490	(3,310)
Construction, repair, and maintenance	0	556,677	(556,677)	16,295	17,302	(1,007)
Debt service	0	104,633	(104,633)	0	0	0
Other	43,200	25,845	17,355	18,100	12,362	5,738
Transfers out	18,401	87,529	(69,128)	0	18,440	(18,440)
Total Disbursements	654,535	1,397,185	(742,650)	602,425	571,233	31,192
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,155)	(14,009)	27,146	12,251	35,002	22,751
CASH, JANUARY 1	55,274	55,274	0	20,272	20,272	0
CASH, DECEMBER 31	14,119	41,265	27,146	32,523	55,274	22,751
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	97,144	69,482	(27,662)	101,655	96,779	(4,876)
Interest	190	136	(54)	190	191	1
Other	5,490	9,579	4,089	3,715	6,097	2,382
Transfers in	39,586	53,106	13,520	16,110	16,110	0
Total Receipts	142,410	132,303	(10,107)	121,670	119,177	(2,493)
DISBURSEMENTS						
Assessor	141,230	132,226	9,004	118,140	116,087	2,053
Total Disbursements	141,230	132,226	9,004	118,140	116,087	2,053
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,180	77	(1,103)	3,530	3,090	(440)
CASH, JANUARY 1	4,436	4,436	0	1,346	1,346	0
CASH, DECEMBER 31	5,616	4,513	(1,103)	4,876	4,436	(440)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Charges for services	7,000	6,055	(945)	7,000	7,252	252
Interest	350	192	(158)	375	336	(39)
Total Receipts	7,350	6,247	(1,103)	7,375	7,588	213
DISBURSEMENTS						
Sheriff	6,000	15,590	(9,590)	6,000	6,079	(79)
Total Disbursements	6,000	15,590	(9,590)	6,000	6,079	(79)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,350	(9,343)	(10,693)	1,375	1,509	134
CASH, JANUARY 1	21,440	21,440	0	19,931	19,931	0
CASH, DECEMBER 31	22,790	12,097	(10,693)	21,306	21,440	134
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	1,200	990	(210)	1,200	1,184	(16)
Interest	30	8	(22)	48	27	(21)
Total Receipts	1,230	998	(232)	1,248	1,211	(37)
DISBURSEMENTS						
Prosecuting Attorney	1,900	791	1,109	2,000	2,185	(185)
Total Disbursements	1,900	791	1,109	2,000	2,185	(185)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(670)	207	877	(752)	(974)	(222)
CASH, JANUARY 1	745	745	0	1,719	1,719	0
CASH, DECEMBER 31	75	952	877	967	745	(222)
911 FUND						
RECEIPTS						
Charges for services	118,000	117,850	(150)	116,150	117,481	1,331
Interest	150	186	36	600	182	(418)
Other	0	1,039	1,039	0	517	517
Transfers in	48,853	60,500	11,647	0	22,200	22,200
Total Receipts	167,003	179,575	12,572	116,750	140,380	23,630
DISBURSEMENTS						
Salaries	114,948	124,498	(9,550)	44,041	57,926	(13,885)
Office expenditures	45,350	41,113	4,237	45,698	43,366	2,332
Equipment	6,500	2,878	3,622	10,800	4,251	6,549
Mileage and training	1,000	1,057	(57)	1,000	817	183
Other	500	0	500	2,000	5,214	(3,214)
Transfers out	0	1,000	(1,000)	0	35,293	(35,293)
Total Disbursements	168,298	170,546	(2,248)	103,539	146,867	(43,328)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,295)	9,029	10,324	13,211	(6,487)	(19,698)
CASH, JANUARY 1	5,125	5,125	0	11,612	11,612	0
CASH, DECEMBER 31	3,830	14,154	10,324	24,823	5,125	(19,698)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	7,000	8,379	1,379	6,000	6,714	714
Interest	40	27	(13)	15	34	19
Total Receipts	7,040	8,406	1,366	6,015	6,748	733
DISBURSEMENTS						
Prosecuting Attorney	7,000	9,187	(2,187)	2,400	11,032	(8,632)
Total Disbursements	7,000	9,187	(2,187)	2,400	11,032	(8,632)
RECEIPTS OVER (UNDER) DISBURSEMENTS	40	(781)	(821)	3,615	(4,284)	(7,899)
CASH, JANUARY 1	827	827	0	4,423	5,111	688
CASH, DECEMBER 31	867	46	(821)	8,038	827	(7,211)
SPECIAL LAW ENFORCEMENT FUND						
RECEIPTS						
Charges for services	600	50	(550)	1,000	596	(404)
Interest	90	66	(24)	95	93	(2)
Total Receipts	690	116	(574)	1,095	689	(406)
DISBURSEMENTS						
Equipment	5,500	1,078	4,422	1,000	0	1,000
Office expenditures	0	0	0	500	0	500
Total Disbursements	5,500	1,078	4,422	1,500	0	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,810)	(962)	3,848	(405)	689	1,094
CASH, JANUARY 1	6,128	6,128	0	5,439	5,439	0
CASH, DECEMBER 31	1,318	5,166	3,848	5,034	6,128	1,094
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	1,600	2,084	484	1,625	1,599	(26)
Interest	120	70	(50)	0	118	118
Total Receipts	1,720	2,154	434	1,625	1,717	92
DISBURSEMENTS						
Domestic Violence Shelte	3,060	2,750	310	5,060	2,500	2,560
Office expenditures	0	0	0	10	0	10
Total Disbursements	3,060	2,750	310	5,070	2,500	2,570
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,340)	(596)	744	(3,445)	(783)	2,662
CASH, JANUARY 1	6,272	6,272	0	7,055	7,055	0
CASH, DECEMBER 31	4,932	5,676	744	3,610	6,272	2,662

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S USER FEES FUND						
RECEIPTS						
Charges for services	9,830	11,333	1,503	5,600	5,692	92
Interest	0	197	197	0	0	0
Total Receipts	9,830	11,530	1,700	5,600	5,692	92
DISBURSEMENTS						
Ex Officio Recorder of Deed	1,200	883	317	4,610	2,494	2,116
Total Disbursements	1,200	883	317	4,610	2,494	2,116
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,630	10,647	2,017	990	3,198	2,208
CASH, JANUARY 1	12,818	12,818	0	9,620	9,620	0
CASH, DECEMBER 31	21,448	23,465	2,017	10,610	12,818	2,208
CAPITAL IMPROVEMENT FUND						
RECEIPTS						
Sales taxes	0	2,233	2,233	150	376	226
Charges for services	0	0	0	26,925	6,440	(20,485)
Interest	0	2	2	50	93	43
Transfer in	0	0	0	0	18,440	18,440
Total Receipts	0	2,235	2,235	27,125	25,349	(1,776)
DISBURSEMENTS						
Debt service	0	0	0	26,725	51,577	(24,852)
Total Disbursements	0	0	0	26,725	51,577	(24,852)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,235	2,235	400	(26,228)	(26,628)
CASH, JANUARY 1	62	62	0	26,290	26,290	0
CASH, DECEMBER 31	62	2,297	2,235	26,690	62	(26,628)
FORFEITURE FUND						
RECEIPTS						
Intergovernmental	0	10,200	10,200	8,000	15,863	7,863
Interest	100	158	58	120	197	77
Total Receipts	100	10,358	10,258	8,120	16,060	7,940
DISBURSEMENTS						
Operating expenses	0	10,532	(10,532)	250	5,663	(5,413)
Transfer out	0	0	0	0	5,000	(5,000)
Total Disbursements	0	10,532	(10,532)	250	10,663	(10,413)
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	(174)	(274)	7,870	5,397	(2,473)
CASH, JANUARY 1	14,619	14,619	0	9,222	9,222	0
CASH, DECEMBER 31	14,719	14,445	(274)	17,092	14,619	(2,473)

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	71,485	85,427	13,942	71,059	80,665	9,606
Intergovernmental	429,715	270,681	(159,034)	331,599	289,474	(42,125)
Charges for services	2,398	1,588	(810)	750	768	18
Interest	3,785	1,987	(1,798)	1,125	4,171	3,046
Other	51,905	61,929	10,024	64,965	69,581	4,616
Transfers in	0	0	0	3,540	0	(3,540)
Total Receipts	559,288	421,612	(137,676)	473,038	444,659	(28,379)
DISBURSEMENTS						
Salaries	455,345	394,793	60,552	347,298	350,148	(2,850)
Office expenditures	30,465	35,476	(5,011)	37,505	43,132	(5,627)
Equipment	2,425	2,331	94	8,790	8,343	447
Mileage and training	17,000	16,248	752	14,650	14,666	(16)
Building	10,000	9,712	288	1,500	1,304	196
Insurance	2,620	2,574	46	3,220	2,574	646
Utilities	9,600	9,201	399	11,505	9,779	1,726
Contract services	28,700	6,766	21,934	15,313	14,238	1,075
Building project	52,744	0	52,744	0	0	0
Other	2,000	1,378	622	6,102	3,089	3,013
Total Disbursements	610,899	478,479	132,420	445,883	447,273	(1,390)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(51,611)	(56,867)	(5,256)	27,155	(2,614)	(29,769)
CASH, JANUARY 1	73,874	73,874	0	76,488	76,488	0
CASH, DECEMBER 31	22,263	17,007	(5,256)	103,643	73,874	(29,769)
CIRCUIT CLERK INTEREST FUND						
RECEIPTS						
Interest	1,000	594	(406)	1,000	933	(67)
Total Receipts	1,000	594	(406)	1,000	933	(67)
DISBURSEMENTS						
Office expenditures	1,000	242	758	2,000	656	1,344
Total Disbursements	1,000	242	758	2,000	656	1,344
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	352	352	(1,000)	277	1,277
CASH, JANUARY 1	1,709	1,709	0	1,432	1,432	0
CASH, DECEMBER 31	1,709	2,061	352	432	1,709	1,277

Exhibit B

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

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ASSOCIATE CIRCUIT DIVISION INTEREST FUND						
RECEIPTS						
Interest	600	425	(175)	1,000	1,241	241
Total Receipts	600	425	(175)	1,000	1,241	241
DISBURSEMENTS						
Equipment	600	0	600	789	1,018	(229)
Office expenditures	0	290	(290)	600	958	(358)
Total Disbursements	600	290	310	1,389	1,976	(587)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	135	135	(389)	(735)	(346)
CASH, JANUARY 1	66	66	0	973	801	(172)
CASH, DECEMBER 31	66	201	135	584	66	(518)
MADISON COUNTY LAW ENFORCEMENT SALES TAX FUND						
RECEIPTS						
Sales taxes	393,448	400,230	6,782			
Intergovernmental	35,000	30,517	(4,483)			
Interest	0	506	506			
Loan Proceeds	0	47,000	47,000			
Other	0	445	445			
Transfers in	15,000	13,053	(1,947)			
Total Receipts	443,448	491,751	48,303			
DISBURSEMENTS						
Salaries	255,607	250,743	4,864			
Office expenditures	13,900	12,345	1,555			
Repairs and equipment	30,500	41,956	(11,456)			
Mileage and training	0	1,288	(1,288)			
Prisoner expense	15,810	16,754	(944)			
Debt service	26,494	74,940	(48,446)			
Jail	39,000	38,161	839			
Juvenile	44,622	41,920	2,702			
Grant expenses	10,745	12,447	(1,702)			
Transfers out	1,200	1,200	0			
Total Disbursements	437,878	491,754	(53,876)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,570	(3)	(5,573)			
CASH, JANUARY 1	17,196	17,196	0			
CASH, DECEMBER 31	22,766	17,193	(5,573)			

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

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

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

Fund	Years Ended December 31,
Sheriff Commissary Fund	2002 and 2001
Madison County Law Enforcement Sales Tax Fund	2001
Flood Buy-Out Fund	2001
TIF Project Construction Fund	2002
TIF Debt Service Reserve Fund	2002
TIF Debt Service Fund	2002
Tax Maintenance Collector Fund	2002

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

Fund	Years Ended December 31,
General Revenue Fund	2002 and 2001
911 Fund	2002 and 2001
Law Enforcement Training Fund	2002 and 2001
Prosecuting Attorney Bad Check Fund	2002 and 2001
Forfeiture Fund	2002 and 2001
Special Road and Bridge Fund	2002
Madison County Law Enforcement Sales Tax Fund	2002
Prosecuting Attorney Training Fund	2001
Capital Improvement Fund	2001
Health Center Fund	2001
Associate Circuit Division Interest Fund	2001

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

D. Published Financial Statements

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

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

Fund	Years Ended December 31,
Sheriff Commissary Fund	2002 and 2001
TIF Project Construction Fund	2002
TIF Debt Service Reserve Fund	2002
TIF Debt Service Fund	2002
Tax Maintenance Collector Fund	2002

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's and the Health Center Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depositary insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

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

Investments

The various funds' investments are composed of the following:

		December 31, 2002	
		Reported Amount	Fair Value
U.S. Treasury Bill	$	908,176	908,326
Fidelity U.S. Treasury Money Market Fund		7,863	7,863
Total	$	916,039	916,189

Of the reported amount at December 31, 2002, $908,176 represents investments that were insured or registered or for which the securities were held by the county's custodial bank in the county's name; $7,863 represents investments in a Fidelity U.S. Treasury Money Market Fund. State law does not authorize the investment of county monies in money market funds.

Supplementary Schedule

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2002	2001
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state			
	Department of Health and Senior Services			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-3162W	47,424	0
		ERS045-2162	0	52,701
	Program Total		47,424	52,701
	Office of Administration			
10.665	Schools and Roads - Grants to State	N/A	89,040	123,520
	Direct programs:			
16.unknown	Equitable Sharing of Seized and Forfeited Propert	N/A	0	8,640
	Passed through:			
	Missouri Sheriff's Meth-Amphetamine Relief Tea			
16.580	Edward Byme Memorial State and Local Law Enforcemer Assistance Discretionary Grants Progran	N/A	37,973	24,535
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Progran	N/A	1,920	1,035
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commissior			
20.205	Highway Planning and Constructior	BRO-062(6)	0	13,036
20.513	Capital Assistance Program for Elderly Persons an Persons with Disabilities	MO-16-0034	0	3,024
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Propert	N/A	11,649	0
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety			
83.544	Public Assistance Grants	FEMA-1412-DR-MO	563,974	0
83.548	Unmet Needs	FEMA-1270-DR-MO	0	19,762

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31, 2002	2001
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.161	Health Program for Toxic Substances and Disease Registr	AOC03380126	0	101,581
		AOC02380065	48,508	0
	Program Total		48,508	101,581
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Level in Children	ERS146-2162L	0	46
93.268	Immunization Grants	PGA0643162A	4,104	0
		N/A	39,397	27,349
	Program Total		43,501	27,349
	Department of Social Services -			
93.563	Child Support Enforcemen	N/A	2,442	3,256
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-3162S	3,393	0
		PGA067-2162C	0	3,000
	Program Total		3,393	3,000
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-3162M	16,552	0
		ERS146-2162M	0	16,508
		DH020027043	2,003	3,013
		C100074001	0	5,000
		N/A	0	2,680
	Program Total		18,555	27,201
	Total Expenditures of Federal Awards		$ 868,379	408,686

N/A - Not applicable

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

Notes to the Supplementary Schedule

MADISON 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 Madison County, Missouri.

B. Basis of Presentation

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

> *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .
>
> *Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

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

C. Basis of Accounting

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

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

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

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2002 and 2001.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report

CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Madison County, Missouri

Compliance

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

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

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

224 State Capitol • Jefferson City, MO 65101

Truman State Office Building, Room 880 • Jefferson City, MO 65101 • (573) 751-4213 • FAX (573) 751-7984

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-3 and 02-4.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-3 and 02-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

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

Claire McCaskill
State Auditor

July 10, 2003 (fieldwork completion date)

Schedule

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	__x___ no
Reportable conditions identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Noncompliance material to the financial statements noted?	__x__ yes	_____ no

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____ yes	__x___ no
Reportable conditions identified that are not considered to be material weaknesses?	__x__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
83.544	Public Assistance Grants
93.161	Health Program for Toxic Substances and Disease Registry

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 the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1.	**County Budgets and Financial Records**

Problems with county budgetary practices have been noted in the past several audit reports and county officials indicated their intent to implement reported recommendations where possible. However, little or no improvement has been made and similar budgetary problems still existed during the current audit. The budget documents prepared by the county for the years ended December 31, 2002 and 2001, contained numerous inaccuracies and deficiencies. As a result, the County Commission did not have sufficient information to make informed decisions for the county and did not provide the citizens of Madison County with reliable information about the county's finances. In addition, due to lack of oversight by the County Commission and County Clerk, budget amendments were not submitted for all funds and many funds were overspent.

A. The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activity of the county. In numerous instances, we noted that the actual receipts and disbursement amounts were not correctly reported, and did not agree with the records maintained by the County Treasurer. Errors included incorrect amounts being reported and inconsistent and erroneous classifications of receipts, disbursements, and transfers. The County Clerk reconciles total receipts and disbursements to the County Treasurer's records on a monthly basis. However, it appears that when the budget documents were prepared, the actual reconciled amounts for the General Revenue Fund and the Madison County Law Enforcement Sales Tax Fund were not used. Actual disbursements related to law enforcement disbursements made from the General Revenue Fund were shown as disbursements from the Madison County Law Enforcement Sales Tax Fund to show as comparison to the 2002 budgeted amounts. However, as a result, the General Fund appeared to be under budget when, in fact, it was not. Actual disbursements were under or overstated by the county at December 31, 2001, by the following amounts:

Fund		Actual per Budget	Actual per Audit	Difference
General Revenue	$	762,760	1,108,965	346,205
Madison County Law Enforcement Sales Tax		297,100	12,850	(284,250)

In addition, transfers between funds of $336,388 and $122,103 in 2002 and 2001, respectively, were misclassified as debt service payments or other miscellaneous disbursements and had to be reclassified.

The county's budgets should include accurate financial information and classifications of receipts and disbursements to ensure the county's financial information is properly presented and to increase the effectiveness of the budgets as management tools.

B. The County Commission approved disbursements in excess of budgeted amounts for various funds during the years ending December 31, 2002 and 2001. Budget amendments were not submitted for the disaster relief monies received in the Special Road and Bridge Fund in 2002. In addition, there was no evidence that the County Commission and County Clerk monitored disbursements adequately to ensure actual disbursements did not exceed budgeted amounts. Although the County Treasurer provided the County Commission and County Clerk with quarterly budget to actual amounts for various line items for the General Revenue, Special Road and Bridge, and Madison County Law Enforcement Sales Tax funds, no action was taken to prevent overspending. In addition, reports are not prepared for the other funds and the amount overbudget in total for the fund is not reported. According to disbursement records, the General Revenue Fund and the Special Road and Bridge Fund exceeded the budgeted amount by the end of the third quarter in 2002.

Actual expenditures exceeded budgeted amount in the following funds:

Fund		Year Ending December 31, 2002	2001
General Revenue	$	212,905	120,055
Special Road and Bridge		742,650	N/A
Law Enforcement Training		9,590	79
Prosecuting Attorney Training		N/A	185
911		2,248	43,328
Prosecuting Attorney Bad Check		2,187	8,632
Capital Improvement		N/A	24,852
Forfeiture		10,532	10,413
Health Center		N/A	1,390
Associate Circuit Interest		N/A	587
Madison County Law Enforcement Sales Tax		53,876	N/A

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

To allow the budgets to be used as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures, valid reasons which necessitate excess disbursements should be provided to support amendments, and public hearings should be held prior to the adoption of all budget amendments.

WE AGAIN RECOMMEND the County Commission:

A. And the County Clerk ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the county budget documents.

B. And the Health Center Board not authorize warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, or unexpected revenues are received, the original budget should be formally amended and filed with the State Auditor's Office.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

A. The County Clerk will try to implement this recommendation with the next budget to actual statements.

B. The County Commission will review the quarterly reports and amend the budget as necessary. This will be implemented with the next quarterly report. The Health Center Board has already implemented this recommendation.

02-2.	**Bidding Compliance**

Bids were not solicited or advertised by the county nor was bid documentation retained for various purchases. The county failed to obtain bids for several purchases made during the years ended December 31, 2002 and 2001.

Items or Services	Cost
Gravel hauling/road repair	$ 486,218
Black top/oil	105,911
Used road grader	20,000
Used dump truck	12,500
Road equipment rental	11,200
Air conditioning unit	9,000
Signs and sign post	5,125

The County Commission did not believe that the gravel hauling, road repair, and blacktopping disbursements reimbursed by the Federal Emergency Management Agency were required to follow the regular bidding process. In addition, the payments for the signs and sign posts were divided so that the individual payments did not exceed the $4,500 bid purchase requirement amount.

Section 50.660, RSMo 2000, requires the advertisement of bids for all purchases of $4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

This condition was noted in our prior two audit reports.

WE AGAIN RECOMMEND the County Commission solicit bids for purchases in accordance with state law and retain documentation of these bids and the justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated that they had received price quotes on these purchases. However, documentation of this was not maintained. The Commission is currently trying to better document all purchases and bidding.

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.

02-3. Federal Emergency Management Agency Project Bidding

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.544
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	FEMA-1412-DR-MO
Award Year:	2002
Questioned Costs:	N/A

The county received federal dollars through the state Department of Public Safety to help recover from storm damage. As a part of the projects, the county hired several companies to help in rebuilding various county roads. As discussed in finding number 02-2, this work was not bid in accordance with Section 50.660, RSMo 2000. The county indicated that they were not aware that the disbursements related to the storm damages were required to be bid.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in Part I of the Compliance Supplement, requires that states, and government recipients of states, use the same policies and procedures used for procurements of non-federal funds. As a result, the procurement of these services should comply with Section 50,660, RSMo 2000, which requires the advertisement of bids for all purchases of $4,500 or more, from any one person, firm, or corporation during any period of ninety days.

WE RECOMMEND, for future projects, the County Commission should solicit bids for purchases in accordance with state law and retain documentation of these bids and the justification for bid awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will ensure compliance with the bid laws in future projects.

02-4.	**Schedule of Expenditures of Federal Awards**

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.544
Program Title:	Public Assistance Grants
Pass-Through Entity Identifying Number:	FEMA-1412-DR-MO
Award Year:	2002
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:	93.161
Program Title:	Health Program for Toxic Substances and Disease Registry
Pass-Through Entity Identifying Number:	AOC03380126
Award Year:	2002 and 2001
Questioned Costs:	Not applicable

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

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 2002 and 2001, the county's SEFA included amounts totaling $220,653 that were not federal awards. In addition, expenditures relating to several federal grants were reported incorrectly or not included on the schedules. For the years ended December 31, 2002 and 2001, the county's SEFA did not include federal awards totaling $94,836. Misclassifications totaled $665,555 during the two years 2002 and 2001. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Although the County Clerk has indicated in prior audits that she would try to comply, little or no improvement has been noted.

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

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

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will try to develop a system to track federal awards and prepare a more accurate schedule for the 2003 federal expenditures.

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

MADISON 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 Madison County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2000.

00-1. Indebtedness

The county's General Revenue Fund had tax anticipation notes payable and other debt totaling $294,180 and $224,958 at December 31, 2000 and 1999, respectively. The General Revenue Fund debt had increased yearly due to the county renewing or consolidating the tax anticipation notes. The county's Special Road and Bridge Fund had lease purchase agreements and other bank loans totaling $200,125 and $181,231 at December 31, 2000 and 1999, respectively. The Special Road and Bridge Fund debt had increased yearly due to the county buying equipment. The debt balances of the General Revenue Fund and the Special Road and Bridge Fund significantly exceeded the income and revenue less expenditures that were budgeted for other purposes plus any unencumbered balances from previous years.

Recommendation:

The County Commission ensure the county's indebtedness is in compliance with the statutes and the constitution.

Status:

Partially implemented. It appears the county is in compliance with statutes and the constitution regarding debt limitations; however, the county's financial condition is still in need of improvement. See MAR No. 1.

00-2. County Sales Tax

The county had not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Madison County voters under the provisions of Section 67.505, RSMo 2000. The county calculated the sales tax rollback but did not rollback the property tax levy due to the county's poor financial condition.

The county's net excess property tax revenues collected as of December 31, 2000, were $49,268.

Recommendation:

The County Commission ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

Status:

Implemented. During 2002 and 2001, the county reduced property tax levies to nine cents. The majority of the reduction was for the sales tax rollback; however, according to the County Clerk, the county also voluntarily rolled back the tax rate due to the passage of the law enforcement sales tax. However, this is not indicated on the county's tax rate certification.

00-3. Budgetary Practices

Warrants were issued in excess of approved budgeted expenditures for several county funds and the Health Center Fund during the two years ended December 31, 2000.

Recommendation:

The County Commission and the Health Center not authorize warrants in excess of budgeted expenditures.

Status:

Not implemented. See finding number 02-1.

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

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

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

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

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

00-4. Highway Planning and Construction

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-062(5) and BRO-062(6)
Award Year:	2000 and 1999
Questioned Costs:	$27,735

The county incurred engineering costs of $34,669 for projects BRO-062(5) and BRO-062 (6) during the two years ended December 31, 2000. The engineering firm was not selected in compliance with state statutes. As a result, we have questioned costs of $27,735 which is the federal share of the engineering costs paid during the audit period.

Recommendation:

The County Commission resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.

Status:

Partially implemented. The County Commission did not enter into any new engineering agreements during our audit period. However, the questioned costs have not been resolved with the grantor agency.

00-5. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-062(5)(6)
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.548
Program Title:	Hazard Mitigation Grant
Pass-Through Entity Identifying Number:	FEMA-1270-DR-MO
Award Year:	2000 and 1999
Questioned Costs:	Not applicable

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.unknown
Program Title:	Unmet Needs
Pass-Through Entity Identifying Number:	FEMA-1270-DR-MO
Award Year:	2000
Questioned Costs:	Not applicable

The county did not have a procedure to adequately track federal awards for the preparation of the SEFA. As a result, the county over reported expenditures on its SEFA schedule by approximately $3,000 and $46,000, for 2000 and 1999, respectively.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 02-4.

.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 10, 2003. We also have audited the compliance of Madison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 10, 2003.

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

1. Determine the internal controls established over the transactions of the various county officials.

2. Review and evaluate certain other management practices for efficiency and effectiveness.

3. Review certain management practices and financial information for compliance with applicable legal provisions.

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

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

Because the Madison County Memorial Hospital Board and the Madison County Developmentally Disabled Board are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Madison County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Financial Condition

As similarly noted in prior audit reports, the financial condition of the county remains weak. The cash balances of the General Revenue, Special Road and Bridge, and the Madison County Law Enforcement Sales Tax (LEST) Funds all decreased from December 31, 2001 to December 31, 2002.

The half-cent law enforcement sales tax approved by voters in 2001 generated receipts of approximately $400,000 for the LEST Fund in 2002 which allowed the majority of the law enforcement expenses to be moved to the LEST Fund. However, property tax collections decreased approximately $50,000 because the county also voluntarily rolled back its general property tax rate as promised when campaigning for the sales tax.

The following shows the ending cash balances and liabilities at December 31, 2002, for the General Revenue Fund, the Special Road and Bridge Fund, and the LEST Fund:

	Cash Balance	Total Liabilities
General Fund	$ 16,094	100,000
Special Road and Bridge Fund	41,265	233,507
LEST Fund	17,193	92,562

Of the total Special Road and Bridge Fund debt at December 31, 2002, $150,000 was for expenses related to storm damage. These costs were reimbursed by the state in early 2003. Although the county has not had to borrow by use of tax anticipation notes or interfund borrowing in 2002, the county continues to borrow to lease-purchase land and equipment. In addition, although the debt balances are less than the projected cash balance at December 31, 2003, the county has budgeted to repay only a portion of these amounts in 2003.

The County Commission should review disbursements and reduce discretionary amounts as much as possible. In addition, the County Commission should review budgetary and accounting controls and attempt to maximize all revenues. Several factors contributed to the weak financial condition:

A. The county issued warrants in excess of its budgeted disbursements in the General Revenue Fund, the Special Road and Bridge Fund, and the LEST Fund, as noted in finding 02-1. In addition, the county disbursements exceeded receipts in 2002 in the General Revenue Fund and the Special Road and Bridge Fund.

B. The County Commission did not solicit bids for major purchases, as noted in finding 02-2. Considering the financial condition of the funds, all county officials should be using extreme diligence when directing the use of county resources.

C. The County is currently involved in legal action with the State Tax Commission concerning assessed valuations in the county. As a result, the county has not been receiving reimbursements from the state for assessment disbursements and the General Revenue Fund is paying these costs. During 2002, the county paid $53,106 for assessment costs from the General Revenue Fund.

WE AGAIN RECOMMEND the County Commission continue to take the necessary steps to improve the financial condition of the county.

AUDITEE'S RESPONSE

The County Commission believes that the county's financial condition has significantly improved. The real estate lease/purchase was the only General Revenue Fund debt at the end of 2002. There are no longer any outstanding tax anticipation notes. They believe they have done all they can do, and believe the county has turned around.

2. Budgetary Practices and Published Financial Statements

The county did not comply with Chapter 50, RSMo 2000, regarding various budget and financial reporting requirements.

A. Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001. Five of these funds, including the TIF funds, were new funds. The Flood Buy-Out Fund was not budgeted as it was almost completed and only a few disbursements were made in 2001, and the County Commission and County Clerk were unaware of the Sheriff Commissary Fund. Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all funds, the County Commission can evaluate all county financial resources more effectively.

B. The county did not budget emergency expenditures for the year ended December 31, 2001. The County Commission and County Clerk indicated that the county did not have sufficient resources to budget the required three percent for emergency situations and doing so would have resulted in a deficit budget. Section 50.540,

RSMo 2000, requires at least three percent of anticipated General Revenue Fund revenues be budgeted for emergency situations.

C. The annual published financial statements did not agree to the actual amounts presented in the budget statements prepared by the county for the General Revenue and LEST funds. (See finding number 02-1.) In 2001 the differences in receipts and disbursements resulted in differences in the ending fund balances for both funds.

		Published Cash Balance	Cash Balance in Budget Document	Difference
General Revenue	$	34,296	380,472	346,176
LEST		17,196	(305,479)	(288,283)

In addition, the published financial statements did not include the financial activity of the Sheriff Commissary Fund, the various TIF funds, and the Tax Maintenance Collector Fund, as required. The County Clerk indicated she was not aware of the Sheriff Commissary Fund and the other funds were new in 2002. Also, disbursements were not listed by vendor for the funds presented. Section 50.800, RSMo 2000, provides that the financial statements show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. The statute also requires detail lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the county's financial activities, all information required by law should be included.

Conditions similar to these were noted in our prior two audit reports. Although the County Commission stated they agreed with our prior recommendations, corrective action has not been taken.

WE AGAIN RECOMMEND the County Commission:

A. Ensure budgets are prepared for all funds.

B. Ensure emergency funds are budgeted in the General Revenue Fund.

C. Ensure financial information for all county funds is properly reported in the annual published financial statements and disbursements are listed by vendor.

AUDITEE'S RESPONSE

A. The County Commission and County Clerk will prepare budgets for all funds for 2004.

B. The County Commission did not have the money to budget the three percent emergency funds in 2001. The County Commission did budget for the three percent reserve for the past two budget years.

C. The County Clerk will try to ensure that the published financial statements and the budget/actual numbers agree and are correct. All funds will be included and the county will consult with their computer programmer to determine if disbursement information by vender can be presented.

3. Officials' Salaries and Payroll Policies

We noted concerns regarding the Associate Commissioners' and County Treasurer's salaries. Also, concerns were noted regarding the pay of the Prosecuting Attorney's secretary and the Sheriff's deputies. Leave records are not properly maintained and the county does not have a comprehensive employee manual.

A. The county has not taken action on mid-term salary increases given to the associate county commissioners in 1997.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that challenged the validity of Section 50.333.13, RSMo. This section of law allowed salary commissions in 1997 to provide mid-term salary increases for associate commissioners elected in 1996. The Supreme Court held that this section of law violated Article VII, Section 13, of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment.

As noted in the prior report, the 1997 salary commission voted to give the associate commissioners the mid-term increase. The County Commission indicated that an opinion letter was requested from the Prosecuting Attorney. However, there is no documented written request or response.

In light of the Supreme Court ruling, raises given to officials within their term of office should be re-evaluated for propriety. Any legal opinions should be documented.

B. The County Treasurer's salary was increased $7,514 annually, effective with the start of her new term of office on January 1, 2003. A salary commission meeting held in July 2002 approved this increase.

House Bill 2137, effective August 28, 2002, provided for an increase in the compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission **may** authorize the use of the alternative salary schedule. However, Section 50.333, RSMo 2000, appears to authorize salary commissions to meet only in odd-numbered years. Although the Prosecuting Attorney indicated he verbally approved the meeting, there was no written documentation supporting whether the meeting complied with Section 50.333, RSMo 2000.

As a result, without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer is in accordance with state law.

C. In addition to her regular county salary the Prosecuting Attorney's secretary received additional compensation from the county for the years ended December 31, 2002 and 2001, as noted below.

		2002	2001
Regular County Salary	$	15,065	8,577
Bad Check Fund		9,188	10,270
IV-D receipts		650	7,800
Total County Compensation	$	24,903	26,647

The payments made from the Prosecuting Attorney Bad Check Fund and the IV-D receipts were not processed through the normal county payroll records and procedures, and $13,720 of the payments were actually made payable to the Prosecuting Attorney who in turn endorsed the checks and gave them to the secretary. These payments were supposedly for time spent related to child support enforcement activities and processing bad checks; however, the county and Prosecuting Attorney do not require the secretary to prepare timesheets to support her county salary or this additional pay. In addition, the secretary is employed and earns additional compensation as the secretary for the Prosecuting Attorney's private practice. Also, because the additional payments were not processed through the normal county payroll records and procedures, they were not subject to the proper withholdings and were not reported on the employee's W-2 forms.

To ensure compliance with the Fair Labor Standards Act (FLSA) and ensure the propriety of payments made, time worked should be properly recorded on monthly timesheets and paid through the regular county payroll process. In addition, the Internal Revenue code requires employers to report all wages on W-2 forms. This condition was noted in our previous two reports and the Prosecuting Attorney indicated he would request the county to pay the secretary through the payroll system.

D. Instead of receiving overtime pay, sheriff's deputies serving as guards in the transportation of prisoners during off duty hours, are paid the per diem and mileage fees established by Section 57.290, RSMo 2000. In addition to $8 and $6 per diems, the transporter and each guard receive fees of 25 cents per mile. The Sheriff indicated he believed these payments were allowable and equitable for the services rendered.

Because these payments are not processed through the normal county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 forms. In addition, the hours spent in transporting prisoners are not included on timesheets. Our review indicated that $16,504 was paid to deputies for guard fees during the two years ended December 31, 2002.

The FLSA requires employers to keep accurate records of actual time worked by employees including compensatory time earned, taken, or paid. It also requires that all covered employees working overtime are entitled to time and one-half in wages or in compensatory time.

Any full-time county employee serving as a guard should be compensated under normal county payroll procedures, documenting hours worked and any overtime incurred. In addition, all compensation should be reported on the employees' W-2 forms. This condition was noted in our prior report.

E. Records are not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees. The County Clerk indicated these records are maintained by each individual office but our review noted that some offices, including the Collector, Assessor, and Prosecuting Attorney, are not maintaining these records. The various officials believed these records were maintained by the County Clerk. Accurate records of leave and compensatory time are necessary to ensure compliance with the FLSA and to ensure employees are properly compensated for accumulated leave. In addition, without accurate leave records, the county can not quickly and easily determine the amount of leave that is due an employee upon termination of employment, and the accrued liability of the county for the employees' earned leave. When an employee terminates employment, the County Clerk must go through all of the employee's timesheets and determine the leave hours earned and used for the past year. This condition was noted in our three previous reports and although the County Commission indicated they would implement this recommendation in our 1998 report, nothing has been done.

F. The county does not have a comprehensive employee manual. Such a manual should detail personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees. Because the county does not have a policy on the payment of sick leave upon termination, the county has not been consistent in paying this leave. The County Commission apparently did not recognize the importance of such a manual.

A comprehensive employee manual can benefit both county officials and employees by providing a basic understanding between management and employees regarding each other's rights and responsibilities. It can also help ensure that management's policies are fairly and consistently applied to all county employees. The County Commission has not established formal written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned responsibilities.

G. Timesheets completed by the 911 supervisor and the road and bridge supervisor did not include documentation of supervisory approval. The County Clerk and County Commission did not think approval was necessary for supervisory positions. Supervisory approval is necessary to ensure time reported was actually worked.

WE RECOMMEND the County Commission:

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

B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

C. And the Prosecuting Attorney ensure all salary payments are supported by timesheets showing actual time worked, are subject to payroll withholdings, and are reported on W-2 forms.

D. And the Sheriff review this situation. Deputies who serve as guards should be paid their normal salary for the amount of time spent and all payments should be included on W-2 forms.

E. Require records be maintained by the County Clerk's office of vacation, sick, and compensatory leave earned, used, and accumulated.

F. Establish written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned duties.

G. Require all timesheets include supervisory approval.

AUDITEE'S RESPONSE

A. The County Commission verbally discussed the salary increases with the Prosecuting Attorney in a commission meeting, but did not receive a written legal opinion. They will again request a written legal opinion within the next thirty days.

B. The County Commission will seek a written legal opinion from the Prosecuting Attorney within the next thirty days.

C. The County Commission will request a time sheet for the next pay period, and will start processing the checks through the regular payroll process. The Prosecuting Attorney indicated he would require the secretary to prepare a timesheet.

D. The time spent by deputies transporting prisoners will be compensated through the regular payroll process. The Sheriff indicated that to avoid overtime, he will restrict the use of full-time employees and will try to budget for the guard duty wages in the next budget.

E. The County Commission will require the County Clerk to maintain these records beginning in 2004.

F. This has been implemented. The county now has an employee manual that addresses these issues.

G. This has been implemented. The supervisors' timesheets are now approved by one of the commissioners.

4. Tax Increment Financing Project

In July 2001, the Madison County Commission established a Tax Increment Financing District (TIF) northwest of the city of Fredericktown to try to stimulate business growth. In December 2002, the county sold revenue bonds totaling $1,035,000 to finance the TIF project. We noted several concerns regarding the TIF including the bonds were not sold competitively, the county did not competitively seek proposals for various bond services, and some of the TIF monies were not properly invested.

A. The County Commission sold the bonds through a negotiated, instead of a competitive sale, and did not seek open bids assuring the most competitive rate of return for the taxpayers.

Historically, negotiated bond sales result in increased interest costs. As a result of the negotiated sale, taxpayers may have more debt to pay for less services. While Missouri law does not require competitive bond sales, the historically lower interest costs on competitive sales suggest such sales may be in the best interest of the county.

B. The County Commission did not competitively select the bond underwriter, legal counsel, or the servicing bank. In addition, the county did not seek the advice of an independent financial advisor to represent the county's interests in the bond transaction. Competitive requests for proposals are necessary to provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best firm. A competitive selection process ensures all interested parties are given an equal opportunity to participate in county business. In addition, Section 50.660, RSMo 2000, requires the advertisement of bids for all purchases of $4,500 or more, from any one person, firm, or corporation during any 90 day period.

C. Some of the TIF monies are not properly invested. At December 31, 2002, the county had $7,863 in a money market fund. The County Commission relied on the advice of their bank when investing these monies. Investments of local public funds are limited to insured or collateralized banking deposits or direct investments in government securities that can be held to maturity.

WE RECOMMEND the County Commission:

A. Pursue fair and open competition in any future bond sales.

B. Request competitive proposals for all services related to bond issuances.

C. Invest funds only in allowable investments.

AUDITEE'S RESPONSE

A&B. The County Commission will seek competitive bond sales and proposals for all future bond transactions.

C. The County Commission will speak with the Southeast Regional Planning Commission representative and will correct this within the next thirty days.

5. Disbursement Procedures

Several problems were noted regarding disbursements including payments made without supporting documentation and invoices not marked as paid or with acknowledgment of receipt of goods or services.

A. The county processed some payments to vendors without proper supporting documentation. We noted payments totaling $16,162 that did not have original invoices or receipts.

Blacktopping county road	$ 5,000
Sheriff's department equipment	4,500
Computer and supplies	3,272
Travel expenses	2,079
Prisoner food purchases	1,311

The Prosecuting Attorney, Sheriff and 911 employee submitted only a memo requesting payment for travel related expenses; however, the original invoices supporting the amounts claimed were not submitted. In addition, some reimbursed travel expenses paid to the Prosecuting Attorney appeared questionable or personal in nature. On two separate occasions, the Prosecuting Attorney requested reimbursement for lodging while attending training at the Lake of the Ozarks. The dates stated on his reimbursement request indicated that the Prosecuting Attorney attended training on January 14-15 and April 10-12, 2001. According to the Missouri Office of Prosecution Services, the conference dates were January 12 and April 12-13, 2001, respectively. There was no documentation explaining these inconsistencies.

To ensure the validity and propriety of the disbursements, adequate documentation should be required and obtained.

B. Invoices were not always noted as paid or otherwise canceled upon payment. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled. To ensure against duplicate payment of bills, invoices should be marked paid when a check has been issued by the county.

C. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services. Some examples are groceries for the county jail, signs and posts, and gravel hauling services. To ensure that payments are valid and for goods or services actually received, evidence of receipt of goods or services should be noted.

Similar conditions were noted in our prior four reports and, although the County Commission indicated they would implement the recommendations, this has not occurred. The County Clerk indicated she believes she must pay out the money upon the request of the various officials even if the documentation is inadequate.

WE AGAIN RECOMMEND the County Commission:

A. Ensure all payments are supported by an invoice documenting the purchase.

B. Ensure invoices are properly canceled upon payment.

C. Ensure all invoices contain an indication of receipt of goods or services.

AUDITEE'S RESPONSE

A. This has been implemented. The County Commission is now requiring invoices for all payments.

B. This has been implemented. The County Clerk and Commission indicated that invoices are now cancelled upon payment.

C. This has been implemented. The County Commission is now requiring that all invoices be reviewed and approved by the office holders prior to payment.

6. Contract Procedures

The county does not always enter into written signed contracts defining services to be provided and benefits to be received

A. The county did not have written agreements for the following items:

Service		Amount Received	Amount Paid
Prisoner boarding	$	222,455	N/A
Dispatch services		107,021	N/A
TIF project services		N/A	26,103
Law enforcement office rent		22,000	N/A
Attorney fees		N/A	10,181
Computer services		N/A	8,520

B. The Prosecuting Attorney maintains an office outside the courthouse, which is used for both county business and his private practice. Although there is a written agreement between the Prosecuting Attorney and the county, it is not signed by either party.

The contract states the county is to pay up to $435 per month for rent, copies, and phone charges; however, the contract does not detail the exact charges for each service. During 2002 and 2001, a total of $10,192 was paid to the Prosecuting Attorney for these services. The county did not prepare an IRS Form 1099-MISC information for these payments.

In addition, the contract did not outline what would be provided by the Prosecuting Attorney's private practice. Since county resources should be used only for county business and to ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for allocation of resources between county and private use. There needs to be a clear distinction between county and private practice resources

and work effort to avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

Written contracts are necessary to document the rights and responsibilities of both parties. Section 432.070, RSMo 2000, states all contracts entered into by the county shall be in writing and signed by each of the parties. Disbursements under contractual agreements should be monitored to ensure the reasonableness and propriety of expenditures, and compliance with contractual terms. Although the importance of such contracts and written agreements was included in our two prior audit reports and the County Commission indicated that they would enter into contracts for all services, this recommendation has not been implemented.

WE AGAIN RECOMMEND the County Commission enter into written contracts that specifically state the services to be provided to the county. Any disbursements made should be monitored for compliance with the terms of the contract. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

AUDITEE'S RESPONSE

The County Commission will implement this recommendation for all contracts at the beginning of the new year. The Prosecuting Attorney stated he would negotiate terms with the County Commission and obtain a signed contract.

7. Telephone Policies

A formal telephone policy has not been established or approved by the county and controls over employee telephone usage should be improved. In addition to multiple standard telephone lines, the county owns five cellular telephones. During our audit period, these were used by the Presiding Commissioner, sheriff's department, road and bridge department, and Assessor. Currently, only the sheriff's department, road and bridge department, and Assessor have cellular telephones. During 2002 and 2001, the county paid $40,545 for regular telephone service and $6,420 for cellular telephone equipment and services.

A. Cellular telephone users are not required to identify personal calls and detailed billings are not obtained for all cellular phones. Without the use of detailed billing, the county cannot determine if personal calls are made on county telephones. Some users exceeded the airtime provided in their plans and incurred roaming charges. Without detailed billing, the county cannot determine if personal use contributed to the additional airtime or if roaming charges were associated with personal calls.

B. The county pays state and local sales taxes for cellular telephone equipment and services. Political subdivisions are exempt from paying these sales taxes.

C. Detailed bills for regular telephones are not reviewed for personal calls. Without such a review, the county cannot determine if all telephone charges are for county business. We noted many long distance calls for extended lengths of time with no documentation of the business reason for the calls.

The County Commission has not recognized a need for a telephone usage policy. To ensure proper controls are established, the county should adopt formal policies and procedures regarding employee telephone usage. These policies and procedures should include supervisory review of the detail of the phone bills and should help ensure county telephones are not used inappropriately.

WE RECOMMEND the County Commission establish a formal written policy regarding telephone usage including cellular telephone usage. This policy should outline proper controls over the use of the telephones, such as prohibiting personal use. In addition, the county should discontinue paying state and local sales taxes on cellular telephone usage.

AUDITEE'S RESPONSE

The County Commission indicated this has been implemented. The policy and procedure manual addresses telephone usage and the county is now reviewing each bill for any unusual charges.

8. Vehicle Records

The county road and bridge department owns nine vehicles, four of which were purchased during 2002 and 2001, and pays for the maintenance, insurance, and fuel expenses for these vehicles. Although similar recommendations were made in our prior three reports, the county still does not maintain adequate vehicle records.

A. The road and bridge department does not maintain vehicle usage logs which document how the vehicles are used. Without adequate vehicle logs, the county cannot effectively monitor that vehicles are used for official business only. These logs should identify the employee the vehicle is assigned to, the dates used, miles driven, destination, and purpose of the trips.

B. The road and bridge department does not reconcile fuel and oil usage to fuel and oil purchased. To reduce the risk of loss, misuse, or theft, fuel and oil usage should be reconciled to fuel and oil purchased, and significant differences should be investigated.

Given the number of vehicles owned by the road and bridge department, it is essential that vehicle records be maintained.

WE AGAIN RECOMMEND the County Commission:

A. Require vehicle logs be maintained for all county vehicles. In addition, the Commission should review these logs to monitor the usage of county owned vehicles.

B. Reconcile fuel and oil usage to fuel and oil purchased and investigate significant differences.

AUDITEE'S RESPONSE

The County Commission indicated:

A. This has been implemented.

B. This will be implemented immediately.

9.	Property Tax Book Procedures

Controls over the preparation of and additions to the property tax books are not adequate. The county is not in compliance with various statutes regarding the segregation of duties involving the tax books. Prior audit reports have also addressed the inadequacy of the county's property tax book procedures. While the County Commission and County Clerk responded in the1998 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved. The County Commission and County Clerk have failed to implement the procedures necessary to adequately comply with state law regarding tax books.

A. Although the County Clerk attempted to maintain an account book with the County Collector, it was not complete or accurate. The account book has not been updated since October 2002. In addition, the account book only includes information presented on the monthly settlements of the County Collector, but does not include tax book charges, delinquent credits, abatements and additions, and protested amounts. An account book should summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly reports, and totals of charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate.

Section 51.150(2) , RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book would enable the County Clerk and County Commission to verify the County Collector's annual settlements. Such a review is necessary to detect errors in the annual settlement as noted in MAR No.10.

B. 1) Controls over property tax additions need improvement. Tax book additions are initiated by the County Assessor who assigns an assessed value and enters it into the property tax computer system. The County Collector then prepares a tax statement of the taxes due and collects the tax. At the end of the year, the County Collector prints a report of all property tax additions and charges himself with these additions. The County Commission does not approve these additions.

2) The County Clerk does not prepare the current or back tax books or verify the tax book totals. Personnel from the County Collector's office prepare the current and back tax books.

State law provides for segregation of duties related to property tax charges and collections, provides for the County Clerk to prepare the tax books and charge the County Collector with the taxes collected, and provides for the County Commission to approve changes to the tax books. To ensure proper segregation of duties over tax book preparation and additions, the County Clerk should prepare all tax books and additions and charge the County Collector with these amounts. In addition, the County Commission should approve all tax book additions.

WE AGAIN RECOMMEND the County Clerk:

A. Maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

B. 1) Prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.

2) Prepare the current and back tax books in accordance with state law.

AUDITEE'S RESPONSE

A. The County Clerk will update the account book as she has time. She will try to include all necessary information.

B. 1) The County Commission will start approving all additions with the beginning of the next tax year.

2) *The County Clerk has reviewed the tax books in prior years; however, due to time constraints she did not review the tax book during the audit period. The County Clerk will implement the recommendation when the tax books are prepared for the next tax year.*

10. County Collector's Controls and Procedures

Several problems were noted concerning the County Collector's controls and procedures including inadequate bank reconciliations and annual settlements, deposit concerns, improper surtax and interest distributions, and incorrect commission withholding. Similar conditions have been noted in many previous audit reports and, although the County Collector indicated he would try to implement the recommendations, little has been done. The County Collector has failed to implement the proper procedures to effectively run his office in compliance with Missouri laws.

A. As a result of the County Collector not maintaining a complete and accurate list of monies held in his bank account such as partial payments, he cannot perform a complete reconciliation of his bank balance. The County Collector's bank reconciliation only indicates outstanding checks and deposits in transit and does not tie to any other record. Based on his records, we attempted to prepare a listing of liabilities at December 31, 2002. The reconciled bank balance exceeded the liability listing by over $15,500.

To ensure all monies are accounted for properly, complete and accurate lists of open items, including partial payments, should be maintained and reconciled to the bank balance each month. In addition, any differences noted should be promptly investigated and resolved. Various statutory provisions including Sections 447.500 through 447.995, RSMo 2000, provide for the disposition of unclaimed and unidentified monies.

B. The County Collector does not compare the composition and amount of collections received to deposits made to the bank account. To ensure all monies collected are properly recorded and deposited, daily comparisons of collections and deposits should be performed. The Collector is unable to perform such comparisons due, in part, to the following:

1) The County Collector does not deposit duplicate tax receipt fees, copy fees, and county merchant license fees that are collected in cash, on a daily basis. The Collector indicated that the amounts collected were small, so the cash amounts are held until the end of the month and deposited at one time.

2) The County Collector refunds overpayments by cash or money order. Cash refunds should not be made.

To adequately safeguard against loss, theft, or misuse of funds, all receipts should be deposited intact daily and all disbursements should be made in the form of a check.

C. Surtax collections are not properly distributed. Surtax collections are supposed to be distributed based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation. The County Collector does not recalculate the distribution percentages each year. Instead, he continues to use the percentages calculated 18 years ago in 1985. The County Collector should obtain information from the County Assessor indicating the changes in the assessed valuation of commercial property.

Section 139.600, RSMo 2000, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed. Since significant changes have occurred in subclass 3 commercial property assessed valuation amounts, political subdivisions have not received the proper allocation of surtax collections.

D. The County Collector's annual settlements were not complete or correct. Total collections did not agree to the total distributions. The settlements did not include all activity of his office and some activity was incorrectly reported. The collections and related distributions for licenses and fees were not included on the annual settlement. The surtax distributions were reported twice and the amount distributed to schools was incorrectly reported in the 2003 settlement. These errors were not corrected, in part, because the County Clerk and County Commission do not adequately review the annual settlement as discussed in MAR No. 9.

Section 139.600.3, RSMo 2000, states that "…the collector shall … settle his accounts of all monies received by him on account of taxes and other sources of revenue…." By not accurately reporting all sources of revenues and disbursements, the County Collector's annual settlement is incomplete and the County Commission cannot properly examine or approve it.

E. The County Collector is not properly withholding commissions from tax collections. He is incorrectly withholding a one-half percent commission on current railroad and utility taxes collected. More than $5,000 was over withheld in the years ended February 28, 2003 and 2002. Section 52.250, RSMo 2000, allows this commission on all current taxes exclusive of railroad and utility taxes as compensation for mailing the statements and receipts. In addition, the County Collector is not withholding commissions from interest paid on back taxes in compliance with Section 52.290, RSMo 2000. While the effect on the total amount of commissions was not determined for the entire audit period, the proper amount of commissions was not withheld from tax collections of the various taxing authorities and turned over to the General Revenue Fund.

F. The County Collector does not distribute interest earned on bank deposits properly. According to the County Collector, these allocations are based on a percentage derived from the respective tax levies. No consideration of assessed valuation and its effect on overall collections is included in the allocation. In addition, the County Collector used the same percentages to allocate interest earned each year, even though the various tax levies and assessed valuations have changed. The County Collector's method distributes more monies than should be to subdivisions with smaller assessed valuations. For example, the Marquand School District received $573 in interest in 2001; however, if its assessed valuation was considered, it should have received only $210. State law and various Attorney General Opinions provide for the allocation of interest to various funds. To allocate the interest equitably, the percentage of tax collections should be used.

WE AGAIN RECOMMEND the County Collector:

A. Perform complete monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.

B. Deposit all monies received daily and intact. For any overpayments, the excess should be refunded by check.

C. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by law. The County Collector should obtain information from the County Assessor indicating the changes in the assessed valuation of commercial property.

D. File complete and accurate annual settlements.

E. Recalculate commissions for the audit period and past years and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with state statutes.

F. Allocate interest based on tax collections and in accordance with state statutes and Attorney General Opinions.

AUDITEE'S RESPONSE

A. The County Collector will try to correctly reconcile the account, update the partial payment listing, and disburse the remaining money to the appropriate parties within six months.

B. The County Collector will immediately start depositing all monies daily, including copy fees and merchant license monies. He will continue issuing cash refunds but will start tracking all cash refunds.

C. The County Collector will obtain the required information from the Assessor and will implement this recommendation with the next distribution of surtax.

D. The County Collector will make the necessary adjustments and will try to issue a correct annual settlement next year.

E. The County Collector will properly calculate all commissions beginning in September 2003.

F. The County Collector will calculate all future distributions of interest proceeds according to the percentage of total collections. This will be implemented in February 2004.

11. Sheriff's Commissary Account Controls and Procedures

The jailer is responsible for all operations of the Sheriff's commissary bank account held outside the county treasury. Money is used to purchase items to sell to jail inmates and the profits are used to buy items for use by the Sheriff's Department. The inmates' monies are held as cash in various envelopes with their names. The Sheriff and the jailer indicated they were unaware of the proper procedures necessary to maintain this account and records. Several problems were noted in the operation of this system.

A. The Sheriff does not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items are retained in the sheriff's commissary account. The Sheriff does not keep records indicating what is purchased for the commissary or the receipts received from the sales. To adequately account for commissary merchandise, records should be maintained in a manner to allow for the tracking of profit and loss on all sales from the commissary. The profits from the commissary account should be deposited into the county treasury. Section 50.370, RSMo 2000, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury. Accountable fees should be turned over to the County Treasurer. Section 50.550, RSMo 2000, authorizes the County Commission to establish separate funds as necessary.

B. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated. Due to the lack of available personnel, the jailer currently performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly. At a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited and the bank reconciliation should be reviewed by an independent person.

C. Monthly bank reconciliations are not performed. During our review of the checkbook ledger, we noted many errors such as amounts posted twice, deposits not listed, and mathematical errors. At December 31, 2002, the checkbook ledger showed a balance of $791 in the account. However, the reconciled bank statement balance was $1,150. Of the $359 difference, $121 represented errors noted in the checkbook ledger. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis. Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner. Any differences noted should be promptly investigated and resolved.

D. Several problems were noted regarding disbursements from this account.

1) Many payments were processed without proper supporting documentation. We were unable to tie disbursements per the check ledger to invoices and some disbursements were made by cash and no ledger was maintained of these disbursements. In addition, we noted a check issued to cash for $200. There was no documentation indicating how the $200 was spent. To ensure the validity and propriety of the disbursements, adequate documentation should be maintained.

2) Invoices were not noted as paid or otherwise canceled upon payment. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled. To ensure against duplicate payment of bills, invoices should be marked paid.

3) Payments were made without any indication of proper approval. In addition, payments were made without requiring acknowledgement of receipt of goods or services. To ensure that payments are valid and for goods or services actually received, proper approval should be noted along with evidence of receipt of goods or services.

4) Several items purchased appear to be questionable in nature. These include a diamond accent ring purchased for $64. The jailer stated this was purchased with inmate monies for an inmate's girlfriend; however, the payment was made in cash and there was no documentation of inmate money being used for such a purchase. Another purchase was for $37 for women's pants. The jailer indicated this was for her uniform. Jail employees are not provided uniforms by the county and this appears to be a personal expense. We noted other questionable disbursements including dog and cat food; charcoal and charcoal lighter; Christmas paper plates and gift wrap; car supplies including air filters, oil filters, and headlights; flowers and potting soil; and flowers to be sent to a deputy. Without adequate explanation of the purpose of these items, the items appear to be personal in nature. These disbursements do not

appear to be necessary or prudent uses of public funds.

5) Sales tax was paid on several items. For appropriate county expenditures, the county is exempt from paying sales tax.

E. Pre-numbered receipt slips are not issued for monies received. In addition, there is no receipt ledger or record of receipts. To ensure receipts are handled properly, pre-numbered receipt slips should be issued for all monies received. In addition, to adequately safeguard receipts, the method of payment should be indicated on each receipt slip and the composition (cash and money orders) should be reconciled to the composition of bank deposits.

F. Monies received are not deposited intact or on a timely basis. During the audit period, deposits were made approximately once per week. On April 30, 2003, we counted cash on hand for the commissary account totaling $760. In addition, disbursements are made from cash and the jailers and deputies are allowed to purchase items and write personal checks in excess of the amount purchased. As a result, the composition of receipts does not agree to the composition of deposits. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed $100.

G. Checks and money orders received for deposit to the commissary account are not restrictively endorsed immediately upon receipt. They are endorsed by the jailer when the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

H. The Sheriff does not deposit inmates' monies, but rather keeps the cash in separate envelopes for each inmate. During a cash count on April 30, 2003, $1,349 in cash and $167 in money orders was on hand that belonged to various inmates. The envelopes are supposed to indicate the original amount received and any additions and subtractions from the monies; however, this has not been done consistently and amounts in the envelopes did not agree to the amounts indicated on the outside of the envelopes.

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

WE RECOMMEND the Sheriff:

A. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.

B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

C. Perform complete monthly bank reconciliations.

D. 1) Maintain adequate documentation for all disbursements. Records should be established so that disbursements can be tied directly to their supporting documentation.

2) Ensure invoices are properly canceled upon payment.

3) Ensure all invoices contain an indication of approval and receipt of goods or services.

4) Ensure all purchases are proper.

5) Discontinue paying sales tax on items purchased for the county.

E. Issue pre-numbered receipt slips for all monies received. In addition, the composition of the receipts should be recorded on the receipt slips and reconciled to the deposits.

F. Deposit all monies daily or when receipts exceed $100. The Sheriff should discontinue the practice of allowing deputies and jailers to buy items with personal checks. In addition, all disbursements should be made by check.

G. Restrictively endorse all checks and money orders immediately upon receipt.

H. Deposit all inmate money into a separate bank account and maintain a ledger indicating balances, receipts, and disbursements by inmate. This ledger should be reconciled monthly to the bank account balance.

AUDITEE'S RESPONSE

A,D &E. These recommendations will be implemented within six months.

B. The Sheriff will review the commissary account records on at least a monthly basis.

C,F &G. These recommendations will be implemented within thirty days.

H. The Sheriff will try to maintain inmate records in a more orderly fashion, but does not agree to deposit this money into a bank account. He wants to be able to give this money to the inmates at any time and not have to write checks.

12. Sheriff's Fee Account Controls and Procedures

The Sheriff's fee receipts and disbursements total over $53,000 each year. The Sheriff did not adequately review and supervise the work of the bookkeeper to ensure it was performed. We noted several concerns including receipts were not deposited intact and on a timely basis, the composition and amount of collections received were not compared to deposits made to the bank account, monthly bank reconciliations were not performed timely, and bond money received was not distributed on a timely basis.

A. Accounting duties are not adequately segregated. One individual is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. The Sheriff reviews the monthly bank reconciliation, but there is no documentation that an independent review of the deposits and accounting records is performed. The Sheriff is not the immediate supervisor of the employee handling the accounting duties and, therefore, does not believe he has any authority over that employee's work. The County Commissioner supervises this individual.

   Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

B. Receipts are not deposited intact and on a timely basis. For example, summons receipts are deposited once a month and averaged over $300 during 2002 and 2001. In addition, receipts are not recorded immediately upon receipt. Excessive cash on hand, accompanied by a lack of receipting, increases the possibility of loss or misuse of funds.

C. The composition and amount of collections received is not compared to deposits made to the bank account. To ensure all monies collected are properly recorded and deposited, daily comparisons of collections and deposits should be performed. Such a comparison is more difficult due, in part, to the Sheriff's bookkeeper cashing personal checks. As a result, the composition of receipts does not always agree to the composition of deposits.

To adequately safeguard against loss, theft, or misuse of funds, the composition of receipts should be compared to the composition of bank deposits and employees should not be allowed to cash personal checks.

D. Monthly bank reconciliations are not performed timely. We noted instances where the bank reconciliation was performed up to 60 days after the month ended. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis.

E. Bond monies received are not deposited or distributed on a timely basis. The Sheriff collects monies posted as bond for Madison County as well as other political subdivisions. This money is deposited into the bank account and then paid to the applicable entity. We noted that bond receipts were held from seven to fourteen days before the bond monies were deposited and paid to the correct political subdivision. Timely deposit and distribution of bond monies is necessary to ensure the corresponding court cases are processed correctly and in a timely manner.

WE RECOMMEND the Sheriff:

A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

B. Deposit all monies daily or when receipts exceed $100. In addition, receipts should be recorded immediately upon receipt.

C. Reconcile the composition of receipts to the composition of bank deposits. The Sheriff should disallow the practice of cashing personal checks.

D. Perform complete monthly bank reconciliations on a timely basis.

E. Deposit and distribute bond receipts in a timely manner.

AUDITEE'S RESPONSE

The Sheriff indicated:

A-E. The above recommendations have been implemented.

13.	Prosecuting Attorney's Controls and Procedures

Although the Prosecuting Attorney indicated in our prior report that he would try to implement the recommendations, several are repeated including untimely receipt deposits, no bank reconciliations performed, and no monthly reports filed with the County Commission. In addition, better procedures are needed to follow up on outstanding checks

and to track undercover operations money. The Prosecuting Attorney does not adequately supervise the work of his secretary and does not require proper records and procedures.

A. The duties of receiving, recording, and depositing monies are not adequately segregated. Currently, the Prosecuting Attorney's secretary performs all of these duties. The Prosecuting Attorney indicated he only reviews the bank statement; however, the bank statement is not reconciled. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly. At a minimum, there should be a documented independent review of the bank reconciliations and a comparison of receipt slips issued to amounts deposited.

B. Receipts are not deposited in a timely manner. In 2002, only 14 deposits were made each averaging approximately $5,482. On March 31, 2003, we counted money orders on hand for the collection of bad check fees totaling approximately $3,500. Several money orders dated back to January 2003. To adequately safeguard monies and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed $100.

C. Monthly bank reconciliations are not performed. As a result, the Prosecuting Attorney cannot reconcile his receipts and disbursement records with the bank statements, and an unidentified overage of $1,659 existed in the account at December 31, 2002. Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner. Any differences noted should be promptly investigated and resolved. Various statutory provisions including Sections 447.500 through 447.995, RSMo 2000, provide for the disposition of unclaimed or unidentified monies.

D. The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, checks totaling $987 had been outstanding for over a year. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section, as required by Section 447.595, RSMo 2000.

E. Voided checks are not properly retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

F. The Prosecuting Attorney and his secretary are not covered by an employee bond. Properly bonding all persons with access to monies would better protect the official and the county from risk of loss.

G. The Prosecuting Attorney does not file a monthly report with the County Commission. Section 50.370, RSMo 2000, requires county officials to prepare and file with the county commission monthly reports of fees collected.

H. The Prosecuting Attorney does not require any accounting over money used in undercover operations. On July 8, 2003, we counted this money and it totaled only $300 out of the original $350. Documentation was not provided to verify what happened to the other $50. To properly account for the money and prevent misuse or loss, the Prosecuting Attorney should require monthly reports, with an independent person performing a count of the money.

WE AGAIN RECOMMEND the Prosecuting Attorney:

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. Require complete and accurate bank reconciliations be performed each month and attempt to identify and distribute the unidentified monies in his account.

D. Establish procedures to routinely follow up on old outstanding checks.

E. Require all voided checks be defaced and retained.

F. Consider obtaining adequate bond coverage for all employees with access to monies.

G. File monthly reports of fees with the County Commission as required by state law.

H. Require a monthly report and independent count of the undercover money.

AUDITEE'S RESPONSE

A. The Prosecuting Attorney will review the bank reconciliation after it is prepared by his secretary.

B. The deposits are now being made two times per month. Due to time constraints, it is not possible to deposit more frequently.

C. The Prosecuting Attorney will try to have his secretary perform the bank reconciliations and he will then review them.

D. The outstanding checks will be taken care of with the bank reconciliation and the Prosecuting Attorney will try to monitor the outstanding checks more closely.

E. This has been implemented.

F. This has been partially implemented. The Prosecuting Attorney's secretary has been added to the county's blanket bond and the Prosecuting Attorney will contact the Presiding Commissioner about obtaining his bond.

G. This will be implemented in October 2003.

H. The Prosecuting Attorney considers the $350 as having been spent for drug enforcement and will not provide money for drug enforcement in the future.

14. Health Center Procedures

Problems were noted with the fixed asset and leave records. In addition, the Health Center Administrator earns time and one- half for overtime hours worked, invoices were not always noted as paid or otherwise canceled upon payment, and the health center paid for Christmas dinners for employees and their spouses.

A. Additions of fixed assets are not recorded as they occur, and fixed asset disbursements are not reconciled to additions in the inventory records. In addition, property tags are not always affixed to assets when acquired. We noted that a hemoglobin machine and a television set were not properly tagged. In addition, the television set had not been added to the fixed asset records, and it appeared that the fixed asset records have not been updated since 2001. Also, the total value of the health center's land and buildings are not included in the property records.

Adequate general fixed asset records are necessary to secure better internal controls over the health center's property and provide a basis for determining insurance coverage.

B. Leave records are not properly reviewed, and several problems were noted concerning the employees' leave records and balances.

1) Two employees received donated sick leave during 2002. Records indicated that one employee was credited a total of 150 hours during a two month period. The second employee was credited a total of 45 hours during a one month period. Both employees used all sick leave that was credited during this time. The Health Center Administrator indicated that three health center employees donated their leave to these employees to cover excessive sick leave used; however, there was no Health Center policy allowing this.

2) Employees' compensatory time earned was miscalculated for time worked during a holiday week. The health center's policy allows employees to earn compensatory time at a rate of one and one- half hours for each holiday hour

worked. Our review indicated that the employees who worked a holiday in November 2002 were compensated double time for holiday hours worked. In addition, the employees earned compensatory time at a rate of one and one-half hours for time worked during that same week that was not in excess of forty hours. The Health Center Administrator indicated that anytime an employee works a holiday, that compensatory time is earned at double time; however, this is not in compliance with the health center policy.

3) Employees' leave balances are not monitored to ensure that the maximum amount of accrual is not exceeded. Health center policy allows employees to accrue up to various amounts depending on their length of service. At the end of each month any annual leave which exceeds the maximum accrual amount lapses. During 2002, three employees exceeded the maximum amount allowed by at least fifteen to twenty hours. The health center's employees leave balances were not reviewed to ensure the accrued balances were in compliance with health center policies.

4) The three employees that were allowed to accumulate annual leave in excess of the amount allowed were also allowed to carry-over compensatory time from one year to another. The health center policy states that compensatory time must be used by the end of the year. A total of 216 hours was carried forward at the end of 2002.

C. The Health Center Administrator earns time and one- half for overtime hours worked and the Health Center Board did not approve this overtime. Although the FLSA considers the position of Health Center Administrator as exempt from overtime requirements, the Health Center Board has not formally determined if the administrator's position is exempt from earning overtime. The Health Center Administrator earned 287 hours in compensatory time during 2002.

D. Invoices were not always noted as paid or otherwise canceled upon payment. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled. To ensure against duplicate payment of bills, invoices should be marked paid when a check has been issued by the health center.

E. The health center paid for Christmas dinners for employees and their spouses during 2002 and 2001, costing $180 and $458, respectively. The Health Center Board believed these disbursements were appropriate because monies other than tax dollars are received by the health center. Although the health center receives additional funds, these funds are public monies. These disbursements do not appear to be necessary or prudent uses of public funds. The county's residents have placed a fiduciary trust in their public officials to spend tax revenues and fees in a necessary and prudent manner.

WE RECOMMEND the Health Center Board:

A. Require the Administrator to record all additions of fixed assets as they occur, reconcile additions to the property records periodically, affix property tags to assets at the time of purchase, and record the value of land and buildings on the fixed asset records.

B. Require health center policies be followed regarding leave balances and usage.

C. Discontinue paying the Administrator time and one-half for overtime.

D. Ensure invoices are properly canceled upon payment.

E. Discontinue the practice of using health center funds for Christmas dinners.

AUDITEE'S RESPONSE

The Health Center Board provided the following responses:

A. This will be implemented within the next thirty days.

B. The Administrator will draft a policy to address donated leave guidelines to be presented at the October 2003 board meeting. The Administrator brought to the board's attention the compensatory time errors and she will ensure that future compensatory time is properly calculated. A new policy has been implemented to address the excess annual leave and the carry over on the compensatory time.

C. An amendment will be made to the current policy manual that allows the Administrator to earn overtime at a rate of time and one-half.

D. This has been implemented.

E. We disagree with the finding and view the expenditures as legitimate.

Follow-Up on Prior Audit Findings

MADISON 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 Madison County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

The financial condition of the county's General Revenue Fund was weak.

Recommendation:

The County Commission take the necessary steps to improve the financial condition of the county.

Status:

Partially implemented. The county no longer has tax anticipation notes and in 2001 a law enforcement sales tax was implemented. However, the county continues to have debt in the form of lease purchase agreements for land and equipment and the fund balances of the General Revenue and Special Road and Bridge Funds have not increased. See MAR No. 1.

2. Budgets and Financial Statements

A. Actual disbursements exceeded budgeted amounts in various funds.

B. County budget documents contained several errors and misclassifications.

C. Formal budgets were not prepared for various county funds.

D. The county did not budget emergency expenditures.

E. The financial statements published by the County Clerk did not contain all necessary information.

Recommendation:

The County Commission:

A. And the Health Center Board refrain from authorizing warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, the original budget should be formally amended.

B. And the County Clerk ensure all significant receipts and disbursements are accurately and consistently reported in the county budget documents.

C. Ensure budgets are prepared for all funds.

D. Ensure emergency funds are budgeted with the General Revenue Fund.

E. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A&B. Not implemented. See finding number 02-1.

C, D, &E. Not implemented. See MAR No. 2.

3. Written Agreements and Disbursements

A. Payments for services were made or services were performed without current written agreements. The county did not have a written agreement with the Prosecuting Attorney outlining what costs would be paid and what office personnel and equipment would be provided by the county and what would be provided by the Prosecuting Attorney's private practice. In addition, the county did not prepare an IRS Form 1099-MISC information return for the amounts paid the Prosecuting Attorney.

B. Bids were not always solicited or advertised by the county nor was the selection process always documented for various purchases made by the county. Documentation retained did not include reasons for awarding bids, or sole source procurement documentation.

C. The County Commission approved some payments to vendors without requiring acknowledgement of receipt of goods or services.

Recommendation:

The County Commission:

A. Enter into written contracts that specifically state the services to be provided to the county. Any disbursements made should be monitored for compliance with the terms of the contract. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

B. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

C. Ensure all invoices contain an indication of receipt of goods or services and fuel receipts indicate which vehicle is fueled.

Status:

A. Not implemented. See MAR No. 6.

B. Not implemented. See finding number 02-2.

C. Not implemented. See MAR No. 5.

4. Personnel and Payroll Policies and Procedures

A. Additional compensation was paid to the Prosecuting Attorney's secretary for child support enforcement and bad check processing activities. There was no supporting documentation for this additional compensation and the additional payments were not included in the county payroll records and were not reported on the employee's W-2 form.

B. Instances were noted in which Sheriff's deputies worked additional hours for which the payments were not subjected to payroll withholdings, were not reported on the W-2 forms, and were not reported as overtime.

C. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.

D. Several employees from various offices with access to money were not covered by an employee bond.

Recommendation:

The County Commission:

A.1. And the Prosecuting Attorney ensure all salary payments are subject to payroll withholdings and reported on W-2 forms.

A.2. And the Prosecuting Attorney ensure additional compensation is supported by documentation of actual time worked.

B. Along with the County Clerk and Sheriff ensure all hours worked are properly reported to the county and all salary payments are subject to payroll withholdings and any overtime requirements, and are reported on W-2 forms.

C. Require records to be maintained by the County Clerk's office of vacation, sick leave, and overtime earned, used, and accumulated.

D. Consider obtaining adequate bond coverage for all employees with access to monies.

Status:

A, B, &C. Not implemented. See MAR No. 3.

D. Partially implemented. Bond coverage was obtained for all county employees except the Prosecuting Attorney and his secretary. See MAR No. 13.

5. Collateral Securities

A. The amount of collateral securities pledged by the county's depositary banks was insufficient to cover balances at all times for accounts held by the County Treasurer, County Collector, Health Center Board, and Madison County Council for Developmentally Disabled Board.

B. Particular securities pledged were not in compliance with statutory requirements.

Recommendation:

The County Commission:

A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

B. Implement procedures to ensure that securities pledged are in compliance with Section 30.270, RSMo 1994.

Status:

A&B. Implemented.

6. Lost Revenue

A. The County Collector did not properly withhold all applicable commissions, and did not withhold Proposition C commissions from the various school districts.

B. Amounts withheld from school tax collections were not adjusted to take into consideration the effects of Proposition C, and the appropriate portion for assessment was not withheld.

Recommendation:

The County Collector:

A. Recalculate commissions for the audit period and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with the statutes.

B. Adjust the amounts withheld from school tax collections to take into consideration the effects of Proposition C and withhold the appropriate portion for assessment purposes as provided by statute.

Status:

A&B. Not implemented. The Collector continues to improperly calculate commissions. See MAR No. 10. Adjustments were not made to the current school tax collections to account for the applicable Proposition C withholdings; however, these amounts currently are not material due to Proposition C rollback votes in the local school districts. Although not repeated in the current report, our recommendation remains as stated above.

7. Property Tax System and Computer Controls

A. The county did not have a formal contingency plan for the computer system.

B. The county did not have all program documentation prepared by the contract computer programmer.

C. The County Clerk did not maintain a complete account book with the County Collector.

D. Controls over property tax additions needed improvement.

Recommendation:

A. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.

B. The County Commission obtain an agreement with the county's computer programmer which specifies the county's rights regarding program documentation.

C. The County Clerk maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

D. The County Clerk prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.

Status:

A. Implemented. The county maintains backup files at the local bank and backup computers are now available at the Madison County Law Enforcement Center.

B. Not implemented. See MAR No. 6.

C&D. Not implemented. See MAR No. 9.

8. County Collector's Accounting Controls and Procedures

A. The County Collector did not perform adequate reconciliations of his records. The Collector's account had $3,280 of unidentified funds at December 31, 1998.

B. The County Collector did not compare the composition and amount of collections received to deposits made to the bank account.

1) The County Collector did not deposit all cash received for tax collections. Overpayments and partial payments were held in the vault.

2) The County Collector's change fund was not maintained on an imprest basis.

3) The County Collector did not make deposits intact. Personal checks were occasionally cashed.

4) The County Collector made refunds for overpayments by cash or money order and did not maintain adequate documentation to support the disbursements.

C. The County Collector did not adequately keep records of and follow up on overpayments and partial payments maintained in his vault.

D. The County Collector did not properly recalculate the surtax distribution percentages each year.

E. The County Collector's annual settlements did not include all activity of his office.

Recommendation:

The County Collector:

A. Perform complete monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.

B.1. Deposit all monies received, including partial payments. For any overpayments of current taxes, the excess should be refunded by check when received and not held for future use.

B.2. Maintain the change funds at a constant amount.

B.3. Discontinue the practice of cashing personal checks.

B.4. Discontinue the practice of making cash refunds for overpayments and maintain adequate supporting documentation for refunds made by money order indicating the purpose of the disbursement.

C. Maintain adequate records of and follow up on partial payments and overpayments. These records should include the name of the taxpayer making the payment, the date of the payment, the amount paid, which tax year the payment was made for, and the date the payment was applied.

D. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by state law.

E. File complete and accurate annual settlements.

Status:

A, B.4,
&C-E. Not implemented. See MAR No. 10.

B.1. Partially implemented. All receipts are now deposited. See MAR No. 10.

B.2&
B.3. Implemented.

9. Vehicle Records

A. The road and bridge department did not maintain vehicle logs which documented how the vehicles were used.

B. Fuel and oil usage was not reconciled to fuel and oil purchased.

Recommendation:

The County Commission:

A. Require vehicle logs be maintained for all county vehicles and review the logs to monitor the usage of county owned vehicles.

B. Reconcile fuel and oil usage to fuel and oil purchased and investigate significant differences.

Status:

A&B. Not implemented. See MAR No. 8.

10. Assessor's Accounting Controls and Procedures

A. Receipts were not transmitted to the County Treasurer intact and did not always agree to the amount of monies per the Assessor's receipt slips. The amount of monies per the receipt slips were not reconciled to the amount transmitted to the County Treasurer. Receipt slips were not issued for all monies, did not always indicate the method of payment and were written for the amount due and not actually collected until a later date. Personal checks were cashed and the change fund was not maintained at a constant amount.

B. Accounting duties were not segregated nor was there a documented independent comparison of receipt slips issued to amounts transmitted to the County Treasurer.

C. Checks were not restrictively endorsed upon receipt.

D. No reconciliation was performed between amounts billed and amounts collected from companies for maps and copies. No follow-up was performed on amounts that were not paid.

E. Voided receipt slips were not retained.

F. The County Assessor's office did not maintain inventory records to account for plat books or maps.

Recommendation:

The County Assessor:

A. Ensure all receipts are transmitted to the County Treasurer and reconcile the amount and composition of monies transmitted to receipt slips. The County Assessor should ensure that receipt slips are issued for all monies received, the method of payment is indicated on all receipt slips, receipt slips are issued only for monies actually received, the change fund is maintained at a constant amount, and personal checks are not cashed. In addition, the County Commission should review this situation and decide if further investigation is warranted to determine the extent of monies not accounted for.

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

C. Restrictively endorse checks immediately upon receipt.

D. Reconcile amounts billed to amounts received and follow up on billings not paid. In addition, receipt slips should be written when monies are received instead of when billed.

E. Retain all voided receipt slips.

F. Maintain records of the number of plat books and maps sold, given away, or used by the county, and periodically reconcile the number of plat books and maps reported on the inventory to the number of plat books and maps on hand.

Status:

A-F. Implemented.

11. Prosecuting Attorney's Accounting Controls and Procedures

A. The Prosecuting Attorney was serving as the custodian of the Bad Check Fees Fund, and there was no statutory authority to allow this.

B. The duties of receiving, recording, and depositing monies were not adequately segregated.

C. Bad check fees and restitutions were not deposited in a timely manner. Money orders were not restrictively endorsed immediately upon receipt.

D. Monthly bank reconciliations were not performed and a running checkbook balance was not maintained.

E. The Prosecuting Attorney did not file a monthly report of bad check fees collected.

Recommendations:

The Prosecuting Attorney:

A. Turn over custody of the Bad Check Fees Fund to the County Treasurer, as required by state law.

B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

C. Deposit monies daily or when accumulated receipts exceed $100 and restrictively endorse money orders immediately upon receipt.

D. Maintain a checkbook balance and prepare complete and accurate bank reconciliations.

E. File monthly reports of fees with the County Commission as required by state law.

Status:

A. Implemented.

B, D, &E. Not implemented. See MAR No. 13.

C. Partially implemented. The money orders are endorsed upon receipt. See MAR No. 13.

12. Madison County Council For Developmentally Disabled Accounting Controls and Procedures

A.1. The Madison County Council For Developmentally Disabled (MCCDD) requested and received reimbursement for forty hours of work when the employee was paid for less than forty hours. MCCDD was reimbursed $422 in excess of what the timesheets reported.

A.2. The MCCDD participated in the Missouri Elderly and Handicapped Transporation Assistance Program (MEHTAP) through the Missouri Highway and Transportation Department (MoDOT). The program reimbursed on the basis of actual program expenses less funding that was received from other services. Revenues were understated and expenditures were overstated in order to receive grant funds.

B. The MCDD did not pay overtime at time and one-half for all covered employees working overtime.

C. Summary records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated.

D. The MCCDD paid Christmas bonuses to supervisors and employees.

E. The MCCDD did not solicit or advertise for bids for applicable purchases.

F. The MCCDD fixed asset records did not always include complete and accurate information.

G. The MCCDD board did not properly include all cash on hand at January 1 on their annual budgets.

Recommendation:

The MCCDD Board:

A. Develop and implement procedures to ensure services are adequately documented and billed correctly. In addition, the board should contact the applicable state agencies to resolve the over billings.

B. Pay overtime in accordance with the employee manual and FLSA requirements.

C. Require summary records be maintained of vacation, sick leave, and overtime earned, used, and accumulated.

D. Ensure disbursements are a necessary and prudent use of public funds.

E. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the circumstances should be documented.

F. Maintain complete and accurate general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. In addition, additions of fixed assets should be recorded as they occur and fixed asset purchases should be reconciled to additions to the property records.

G. Include all cash on hand at January 1 on their annual budget.

Status:

A, C, D,
E, F
&G. Implemented.

B. Partially implemented. The MCCDD Board has addressed this issue for all employees except for the Administrative Assistant. The Administrative Assistant was not paid overtime at time and one-half for all hours in excess of 40 hours worked. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MADISON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1818, the county of Madison was named after President James Madison. Madison County is a county-organized, third-class county and is part of the Twenty-Fourth Judicial Circuit. The county seat is Fredericktown.

Madison 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 309 miles of county roads and 47 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 10,725 in 1980 and 11,800 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	$ 46.9	45.1	43.7	43.0	31.9	14.8
Personal property	23.5	22.6	20.2	17.2	8.2	4.7
Railroad and utilities	11.1	11.5	11.3	10.9	10.4	10.6
Total	$ 81.5	79.2	75.2	71.1	50.5	30.1

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

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

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	$ .0900	.0900	.1800	.1800
Special Road and Bridge Fund	.2900	.2900	.2800	.2800
Health Center Fund	.1000	.1000	.1000	.1000
Madison County Council for the Developmentally Disabled Board Fund	.2000	.1900	.1900	.1900

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

	Year Ended February 28 (29),			
$	2003	2002	2001	2000
State of Missouri	26,141	25,030	23,442	21,665
General Revenue Fund	100,959	108,198	161,425	129,720
Special Road and Bridge Fund	255,024	248,163	218,768	199,681
Assessment Fund	40,111	38,160	36,275	35,290
Health Center Fund	86,961	83,104	77,062	71,458
Madison County Council for the Developmentally Disabled Board	170,942	156,442	146,609	134,770
School districts	2,518,868	2,380,875	2,244,828	2,046,805
Library district	86,961	83,104	77,062	71,458
Hospital	171,688	163,571	146,985	135,111
Colleges	337,348	295,613	298,204	302,850
Cities	45,366	44,261	43,766	10,001
County Clerk	603	594	640	719
County Employees' Retirement	27,486	25,689	22,040	21,801
Tax Maintenance Fund	5,328	0	0	0
Tax Increment Financing	72,933	0	0	0
Land Sales Over Plus	11	2,342	2,695	2,624
Commissions and fees:				
General Revenue Fund	71,552	68,020	66,185	60,873
Total $	4,018,282	3,723,166	3,565,986	3,244,826

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2003	2002	2001	2000	
Real estate	92	91	90	91	%
Personal property	88	89	91	88	
Railroad and utilities	100	100	100	100	

Madison 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	%
Law Enforcement		.0050	None	None	

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

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Robert Mooney, Presiding Commissioner	$	21,074	21,074	21,074	21,074
Roy Roberts, Associate Commissioner		19,074	19,074	19,074	19,074
Larry Mungle, Associate Commissioner		19,074	19,074	19,074	19,074
Joan Whitener, County Clerk		28,900	28,900	28,900	28,900
M. Dwight Robbins, Prosecuting Attorney		34,850	34,850	34,850	34,850
David Lewis, Sheriff		33,150	33,150	28,900	28,900
Kay Rehkop, County Treasurer		21,386	21,386	21,386	21,386
Charles C. Follis, County Coroner		8,075	8,075	5,100	5,100
Ken Pate, Public Administrator (1)		8,075	8,075	9,769	5,550
Danny Thompson, County Collector , year ended February 28 (29),	28,900	28,900	28,900	28,900	
Grace Thomas, County Assessor (2), year ended August 31,		29,800	29,800	29,800	29,800
William Douglas McFarland, County Surveyor (3)		0	0	0	0

(1) Includes fees received from probate cases in 2000 and 1999.
(2) Includes $900 annual compensation received from the state.
(3) Compensation on a fee basis.

State-Paid Officials:					
Kay Bradford, Circuit Clerk and Ex Officio Recorder of Deeds		47,300	47,300	46,127	44,292
Robert Stilwell, Associate Circuit Judge		96,000	96,000	97,382	87,235