



Susan Montee, CPA
Missouri State Auditor

Senate Bill 40 Boards



April 2008
Report No. 2008-22

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

April 2008

A review was conducted by our office of Senate Bill 40 Boards.

Senate Bill 40 (SB40) Boards administer and establish and/or operate sheltered workshops, residence facilities, and/or related services for the care or employment of persons with developmental disabilities. Of Missouri's 114 counties and the city of St. Louis, 85 have established SB 40 Boards. Sixty of the 85 SB40 Boards are located in third-class counties that are required to be audited by the State Auditor's Office. These 60 SB40 Boards levied approximately \$12 million in property taxes in 2007, while their total receipts for 2007 were approximately \$25 million and total cash balances were approximately \$14 million. Several of these boards had significant cash balances in relation to their annual disbursements.

The most common audit findings in third-class county audit reports included:

- Lack of budgetary practices and published financial statements
- Inadequate procedures to monitor collateral securities
- Lack of written contracts, contracts that did not establish minimum levels of service or require the not-for-profit agency to report services or submit documentation to support the disbursements
- Problems with meeting minutes
- Accumulation of significant cash reserves without documentation of specific plans for their use

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

YELLOW SHEET

SENATE BILL 40 BOARDS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-2
EXECUTIVE SUMMARY	3-5
OBJECTIVES, SCOPE, AND METHODOLOGY	6-8
APPENDIXES	9-16

Appendixes

Description

A	Senate Bill 40 Boards	10
B	2007 Estimated Property Taxes	11
C	Receipts, Disbursements, and Cash Balances Third-Class County Senate Bill 40 Boards.....	14

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

Sections 205.968 through 205.972 allow counties to establish a Senate Bill 40 (SB40) Board and related tax levies to operate a sheltered workshop, residence facility, or related services for the care and/or employment of persons with developmental disabilities. Of Missouri's 114 counties and the City of St. Louis, 85 have established Senate Bill 40 (SB40) Boards, of which 60 are in third-class counties and required to be audited by the State Auditor's Office under Section 29.230. RSMo. The objectives of this review were to:

1. Identify all counties with SB40 Boards within the State of Missouri.
2. Compile estimated property tax revenues of the identified SB40 Boards.
3. Obtain the unaudited financial information for the SB40 Boards of third-class counties for the year ended December 31, 2007.
4. Identify the most common findings reported in the State Auditor's Office most recent audits of the third-class county SB40 Boards.

Our review was limited to the specific matters described above and was based on selective 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.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA

EXECUTIVE SUMMARY

SENATE BILL 40 BOARDS EXECUTIVE SUMMARY

Of Missouri's 114 counties and the city of St. Louis, 85 have established Senate Bill 40 (SB40) Boards. While most of these are audited by independent auditors, the State Auditor's Office did not obtain or review audits of the 25 SB40 Boards located in first, second, and fourth-class counties or the city of St. Louis. Sixty of the 85 SB40 Boards are located in third-class counties which are required to be audited by the State Auditor's Office.

Approximately \$72 million in property taxes were levied in 2007 for the 85 SB40 Boards. The 25 SB40 Boards located in first, second, and fourth-class counties levied approximately \$60 million in property taxes, while the 60 SB40 Boards located in third-class counties had approximately \$12 million in property taxes in 2007. Most SB40 Boards have additional revenue sources including grants, fees, and interest income. In the 60 third-class county SB40 Boards, total receipts for 2007 were approximately \$25 million and the total cash balances were approximately \$14 million. Additionally, several of these boards had significant cash balances in relation to their annual disbursements.

Common audit findings

The following list of frequent SB40 Board findings was compiled utilizing the most recent State Auditor's Office audits of the third-class counties with SB40 Boards. Some of the areas listed below are only applicable to some of the counties.

- Budgetary practices and financial statements

Some boards did not prepare budgets or budget amendments (when actual disbursements exceeded budgeted amounts), or adequately monitor the budget to actual amounts to ensure budgets were not exceeded. Additionally, some budgets did not always adequately project the anticipated financial condition of the fund or contain actual financial activity that was accurate and consistent with amounts recorded in the financial records. Also, some financial statements were not published as required or reflected only amounts passed through the County Treasurer.

- Collateral Securities

Some boards did not have written depositary agreements with their banks, and adequate procedures had not been established to monitor collateral securities pledged by the board's depositary bank. As a result, some funds were under collateralized.

- Contracts

Some boards did not enter into written contracts when appropriate and some were not updated. Additionally, contracts did not always establish minimum level of services to be provided or require the not-for-profit agency to report services or documentation to support the disbursements. Although some contracts required information that would enable the board to monitor the use of monies, there was no documentation that some boards had received this information.

- Minutes

Some board minutes were not signed by the preparer or by a board member to attest to their completeness and accuracy. Additionally, some minutes did not always document sufficient detail of actions, votes taken, the specific reason for closing the meeting or final disposition of certain matters discussed in closed meetings.

- Cash reserve

Some boards had accumulated a significant cash reserve without any documentation of specific plans for its use or establishment of a goal in the budget message or board minutes.

In addition, other significant findings included control weaknesses over disbursements, inadequate and inaccurate financial records, timesheets not being prepared or approved, and lack of segregation of duties.

OBJECTIVES, SCOPE, AND METHODOLOGY

SENATE BILL 40 BOARDS OBJECTIVES, SCOPE, AND METHODOLOGY

Section 205.968.1, RSMo allows County Commissions to appoint a Senate Bill 40 (SB40) Board to administer and establish and/or operate a sheltered workshop, residence facility, and/or related services for the care or employment of persons with developmental disabilities. Section 205.971, RSMo allows third-class counties to levy up to 40 cents per \$100 of assessed valuation and all other counties to levy up to 20 cents per \$100, by a simple majority of county voters. SB 40 boards have been established in 85 Missouri counties including the city of St. Louis.

In some areas of the state, the county boards purchase services for residents of the county. Other county board agencies provide services directly and use this funding to establish and pay for those services. Many county board agencies also contract with their local Regional Center to provide various services, including residential supports, day habilitation, personal assistant hours, and job coaching. In addition, some county board agencies provide case management services.

Objectives

The objectives of this report were to 1) identify all counties with SB40 Boards in the State of Missouri, 2) compile estimates of the property tax revenues of the identified SB40 Boards, 3) obtain the unaudited financial information for the SB40 Boards of third-class counties, and 4) identify the most common findings reported in the State Auditor's Office most recent audits of the third-class county SB40 Boards.

Scope

Several documents were used in compiling the information included in this report:

- Tax rate forms submitted by political subdivisions which contain county assessed valuation and property tax levy information.
- The 2008 county budgets contain actual financial information for 2007 and were used in compiling unaudited actual receipts and disbursements for all third-class counties.
- Audits of third-class counties issued by the State Auditor's Office from 2004 through 2007.

Methodology

All political subdivisions of the state, including SB40 Boards, are required to report annual assessed valuation and property tax information to the SAO. This information was used to estimate property tax revenues for each SB40 Board for 2007. Based on historical tax collection data of third-class counties, SB40 Board property tax revenues are estimated to be approximately 92 percent of taxes levied. In addition, SB40 Boards in third-class counties file annual budgets

with the State Auditor's Office. For those who did not file their budget, we were able to obtain copies of the budgets from the county or the SB40 Board, except for one, as identified in Appendix C.

Financial information was not obtained from SB40 Boards in first, second, fourth-class counties, or the city of St. Louis.

Limitations

Appendixes B and C present unaudited financial data of the SB40 Boards.

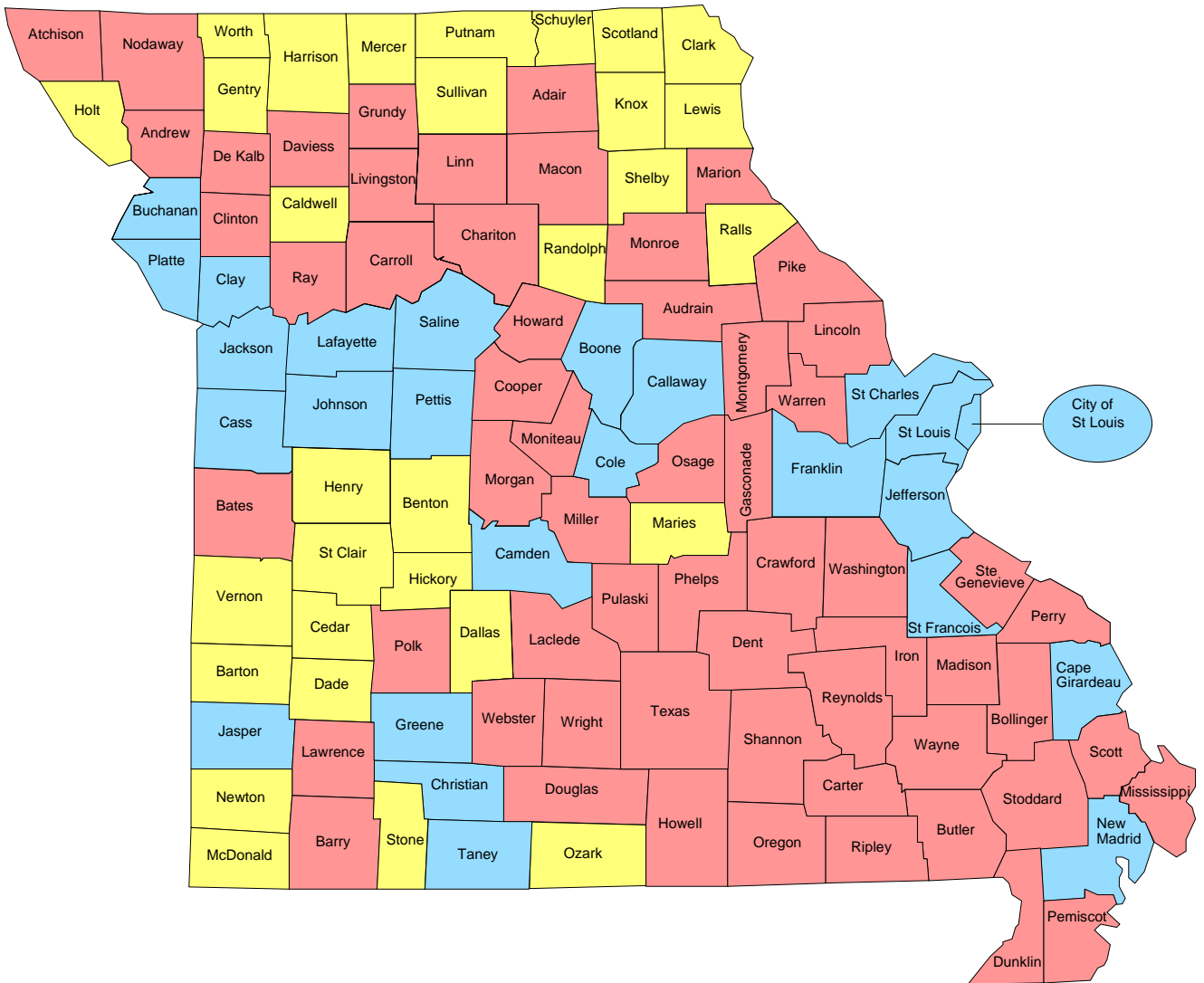
Revenue estimates discussed in this report are based on property tax data maintained by the State Auditor's Office. SB40 Boards often have additional and sometimes significant revenue sources not presented in this report.

APPENDIXES

APPENDIX A

SENATE BILL 40 BOARDS

- THIRD-CLASS COUNTIES WITH SB40 BOARD (60)
- FIRST, SECOND, and FOURTH-CLASS COUNTIES WITH BOARDS (25)
- COUNTIES WITH NO SB 40 BOARD (30)



APPENDIX B

SENATE BILL 40 BOARDS
2007 ESTIMATED PROPERTY TAXES

County	Property Tax Levy	Assessed Valuation	Estimated Property Tax Revenue *	Audit Report		
				Audited by SAO	Reviewed by SAO	Audit Not Requested
Adair	\$ 0.1477	243,233,734	330,516	X		
Andrew	0.0807	193,969,965	144,011	X		
Atchison	0.0995	86,490,665	79,174	X		
Audrain	0.2051	317,274,213	598,671		X	
Barry	0.0700	415,926,159	267,856	X		
Bates	0.0700	181,478,964	116,872	X		
Bollinger	0.0972	109,540,480	97,955	X		
Boone	0.1114	2,208,605,349	2,263,555			X
Buchanan	0.0971	1,059,045,841	946,067			X
Butler	0.0935	481,027,962	413,780	X		
Callaway	0.0975	657,383,642	589,673			X
Camden	0.0546	1,437,274,787	721,972			X
Cape Girardeau	0.0773	1,026,468,572	729,983			X
Carroll	0.0987	142,729,634	129,604	X		
Carter	0.0812	46,396,891	34,660	X		
Cass	0.0381	1,236,252,679	433,331			X
Chariton	0.0900	120,980,464	100,172	X		
Christian	0.0783	879,944,735	633,877			X
Clay	0.1191	3,582,346,415	3,925,249			X
Clinton	0.0863	245,497,098	194,915	X		
Cole	0.0862	1,240,391,934	983,680			X
Cooper	0.1995	207,249,897	380,386		X	
Crawford	0.0906	256,535,091	213,827		X	
Daviess	0.0800	100,473,110	73,948	X		
DeKalb	0.0889	108,785,133	88,973	X		
Dent	0.1500	148,281,298	204,628	X		
Douglas	0.0804	122,347,279	90,498	X		
Dunklin	0.1000	296,632,235	272,902	X		
Franklin	0.0918	1,737,914,090	1,467,773			X
Gasconade	0.0921	210,341,862	178,227		X	
Greene	0.0462	3,931,631,718	1,671,101			X
Grundy	0.1000	103,365,674	95,096	X		
Howard	0.0988	104,721,031	95,187	X		

APPENDIX B

SENATE BILL 40 BOARDS
2007 ESTIMATED PROPERTY TAXES

County	Property Tax Levy	Assessed Valuation	Estimated Property Tax Revenue *	Audit Report		
				Audited by SAO	Reviewed by SAO	Audit Not Requested
Howell	0.0500	381,943,530	175,694	X		
Iron	0.0939	171,120,539	147,828	X		
Jackson	0.0748	9,833,611,688	6,767,098			X
Jasper	0.0745	1,549,385,382	1,061,949			X
Jefferson	0.0924	2,790,553,587	2,372,194			X
Johnson	0.1000	497,647,642	457,836			X
Laclede	0.0655	366,769,917	221,016	X		
Lafayette	0.0595	397,784,115	217,747			X
Lawrence	0.0859	398,196,177	314,686	X		
Lincoln	0.0983	602,564,012	544,935	X		
Linn	0.1986	127,919,809	233,725		X	
Livingston	0.1000	155,215,456	142,798	X		
Macon	0.0961	173,211,803	153,140	X		
Madison	0.1874	107,825,695	185,900		X	
Marion	0.1349	343,396,408	426,182		X	
Miller	0.0789	357,236,446	259,311		X	
Mississippi	0.1224	131,532,931	148,117	X		
Moniteau	0.0500	165,756,021	76,248	X		
Monroe	0.1000	107,405,275	98,813	X		
Montgomery	0.0967	181,163,150	161,170		X	
Morgan	0.0383	461,253,946	162,527	X		
New Madrid	0.0200	397,245,714	73,093			X
Nodaway	0.0497	275,902,148	126,153	X		
Oregon	0.1000	79,233,754	72,895	X		
Osage	0.0996	176,340,010	161,584		X	
Pemiscot	0.1000	171,632,254	157,902		X	
Perry	0.0898	269,894,801	222,976	X		
Pettis	0.0857	516,889,282	407,536			X
Phelps	0.0702	511,330,021	330,237	X		
Pike	0.1906	220,333,624	386,359		X	
Platte	0.1205	1,947,408,113	2,158,897			X
Polk	0.0200	267,933,907	49,300	X		
Pulaski	0.0706	342,591,157	222,520	X		

APPENDIX B

SENATE BILL 40 BOARDS
2007 ESTIMATED PROPERTY TAXES

County	Property Tax Levy	Assessed Valuation	Estimated Property Tax Revenue *	Audit Report		
				Audited by SAO	Reviewed by SAO	Audit Not Requested
Ray	0.1896	236,183,378	411,979	X		
Reynolds	0.0896	127,297,839	104,934	X		
Ripley	0.0994	80,403,833	73,528	X		
St. Charles	0.1247	7,366,062,773	8,450,642			X
St. Francois	0.0909	612,843,688	512,509			X
St. Louis						X
Residential	0.0700	14,884,282,790	9,585,478			
Agricultural	0.0850	6,918,180	5,410			
Commercial	0.0790	5,622,356,435	4,086,329			
Personal	0.0850	3,705,380,253	2,897,607			
			<u>16,574,824</u>			
Ste. Genevieve	0.0650	344,083,170	205,762	X		
Saline	0.0663	252,719,231	154,149			X
Scott	0.0400	394,420,098	145,147	X		
Shannon	0.0975	64,336,465	57,710	X		
Stoddard	0.0800	369,554,530	271,992		X	
Taney	0.0873	896,529,467	720,057			X
Texas	0.1000	169,541,524	155,978	X		
Warren	0.1600	499,334,789	735,021	X		
Washington	0.1877	209,456,486	361,698	X		
Wayne	0.0800	117,227,222	86,279	X		
Webster	0.0771	318,431,737	225,870	X		
Wright	0.0779	153,745,371	110,186	X		
City of St. Louis	0.1278	4,382,963,005	5,153,313			X
Total	\$		<u>71,778,064</u>	<u>47</u>	<u>13</u>	<u>25</u>

* Based on counties' historical tax collection data, Senate Bill 40 Board property tax revenues are estimated using a 92 percent collection rate.

First, second, fourth-class counties and the city of St. Louis

Property tax levies are expressed as a rate per \$100 of assessed valuation.

APPENDIX C

THIRD-CLASS COUNTY SENATE BILL 40 BOARDS
 RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
 YEAR ENDED DECEMBER 31, 2007

County	Cash Balance January 1,	Receipts	Disbursements	Cash Balance December 31,
Adair	\$ 0	348,855	348,855	0
Andrew	129,646	308,672	308,703	129,615
Atchison	14,732	84,885	85,000	14,617
Audrain	566,761	3,385,474	3,267,426	684,809
Barry	626,107	313,232	217,010	722,329
Bates (1)		127,581	100,800	26,781
Bollinger	4,929	105,040	104,949	5,020
Butler	426,638	466,428	362,533	530,533
Carroll	5,920	135,232	122,439	18,713
Carter	2,645	36,775	35,100	4,320
Chariton	122,283	103,191	79,450	146,024
Clinton	180,771	403,802	160,532	424,041
Cooper	173,648	673,647	675,463	171,832
Crawford	21,229	113,083	101,731	32,581
Daviess	165,991	107,316	73,774	199,533
DeKalb	70,571	109,519	74,733	105,357
Dent	187,975	331,805	403,242	116,538
Douglas	59,543	101,452	90,943	70,052
Dunklin	223,581	304,027	283,504	244,104
Gasconade	337,088	199,155	241,055	295,188
Grundy	161,208	112,257	110,993	162,472
Howard (2)				0
Howell	216,900	200,930	210,507	207,323
Iron	150,491	164,326	131,793	183,024
Laclede	5,344	261,597	257,438	9,503
Lawrence	182,172	339,506	372,765	148,913
Lincoln (3)	2,162,906	3,434,972	3,163,682	2,434,196
Linn	38,983	518,657	499,415	58,225
Livingston	81,268	165,347	131,222	115,393
Macon	67,239	171,467	153,786	84,920
Madison	107,624	1,064,341	955,950	216,015
Marion	217,146	1,529,654	1,553,873	192,927
Miller (1) (4)		274,631	200,198	74,433
Mississippi	1,203,891	202,265	145,297	1,260,859

APPENDIX C

THIRD-CLASS COUNTY SENATE BILL 40 BOARDS
 RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
 YEAR ENDED DECEMBER 31, 2007

County	Cash Balance January 1,	Receipts	Disbursements	Cash Balance December 31,
Moniteau	565,770	175,122	322,704	418,188
Monroe	16,363	105,024	106,242	15,145
Montgomery	590,211	998,756	880,926	708,041
Morgan	89,578	169,333	181,953	76,958
Nodaway	18,797	131,586	142,157	8,226
Oregon	188,464	89,307	61,193	216,578
Osage	17,000	448,800	448,800	17,000
Pemiscot (5)	489,360	314,223	104,910	698,673
Perry	50,599	251,158	214,126	87,631
Phelps	187,949	360,776	332,757	215,968
Pike	612,214	2,171,324	2,224,201	559,337
Polk	64,029	52,293	41,075	75,247
Pulaski (1)		246,637	227,940	18,697
Ray	394,557	494,916	417,010	472,463
Reynolds	15,154	101,630	101,508	15,276
Ripley	136,099	85,143	57,412	163,830
Ste. Genevieve	111,503	210,765	175,076	147,192
Scott	266,021	171,999	157,044	280,976
Shannon	33,549	50,765	42,300	42,014
Stoddard (1)		372,748	372,748	0
Texas	46,615	166,019	155,636	56,998
Warren	332,862	751,747	711,470	373,139
Washington	283,305	413,969	237,135	460,139
Wayne	1,257	89,343	66,421	24,179
Webster	65,901	236,752	257,855	44,798
Wright	147,449	136,222	81,791	201,880
Total	<u>12,639,836</u>	<u>24,995,478</u>	<u>23,146,551</u>	<u>14,488,763</u>

- (1) The budget forms did not include a beginning balance for this fund.
- (2) A budget was not filed with the State Auditors office for this fund.
- (3) Year Ended June 30, 2007
- (4) A partial year was submitted covering July 1, 2006 through April 30, 2007
- (5) Year Ended September 30, 2007