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CITIZENS SUMMARY

Findings in the audit of Jackson County Budgets and Transfers

Budgetary Practices

Budgeting procedures need improvement to ensure greater transparency in the budgeting process. The County Legislature, County Executive, Chief Administrative Officer, and Budget Office do not ensure budgets for most county funds reasonably reflect the anticipated financial activity and fund balances. The county significantly underestimated beginning fund balances, underestimated revenues, and/or overestimated disbursements resulting in total actual ending fund balances greatly exceeding total budgeted ending fund balances. Disbursements for most county funds are annually budgeted so that estimated ending fund balances will equal zero, effectively appropriating all available monies to be spent in the current year, regardless of the actual estimated activity for the funds. As a result of poor budgeting, the county's financial position was significantly misstated. The budgeting and coding of some disbursements in the accounting system as non-departmental is inappropriate and reduces the transparency of the spending of public funds. The poor estimates of beginning and ending fund balances resulted in undesignated fund balances that were then improperly transferred by the County Legislature rather than appropriated through the process established by state statute. During the audit period, the County Legislature authorized \$3,117,328 of transfers from these actual undesignated fund balances instead of properly amending the budget. In addition, public hearings were not held prior to the approval/adoption of any of these transfers as required by state law.

Administrative Transfers

Some administrative transfers were made without proper approval, and as a result may have been inappropriate. Administrative transfer forms were not always complete and accurate, and as a result, administrative transfers were made without sufficient documentation or explanation. The County Executive frequently approved administrative transfers that included multiple object codes not exceeding \$10,000, that when accumulated exceeded \$10,000. These multiple-object-code transfers, performed in accordance with current county code, allowed for the purchase of specific goods or services that might have otherwise required legislative approval.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



Recommendations in the audit of Jackson County Budgets and Transfers

Budgetary Practices

The County Legislature work with the County Executive to:

- 1.1 Ensure budgets provide reasonable estimates of anticipated disbursements and ending fund balances; and discontinue deficit budgeting, and budgeting and paying departmental expenses from non-departmental appropriations.
- 1.2 Discontinue authorizing transfers from undesignated fund balances (not appropriated through the county budget process), and ensure budget amendments are only made when the county receives new revenues and public hearings are held for all other budget amendments in accordance with state law.

Administrative Transfers

The County Legislature work with the County Executive to ensure administrative transfer forms are complete and accurate and are properly signed and/or approved, and transfers are made from/to accounts and object codes that agree to the reason or purpose of the transfer. In addition, the County Legislature should review and update as necessary, county code 533.1.