Claire McCaskill
Missouri State Auditor

November 2006

Washington County, Missouri

Years Ended
December 31, 2005 and 2004

Report No. 2006-68

auditor.mo.gov

Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2006

YELLOW SHEET

<u>IMPORTANT</u>: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Washington, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

- The County Clerk does not maintain an account book for several of the funds held by the County Treasurer. As a result, the County Clerk and County Treasurer are unable to reconcile the receipts, disbursements, and cash balances for these funds. The county also does not have procedures in place to ensure its budget documents accurately present financial activities of the county. In addition, actual disbursements exceeded budgeted amounts for several funds.

- The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, the county did not enter into contracts for some services when appropriate and its accounts payable process does not provide adequate controls to prevent duplicate payments.

- The County Commission has not requested bids or funding proposals for economic development services and its agreement for economic development services is not adequately detailed.

- The County Clerk's procedures to account for county property are not sufficient and county property records are not complete. Records and monitoring procedures for county vehicles used by various officials also need improvement. In addition, records of fuel usage for road and bridge vehicles and equipment are not adequately reviewed.

- The County Commission minutes do not always include sufficient detail of matters discussed or actions taken. In addition, meeting notices and agendas were either not posted or not maintained for some meetings held by the County Commission.

- The County Commission or Revolving Loan Board has not taken action regarding a $19,000 outstanding loan. The loan was renegotiated in 2002. However, a new loan agreement was not obtained. In addition, the County Treasurer did not maintain amortization schedules for some of the loans outstanding.

(over)

- The Senior Citizen's Service Board does not develop formal agreements with the not-for-profit (NFP) organizations and has not developed an effective method of monitoring the services provided by several of the NFP service providers.

- The Health Department's controls and procedures for board meeting minutes need improvement. The Health Department also does not have procedures in place to ensure its budget documents accurately present its financial activities. In addition, controls and procedures over expenditures, payroll, and property need improvement.

- The Handicapped Board (Senate Bill 40 Board) has not developed an effective method of monitoring the services provided by several of the NFP service providers, and has not entered into a written agreement with its depository bank. In addition, the Handicapped Board's procedures to account for Handicapped Board property are not sufficient and the property records are not complete.

- The Sheriff's procedures for processing receipts and disbursements and segregating accounting duties for the commissary account are in need of improvement. In addition, monthly bank reconciliations and open items listings are not prepared. As a result of the various problems with the Sheriff's commissary, the Sheriff's Department is unable to account for all monies received or determine the amount of monies that should be in the Sheriff's commissary account.

  Also, Sheriff's Department procedures related to bond receipts, segregation of accounting duties for the general account, commissary profits, and seized property are in need of improvement.

- In the Circuit Clerk's office, the numerical sequence of manual receipt slips is not accounted for and there is no reconciliation between monies recorded on manual receipt slips and amounts deposited. In addition, procedures for monitoring accrued costs and open items need to be improved.

- In the Associate Court, cash custody and accounting duties have not been adequately segregated, the numerical sequence of manual receipt slips is not accounted for and there is no reconciliation between monies recorded on manual receipt slips and amounts deposited. In addition, controls and procedures related to receipts, accrued costs, and bank reconciliations need improvements.

- In the Prosecuting Attorney's office, cash custody and accounting duties have not been adequately segregated, and controls and procedures for processing receipts need improvement.

The audit also included recommendations related to the schedule of expenditures of federal awards and the property tax system.

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

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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 Washington 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 Washington County, Missouri, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Washington County, Missouri, as of December 31, 2005 and 2004, or the changes in its financial position for the years then ended.

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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 Washington 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, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 19, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Washington County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

Claire McCaskill
State Auditor

July 19, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Julie Vollmer
Audit Staff:	Steven Re', CPA
	Jonathan P. Edwards
	Emily Hehmeyer

CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Washington County, Missouri

We have audited the financial statements of various funds of Washington County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Washington 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial

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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 do not believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

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

Claire McCaskill
State Auditor

July 19, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

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

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	55,132	2,321,348	2,289,041	87,439
Special Road and Bridge		111,751	1,997,578	2,016,300	93,029
Assessment		166	246,946	246,612	500
Sheriff's Law Enforcement		6,154	1,258,722	1,263,876	1,000
Law Enforcement Training		9,053	4,667	6,864	6,856
Prosecuting Attorney Delinquent Tax		11,321	1,044	5,539	6,826
Prosecuting Attorney Training		6,651	957	1,546	6,062
Prosecuting Attorney Bad Check		63,732	23,148	14,138	72,742
Sheriff Civil Fees		86	36,596	36,601	81
Recorder's User Fee		68,030	14,240	5,067	77,203
Revolving Loan		432,759	11,359	410,095	34,023
DARE		1,682	35	313	1,404
Election Services		2,052	856	1,519	1,389
Recorder's Technical		13,806	10,031	5,519	18,318
Domestic Violence Shelter		1,575	2,064	2,338	1,301
Economic Development Tax		1,319,854	738,535	690,568	1,367,821
County Building		25,436	127,818	0	153,254
HAVA		15,042	9,980	10,810	14,212
Sheriff's Revolving		370	2,448	806	2,012
Assessor Technical		2,152	21,539	6,526	17,165
Senior Citizens' Service		72,584	92,841	83,474	81,951
Associate Circuit Division Interest		83	194	0	277
Collector Tax Maintenance		41,788	34,489	18,114	58,163
Circuit Division Interest		883	707	550	1,040
Health Center		405,928	633,027	641,590	397,365
Handicapped Board		149,038	327,670	325,735	150,973
Sheriff's Commissary Profit		938	1,609	1,869	678
Associate's Time Payment Fee		3,006	3,165	436	5,735
Belgrade Water District #2		0	1,000	1,000	0
Total	$	2,821,052	7,924,613	8,086,846	2,658,819

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

Exhibit A-2

WASHINGTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund		Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	$	91,421	2,221,155	2,257,444	55,132
Special Road and Bridge		151,876	2,251,926	2,292,051	111,751
Assessment		213	237,879	237,926	166
Sheriff's Law Enforcement		1,205	1,185,508	1,180,559	6,154
Law Enforcement Training		7,574	4,852	3,373	9,053
Prosecuting Attorney Delinquent Tax		9,602	1,719	0	11,321
Prosecuting Attorney Training		5,869	782	0	6,651
Prosecuting Attorney Bad Check		50,594	21,130	7,992	63,732
Sheriff Civil Fees		869	50,291	51,074	86
Recorder's User Fee		57,980	12,518	2,468	68,030
Revolving Loan		527,681	64,114	159,036	432,759
DARE		1,249	433	0	1,682
Election Services		3,110	2,090	3,148	2,052
Recorder's Technical		12,843	9,645	8,682	13,806
Domestic Violence Shelter		2,046	2,894	3,365	1,575
Economic Development Tax		872,772	683,369	236,287	1,319,854
County Building		0	25,436	0	25,436
HAVA		0	15,042	0	15,042
Sheriff's Revolving		0	5,712	5,342	370
Assessor Technical		0	2,152	0	2,152
Senior Citizens' Service		68,037	85,275	80,728	72,584
Associate Circuit Division Interest		123	95	135	83
Collector Tax Maintenance		15,352	32,075	5,639	41,788
Circuit Division Interest		822	1,244	1,183	883
Health Center		443,020	581,423	618,515	405,928
Handicapped Board		72,574	317,329	240,865	149,038
Sheriff's Commissary Profit		733	1,235	1,030	938
Associate's Time Payment Fee		0	3,006	0	3,006
Total	$	2,397,565	7,820,329	7,396,842	2,821,052

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

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	$ 8,200,495	7,918,839	(281,656)	7,804,381	7,767,746	(36,635)
DISBURSEMENTS	9,780,598	8,083,541	1,697,057	8,647,278	7,390,470	1,256,808
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,580,103)	(164,702)	1,415,401	(842,897)	377,276	1,220,173
CASH, JANUARY 1	2,779,987	2,817,108	37,121	2,363,769	2,396,832	33,063
CASH, DECEMBER 31	1,199,884	2,652,406	1,452,522	1,520,872	2,774,108	1,253,236
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	420,075	449,713	29,638	325,101	229,870	(95,231)
Sales taxes	882,814	882,814	0	860,000	832,068	(27,932)
Intergovernmental	617,694	262,872	(354,822)	286,956	224,586	(62,370)
Charges for services	389,650	388,618	(1,032)	387,782	380,535	(7,247)
Interest	4,800	4,773	(27)	500	709	209
Other	157,725	205,198	47,473	269,712	213,459	(56,253)
Transfers in	203,097	127,360	(75,737)	154,195	139,928	(14,267)
Tax anticipation note	0	0	0	200,000	200,000	0
Total Receipts	2,675,855	2,321,348	(354,507)	2,484,246	2,221,155	(263,091)
DISBURSEMENTS						
County Commission	123,644	122,522	1,122	132,303	133,178	(875)
County Clerk	151,941	134,121	17,820	156,027	155,144	883
Elections	51,400	42,681	8,719	108,895	108,307	588
Buildings and grounds	91,452	131,877	(40,425)	130,479	157,990	(27,511)
County Treasurer	70,562	67,292	3,270	65,220	63,592	1,628
County Collector	147,622	134,221	13,401	148,379	125,261	23,118
Recorder of Deeds	112,807	111,900	907	111,367	109,332	2,035
Circuit Clerk	56,206	54,388	1,818	49,943	47,396	2,547
Associate Circuit Court	47,948	41,160	6,788	47,912	37,410	10,502
Court administration	15,225	36,875	(21,650)	29,247	16,965	12,282
Public Administrator	64,249	69,165	(4,916)	73,858	75,739	(1,881)
Prosecuting Attorney	406,512	385,235	21,277	389,845	363,505	26,340
Juvenile Officer	82,951	82,951	0	82,951	82,951	0
County Coroner	34,679	45,083	(10,404)	32,271	30,664	1,607
Sheriff Auxiliary	1,800	1,800	0	2,600	2,600	0
Landfill	34,275	32,162	2,113	34,324	33,958	366
Airport	412,537	63,432	349,105	130,963	66,310	64,653
County Industrial Development Authority	111,651	28,904	82,747	76,186	55,840	20,346
University Extension	40,000	39,999	1	38,000	39,592	(1,592)
Debt service	58,000	201,200	(143,200)	116,010	112,310	3,700
Other	180,255	132,566	47,689	137,075	157,222	(20,147)
Transfers out	338,373	329,507	8,866	149,487	282,178	(132,691)
Emergency Fund	75,881	0	75,881	66,316	0	66,316
Total Disbursements	2,709,970	2,289,041	420,929	2,309,658	2,257,444	52,214
RECEIPTS OVER (UNDER) DISBURSEMENTS	(34,115)	32,307	66,422	174,588	(36,289)	(210,877)
CASH, JANUARY 1	55,132	55,132	0	91,421	91,421	0
CASH, DECEMBER 31	21,017	87,439	66,422	266,009	55,132	(210,877)

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE FUND						
RECEIPTS						
Property taxes	468,305	475,799	7,494	417,193	383,309	(33,884)
Sales taxes	700,000	711,390	11,390	660,000	679,124	19,124
Intergovernmental	702,285	617,515	(84,770)	1,097,372	1,169,392	72,020
Interest	800	4,646	3,846	1,100	1,111	11
Other	168,500	188,228	19,728	52,000	18,990	(33,010)
Total Receipts	2,039,890	1,997,578	(42,312)	2,227,665	2,251,926	24,261
DISBURSEMENTS						
Salaries	757,615	730,612	27,003	700,190	693,389	6,801
Employee fringe benefit	256,429	252,622	3,807	255,890	240,679	15,211
Supplies	167,850	220,801	(52,951)	150,500	152,278	(1,778)
Insurance	28,141	0	28,141	27,000	45,055	(18,055)
Road and bridge materials	410,777	443,212	(32,435)	346,185	366,361	(20,176)
Equipment repairs	104,000	97,851	6,149	105,000	106,699	(1,699)
Rentals	1,850	292	1,558	5,500	1,387	4,113
Equipment purchases	183,541	130,933	52,608	110,000	101,781	8,219
Construction, repair, and maintenance	30,489	21,187	9,302	446,000	459,425	(13,425)
Other	58,200	40,463	17,737	55,400	52,977	2,423
Transfers out	61,388	78,327	(16,939)	55,000	72,020	(17,020)
Total Disbursements	2,060,280	2,016,300	43,980	2,256,665	2,292,051	(35,386)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,390)	(18,722)	1,668	(29,000)	(40,125)	(11,125)
CASH, JANUARY 1	111,751	111,751	0	151,876	151,876	0
CASH, DECEMBER 31	91,361	93,029	1,668	122,876	111,751	(11,125)
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	142,364	121,860	(20,504)	138,500	113,232	(25,268)
Charges for services	115,000	104,610	(10,390)	105,000	94,266	(10,734)
Interest	0	356	356	0	68	68
Other	0	1,622	1,622	0	0	0
Transfers in	27,364	18,498	(8,866)	13,205	30,313	17,108
Total Receipts	284,728	246,946	(37,782)	256,705	237,879	(18,826)
DISBURSEMENTS						
Assessor	284,728	246,612	38,116	257,038	237,926	19,112
Total Disbursements	284,728	246,612	38,116	257,038	237,926	19,112
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	334	334	(333)	(47)	286
CASH, JANUARY 1	166	166	0	213	213	0
CASH, DECEMBER 31	166	500	334	(120)	166	286

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S LAW ENFORCEMENT FUND						
RECEIPTS						
Sales taxes	710,000	711,391	1,391	660,000	679,128	19,128
Intergovernmental	255,891	188,308	(67,583)	190,650	191,503	853
Charges for services	13,500	3,261	(10,239)	2,450	4,009	1,559
Interest	50	0	(50)	0	35	35
Other	39,100	16,853	(22,247)	32,600	14,511	(18,089)
Transfers in	371,009	338,909	(32,100)	176,982	296,322	119,340
Total Receipts	1,389,550	1,258,722	(130,828)	1,062,682	1,185,508	122,826
DISBURSEMENTS						
Salaries	933,193	912,242	20,951	797,015	810,926	(13,911)
Office expenditures	47,000	48,327	(1,327)	43,200	47,211	(4,011)
Equipment	80,400	83,955	(3,555)	41,600	42,159	(559)
Mileage and training	1,700	2,039	(339)	1,500	2,100	(600)
Other	189,811	217,313	(27,502)	179,668	278,163	(98,495)
Total Disbursements	1,252,104	1,263,876	(11,772)	1,062,983	1,180,559	(117,576)
RECEIPTS OVER (UNDER) DISBURSEMENTS	137,446	(5,154)	(142,600)	(301)	4,949	5,250
CASH, JANUARY 1	6,154	6,154	0	1,205	1,205	0
CASH, DECEMBER 31	143,600	1,000	(142,600)	904	6,154	5,250
LAW ENFORCEMENT TRAINING FUND						
RECEIPTS						
Intergovernmental	0	1,395	1,395	0	0	0
Charges for services	5,000	3,095	(1,905)	2,300	4,804	2,504
Interest	50	177	127	15	48	33
Total Receipts	5,050	4,667	(383)	2,315	4,852	2,537
DISBURSEMENTS						
Sheriff	5,000	6,864	(1,864)	2,000	3,373	(1,373)
Total Disbursements	5,000	6,864	(1,864)	2,000	3,373	(1,373)
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	(2,197)	(2,247)	315	1,479	1,164
CASH, JANUARY 1	9,053	9,053	0	7,219	7,574	355
CASH, DECEMBER 31	9,103	6,856	(2,247)	7,534	9,053	1,519
PROSECUTING ATTORNEY DELINQUENT TAX FUND						
RECEIPTS						
Intergovernmental	1,700	812	(888)	1,800	1,657	(143)
Interest	70	232	162	30	62	32
Total Receipts	1,770	1,044	(726)	1,830	1,719	(111)
DISBURSEMENTS						
Prosecuting Attorney	3,000	5,539	(2,539)	5,000	0	5,000
Total Disbursements	3,000	5,539	(2,539)	5,000	0	5,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,230)	(4,495)	(3,265)	(3,170)	1,719	4,889
CASH, JANUARY 1	11,321	11,321	0	9,602	9,602	0
CASH, DECEMBER 31	10,091	6,826	(3,265)	6,432	11,321	4,889

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY TRAINING FUND						
RECEIPTS						
Charges for services	750	819	69	700	745	45
Interest	20	138	118	13	37	24
Total Receipts	770	957	187	713	782	69
DISBURSEMENTS						
Prosecuting Attorney	3,500	1,546	1,954	3,500	0	3,500
Total Disbursements	3,500	1,546	1,954	3,500	0	3,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,730)	(589)	2,141	(2,787)	782	3,569
CASH, JANUARY 1	6,651	6,651	0	5,869	5,869	0
CASH, DECEMBER 31	3,921	6,062	2,141	3,082	6,651	3,569
PROSECUTING ATTORNEY BAD CHECK FUND						
RECEIPTS						
Charges for services	21,000	21,440	440	18,000	20,789	2,789
Interest	350	1,708	1,358	200	341	141
Total Receipts	21,350	23,148	1,798	18,200	21,130	2,930
DISBURSEMENTS						
Prosecuting Attorney	5,968	3,964	2,004	19,500	4,538	14,962
Transfers out	5,500	10,174	(4,674)	5,500	3,454	2,046
Total Disbursements	11,468	14,138	(2,670)	25,000	7,992	17,008
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,882	9,010	(872)	(6,800)	13,138	19,938
CASH, JANUARY 1	63,732	63,732	0	50,594	50,594	0
CASH, DECEMBER 31	73,614	72,742	(872)	43,794	63,732	19,938
SHERIFF CIVIL FEES FUND						
RECEIPTS						
Charges for services	65,000	36,468	(28,532)	33,000	50,262	17,262
Interest	30	128	98	11	29	18
Total Receipts	65,030	36,596	(28,434)	33,011	50,291	17,280
DISBURSEMENTS						
Sheriff	0	201	(201)	0	17	(17)
Transfers out	60,000	36,400	23,600	33,000	51,057	(18,057)
Total Disbursements	60,000	36,601	23,399	33,000	51,074	(18,074)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,030	(5)	(5,035)	11	(783)	(794)
CASH, JANUARY 1	86	86	0	869	869	0
CASH, DECEMBER 31	5,116	81	(5,035)	880	86	(794)

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECORDER'S USER FEE FUND						
RECEIPTS						
Charges for services	11,000	12,502	1,502	13,000	12,144	(856)
Interest	450	1,738	1,288	170	374	204
Total Receipts	11,450	14,240	2,790	13,170	12,518	(652)
DISBURSEMENTS						
Recorder of Deeds	5,000	5,067	(67)	15,000	2,468	12,532
Total Disbursements	5,000	5,067	(67)	15,000	2,468	12,532
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,450	9,173	2,723	(1,830)	10,050	11,880
CASH, JANUARY 1	68,030	68,030	0	57,980	57,980	0
CASH, DECEMBER 31	74,480	77,203	2,723	56,150	68,030	11,880
REVOLVING LOAN FUND						
RECEIPTS						
Interest	2,000	7,775	5,775	3,000	5,073	2,073
Other	8,337	3,584	(4,753)	20,337	59,041	38,704
Transfers in	7,190	0	(7,190)	0	0	0
Total Receipts	17,527	11,359	(6,168)	23,337	64,114	40,777
DISBURSEMENTS						
Revolving loans	390,000	409,999	(19,999)	400,000	159,000	241,000
Other	0	96	(96)	0	36	(36)
Total Disbursements	390,000	410,095	(20,095)	400,000	159,036	240,964
RECEIPTS OVER (UNDER) DISBURSEMENTS	(372,473)	(398,736)	(26,263)	(376,663)	(94,922)	281,741
CASH, JANUARY 1	395,569	432,759	37,190	492,027	527,681	35,654
CASH, DECEMBER 31	23,096	34,023	10,927	115,364	432,759	317,395
DARE FUND						
RECEIPTS						
Interest	10	35	25	5	8	3
Other	425	0	(425)	150	425	275
Total Receipts	435	35	(400)	155	433	278
DISBURSEMENTS						
Sheriff	0	313	(313)	1,200	0	1,200
Total Disbursements	0	313	(313)	1,200	0	1,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	435	(278)	(713)	(1,045)	433	1,478
CASH, JANUARY 1	1,682	1,682	0	1,249	1,249	0
CASH, DECEMBER 31	2,117	1,404	(713)	204	1,682	1,478

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	1,200	829	(371)	1,700	2,080	380
Interest	10	27	17	0	10	10
Total Receipts	1,210	856	(354)	1,700	2,090	390
DISBURSEMENTS						
County Clerk	2,000	1,519	481	3,500	3,148	352
Total Disbursements	2,000	1,519	481	3,500	3,148	352
RECEIPTS OVER (UNDER) DISBURSEMENTS	(790)	(663)	127	(1,800)	(1,058)	742
CASH, JANUARY 1	2,052	2,052	0	3,659	3,110	(549)
CASH, DECEMBER 31	1,262	1,389	127	1,859	2,052	193
RECORDER'S TECHNICAL FUND						
RECEIPTS						
Charges for services	9,000	9,633	633	8,000	9,106	1,106
Interest	50	398	348	20	89	69
Other	0	0	0	0	450	450
Total Receipts	9,050	10,031	981	8,020	9,645	1,625
DISBURSEMENTS						
Recorder of Deeds	3,500	5,519	(2,019)	2,000	8,682	(6,682)
Total Disbursements	3,500	5,519	(2,019)	2,000	8,682	(6,682)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,550	4,512	(1,038)	6,020	963	(5,057)
CASH, JANUARY 1	13,806	13,806	0	12,843	12,843	0
CASH, DECEMBER 31	19,356	18,318	(1,038)	18,863	13,806	(5,057)
DOMESTIC VIOLENCE SHELTER FUND						
RECEIPTS						
Charges for services	3,100	2,050	(1,050)	3,500	2,888	(612)
Interest	8	14	6	4	6	2
Total Receipts	3,108	2,064	(1,044)	3,504	2,894	(610)
DISBURSEMENTS						
Domestic violence shelte	4,000	2,338	1,662	5,000	3,365	1,635
Total Disbursements	4,000	2,338	1,662	5,000	3,365	1,635
RECEIPTS OVER (UNDER) DISBURSEMENTS	(892)	(274)	618	(1,496)	(471)	1,025
CASH, JANUARY 1	1,575	1,575	0	2,046	2,046	0
CASH, DECEMBER 31	683	1,301	618	550	1,575	1,025

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ECONOMIC DEVELOPMENT TAX FUND						
RECEIPTS						
Sales taxes	509,344	711,390	202,046	660,000	679,125	19,125
Interest	3,183	27,145	23,962	1,800	4,244	2,444
Total Receipts	512,527	738,535	226,008	661,800	683,369	21,569
DISBURSEMENTS						
County Industrial Development Authority	1,830,000	662,000	1,168,000	1,200,000	180,000	1,020,000
Transfers out	0	28,568	(28,568)	0	56,287	(56,287)
Total Disbursements	1,830,000	690,568	1,139,432	1,200,000	236,287	963,713
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,317,473)	47,967	1,365,440	(538,200)	447,082	985,282
CASH, JANUARY 1	1,319,854	1,319,854	0	872,772	872,772	0
CASH, DECEMBER 31	2,381	1,367,821	1,365,440	334,572	1,319,854	985,282
COUNTY BUILDING FUND						
RECEIPTS						
Interest	150	2,108	1,958			
Other	100,000	125,710	25,710			
Total Receipts	100,150	127,818	27,668			
DISBURSEMENTS						
Building	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	100,150	127,818	27,668			
CASH, JANUARY 1	25,436	25,436	0			
CASH, DECEMBER 31	125,586	153,254	27,668			
HAVA FUND						
RECEIPTS						
Intergovernmental	8,125	9,631	1,506			
Interest	70	349	279			
Total Receipts	8,195	9,980	1,785			
DISBURSEMENTS						
County Clerk	21,125	10,810	10,315			
Total Disbursements	21,125	10,810	10,315			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,930)	(830)	12,100			
CASH, JANUARY 1	15,042	15,042	0			
CASH, DECEMBER 31	2,112	14,212	12,100			

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF'S REVOLVING FUND						
RECEIPTS						
Charges for services	5,700	2,414	(3,286)			
Interest	15	34	19			
Total Receipts	5,715	2,448	(3,267)			
DISBURSEMENTS						
Sheriff	3,000	806	2,194			
Total Disbursements	3,000	806	2,194			
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,715	1,642	(1,073)			
CASH, JANUARY 1	370	370	0			
CASH, DECEMBER 31	3,085	2,012	(1,073)			
ASSESSOR TECHNICAL FUND						
RECEIPTS						
Charges for services	20,000	21,490	1,490			
Interest	100	49	(51)			
Total Receipts	20,100	21,539	1,439			
DISBURSEMENTS						
Assessor	10,000	6,526	3,474			
Total Disbursements	10,000	6,526	3,474			
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,100	15,013	4,913			
CASH, JANUARY 1	2,152	2,152	0			
CASH, DECEMBER 31	12,252	17,165	4,913			
SENIOR CITIZENS' SERVICE FUND						
RECEIPTS						
Property taxes	83,903	85,124	1,221	79,826	80,422	596
Intergovernmental	0	5,329	5,329	0	4,380	4,380
Interest	500	2,388	1,888	410	473	63
Total Receipts	84,403	92,841	8,438	80,236	85,275	5,039
DISBURSEMENTS						
Contractual services	78,000	83,220	(5,220)	96,000	80,380	15,620
Other	340	254	86	439	348	91
Total Disbursements	78,340	83,474	(5,134)	96,439	80,728	15,711
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,063	9,367	3,304	(16,203)	4,547	20,750
CASH, JANUARY 1	72,584	72,584	0	68,037	68,037	0
CASH, DECEMBER 31	78,647	81,951	3,304	51,834	72,584	20,750

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ASSOCIATE CIRCUIT DIVISION INTEREST FUND						
RECEIPTS						
Interest	300	194	(106)	300	95	(205)
Total Receipts	300	194	(106)	300	95	(205)
DISBURSEMENTS						
Associate Circuit Divisior	300	0	300	300	135	165
Total Disbursements	300	0	300	300	135	165
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	194	194	0	(40)	(40)
CASH, JANUARY 1	83	83	0	2,169	123	(2,046)
CASH, DECEMBER 31	83	277	194	2,169	83	(2,086)
COLLECTOR TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	33,000	32,870	(130)	34,000	31,919	(2,081)
Interest	0	1,619	1,619	0	156	156
Total Receipts	33,000	34,489	1,489	34,000	32,075	(1,925)
DISBURSEMENTS						
County Collector	17,200	16,323	877	18,000	4,072	13,928
Transfers out	2,000	1,791	209	2,000	1,567	433
Total Disbursements	19,200	18,114	1,086	20,000	5,639	14,361
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,800	16,375	2,575	14,000	26,436	12,436
CASH, JANUARY 1	41,857	41,788	(69)	15,352	15,352	0
CASH, DECEMBER 31	55,657	58,163	2,506	29,352	41,788	12,436
CIRCUIT DIVISION INTEREST FUND						
RECEIPTS						
Interest	1	1	0	1,450	0	(1,450)
Other	1,250	706	(544)	0	1,244	1,244
Total Receipts	1,251	707	(544)	1,450	1,244	(206)
DISBURSEMENTS						
Circuit Clerk	1,000	550	450	2,000	1,183	817
Total Disbursements	1,000	550	450	2,000	1,183	817
RECEIPTS OVER (UNDER) DISBURSEMENTS	251	157	(94)	(550)	61	611
CASH, JANUARY 1	883	883	0	1,173	822	(351)
CASH, DECEMBER 31	1,134	1,040	(94)	623	883	260

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	244,392	259,016	14,624	230,463	244,328	13,865
Intergovernmental	14,500	236,059	221,559	31,000	240,455	209,455
Charges for Services	295,000	92,380	(202,620)	295,754	53,925	(241,829)
Interest	6,200	10,635	4,435	6,975	5,291	(1,684)
Other	33,150	34,937	1,787	43,650	37,424	(6,226)
Total Receipts	593,242	633,027	39,785	607,842	581,423	(26,419)
DISBURSEMENTS						
Salaries	473,191	460,227	12,964	487,038	454,114	32,924
Occupancy costs	18,750	14,028	4,722	22,004	20,539	1,465
Office expenditures	29,090	27,139	1,951	30,065	27,837	2,228
Equipment	16,749	17,660	(911)	18,155	5,067	13,088
Mileage and training	9,000	7,589	1,411	14,000	10,886	3,114
Other	110,250	114,947	(4,697)	105,035	100,072	4,963
Total Disbursements	657,030	641,590	15,440	676,297	618,515	57,782
RECEIPTS OVER (UNDER) DISBURSEMENTS	(63,788)	(8,563)	55,225	(68,455)	(37,092)	31,363
CASH, JANUARY 1	405,928	405,928	0	443,020	443,020	0
CASH, DECEMBER 31	342,140	397,365	55,225	374,565	405,928	31,363
HANDICAPPED BOARD FUND						
RECEIPTS						
Property taxes	307,339	314,854	7,515	265,000	307,508	42,508
Intergovernmental	6,000	5,783	(217)	8,000	7,247	(753)
Interest	1,500	6,988	5,488	1,500	2,574	1,074
Other	0	45	45	7,000	0	(7,000)
Total Receipts	314,839	327,670	12,831	281,500	317,329	35,829
DISBURSEMENTS						
Administrative services	18,000	18,000	0	18,950	18,642	308
Legal and professional service	1,550	1,580	(30)	1,550	2,873	(1,323)
Insurance	10,436	10,628	(192)	11,215	8,231	2,984
Vehicle and building expenditure	29,000	10,507	18,493	21,000	3,298	17,702
Contractual services	191,547	180,349	11,198	109,677	107,363	2,314
Mental Health Trust Fund	115,520	104,671	10,849	108,306	100,458	7,848
Total Disbursements	366,053	325,735	40,318	270,698	240,865	29,833
RECEIPTS OVER (UNDER) DISBURSEMENTS	(51,214)	1,935	53,149	10,802	76,464	65,662
CASH, JANUARY 1	149,038	149,038	0	72,574	72,574	0
CASH, DECEMBER 31	97,824	150,973	53,149	83,376	149,038	65,662

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 Washington 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, the Health Department Board, Handicapped Board, Senior Citizen's Service Board, or the Revolving Loan Fund Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

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

Fund	Years Ended December 31,
County Building Fund	2004
HAVA Fund	2004
Sheriff's Revolving Fund	2004
Assessor Technical Fund	2004
Sheriff's Commissary Profit Fund	2005 and 2004
Associate's Time Payment Fee Fund	2005 and 2004
Belgrade Water District #2	2005

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

Fund	Years Ended December 31,
Special Road and Bridge Fund	2004
Sheriff's Law Enforcement Fund	2005 and 2004
Law Enforcement Training Fund	2005 and 2004
Prosecuting Attorney Delinquent Tax Fund	2005
Prosecuting Attorney Bad Check Fund	2005
Sheriff Civil Fees Fund	2004
Recorder's User Fee Fund	2005
Revolving Loan Fund	2005
DARE Fund	2005
Recorder's Technical Fund	2005 and 2004
Senior Citizens' Service Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Assessment Fund for the year ended December 31, 2004.

D. Published Financial Statements

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

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

Fund	Years Ended December 31,
County Building Fund	2004
Associate Circuit Division Interest Fund	2005 and 2004
Collector Tax Maintenance Fund	2005 and 2004
Circuit Division Interest Fund	2005 and 2004
Sheriff's Commissary Profit Fund	2005 and 2004
Associate's Time Payment Fee Fund	2005 and 2004
Belgrade Water District #2	2005

In addition, the Health Department Board and Handicapped Board published their financial statements separately from the county's statements and did not disclose disbursement detail by vendor.

2. Cash

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

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Washington County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and the Health Department Board's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they 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.

The Handicapped Board's deposits at December 31, 2005, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name. Of the Handicapped Board's bank balance at December 31, 2004, $27,507 was exposed to custodial credit risk because that amount was uninsured and uncollateralized.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2005 and 2004, the county had no such investments. In addition, Section 30.950, RSMo, 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.

3. Contingent Liability

As of December 31, 2005, the county's legal counsel indicated the county may suffer financial loss as a result of litigation related to an alleged false arrest. The potential liability to the county cannot be determined at this time.

4. Prior Period Adjustments

The General Revenue Fund's cash balance at January 1, 2004, as previously stated has been decreased by $4,991 to reflect the cash balance shown in the county's records.

The Revolving Loan Fund's and Sheriff's Commissary Profit Fund's cash balances of $527,681 and $733, respectively, at January 1, 2004, were not previously reported but have been added.

The Associate Circuit Division Interest Fund's cash balance at January 1, 2004, as previously stated has been decreased by $1,795 to reflect the cash balance shown in the county's records.

Supplementary Schedule

Schedule

WASHINGTON 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, 2005	2004
	U. S. DEPARTMENT OF AGRICULTURE			
	Direct program:			
10	Cooperative Law Enforcement and Cannabis Agreemer	N/A	$ 6,000	0
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childrei	ERS045-4211 ERS045-5211 ERS045-6211	95,133	93,023
10.559	Summer Food Service Program for Childrei	ERS146-4211I ERS146-52111	420	260
	Office of Administration			
10.665	Schools and Roads - Grants to States	N/A	22,407	341,745
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Economic Developmen			
14.228	Community Development Block Grants/State' Program	2005-PF-24	1,000	0
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety			
16.523	Juvenile Accountability Incentive Block Grant	2002-JAIBG-LG-31	0	5,836
16.579	Byrne Formula Grant Program	NCD28-035 NCD28-039	42,406	49,223
16.588	Violence Against Women Formula Grant	2002-VAWA-0056	0	1,103
16.592	Local Law Enforcement Block Grants Progran	2004-LBG-094	8,586	9,587
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Progran	N/A	1,500	1,889

Schedule

WASHINGTON 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, 2005	2004
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commissior			
20.205	Highway Planning and Constructior	BRO-110 (5)	17,352	413,835
20.600	State and Community Highway Safety	06-PT-02-119	7,121	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administratior			
39.003	Donation of Federal Surplus Personal Propert	N/A	4,477	3,986
	ELECTIONS ASSISTANCE COMMISSION			
	Passed through state Office of Secretary of State			
90.401	Help America Vote Act Requirements Payments	95-1650-0-1-808	10,809	4,860
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state Department of Health and Senior Service			
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Preventior and Surveillance of Blood Lead Levels in Childre	ERS146-6211L	1,500	0
93.268	Immunization Grants	N/A PGA064-3211A	58,127 0 58,127	68,618 1,100 69,718
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DHO-60001004 DHO-40021008 DHO-50032012 DHO-40022067	10,100	7,533
93.575	Child Care and Development Block Gran	P6A067-4211C P6A067-52115 P6A067-22115	1,305	2,265
93.919	Cooperative Agreements for State-Based Comprehensiv Breast and Cervical Cancer Early Detection Program	ERS161-40016 ERS161-50001 ERS161-60055	11,702	12,200
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-421 ERS-146-5211M DH650008001	41,586	25,661

Schedule

WASHINGTON 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, 2005	2004
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety			
83.562	State and Local All Hazards Emergency Operations Plannin	EMK-2003-GR-2540	0	5,700
97.004	State Domestic Preparedness Equipment Support Prograr	2004-GE-T4-0049 2003-MU-T3-0003	102,258	0
97.036	Public Assistance Grants	1463-DR-MO	0	2,051
	Total Expenditures of Federal Awards		$ 443,789	1,050,475

* These expenditures include awards made under CFDA 39.011

N/A - Not applicable

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

Notes to the Supplementary Schedule

WASHINGTON 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 Washington 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 (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for the Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state

Department of Health and Senior Services. Amounts for the Immunization Grants include both cash disbursements and the original acquisition cost of vaccines.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2005 and 2004.

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 Washington County, Missouri

Compliance

We have audited the compliance of Washington 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, 2005 and 2004. 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, Washington 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, 2005 and 2004.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Claire McCaskill
State Auditor

July 19, 2006 (fieldwork completion date)

Schedule

WASHINGTON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2005 AND 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	___x___ no
• Reportable condition identified that is not considered to be a material weakness?	___x___ yes	_____ none reported
Noncompliance material to the financial statements noted?	_____ yes	___x___ no

Federal Awards

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

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.665	Schools and Roads – Grants to States
20.205	Highway Planning and Construction

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

05-1.	**County Financial Records**

Several weaknesses were noted with the county financial records including the County Clerk not maintaining an account book for all county funds and inadequate procedures to ensure the county's budget is accurate. Also, actual disbursements exceeded budgeted amounts for several funds.

A. The County Clerk does not maintain an account book for several of the funds held by the County Treasurer. The County Clerk only processes disbursements and maintains an account book with the County Treasurer for the General Revenue Fund, the Special Road and Bridge Fund, the Assessment Fund, the Sheriff's Law Enforcement Fund, and the Law Enforcement Training Fund. As a result of not maintaining an account book for the remaining county funds, the County Clerk and County Treasurer are unable to reconcile the receipts, disbursements, and cash balances for these funds. The County Treasurer disburses monies for the remaining county funds when a request is received from the applicable official. By allowing the County Treasurer to handle these monies in this manner, the County Commission is approving expenditures to be made outside the normal county review process.

Section 51.150.1, RSMo, requires the County Clerk to keep regular accounts with the County Treasurer. To provide an effective check-and-balance system, increase the likelihood of timely detection of errors and omissions, and improve financial reporting, the County Clerk and the County Treasurer should reconcile their records monthly and resolve any discrepancies. To ensure an adequate review of expenditures is performed, the County Commission should consider requiring disbursements of these other funds to be made through the normal county review process.

B. The county does not have procedures in place to ensure the county's budget documents accurately present financial activities of the county. The county budget documents contained incorrect actual amounts and numerous misclassifications. The County Clerk uses her account book to obtain the actual receipt and

disbursement amounts for the five funds that she keeps an account book for (see A above). Because the County Clerk does not maintain records for the remaining funds, she obtains the actual receipt and disbursement amounts by category from the County Treasurer. During our review of the County Treasurer's and County Clerk's records, the following concerns were noted:

- The actual receipt and disbursement amounts obtained from the County Treasurer for the county budgets included both purchases and redemptions of certificates of deposit (CDs). As a result, receipts and disbursements were both overstated. Because purchases and redemptions of CDs were not always in the same year, the actual ending cash balances shown on the budget did not agree with the fund balances on the County Treasurer's Semi-Annual Settlement (SAS).

- The County Treasurer recorded accrued interest for the Revolving Loan Fund on CDs in the accounting records as an adjustment to the CDs balance instead of as a receipt. As a result, the actual receipts reported on the county's budget and County Treasurer's SAS were understated by approximately $1,500 for 2004. The actual ending cash balance on the budget for the Revolving Loan Fund in 2004 did not agree with the cash balance on the County Treasurer's SAS.

- The actual and budgeted receipts and disbursements for 2004 and 2005 reported in the county budgets differed between years for several funds. The County Clerk indicated she did not ensure the amounts on the previous year's budget were brought forward correctly. For example, the Collector Tax Maintenance Fund actual charges for services receipts for 2004 shown in the 2006 budget were understated by approximately $31,600.

- The county budgets contained numerous misclassifications for both budgeted and actual receipts amounts, such as transfers classified as intergovernmental receipts and charges for services receipts classified as other receipts. The budgeted and actual disbursement amounts on the county budgets also included numerous misclassifications because transfers were not reported separately.

These errors may have been detected had the County Clerk ensured the cash balances on the budgets agreed to the County Treasurer’s SAS or had the County Commission or County Treasurer adequately reviewed the county budgets. As a result of the errors, it was necessary to make numerous adjustments and reclassifications to the amounts presented in the financial statements. The adjustments and reclassifications were discussed with and agreed to by county officials. Considering the various problems noted, the approved budgets did not provide county citizens with reliable information about the county's finances and are a less effective management tool for the county.

To be of maximum assistance to the county and to adequately inform citizens of the county's operations and financial position, budget documents need to be accurate and include proper classifications of receipts and disbursements. This is also necessary so that the county can prepare useful and accurate financial statements. A thorough review process needs to be implemented to ensure budget documents are accurate and complete prior to approval.

C. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31, 2005	Year Ended December 31, 2004
Special Road and Bridge Fund	$ N/A	35,386
Sheriff's Law Enforcement Fund	11,772	117,576
Law Enforcement Training Fund	1,864	1,373
Prosecuting Attorney Delinquent Tax Fund	2,539	N/A
Prosecuting Attorney Bad Check Fund	2,670	N/A
Sheriff's Civil Fees Fund	N/A	18,074
Recorder's User Fee Fund	67	N/A
Revolving Loan Fund	20,095	N/A
DARE Fund	313	N/A
Recorder's Technical Fund	2,019	6,682
Senior Citizens' Service Fund	5,134	N/A

The County Commission and other officials receive budget to actual comparison reports monthly from the County Clerk for the five funds that she keeps an account book for (see A above). For the remaining funds, the County Treasurer provides the other county officials with the actual receipt and disbursement information upon request. There were no notations on the report copies or evidence in the commission meeting minutes of discussion regarding the budget status.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), 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. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

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

WE RECOMMEND:

A. The County Clerk maintain an account book for all county funds. The County Clerk and County Treasurer should also reconcile their accounting records monthly and resolve any discrepancies. In addition, the County Commission should consider requiring disbursements of these other funds to be made through the normal county review process.

B. The County Commission ensure that budget documents contain complete and accurate information about the county's finances, agree to the County Treasurer's records, and have adequate descriptions. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and made public.

C. The County Commission and other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission, County Clerk, and County Treasurer provided the following responses:

A. We will look into which funds' disbursements are to be made through the normal county review process. The County Clerk will maintain an account book for those funds processed through the normal county process.

B. The County Commission will ensure the actual cash balances shown on the budget agree with the County Treasurer's settlements. The County Clerk will ensure adequate descriptions are used on budget documents.

C. This will be implemented immediately.

Section III - Federal Award Findings and Questioned Costs

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

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

WASHINGTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

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

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

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

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

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

We have audited the financial statements of various funds of Washington County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 19, 2006. We also have audited the compliance of Washington 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, 2005 and 2004, and have issued our report thereon dated July 19, 2006.

Because the Washington County Memorial Hospital is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information for the two years ended August 31, 2005. Because the Central Dispatch 911 is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

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

1. Review the internal controls over the transactions of the various county officials.

2. Review compliance with certain legal provisions.

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

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

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

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Washington County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Sheriff's Commissary Account

The Sheriff's procedures for processing receipts and disbursements and segregating accounting duties for the commissary account are in need of improvement. In addition, monthly bank reconciliations and open items listings are not prepared. As a result of the various problems with the Sheriff's commissary, the Sheriff's Department is unable to account for all monies received or determine the amount of monies that should be in the Sheriff's commissary account.

The Sheriff's commissary account is used for personal monies of inmates and commissary purchases made by the inmates. The Sheriff's Department records the inmate commissary receipts for each inmate in the commissary computer program provided by the independent vendor. The independent vendor is then contacted by the inmates to make commissary purchases which are recorded in the commissary computer program. The Sheriff's commissary account processes approximately $12,000 annually in monies received from inmates for the commissary.

A. Cash custody and accounting duties have not been adequately segregated for the Sheriff's commissary account. One deputy collects monies, records transactions, prepares deposits, and prepares bank reconciliations. There are no documented reviews of the accounting records performed by any of the other employees in the Sheriff's Department.

   Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B.1. A reconciliation between receipt slips issued and deposits was not performed. After a receipt slip has been issued for the Sheriff's commissary account, these actual monies are sometimes returned to the inmate if released the same day that the monies were received or cash monies are transmitted to be processed with the Sheriff's general receipts instead of being deposited in the Sheriff's commissary account. The method of payment is not always noted or not correctly noted on the receipt slip. Also, the Sheriff's Department does not issue receipt slips for all commissary monies and sometimes issues a bond receipt slip for commissary monies. As a result of these various problems, unexplained differences exist between the amounts recorded on the receipt slips and the deposit. The following discrepancies were noted between the amounts recorded on the receipt slips and the deposit:

- It appears receipts totaling $347 were recorded on receipt slips but were not deposited or returned to the inmate. Although the Sheriff's Department is unable to account for these monies, these receipts were posted to the inmates' commissary accounts.
- Monies totaling $496 were recorded on receipt slips, but were not deposited into the bank account. Sheriff's department personnel indicated these monies would have been returned to the inmates since they were released within 24 hours of booking. However, the inmates' signature was not obtained to document the receipt of monies due to them. These receipts were not posted to these inmates' commissary accounts.

- One commissary receipt slip was issued for a $43 money order which included $33 for the commissary and $10 for Sheriff's general receipts. Because $10 of cash commissary receipts was transmitted to be processed with the Sheriff's general receipts, this receipt was not deposited intact.

- For three deposits made during May 2005 and June 2004, the receipt slips totaled $263 less than the deposits. It appears receipt slips were not issued for all monies received.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered commissary receipt slips should be issued for all monies received immediately upon receipt and deposited intact. If monies are returned to the inmate, the inmate's signature should be obtained for documentation to indicate the inmate received the monies due to them. Reconciliations of the receipt slips and deposit should also be performed to ensure all monies received are deposited.

B.2. The Sheriff's Department was unable to locate 104 commissary receipt slips which appear to have been issued from September 2004 to December 2004. There is no assurance all monies have been properly recorded and transmitted. To adequately account for all receipts, copies of receipt slips should be retained and reconciled to amounts deposited.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

C. The Sheriff's controls and procedures for commissary account disbursements need improvement.

1. The Sheriff's Department did not have adequate documentation to support checks written for refunds to inmates. A refund check for $81 did not agree with the inmate's commissary account balance. Sheriff's Department personnel indicated this refund check was based on a receipt slip. However, they were unable to locate this receipt slip. As a result, the refund to the inmate may not have been proper.

   To adequately protect monies from loss or misuse, an accurate commissary account record should be maintained documenting each inmate's balance, receipts, and disbursements.

2. The Sheriff's Department did not issue checks in numerical sequence. The checks issued are also not always recorded in any of the Sheriff's records. As a result, the Sheriff cannot properly account for the numerical sequence of checks.

D. Commissary monies received and disbursed were not receipted or recorded in a cash control ledger or check register during the audit period. As a result, monthly bank reconciliations could not be performed to ensure that the bank balances reconciled to monies held in trust. At our request, the Sheriff's Department prepared a cash control ledger during May 2006 and reconciled it to the reconciled bank balance of $2,949.

The Sheriff’s Department should maintain an accurate cash control ledger or other record of all receipts, disbursements, and periodic cash balances. A cash control ledger is necessary to provide summary financial information, more readily account for numerical sequence of receipt slips and checks issued, and facilitate reconciliation with bank account balances. Because the Sheriff did not maintain a cash control ledger during the audit period, the Sheriff could not determine the amount of commissary monies received by the Sheriff's Department and was not able to determine if the monies received were properly handled.

E. An open-items (liabilities) listing is not prepared. Because the Sheriff's Department did not maintain a cash control ledger (see part D. above), an open items listing could not be reconciled to the cash balance. At our request, the Sheriff's Department prepared an open items listing for May 31, 2006. The reconciled bank balance was $541 less than the open items listing. However, this open items listing does not appear to be accurate. The following problems would affect the difference between the reconciled bank balance and open items listing:

- The inmate commissary account balances on the open items listing included receipts which were not deposited in the commissary account (also see part B.1. above).

- Inmate commissary monies totaling $267 were disbursed from the Sheriff Commissary Profit Fund instead of the Sheriff's commissary account.

- The commissary account was charged a $20 overdraft charge in November 2005. This overdraft charge was not included on the open items listing.

- The open items listing did not include five receipts totaling $105 which were deposited in the Sheriff's commissary account.

An accurate listing of liabilities should be prepared and reconciled to the cash balance on a monthly basis to ensure accounting records are in balance and all monies in the account are properly identified. Differences between outstanding items and cash balances should be investigated and resolved.

Conditions similar to A., B.1., D., and E. were noted in our prior report. Several of these recommendations were made to help ensure the proper accounting for future receipts. While the prior Sheriff responded that those recommendations had been or would be implemented, the prior Sheriff and current Sheriff have not implemented most of these recommendations which has resulted in monies being unaccounted for.

WE RECOMMEND the Sheriff:

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

B.1. Require prenumbered receipt slips be issued for all monies received and monies should be deposited intact. If monies are not deposited, the Sheriff should ensure inmate signatures are obtained for these distributions. In addition, the Sheriff should ensure the composition of receipt slips is reconciled to deposits.

B.2. Retain financial records in a secure location to prevent misplacement or loss.

C.1. Maintain an accurate commissary account record indicating balances, receipts, and disbursements by inmate. This ledger should be used to determine the amount of refund checks to inmates.

C.2. Issue checks in numerical sequence and account for the numerical sequence. When checks are written, these checks should be recorded in the Sheriff's records.

D. Record all receipts, disbursements, and cash balances on a cash control ledger. The Sheriff should ensure monthly bank balances are reconciled to the cash balance on the cash control ledger.

E. Prepare an open items listing on a monthly basis and reconcile it to the reconciled cash balance.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A. The accounting duties have been segregated. In addition, an independent review is performed and documented.

B.1. Policies have been implemented to account for inmates' cash being retained as personal property. Prenumbered receipt slips are also issued for all monies received which are deposited intact. In addition, an internal investigation will be conducted for unaccounted monies.

B.2. The misplaced or lost receipt slips are from the previous administration. The current administration has been unable to locate these receipt slips. All financial records are now being retained in a secure location.

C.1. An account record for transactions and balances is now being maintained. A new computer system will be used to track inmate balances beginning in January 2007.

C.2. This has been implemented.

D. This has been implemented as stated above.

E. Before the end of the year, we will reconcile the open items on the old system to the cash balance. The new system's open items will also be reconciled to the cash balance.

2. Sheriff Controls and Procedures

The Sheriff's Department procedures related to bond receipts, segregation of duties, commissary profits, and seized property are in need of improvement. The Sheriff's Department processes approximately $80,000 annually in the Sheriff's general account which includes summon fees, gun permits, and other general receipts and processes bond monies of approximately $70,000 annually.

A. The jail initially receives bond monies and transmits these monies to the Sheriff's office manager for deposit to the Sheriff's bond account.

1. A reconciliation between the jail receipt slips issued and transmittals was not performed. As a result, there is no assurance all of the bond monies received were transmitted to the Sheriff's office manager. The receipt slips issued should be reconciled to the transmittal to ensure all monies received are properly transmitted.

2. Receipt slips are not issued for some of the bond monies received. The jail personnel indicated they did not always remember to issue a receipt slip for the bond monies. In addition, the method of payment is not always noted on the receipt slip and the composition of receipt slips issued is not reconciled to the composition of the transmittal. Without issuing and accounting for prenumbered receipt slips for all monies collected, including the method of payment, the jail cannot ensure all bond monies collected are ultimately transmitted to the Sheriff's office manager.

B. Cash custody and accounting duties have not been adequately segregated for the Sheriff's general account. The Sheriff's office manager collects monies, records transactions, prepares deposits, prepares checks, and prepares bank reconciliations. Although the Sheriff usually documents his review of the transaction register, he does not compare the transaction register to any other records to ensure its accuracy.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

C. The controls and procedures regarding disbursements of the Sheriff’s Commissary Profit Fund need improvement.

- The Sheriff's Department receives a commission based on the amount of commissary purchases made by prisoners. As of December 31, 2005, commissary profits totaling $678 were maintained in the Sheriff's

Commissary Profit Fund. These monies should be deposited into the county treasury and handled like other county funds.

- Monies received and disbursed were not receipted or recorded in a cash control ledger or check register. As a result, monthly bank reconciliations could not be performed to ensure that the bank balances reconciled to the Sheriff's Department records. At our request, the Sheriff's Department prepared a cash control ledger during May 2006 and reconciled it to the bank balance.

- Invoices for some expenditures could not be located by Sheriff's Department personnel. At our request, the Sheriff's Department contacted these vendors to obtain a copy of these invoices. Paid receipts or vendor provided invoices are necessary to ensure purchases are valid expenditures of county funds.

- Bills are not being paid in a timely manner and finance charges have been incurred on these expenditures. As of June 22, 2006, the Sheriff's Department had not paid a $156 bill from July 2005 and a $145 bill from November 2005. Failure to pay bills promptly exposes the county to unnecessary costs.

Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury.

D. Seized property records and procedures need improvement. The following problems regarding seized property were noted:

1. A complete inventory listing of seized property was not maintained for the two years ended December 31, 2005. The Sheriff's Department maintains a binder containing the forms describing seized property for each case. Although the forms indicate the case number, the numerical sequence cannot be accounted for because some cases do not have seized property. As a result, the Sheriff's Department is unable to ensure all of the seized property forms are in the binder. In addition, periodic inventories of the property on hand are not conducted.

   The Sheriff's Department was unable to locate one of the seized property items on a seized property form. Two items in the seized property room did not have case numbers and one of these items also did not have a seized property form.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. All seized property items and the applicable case numbers should be properly recorded on evidence property forms.

2. Procedures have not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases have been disposed in court are being stored. Property is on hand dating back to the late 1990s.

   Section 542.301, RSMo, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

Conditions similar to B., D.1., and D.2., were noted in our prior report.

WE RECOMMEND the Sheriff:

A.1. Ensure the composition of receipt slips is reconciled to the transmittal of these monies.

2. Require receipt slips be issued for all monies received. In addition, the Sheriff should ensure the method of payment is recorded on the receipt slips and the composition of receipt slips is reconciled to deposits.

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

C. Discontinue the practice of maintaining commissary profits outside the county treasury. These monies should be turned over to the county treasury on a periodic basis.

D.1. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A.1 &2. I will review the procedures for bond receipts.

B. This has been implemented.

C. This fund will be turned over to the County Treasurer on January 1, 2007. After these monies are turned over, these monies will be transmitted monthly.

D.1. The current administration has been inventorying property into evidence that was received by the previous administration. In addition, a new system will be used to track seized property beginning in November, 2006.

D.2. The current administration is working to identify case information or dispose of unidentified seized property from the previous administration. I plan to have disposed of applicable seized property by the end of 2007.

3. Circuit Clerk Accounting Controls and Procedures

Circuit Court procedures related to manual receipt slips, accrued costs, and open items are in need of improvement. The Circuit Court processes approximately $600,000 annually in civil and criminal case fees, fines, and bonds.

A. Manual receipt slips are issued when the Justice Information System (JIS) is not available. Manual receipt slips are recorded in JIS before being deposited. The following issues were noted with manual receipt slips:

- The Circuit Clerk does not account for the numerical sequence of manual receipt slips. For a year and a half, the Circuit Clerk's office issued two-part unofficial manual receipt slips. The duplicate copy of the receipt slip was sometimes attached to the monies and then thrown away after the receipt was entered into the JIS. Because copies of the receipt slips were not always retained, the numerical sequence could not be accounted for. The Circuit Clerk was unable to account for 69 of the 200 receipt slips in one of the receipt books.

- A reconciliation between manual receipt slips issued and JIS receipt slips was not performed. As a result, there is no assurance the monies that were recorded on manual receipt slips were deposited.

- Manual receipt slips were not issued for some of the monies received. Instead of issuing a manual receipt slip, the receipt was manually indicated on a case fee sheet printed from JIS. The Circuit Clerk indicated she did not know why this would have occurred.

To adequately account for collections and reduce the risk of loss or misuse of funds, official prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slip numbers should be accounted for and the composition should be reconciled to the JIS receipt slips.

B. The Circuit Clerk's controls and procedures for accrued costs need improvement.

1. The Circuit Clerk is not adequately monitoring accrued costs owed to the court. A listing of accrued costs is maintained in the Circuit Court's computer system, (JIS); however, the Circuit Clerk was not aware this information was available or that a report could be generated. At our request, the Circuit Clerk contacted the Office of State Courts Administrator to find out how to generate the report. As of April 13, 2006, the Circuit Court's accrued cost balance which was over 60 days overdue was approximately $630,000. The Circuit Clerk should periodically generate a list of accrued costs and review for accuracy and completeness.

   A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

2. Monitoring procedures related to accrued civil costs are not adequate. The Circuit Clerk's office prepares and sends a cost bill to the individual who owes court costs. If payment is not received, the Circuit Clerk does not initiate any further collection procedures. In addition, the Circuit Court has not taken advantage of the various statutory provisions intended to improve debt collections.

   Appropriate follow-up action is not being taken on cases with accrued costs that are owed by individuals on probation. The Circuit Clerk's office notifies Probation and Parole of the accrued costs on these cases. The Circuit Clerk indicated that she expects Probation and Parole to monitor the payment of court costs and notify the Circuit Judge of accrued costs.

   Accrued costs could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active

and timely pursuit of unpaid fines, costs, and restitution, revenues to the state, county, and others could be lost.

A similar condition was noted in our prior report.

C. The court does not make adequate efforts to review the status of open items. As a result, the overall open items volume and related balance has grown significantly. The December 31, 2005 open items listing included approximately 470 cases and totaled over $77,090. Approximately 75 of these cases were received prior to 2002 with some cases dating as far back as 2000. Of six cases reviewed, we found five which had monies, totaling approximately $490, that should have been disbursed to the state, county, or refunded to the defendant. In another instance, a bond was refunded even though court costs were still unpaid.

The failure to routinely review open items and apply available monies when appropriate increases the volume of cases which must be monitored and deprives the state, county or others the use of those monies. A procedure to routinely review case open items and make more timely disbursements should be implemented. If disbursement is possible but proper payees cannot be located, the monies should be disposed of in accordance with state law. In addition, the court needs to perform a comprehensive review of old open items and dispose of monies as appropriate.

WE RECOMMEND the Circuit Clerk:

A. Require official prenumbered receipt slips be issued for all monies received and the numerical sequence of manual receipt slips be accounted for properly. In addition, the Circuit Clerk should ensure the composition of manual receipt slips is reconciled to JIS receipt slips.

B. Establish procedures to monitor and collect accrued costs.

C. Routinely review open items and disburse or dispose of monies as appropriate.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

A. This has been implemented.

B. Some of the accrued costs have been passed on from the previous administration. I am working on taking advantage of various statutory provisions to collect accrued costs. The accrued cost list will also be printed and reviewed periodically.

C. Some of the open items have been passed on from the previous administration. In the last two months, I have reduced the open items to approximately $40,000.

4. Associate Court Accounting Controls and Procedures

The Associate Court's procedures for processing monies received and segregating accounting duties are in need of improvement. In addition, bank reconciliations are not consistently performed and accrued costs are not adequately monitored. The Associate Court processes approximately $440,000 annually in civil and criminal case fees, fines, and bonds.

A. Cash custody and accounting duties have not been adequately segregated in the Associate Court. The Associate Clerk and deputy clerks collect monies and record transactions. However, the Associate Clerk also prepares deposits and bank reconciliations. There are no documented reviews of the accounting records by someone independent of receipting and depositing duties.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

A similar condition was noted in our prior report.

B. Manual receipt slips are issued when the Justice Information System (JIS) is not available. Manual receipt slips are recorded in JIS before being deposited. The following issues were noted with manual receipt slips:

- The Associate Court does not account for the numerical sequence of manual receipt slips.

  During 2004, 82 manual receipt numbers were not accounted for in the one-write receipt ledger. In addition, the receipt ledger included 31 receipt numbers that were recorded in the ledger more than once. The Associate Clerk indicated the receipt numbers were not recorded as the one-write receipt slip was written. After the one-write receipt slips were issued, the Associate Clerk and deputy clerks would review the applicable case files to attempt to identify the one-write receipt number. The Associate Clerk also indicated some of the missing receipt slips could be blank one-write receipt system pages which were misplaced.

During 2005, the Associate Court issued two-part unofficial manual receipt slips. One copy was given to the customer and the other copy was filed in the case file. Because copies of the receipt slips were not maintained in numerical order, they could not be accounted for.

- A reconciliation between manual receipt slips issued and JIS receipt slips was not performed. As a result, there is no assurance the monies that were recorded on manual receipt slips were deposited.

- The method of payment is not always noted or not correctly noted on the manual receipt slip.

To adequately account for collections and reduce the risk of loss or misuse of funds, prenumbered receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip numbers should be accounted for, and the composition should be reconciled to the JIS receipt slips.

C. The Associate Court's controls and procedures for receipts need improvement.

1. Monies received are not always recorded in JIS in a timely manner. The Associate Clerk indicated receipts are not recorded in JIS until a case number has been assigned. A cash count performed on June 6, 2006 included two checks totaling $78 which were not recorded in JIS as of June 29, 2006.

2. Monies received are not always deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only five times per month. For example, a deposit made on May 13, 2005 included four working days collections, totaling approximately $5,600 and including approximately $760 in cash. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipts should be recorded in JIS in a timely manner, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

D. The Associate Court's controls and procedures for accrued costs need improvement.

1. The Associate Clerk is not adequately monitoring accrued costs owed to the court. A listing of accrued costs owed to the court is maintained in the Associate Circuit Court's computer system, (JIS); however, the Associate Clerk was not aware this information was available or that a report could be generated. At our request, the Associate Clerk contacted the Office of State

Courts Administrator to find out how to generate the report. As of June 14, 2006, the Associate Court's accrued cost balance which was over 60 days overdue was approximately $75,000. Four cases reviewed, totaling $488, should have been removed from the accrued costs list because these cases were filed by the Prosecuting Attorney or a state agency. In addition, in one case reviewed, the Associate Clerk had incorrectly assessed a charge which was not actually due on the case. The Associate Clerk should periodically generate a list of accrued costs and review for accuracy and completeness.

A complete and accurate listing of accrued costs would allow the Associate Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible. Establishing procedures to ensure cases are updated or removed from the accrued cost list as appropriate would help ensure the list is complete and accurate.

2. Monitoring procedures related to accrued civil costs are not adequate. The Associate Court prepares and sends a cost bill to the individual who owes court costs. However, several individuals indicated they were unaware of the court costs owed on court cases. If payment is not received, the Associate Clerk does not initiate any further collection procedures. In addition, the Associate Court has not taken advantage of the various statutory provisions intended to improve debt collections.

   Accrued costs could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active and timely pursuit of unpaid fines, costs, and restitution, revenues to the state, county, and others could be lost.

E. Bank reconciliations for the Associate account are not consistently performed. For example, we noted bank reconciliations were not performed from December 2004 until May 31, 2005. In addition, the bank reconciliations reflected numerous old outstanding checks. The December 2005 bank reconciliation included 35 checks totaling $1,725 which had been outstanding for more than one year.

   Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely.

WE RECOMMEND the Associate Circuit Court:

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

B. Ensure the numerical sequence of official manual receipt slips is properly accounted for. In addition, the Associate Circuit Court should ensure the composition of manual receipt slips is reconciled to JIS receipt slips.

C.1. Deposit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt.

2. Record all manual receipt slips into JIS on a timely basis.

D. Establish procedures to monitor and collect accrued costs.

E. Ensure bank reconciliations are prepared on a monthly basis for each account. The Associate Court should investigate any old outstanding checks.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following responses:

A. Customized segregated accounting duties between the various clerks will be implemented.

B. Employing three-part receipt slips provides a hard copy receipt for the defendant, the case file, and the receipt book. Upon availability of JIS, all manual receipt slips are timely entered into the program.

C.1. The Associate Court has implemented a procedure to record deposits without initiating a case.

C.2. &E. Implemented.

D. By improving the communication between the Associate Court and the Washington County Sheriff's Department, the collection of accrued civil costs should improve. The Associate Court believes some of the accrued costs were possibly paid through the Washington County Sheriff's Department instead of the Associate Court.

5. Prosecuting Attorney Accounting Controls and Procedures

The Prosecuting Attorney's procedures for segregating accounting duties and processing monies received are in need of improvement. The Prosecuting Attorney's office processes approximately $150,000 annually for bad check fees and bad check restitution.

A. Cash custody and accounting duties for bad checks and restitution have not been adequately segregated in the Prosecuting Attorney's office. One clerk collects

monies, records transactions, and prepares transmittals. The following problems were noted with segregation of duties:

- Although the Prosecuting Attorney or Assistant Prosecuting Attorney performs documented reviews of the accounting records for bad check fees, these reviews are not adequate. The Prosecuting Attorney or Assistant Prosecuting Attorney compares monies to be transmitted with the transmittal to the County Treasurer, but does not compare the amounts transmitted to the recorded transactions.

- Neither the Prosecuting Attorney nor Assistant Prosecuting Attorney perform documented reviews of the accounting records related to court-ordered restitution or bad check restitution received by the office and distributed to victims.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

A similar condition was noted in our prior report.

B. The following issues were noted with bad check fees and bad check restitution:

- Computer receipts issued for bad check fees are not reconciled to the transmittals made to the County Treasurer. When money orders are received for bad check fees, they are recorded in a manual log. Bad check fee receipts are posted to the computer system daily and a receipt number is assigned. The clerk prepares a transmittal form using the manual log and the money orders.

- Monies received for bad check fees are not always transmitted in a timely manner. Monies are normally collected each business day, but transmittals to the County Treasurer are normally made only two times per month. For example, a transmittal on September 24, 2004 included nineteen working days collections, totaling approximately $2,000.

- Money orders for bad check fees are not restrictively endorsed immediately upon receipt.

- Money orders received for bad check restitution were not always transmitted to merchants in a timely manner. One money order was received September 13, 2005 and the case file indicated the money order was sent to the merchant on October 13, 2005.

Without issuing and accounting for prenumbered receipt slips for all monies collected, the Prosecuting Attorney's office cannot ensure all monies collected are ultimately recorded and transmitted to the county or merchants. The receipt slip numbers should be accounted for, and receipt slips issued should be reconciled to the transmittals made. In addition, money orders should be restrictively endorsed immediately upon receipt and transmittals should be made on a timely basis.

C. Prenumbered receipt slips are not issued for restitution monies received. The restitution monies are recorded in a manual log when they are received. These monies are transmitted directly to the appropriate individual. Without issuing and accounting for prenumbered receipt slips for all monies collected, the Prosecuting Attorney's office cannot ensure all monies collected are ultimately recorded and properly distributed.

WE RECOMMEND the Prosecuting Attorney:

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

B. Ensure the money orders for bad check fees are restrictively endorsed immediately upon receipt, reconciled to the computer receipts, and transmitted to the County Treasurer intact on a timely basis. In addition, money orders received for bad check restitution should be transmitted to merchants in a timely manner.

C. Require prenumbered receipt slips be issued for all restitution monies received and the numerical sequence of those receipt slips be accounted for properly. In addition, the Prosecuting Attorney should ensure the receipt slips are reconciled to transmittals.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

A. A documented test of receipts and transmittals will be conducted quarterly. Due to time constraints, a more detailed review cannot be done.

B. We agree and corrective measures will be taken.

C. A receipt book will be used instead of a manual log.

6. Expenditures

The county does not have adequate procedures regarding the procurement of major purchases and professional services. In addition, the county's expenditure documentation, review, and reporting procedures are lax and the county could not provide documentation regarding the accuracy of the Public Administrator's salary.

A. A review of the commission meeting minutes and bid files indicates the county does not place emphasis on bidding procedures or documentation. Numerous major purchases were made for which bids were not taken and/or documentation of bid procedures was lacking. The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

Printing services	$ 13,815
Radios	9,540
Demolition services	7,800
Trailer	7,360

The County Clerk indicated the printing services were a sole source procurement; however, this was not documented in the minutes. For the other purchases, the County Clerk indicated she was unable to follow the bidding procedures because she was not notified of the purchase until she received the invoice. In addition to the above items, we noted other instances in which the county is not adequately bidding and/or documenting factors related to purchases:

- The county did not bid lease purchases. Examples of the items lease purchased included dump trucks for approximately $134,700 and vehicles for approximately $62,700. The County Commission indicated they thought bidding was not applicable for these purchases.

- Fuel purchases made by the Sheriff's Department totaled approximately $41,500 and $51,300, during 2004 and 2005, respectively. Although the Sheriff indicated he solicits prices via phone calls; documentation of these calls is not retained.

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

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

B. The county did not enter into contracts for some services when appropriate. For example, during 2004 and 2005, the county paid for mailing services costing $17,800 and printing services costing $13,800 without benefit of written agreements. The County Clerk indicated she was familiar with the vendors printing the ballots and did not believe a written agreement was necessary.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

C. The county's accounts payable process does not provide adequate controls to prevent duplicate payments. Bills are sometimes paid based on a statement, rather than an original invoice. Also, there is no review of the expenditure system to ensure payment had not already been made. As a result, duplicate payments over a two month period were made on several invoices totaling approximately $12,500. While the vendor refunded the overpayments noted, there is no assurance that all duplicate payments have been identified. To ensure against duplicate payment of bills, payments should be based on original invoices which are marked paid when a check has been issued by the county and the expenditure system should be reviewed for previous payments.

D. The county has inadequate procedures in place to ensure Forms 1099 are filed with the Internal Revenue Service (IRS) when required. Forms were not filed for payments in 2004 totaling $12,790 for surveying services and $7,800 for demolition services. Sections 6041 through 6051 of the Internal Revenue Code require payments of $600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

E. Section 473.742, RSMo, enacted in 2000, required public administrators to make a determination within thirty days after taking office whether to receive a salary from the county or to receive fees as may be allowed by law to executors, administrators, or personal representatives. The county has no documentation indicating what the Public Administrator decided.

The Public Administrator has received fees and a $10,000 annual salary since her term started in January 2001. Although the Salary Commission minutes had not specifically mentioned the Public Administrator's salary since 1995, the County Clerk indicated her salary was based on Section 473.739. Section 473.739, RSMo, which authorized the annual compensation from the county, was amended in 2000 and this statute only applies to first-class counties (Washington County is a third-class county).

WE RECOMMEND the County Commission:

A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

B. Enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county.

C. Establish effective expenditure review procedures to prevent duplicate payments.

D. Develop adequate procedures to ensure Forms 1099 are filed as required.

E. Obtain a legal opinion from the Prosecuting Attorney regarding the compensation paid to the Public Administrator during her term beginning in 2001, and take appropriate action.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. This will be implemented January 1, 2007.

B. This will be implemented. A written agreement was entered into for printing services in 2006.

C. The County Clerk will only pay from original invoices not statements.

D. This will be implemented for 2006.

E. The County Commission will consult with the Prosecuting Attorney regarding this matter.

7. County Commission Procedures

The County Commission procedures relating to the Economic Development Sales Tax Fund, the Revolving Loan Fund, and the road and bridge maintenance plan are in need of improvement.

A. The County Commission procedures for the Economic Development Sales Tax Fund need improvement. The Washington County Industrial Development Authority (IDA) was paid $180,000 and $662,000 for infrastructure in 2004 and 2005, respectively, from the Economic Development Sales Tax Fund. The following problems regarding the Economic Development Sales Tax monies were noted:

1. The County Commission has not requested bids or funding proposals for economic development services. The County Commission has signed an agreement which indicates the county will utilize the Washington County IDA for activities financed by the Economic Development Sales Tax monies. By requesting bids or funding proposals for economic development services, the county would be able to make a better-informed decision to ensure necessary services are obtained from the best qualified organization at the lowest and best costs.

   The County Commission should consider requesting bids or funding proposals for economic development services, and establishing a policy which defines the requirements for approving requests for funds to ensure fair and equitable treatment is extended to all organizations.

2. The County Commission's agreement with the Washington County IDA is not adequately detailed. Although not required by the agreement, an annual budget request and financial information is submitted to the County Commission. The Washington County IDA expends the Economic Development Sales Tax monies for operating expenses and infrastructure; however, the court order approved by the County Commission indicates the expenditure is for infrastructure. The County Commission has not developed an effective method of monitoring the services. The following conditions each contribute to the difficulty the County Commission experiences in accomplishing appropriate monitoring:

   - The County Commission receives an annual budget submitted by the Washington County IDA for the year. However, the budget does not provide sufficient detail regarding the specific types or levels of service to be provided, or other measurable methods for determining if the funding requested is reasonable in relationship to the proposed services and is not an adequate basis for a formal agreement.

- The Washington County IDA does not submit monthly or quarterly reports that detail the types or levels of service provided.

- The County Commission makes payments to the Washington County IDA when monies are requested. These payments are not based on reimbursement for actual services provided and documentation is not required to be eligible for additional payments.

The lack of formal agreements, inadequate monitoring efforts, and informal payment methods used by the County Commission do not provide adequate assurance as to how Economic Development Sales Tax monies are being spent. At a minimum, formal written agreements should be prepared documenting the provision of specific services to be provided in exchange for funding provided by the County Commission.

B. The County Commission appoints the members of the Revolving Loan Board which is to oversee the Revolving Loan Fund. The Revolving Loan Board issues loans to companies and individuals as part of an economic development program. The County Treasurer receives and disburses the Revolving Loan Fund monies. The County Treasurer indicated the Revolving Loan Fund monies were initially received from a grant for job enhancement business loans. As the loans are repaid, the monies are used to make additional loans. The following problems were noted regarding the Revolving Loan Fund monies:

1. A new loan agreement was not obtained after the Revolving Loan Board renegotiated a loan in June 2002. This loan was renegotiated because the company was having difficulties making payment. Payments have not been made on this loan since May 2005. As of December 31, 2005, this company has approximately $19,000 in principal outstanding on this loan. The County Commission or Revolving Loan Board has not taken any action regarding this loan. Because these monies have not been repaid, the county has less money available for additional economic development loans.

   Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Contracts which fully stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the county is able to determine if loan payments meet their expectations. To maintain the program and to treat all companies equitably, the County Commission and Revolving Loan Board should ensure all companies comply with the loan terms and collect on unpaid loans. The County Commission and Revolving Loan Board should investigate any unpaid loans and, in consultation with legal counsel, take appropriate action.

2. The County Treasurer did not maintain the amortization schedules for some of the loans as payments were received. At our request, the County Treasurer updated the amortization schedules for these loans. Failure to maintain an accurate record of transactions related to the loans could result in the loss of monies due to the Revolving Loan Fund.

C. A formal maintenance plan for county roads and bridges has not been prepared. A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from county residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of roads and bridges throughout the year.

Conditions similar to A.2. and B.1. were noted in our prior report.

WE RECOMMEND the County Commission:

A.1. Request bids or funding proposals for economic development services.

2. Enter into written agreements which specify the amounts to be paid, the services to be provided, and ensure payments are made in relationship to the levels of services provided.

B.1. And Revolving Loan Board enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county. The County Commission and Revolving Loan Board should also require all companies and individuals comply with the loan agreements. In addition, the County Commission and Revolving Loan Board should take appropriate action on any outstanding loans.

2. Require the County Treasurer to prepare up-to-date amortization schedules which include all loan activity.

C. Prepare and document a road and bridge maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the County Commission should review the progress made in the repair and maintenance of roads and bridges to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A.1. We will consider whether to solicit proposals for economic development services.

A.2. We will review the agreement with the Washington County IDA.

B.1. We will perform more oversight of the Revolving Loan Board.

B.2. We will request the County Treasurer to prepare an up-to-date amortization schedule.

C. We will attempt to do this at the beginning of each year.

The Revolving Loan Board provided the following response:

B.1. Written loan agreements will be obtained for modified loans in the future. Outstanding loan notices will be sent notifying borrowers when payments are due. Delinquent loan notices will also be sent. In addition, we will consider other action to be taken on delinquent loans.

The County Treasurer provided the following response:

B.2. I will prepare an up-to-date amortization schedule.

8.	**County Commission Minutes**

The County Commission minutes do not always include sufficient detail and meeting notices and agendas were not posted or not maintained for some meetings.

A. The commission minutes do not always include sufficient detail of matters discussed or actions taken.

- The minutes do not always include detail of bids received. As a result, the vendor who submitted the bid and bid amounts are sometimes not documented in the minutes.

- The minutes do not always include the details of agreements approved by the commission. When lease purchase agreements were approved, the length or amount of the lease purchase was not included in the minutes.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include, but not limited to, the date, time, place,

members present, members absent, and a record of votes taken. In addition, the minutes should provide details regarding discussions that take place during meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the commission.

B. Meeting notices and agendas were either not posted or not maintained for some meetings held by the County Commission. The County Commission meets every Monday and other days as necessary.

- Meeting notices and agendas were not available for three weeks of the commission meetings. The County Clerk indicated that she regularly posts notices and agendas for each week's meetings and she must have just failed to maintain all of them for her file.

- Some of the meeting notices and agendas indicated they were posted on the same day as the first meeting on the notice. The County Clerk indicated that she posted these as required by state law and had indicated the incorrect date of posting.

The Sunshine Law, Chapter 610, RSMo, requires a posting of the time, date and place of each meeting along with a tentative agenda of the matters to be discussed. When it is necessary to hold a meeting on less than twenty-four hours' notice, the reason justifying the departure from the normal requirements should be stated in the minutes. Maintaining a complete file of the meeting notices and tentative agendas would allow the county to demonstrate compliance with the law.

WE RECOMMEND the County Commission:

A. Ensure complete and accurate minutes of the commission's meetings are maintained; including, but not limited to, a record of any votes taken, and other information required by state law.

B. Ensure meeting notices and agendas are posted and maintained.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. We will try to include more detailed information in the minutes.

B. Although agendas were prepared for these meetings, they were not retained. In the future, we will attempt to ensure agendas are retained which document when they were posted.

9. County Property Records and Procedures

Procedures and records to account for county property are not adequate. Records and monitoring procedures for county vehicles used by various officials are not sufficient. Records of fuel usage for road and bridge vehicles and equipment are not adequately reviewed. The county does not have written policies and effective monitoring procedures regarding vehicle usage.

A. The County Clerk's procedures to account for county property are not sufficient and county property records are not complete. The County Clerk requests the various county departments prepare an annual inventory listing at the end of the year. As of the end of 2005, the county property not including vehicles and buildings was valued at approximately $3.3 million on the county insurance policy.

- The County Clerk has no procedure to identify property purchases and dispositions throughout the year. The overall county property record is updated once a year using information from the various county departments. The County Clerk indicated she relies on the various county departments for information on property purchases and dispositions because they are responsible for performing inventories.

- Property purchases are not reconciled to additions per the property records. For example, a phone system ($27,600) and generator ($15,200) were not recorded in the overall county property record. The County Clerk indicated she does not know what property is purchased from some funds because she does not maintain an account book for these funds. See Finding Number 05-1.

- Annual physical inventories of county property are not adequate. The various county departments submit a listing of county property at the end of the year. During our review of county property, we were unable to locate an item on the Associate Court's property listing. Although a different copier had been obtained through a lease purchase, the property listing was not updated by the Associate Court during the annual physical inventory.

- The overall county property record does not include the acquisition/disposition dates, purchase value, and serial numbers for some property. The County Clerk indicated she updates the county property records using only the information on the inventories from the various county departments.

- Although some department inventory reports showed property items were disposed of since the previous reporting period, no explanation was attached

to identify pertinent details, such as reasons for disposal, authorization for disposal, method of disposal, to whom disposed, and amount received. For example, the department inventory records indicated an air compressor ($800) and a truck ($6,800) were removed from service. County property is disposed of by either throwing it away or selling it.

This lack of monitoring or involvement by the County Clerk diminishes the benefit of periodic reporting by the various other county departments, and increases the possibility of theft occurring without detection. In addition, property items could be purchased or disposed of without proper modifications to the county's insurance coverage.

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

A similar condition was noted in our prior report.

B. Records and monitoring procedures for county vehicles used by various officials are not sufficient. The county owns twenty-nine vehicles utilized by the Road and Bridge Department, Airport, Coroner, and Sheriff's Department. These vehicles are used for various county duties. The county does not require vehicle usage logs to be prepared for the vehicles used by the Road and Bridge Department, Airport, and Coroner. The Sheriff's Department records beginning and ending mileage on a daily activity log maintained by officer. However, there is not a complete log accounting for all miles traveled in each vehicle.

County officials indicated they believe the use of the vehicles is proper. However, without adequate usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate when vehicles need to be replaced.

Vehicle usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating

costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

C. Records of fuel usage for road and bridge vehicles and equipment are not adequately reviewed. The bulk fuel tanks are used for approximately ten vehicles and a number of dump trucks, graders, tractors, and loaders used by the Road and Bridge Department. The bulk fuel purchases totaled approximately $81,300 and $121,500 in 2004 and 2005, respectively. Road and Bridge Department employees dispense fuel into the equipment and vehicles from fuel tanks maintained for each department. Road and Bridge Department employees record the date, vehicle description, and gallons pumped on logs maintained at the sites. The county receives periodic billings when the vendor fills the bulk fuel tanks. However, a complete inventory record of bulk fuel showing purchases, usage, and fuel on hand is not maintained.

The fuel usage logs are not routinely reviewed by the road and bridge supervisor or County Commission. Gallons purchased per the fuel billings are also not reconciled to the gallons dispensed as recorded in the logs. Periodic reconciliations of the fuel usages and purchases to the calculated fuel on hand are not performed. In addition, the Road and Bridge Department logs contain no information regarding odometer or operating hour readings. This information is needed to evaluate the reasonableness of fuel usage for the various trucks or equipment items.

Because the fuel inventory records and usage log information are not complete, the county lacks the details needed to perform effective reconciliation procedures and evaluate reasonableness of fuel usage in various vehicles and equipment. The failure to perform proper reconciliations increases the possibility that improper billing amounts will be paid and the risk that theft or misuse of fuel could occur and not be detected.

D. The county does not have written policies and effective monitoring procedures regarding vehicle usage. Some county vehicles are used for commuting to and from work.

The county owns two vehicles which are utilized by the road and bridge supervisors. These vehicles are housed at the employee's home rather than a county facility such as the courthouse or road and bridge shed. The road and bridge supervisors regularly use county vehicles to commute to and from work. The County Commission indicated several reasons for assigning vehicles in this manner, including: 1) less response time is needed if emergencies arise, 2) supervisors are considered on call, and 3) supervisors work day begins and ends at their house. Vehicle logs are not

maintained for these vehicles (see B above). As a result, the business and personal (commuting) mileage cannot be determined. In addition, the amount of personal (commuting) mileage is not included on employee W-2 forms as a fringe benefit.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. The county may be subject to penalties and/or fines for failure to report all taxable benefits. A formal written county vehicle policy is needed to inform county officials and employees of the proper use of county vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements.

WE RECOMMEND:

A. The County Clerk implement a procedure for tracking new property items throughout the year, modify insurance coverage promptly, and follow up on discrepaancies identified during the annual physical inventory process. The County Clerk should also ensure the county property records include all applicable information. In addition, the County Commission should approve all dispositions of county property.

B. The County Commission require the preparation of usage logs for all county vehicles, and ensure proper reviews and reconciliations are performed.

C. The County Commission ensure the Road and Bridge Department maintains complete fuel inventory records, and that fuel usage logs are periodically reviewed for completeness and reasonableness of usage and reconciled to fuel purchased and on hand.

D. The County Commission adopt a written policy regarding proper and allowable use of county vehicles. In addition, the County Commission should ensure the county complies with IRS reporting requirements related to personal commuting mileage.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. The County Clerk has implemented a procedure to track county property when it is purchased. The County Clerk has added all applicable information to the county property list. We will approve dispositions in the future.

B. We will develop usage logs for vehicles used by the Road and Bridge Department, Airport and Coroner.

C. We will document a fuel reconciliation.

D. We will consult with the Prosecuting Attorney regarding this.

10.	**Schedule of Expenditures of Federal Awards**

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by $50,500 and overstated by $950 for the years ended December 31, 2005 and 2004, respectively.

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

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. Some programs were understated and other programs were overstated each year. For example, in 2005 the County Clerk failed to include federal monies of $17,352 for the Highway Planning and Construction Program. In 2004, expenditures of the Help America Vote Act Requirements Payments Program were overstated by $15,000. The County Clerk was unable to provide supporting documentation for the amounts originally shown on the SEFA. Several of the programs were also reported with the incorrect federal CFDA number. The County Clerk also failed to include the required pass-through grantor's number on most of the programs that were reported. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

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

A similar condition was noted in our prior report. Although some improvement has been made by the County Commission and County Clerk, the SEFA is still not complete and accurate.

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

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following response:

We will try to do better on preparing an accurate and complete SEFA.

11.	**Property Tax System**

Property tax system procedures and controls are not sufficient. The County Clerk does not prepare or verify the back tax books by maintaining an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's settlements.

A. The County Clerk does not prepare or verify the accuracy of the delinquent tax books. During the audit period, personnel in the County Collector's office printed the delinquent tax books and tax statements. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he/she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission ensure the accuracy of the information reported in the County Collector's settlements.

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

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the

County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

A similar condition was noted in our prior report.

WE RECOMMEND:

A. The County Clerk prepare the delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

B. The County Commission and County Clerk monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

A. This has been implemented by verifying the accuracy of the tax books.

B. The County Clerk will review the County Collector's annual settlements.

12.	Senior Citizen's Service Board

The Senior Citizen's Service Board does not develop formal agreements with the not-for-profit (NFP) organizations. Instead, the NFPs submit annual funding requests to the Board which are then approved based on the information provided in the requests and information from the NFP staff. During 2005 and 2004, the Board paid the NFPs $151,500 for these funding requests for transportation services and meals for senior citizens. The Board also has not developed an effective method of monitoring the services provided by several of the NFP service providers. The NFP service providers attend the Board's meetings and provide financial information regarding their operations. However, the minutes of these meetings do not document details regarding the reports provided. The following conditions each contribute to the difficulty the Board experiences in accomplishing appropriate monitoring:

- The Board considers the approved annual funding requests submitted by the NFP organizations to be the NFPs' agreements for the year. However, the requests do not always provide sufficient detail regarding the specific types or levels of service to be provided, the number of clients to be served, or other measurable methods for determining if the funding requested is reasonable in relationship to the services the NFP plans to provide and are not an adequate basis for a formal agreement.

- The Board makes quarterly payments to each NFP based on the funding amount approved for the year. These payments are not based on reimbursement for actual services provided and the NFPs are not required to provide such documentation to be eligible for additional payments.

The lack of formal agreements, inadequate monitoring efforts, and informal payment methods used by the Senior Citizen's Service Board do not provide adequate assurance as to how monies are being spent. At a minimum, formal written agreements should be prepared documenting the provision of specific services to county residents or the number of clients to be served in exchange for funding provided by the Senior Citizen's Service Board.

WE RECOMMEND the Senior Citizen's Service Board enter into written agreements which specify the amounts to be paid, the services to be provided, and ensure payments made to NFPs are made in relationship to the levels of services provided and/or the number of clients served.

AUDITEE'S RESPONSE

The Senior Citizen's Service Board provided the following response:

We have met with the Prosecuting Attorney to discuss this matter. At the January 19, 2007 meeting, the board will discuss entering into contracts with the NFPs. Contracts will be signed before any monies are distributed. We will ask the Prosecuting Attorney what documents we should require from the NFPs.

13. Health Department Controls and Procedures

Several weaknesses were noted with Health Department controls and procedures related to minutes, financial records, rental property, expenditures, payroll, and capital assets.

A. The Health Department's controls and procedures for minutes need improvement.

1. Reasons for closing meetings and the corresponding vote to close the meeting are not always documented. The Health Department Board held numerous closed sessions over the past several years. Open session minutes typically will indicate that the meeting is being closed, but the specific reason and a vote to close the meeting are not documented.

   The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall

not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

2. Some decisions made in closed session were not subsequently disclosed in open session as required. For example, the decision to hire and promote employees was not disclosed in open session as required.

   The Sunshine Law, Chapter 610, RSMo, provides for topics that are allowed to be discussed in closed meetings. Discussions in closed meetings should relate to the specific topics used to justify the meeting closure. In addition, the law requires certain votes taken in closed session to be disclosed in open session.

3. The Health Department did not document when notice was given for the Health Department meetings. The Health Department Administrator indicated an agenda is posted before every meeting. As a result of not documenting when the agenda is posted, the Health Department does not have documentation of compliance with the Sunshine Law.

   The Sunshine Law, Chapter 610, RSMo, requires a posting of the time, date and place of each meeting along with a tentative agenda of the matters to be discussed. When it is necessary to hold a meeting on less than twenty-four hours' notice, the reason justifying the departure from the normal requirements should be stated in the minutes. Maintaining a complete file of the meeting notices and tentative agendas would allow the Health Department to demonstrate compliance with the law.

B. The Health Department does not have procedures in place to ensure their budget documents accurately present their financial activities. The budgeted and actual receipt amounts were not always reported separately by program on the Health Department budgets. At our request, the Health Department Administrator used other financial records to separate the actual receipt amounts by program. The Health Department Administrator did not have documentation of the combined budgeted receipt amounts by program. In addition, the Health Department budget documents contained numerous misclassifications for both budgeted and actual receipts amounts, such as intergovernmental receipts classified as charges for services receipts and other receipts.

   These errors could have been detected had an adequate review of the amounts presented in the budget been performed by the Health Department Administrator or Health Department Board. As a result of the errors, it was necessary to make numerous reclassifications to the amounts presented in the financial statements. The reclassifications were discussed with and agreed to by the Health Department Administrator. Considering the various problems noted, the approved budgets did

not provide county citizens with reliable information about the Health Department's finances and are a less effective management tool for the Health Department.

To be of maximum assistance to the Health Department and to adequately inform citizens of the Health Department's operations and financial position, budget documents need to be accurate and include proper classifications of receipts and disbursements. This is also necessary so that the Health Department can prepare useful and accurate financial statements. A thorough review process needs to be implemented to ensure budget documents are accurate and complete prior to approval.

C. The Health Department did not solicit bids for rental property. A company contacted the Health Department to rent the building for $1,300 a month. The Health Department signed an agreement with this company in November 2005.

The Health Department should evaluate the need for this building. If the building is kept, the Health Department should rent it through a competitive bid process to ensure a fair value is received.

D. The Health Department's controls and procedures for expenditures need improvement.

1. A review of the Health Department meeting minutes and bid files indicates the Health Department does not place emphasis on bidding procedures or documentation. A review of expenditures identified numerous major purchases for which bids were not taken and/or documentation of bid procedures was lacking. A discussion of some of these purchases follows.

   The Health Department did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the Health Department minutes nor the expenditure records contained adequate documentation of the Health Department's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

   - The Health Department did not advertise for vaccine purchases which totaled approximately $34,200 in 2004 and 2005. Rather, the Health Department Administrator indicated she calls vendors that handle vaccines each time a purchase is made. However, documentation of these calls and the prices obtained are not retained.

   - The Health Department spent approximately $20,300 in 2004 for nurse practitioner services. The Health Department Administrator indicated she determined the local vendors available to provide the

nurse practitioner services, but this determination was not documented.

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

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the Health Department has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in Health Department business. Documentation of the various proposals received, and the Health Department's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

2. Supporting documentation related to some expenditures was insufficient. For example, detailed credit card receipts are not retained by the Health Department Administrator and there is no evidence that these receipts were compared to the periodic billings. The Health Department also paid $20,300 for nurse practitioner services based on billings prepared by the Health Department.

   The Health Department monies represent public funds and officials have a fiduciary responsibility to ensure expenditures are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation, the Health Department Board cannot determine the validity and propriety of the expenditures.

3. The Health Department's accounts payable process does not provide adequate controls to ensure that goods and services have been received prior to payment. Acknowledgment of receipt of goods or services is not required prior to paying invoices. For example, the Health Department paid approximately $3,800 for surveillance system installation and $547 for a hotel bill without acknowledging receipt of goods or services.

   Proper reviews of billings by employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings, and verification of receipt, are necessary to ensure the Health Department is paying for legitimate goods or services.

E. The Health Department's controls and procedures for payroll need improvement.

1. The Health Department compensatory leave records are not always accurate. The Health Department Administrator maintains two records of compensatory time which did not agree in some instances. Instances were also noted where hours of leave earned per the time sheets did not agree to the compensatory records.

   The activity reflected on employee time sheets and leave records should be carefully reviewed for consistency and mathematical accuracy to ensure that employee leave balances are correct. Accurate records of leave and compensatory time are also necessary to ensure compliance with the Fair Labor Standards Act (FLSA) and to ensure employees are properly compensated for accumulated leave.

2. The Health Department is not following procedures as stated in the current personnel policy for personal leave time. According to the Health Department Administrator, all employees are entitled to two days of personal leave a year. However, personal leave is not included in the Health Department's personnel policy. Records are also not maintained for personal leave earned and/or taken.

   Adherence to the Health Department's personnel policy regarding personal leave is necessary to ensure the equitable treatment of all employees. Accurate and properly maintained leave records are also necessary to provide assurance that leave policies are being followed.

F. The Health Department's procedures to account for Health Department property are not sufficient and Health Department property records are not complete. As of the end of 2005, the Health Department property not including vehicles and buildings was valued at approximately $150,000 on the Health Department insurance policy.

- The Health Department Administrator records the estimated value of the purchased property. As a result, property purchases can not be reconciled to additions per the property records. For example, a generator ($8,400 paid by the Health Department and the remainder of the purchase paid for by a grant received by county) was not recorded in the Health Department's property record.

- The Health Department did not conduct an annual physical inventory of Health Department property. As a result, several tag numbers on Health Department property did not agree with the Health Department property records.

- Although the property records showed property items were disposed of since the previous reporting period, no explanation was attached to identify

pertinent details, such as disposal date, authorization for disposal, method of disposal, to whom disposed, and amount received. For example, the property records indicated a copier ($2,000) and a computer ($1,000) were broken. Health Department property is disposed of by either donating it or throwing it away.

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

A similar condition was noted in our prior report.

WE RECOMMEND the Health Department Board of Trustees:

A.1. Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session.

2. Ensure decisions made in closed session are properly reported in the open minutes when required.

3. Ensure meeting notices and agendas are posted and maintained.

B. Ensure that budget documents contain complete and accurate information about the Health Department's finances and have adequate descriptions. In addition, the Health Department Board should thoroughly review the budget document before it is finalized and made public.

C. Evaluate the need for the rental property. If the building is kept, the Health Department should request bids for its rental.

D.1. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

2. Ensure there is adequate documentation to support all expenditures.

3. Establish effective expenditure review procedures to ensure payments are only made for legitimate goods and services.

E.1. Maintain leave records in a manner that provides a complete record of the amount of leave earned, taken, and any accumulated balances.

2. Ensure the Health Department's personnel policy is followed when determining personal time. If personal time is included in the Health Department's personnel policy, records should be maintained for the personal leave earned, taken, and the accumulated balance.

F. Implement a procedure for tracking new property items throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process. The Health Department Board should also approve all dispositions of Health Department property.

AUDITEE'S RESPONSE

The Health Department Board of Trustees provided the following responses:

A.1, A.2.
&E. These have been implemented.

A.3. This will be implemented starting with the meeting in November 2006.

B. This will be implemented with the 2007 budget.

C. We are in the process of selling the building.

D.1. We will better document the bidding procedures.

D.2. We are now obtaining adequate supporting documentation for expenditures.

D.3. We are working on a process to establish procedures for the approval of receipt of goods and services.

E.2. The current health department policy for personal leave time will be discussed before the end of the year.

F. We are working on implementing procedures to account for property.

14. Handicapped Board (Senate Bill 40 Board) Controls and Procedures

Several weaknesses were noted with Handicapped Board controls and procedures related to a lack of monitoring for expenditures made to not for profit service providers, the board's depository bank, and capital asset records.

A. The Board has not developed an effective method of monitoring the services provided by several of the not-for-profit (NFP) service providers. Although the

agreements with the NFP service providers require quarterly reports of the progress of the project, the NFP service providers have not provided the Handicapped Board with these quarterly reports. The Handicapped Board reimbursed some of the NFP service providers for actual payroll costs which do not always agree with the payroll summaries from the NFPs. In addition, the Handicapped Board reimbursed NFP service providers for other expenditures without retaining adequate documentation for these expenditures. During 2005 and 2004, the Board paid the NFPs $331,400 for these funding requests for various services and expenditure reimbursements.

The inadequate monitoring efforts and informal payment methods used by the Handicapped Board do not provide adequate assurance as to how monies are being spent. At a minimum, the Handicapped Board should ensure documentation is received regarding the specific services to county residents or the number of clients to be served in exchange for funding provided by the Handicapped Board.

B. The Handicapped Board has not entered into a written agreement with its depository bank. Collateral securities were also not pledged for deposits at this bank in excess of the Federal Depository Insurance Corporation (FDIC) coverage leaving the Handicapped Board unsecured by $27,507 at December 31, 2004. In 2005, collateral securities were pledged for Handicapped Board deposits.

The Handicapped Board should enter into a written agreement with its depository bank. Section 110.020, RSMo, requires the value of securities pledged to be at all times not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of bank failure. Also, written agreements should require that deposits in excess of FDIC limits be secured by bank assets pledged to the Handicapped Board. In addition, the bank service agreement provisions should include, but not be limited to, any bank fees for check printing, checking account services, and interest rate for invested funds. A written depository agreement helps the Handicapped Board and bank understand and comply with the requirements of any banking arrangement.

C. The Handicapped Board's procedures to account for Handicapped Board property are not sufficient and the Handicapped Board property records are not complete. As of the end of 2005, the Handicapped Board property not including buildings was valued at approximately $102,000 on the Handicapped Board insurance policy.

- Property purchases are not reconciled to additions per the property records.

- One of the vehicles leased to NFPs was not included on the Handicapped Board property record.

- The Handicapped Board did not conduct an annual physical inventory of Handicapped Board property.

- The overall Handicapped Board property record does not include the acquisition/disposition dates, purchase value, and serial numbers for some of the property. The Handicapped Board indicated the records with this information were missing when the property record was prepared.

- Although a memo indicated a computer desk was to be disposed of in 2005, no explanation was attached to identify authorization for disposal. The property listing did not show this item being removed from the listing. Handicapped Board property is disposed of by throwing it away.

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

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

WE RECOMMEND the Handicapped Board:

A. Ensure payments made to NFPs are made in relationship to the levels of services provided and/or the number of clients served.

B. Ensure all deposits are adequately secured and enter into a written agreement with the depository bank.

C. Implement a procedure for tracking new property items throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process. The Handicapped Board should also approve all dispositions of Handicapped Board property.

AUDITEE'S RESPONSE

The Handicapped Board provided the following responses:

A. Since July 2006, the NFPs have provided information regarding the number of clients served.

B. This has been implemented.

C. The Handicapped Board approved items with a value of less than $1,000 to be donated to the Handicapped Center. Complete property records are now being maintained.

Follow-Up on Prior Audit Findings

WASHINGTON 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 Washington County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices and Published Financial Statements

A. Actual expenditures were in excess of approved budgeted expenditures for several funds.

B. Budgets were not prepared for various county funds.

C. The County Commission amended the budgets for several funds which caused projected deficit cash balances. However, the county made no provisions for these deficits.

D. Several budgets did not have adequate descriptions for receipts or expenditures.

E. The administrative service fee was limited to a maximum of three percent of the budget of the Special Road and Bridge Fund. However, budgeted expenditures significantly exceeded actual expenditures of the Special Road and Bridge Fund. There was no documentation of how the County Clerk calculated the administrative service fee.

F. The annual published financial statements of the county did not include all of the financial activity of some county funds. The county's annual published financial statements also did not indicate disbursements by vendor for all of the funds presented. In addition, several funds did not include beginning and ending cash balances.

Recommendation:

The County Commission:

A. Refrain from incurring expenditures in excess of budgeted amounts. If the county receives additional funds, which could not be estimated when the budget was adopted, the county should amend its budget by following the procedures required by state law.

B. Ensure budgets are obtained or prepared for all county funds.

C. Refrain from deficit budgeting.

D. Ensure revenues and expenditures have adequate descriptions on the budgets.

E. Ensure administrative transfer amounts from the Special Road and Bridge Fund are adequately documented and that they do not exceed three percent of reasonable budget amounts from the fund.

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

Status:

A&D. Not implemented. See finding number 05-1.

B. Partially implemented. Budgets were not obtained or prepared for the first year after a new fund was established. Budgets were also not obtained for new funds held by other officials. Although not repeated in the current MAR, the recommendation remains as stated above.

C. Partially implemented. A small deficit balance was budgeted for the Assessment Fund for the year ended December 31, 2004. No deficit balances were budgeted for the year ended December 31, 2005. Although not repeated in the current MAR, the recommendation remains as stated above.

E. Implemented.

F. Partially implemented. Financial information was not published for funds held by other officials. Financial information also was not always published for the first year after a new fund was established. Although not repeated in the current MAR, the recommendation remains as stated above.

2. County Commission Procedures

A. In prior years, the County Commission issued several loans to companies and individuals as part of an economic development program. Several companies did not make monthly payments as required by written agreements.

B. The county had a written agreement with the Industrial Development Authority (IDA) for economic development sales tax monies; however, it did not require the IDA to itemize their costs in their budget and financial reporting.

Recommendation:

The County Commission:

A. Require all companies and individuals comply with the original loan agreements. In addition, the County Commission should take appropriate action on any outstanding loans.

B. Require as part of their agreement that the IDA itemize their costs in their budget and financial reporting.

Status:

A&B. Not implemented. See MAR finding number 7.

3. Officials' Salaries and Payroll

A. Section 50.333.13 RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. Based on this statute, Washington County's Associate County Commissioners each received salary increases of approximately $6,650 yearly in 1998, according to information from the County Clerk. On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute.

B. The Prosecuting Attorney received $57,400 in compensation in 2001, 2000, and 1999. The 1997 salary commission minutes indicated officials were to be paid at 100 percent of their statutory salary or $47,000 for the Prosecuting Attorney. The Prosecuting Attorney received an additional $10,000 because a state correctional facility was located in the county. It appears the extra $400 in compensation was carried over from his previous term when he was paid $37,400 or 110 percent of his statutory salary.

C. Although time records were prepared by employees and filed with the County Clerk, she did not review the annual and sick leave, or compensatory time on the employee time record to ensure the amount was correct.

Recommendation:

The County Commission:

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

B. Review the Prosecuting Attorney's salary and related statutory provisions, and seek repayment of any excess salary payments.

C. Require the County Clerk review the employee time records for accuracy and completeness.

Status:

A. Not implemented. During our prior audit, the County Commission responded they believed they complied with the applicable state laws at the time of the raises and relied on the verbal advice of their attorney. The County Commission also indicated they did not plan to request the Associate County Commissioners to repay the raises. This decision was not documented in the County Commission minutes or elsewhere. Although not repeated in the current MAR, the recommendation remains as stated above.

B. Partially implemented. The Prosecuting Attorney received the same salary in 2002. However, when the county made an adjustment in 2003, only $1,200 was withheld from the Prosecuting Attorney's salary. Although not repeated in the current MAR, the recommendation remains as stated above.

C. Implemented.

4. Tax Anticipation Notes

Although the county had reduced the tax anticipation notes payable, $267,000 was still outstanding at December 31, 2001 for the General Revenue Fund. The county had not had the funds to completely pay back the tax anticipation notes in one year, rather, the tax anticipation notes had been renewed annually.

Recommendation:

The County Commission refrain from issuing tax anticipation notes that cannot be paid in one year or less from current county revenues and continue to pay off the outstanding notes payable.

Status:

Partially implemented. The $267,000 of tax anticipation notes payable outstanding at December 31, 2001 were completely repaid in August 2004. Subsequent tax anticipation notes were repaid in less than one year.

5. General Fixed Assets

Individual offices and the County Clerk had not reconciled additions or deletions to the annual fixed asset listing and fixed assets purchases were not reconciled to the general fixed asset records maintained by the County Clerk. The County Clerk maintained a file for each individual official containing a computer printout of their fixed asset listing; however these records were not complete.

Recommendation:

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

Status:

Not implemented. See MAR finding number 9.

6. Property Tax Controls and Procedures

A. The County Collector provided the County Clerk with information regarding taxes charged, monthly collections, delinquent credits, and protested amounts. However, the information was not verified by the County Clerk from aggregate abstracts, monthly statements of collections and the tax books.

B. The County Collector did not always indicate the method of payment on the paid tax receipts. As a result, the composition of the paid tax receipts could not be reconciled to the composition of monies deposited.

Recommendation:

A. The County Clerk verify the information provided by the County Collector and use this information to verify the County Collector's annual settlement.

B. The County Collector reconcile the composition of receipts slips to the composition of deposits.

Status:

A. Not implemented. See MAR finding number 11.

B. Implemented.

7. Sheriff's Controls and Procedures

A.1. Formal bank reconciliations were not performed on the commissary account.

2. Inmate monies were not deposited on a timely basis. Receipt slips also had not been issued for all monies received from inmates.

3. The total of the prisoners' monies in the Sheriff's commissary checking account was not reconciled to the total of the individual prisoner balances. Inmate balances were maintained on computer files but the balances could not be reconciled to the total in the account.

4. Accounting and bookkeeping duties for the commissary account were not adequately segregated. There was no documentation that an independent review of deposits and accounting records was performed.

B.1. Accounting and bookkeeping duties for the Sheriff's fee monies were not adequately segregated. There was no documentation that an independent review of deposits and accounting records was performed.

2. Receipts were not deposited to the Sheriff's fee account on a timely basis.

C. The Sheriff's Department boarded prisoners for other political subdivisions and provided meals to the City of Potosi jail. The county did not bill the boarding costs and did not have written agreements with these entities stating the cost and responsibilities of each party.

D.1. A complete inventory listing of seized property was not maintained. In addition, the Sheriff's Department was unable to locate two items of seized property. A periodic inventory of the evidence room was not performed for comparison with the inventory listing of seized property.

2. Procedures had not been implemented to periodically review cases and dispose of related seized property items. As a result, numerous items for which the related cases had been disposed in court were being stored unnecessarily.

Recommendation:

The Sheriff:

A.1. Prepare monthly bank reconciliations for the commissary account.

2. Deposit receipts daily or when accumulated receipts exceed $100. In addition, the Sheriff should issue prenumbered receipt slips immediately upon receipt for all monies received.

3. Reconcile the individual prisoner and commissary balances to the total of the monies in the account on a monthly basis.

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

B.1. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

2. Deposit all monies intact daily or when accumulated receipts exceed $100.

C. And the County Commission bill other political subdivisions an amount that is sufficient to recover the costs of housing prisoners in the Washington County jail. In addition, the county should enter into written agreements for boarding prisoners and providing meals.

D.1. Ensure an accurate and up-to-date inventory record is maintained of all seized and confiscated property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.

2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

Status:

A1, A3,
&A4. Not implemented. See MAR finding number 1.

A.2. Not implemented. Receipt slips were not issued for all commissary monies received. See MAR finding number 1. Deposits of approximately $500 continue to be made approximately once a week. Although not repeated in the current MAR, the recommendation remains as stated above.

B1,
D1,
&D2. Not implemented. See MAR finding number 2.

B.2. Not implemented. Deposits continue to be made approximately once a week. Although not repeated in the current MAR, the recommendation remains as stated above.

C. Not implemented. The county sometimes boards prisoners for the City of Potosi on the weekends. The county does not bill the city and does not have a written agreement with the city. Although not repeated in the current MAR, the recommendation remains as stated above.

8. County Assessor's Controls and Procedures

A. Receipt slips were only issued upon request.

B. The County Assessor did not transmit collections intact to the County Treasurer on a timely basis. In addition, cashiers' checks and money orders received were not restrictively endorsed immediately upon receipt.

C. Accounting and bookkeeping duties were not adequately segregated. An independent review of transmittals and accounting records was not documented as performed.

Recommendation:

The County Assessor:

A. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued. In addition, the County Assessor should ensure that the composition of receipt slips issued is reconciled to the composition of transmittals.

B. Transmit monies to the County Treasurer daily or when accumulated receipts exceed $100, and restrictively endorse cashier checks and money orders immediately upon receipt.

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

Status:

A&C. Implemented.

B. Partially implemented. Monies are transmitted to the County Treasurer when receipts exceed $100. However, checks and money orders are not restrictively endorsed immediately upon receipt. Although not repeated in the current MAR, the recommendation remains as stated above.

9. Circuit Clerk's Controls and Procedures

A. A listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs was not adequate.

B. The Circuit Clerk had several old bank accounts that were no longer active including an old fee account and two old child support accounts.

Recommendation:

The Circuit Clerk:

A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

B. Investigate the unidentified monies and old outstanding checks and disburse any unclaimed monies in accordance with state statute.

Status:

A. Partially implemented. Although a listing of accrued costs is maintained by the Justice Information System (JIS), the Circuit Clerk was not aware this information was available or that a report could be generated. See MAR finding number 3.

B. Implemented.

10. Prosecuting Attorney's Controls and Procedures

A. Payments received from delinquent taxpayers were not sent to the Department of Revenue (DOR) timely.

B. Accounting and bookkeeping duties were not adequately segregated. An independent review of transmittals and accounting records was not performed.

Recommendation:

The Prosecuting Attorney:

A. Transmit monies daily or when accumulated collections exceed $100.

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

Status:

A. Partially implemented. Although improvement was noted regarding delinquent tax payments, bad check fees and bad check restitution receipts were not transmitted timely. See MAR finding number 5.

B. Not implemented. See MAR finding number 5.

11. Associate Division Controls and Procedures

Accounting duties were not adequately segregated. There was no documentation that an independent review of deposits and accounting records was performed.

Recommendation:

The Associate Circuit Judge adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

Status:

Not implemented. See MAR finding number 4.

12. Ex Officio Recorder of Deeds' Controls and Procedures

The Ex Officio Recorder of Deeds did not deposit receipts intact or on a timely basis. In addition, refunds of overpayments were made from cash on hand. The Recorder's office utilized a change fund for cash paying customers although the change fund was not maintained at a constant amount.

Recommendation:

The Ex Officio Recorder of Deeds deposit receipts intact daily or when accumulated receipts exceed $100. If necessary, a change fund should be established and maintained at a constant amount.

Status:

Partially implemented. The Recorder of Deeds deposits receipts daily. Although the Recorder of Deeds issues refunds from cash receipts, the individual is required to sign for these monies. The Recorder of Deeds no longer has a change fund.

13. Washington County Handicapped Board (Senate Bill 40 Board)

A. The SB 40 was unable to provide support for the actual revenues reported in the budget. In addition, the 2002 budget was not submitted to the State Auditor's office timely.

B. Various financial records for the SB 40 Board could not be found.

C.1. The SB 40 Board did not adequately document the former executive director's salary increase. While the Board members signed the checks, the salary increase was not documented as approved by the Board in any minutes of the SB 40 Board.

2. Accurate leave records were not maintained by the former executive director and the Board did not adequately review the leave records to ensure the final payment for unpaid leave was correct. Upon the former executive director's leaving, she was paid for more unused annual leave than the amount shown on time records.

D.1. The SB 40 Board was unable to locate all of the closed meeting minutes.

2. The regular board meeting minutes did not always document the specific reasons for closing the meeting and actions taken by the Board in closed meetings.

3. The former Executive Director conducted telephone polls of board members. No minutes were taken of these polls or meetings and the Board did not provide public access to these meetings.

E.1. The SB 40 Board entered into a contract to provide start-up funding for a program. This money was to be repaid to the SB 40 Board; however, the contract did not include a set repayment date. The only indication of when the SB 40 Board would be repaid was when the program ends; which appears to be when the client discontinued receiving 24-hour care.

2. The SB 40 Board paid a NFP more for van repair costs than the minutes indicated the Board had approved. In addition, the expenditure was not supported by an itemized invoice.

3. The SB 40 Board was unable to provide adequate supporting documentation for a credit card payment for travel expenses of the former executive director. The supporting documentation did not appear proper.

4. Invoices were not always marked paid.

F. The SB 40 did not maintain records accounting for all Board property. The property listing did not include inventory values and beginning and ending balances with additions and deletions. Periodic inventories were not performed to ensure the list was accurate.

G.1. The SB 40 Board did not have written agreements with some NFPs providing services to the Board. In addition, the SB 40 did not require the NFPs to submit financial reports as required by board policy.

2. The SB 40 had maintained the services of an accounting firm on a monthly basis without a contract indicating the services to be provided and the costs for services.

H. The SB 40 Board had contracted with a NFP to provide administrative services. The invoices submitted by the NFP did not indicate the hours spent. In addition, no documentation was submitted for training, supplies, and travel.

I. The SB 40 Board did not have adequate procedures to monitor and ensure monies in their various bank accounts were sufficiently collateralized.

Recommendation:

The Senate Bill 40 Board:

A. Ensure budgets are complete, timely, and accurate.

B. Retain financial records in a secure location to prevent misplacement or loss.

C.1. Approve all salary changes and retain documentation in the board's minutes.

2. Require correct accrued leave balances be maintained to prevent employees from receiving unearned leave time or overpayment of the accrued leave after termination. In addition, the SB 40 Board should consider requesting the return of the overpayment from the former executive director.

D.1. Ensure minutes are prepared, approved, and retained for all closed meetings.

2. Ensure closed meetings are conducted according to state law. In addition, the Board should ensure the final disposition of applicable matters discussed in closed session is recorded in the regular public meeting minutes.

3. Allow access to and maintain minutes for all meetings as required by state law.

E.1. Ensure all contracts are written for a predetermined period with no open payment or repayment dates.

2&3. Require supporting documentation and invoices for all expenditures to ensure they are a valid use of taxpayer's monies. All expenditures should be approved by the Board.

4. Indicate on invoices that they are paid to avoid duplicate payments.

F. Establish property records for fixed assets that record all pertinent information. Periodic inventories of the fixed assets should be performed.

G. Enter into written agreements for all services. The written agreement should detail all duties to be performed and the compensation to be paid under the agreement. In addition, the agreement should require financial reports from NFPs as required by policy.

H. Request invoices for administrative services indicating time worked and include supporting documentation for training, supplies, and travel.

I. Develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

A, B,
D1, D2,
D3, E1,
&E4. Implemented.

C1&
C2. No longer applicable. The SB 40 Board has not had employees since May 2001.

E2&
E3. Partially implemented. The SB 40 Board no longer has a credit card. However, invoices were not obtained to support reimbursement requests from the NFPs. See MAR finding number 14.

F&H. Not implemented. See MAR finding number 14.

G. Partially implemented. Although the SB 40 Board has entered into written agreements with the NFPs, the SB 40 Board has not received financial reports from the NFPs as required by the written agreements. See MAR finding number 14.

I. Partially implemented. The SB 40 Board did not have any collateral security coverage for December 2004 and January 2005. However, the SB 40 Board did have collateral security coverage for December 2005 and January 2006. See MAR finding number 14.

14. Health Center's Controls and Procedures

A. Receipt slips were altered or missing and all monies received may not have been deposited. The Health Center did not determine a total amount of possible missing monies because of numerous receipt slips missing from the receipt slip book. No independent reviews were performed comparing the monies received and deposited.

B. The administrator used an endorsement stamp of the Board Treasurer to affix the second authorized signature to the checks.

C. Monies received were not deposited on a timely basis.

D. The Health Center paid for Christmas dinners for board members and their families.

E. The Health Center advanced the Farmer's Market the monies until they could be repaid by the state.

F. The Health Center expended WIC funds for a computer and related equipment without prior approval from the Missouri Department of Health. Approval was obtained at a later date for the purchase. In addition, several of the WIC client's files were not filled out completely.

G. The property listing did not include inventory values and beginning and ending balances with additions and deletions. In addition, not all items were included on the property listing and periodic inventories were not performed to ensure the list was accurate.

H. It was questionable whether the Board complied with the provisions of the Sunshine Law when discussing some items in closed session.

I. The Health Center did not have adequate procedures to monitor and ensure monies in their various bank accounts were sufficiently collateralized.

Recommendation:

The Health Center Board of Trustees:

A. Ensure all receipt slips are accounted for properly and that the composition of the receipt slips is reconciled to the deposits. The Board should disallow the practice of altering receipt slips.

B. Discontinue the practice of allowing one person to sign checks and also use an endorsement stamp of the other authorized check signer.

C. Require monies be deposited intact daily or when accumulated receipts exceed $100.

D. Ensure all expenditures are reasonable, necessary, and a prudent use of public funds.

E. Discontinue the practice of loaning public funds.

F. Ensure they receive proper approval from the Missouri Department of Health before expending monies on equipment for WIC. In addition, the Board should require all WIC applicants fill out all required forms and ensure that both the applicant and the Health Center staff sign the forms.

G. Establish property records for fixed assets that record all pertinent information. Periodic inventories of the fixed assets should be performed.

H. Ensure closed meetings are conducted according to state law.

I. Develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

A, B,
E, F,
H&I. Implemented.

C. Not implemented. Deposits which include small amounts of cash continue to be made approximately once a week. Although not repeated in the current MAR, the recommendation remains as stated above.

D. Partially implemented. The Health Center purchased flowers for a board member's hospital stay and the funeral of a former board member. Although not repeated in the current report, our recommendation remains as stated above.

G. Partially implemented. Although the property records included property values, the property values were not always accurate. In addition, an annual physical inventory was not performed. See MAR finding number 13.

15. Central Dispatch 911 Board

A. It was questionable whether the Board complied with the provisions of the Sunshine Law when discussing some items in closed session. In addition, the open meeting minutes did not always adequately document the specific reasons for closing the meeting and the actions taken by the Board in closed meetings.

B. The 911 Board contracted with a company to provide communication consulting services and did not obtain bids as required by state law.

C. The Board did not obtain an independent appraisal or an appropriate legal description of the land prior to the purchase.

D. The 911 Board did not receive detailed invoices from the communications consulting company. Although there was a contract for these services, it did not require detailed invoices documenting the services performed.

E.1. The 911 Board paid the County Prosecuting Attorney for legal services. Because the 911 Board is a part of the county, it was unclear why these services should not be provided by the Prosecuting Attorney at no cost to the Board.

2. The 911 Board had not entered into written contracts for legal services or administrative services.

F. The 911 Board did not have adequate procedures to monitor and ensure monies in their various bank accounts were sufficiently collateralized.

Recommendation:

The 911 Board:

A. Ensure closed meetings are conducted according to state law.

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 circumstances should be documented.

C. Obtain independent appraisals and appropriate legal descriptions for all real estate purchases. The Board should adequately document actions taken and comparisons made to ensure reasonable prices are paid for real estate purchases.

D. Require as a part of the contract that all invoices contain sufficient detail of services performed.

E.1. Request the County Prosecuting Attorney to provide legal services at no cost.

2. Enter into written agreements for all services which specify all duties to be performed and the compensation to be paid.

F. Develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

A. Not implemented. The 911 Board discussed some items in closed session including personnel policies such as sick leave earned by full time employees which do not appear to be allowable discussions in closed session. In addition, the open meeting minutes did not always adequately document the specific reasons for closing the meeting and the actions taken by the Board in closed meetings. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. Bids were not solicited for software ($39,985) and sign materials ($5,200). Although not repeated in the current MAR, our recommendation remains as stated above.

C. The 911 Board has not purchased any land during the two years ended December 31, 2005.

D&F. Implemented.

E.1. Because the 911 Board did not have any legal services provided by the County Prosecuting Attorney, this is no longer applicable.

E.2. Not implemented. A written agreement was not entered into for legal services ($7,560) and landscaping services ($4,000). Although not repeated in the current MAR, our recommendation remains as stated above.

Although several concerns from our previous audit report were not implemented, they were not repeated in the current MAR because the 911 Board was separately audited by an independent auditor for the two years ended December 31, 2005.

STATISTICAL SECTION

History, Organization, and
Statistical Information

WASHINGTON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1813, the county of Washington was named after George Washington, the nation's first President. Washington County is a county-organized, third-class county and is part of the Twenty-Fourth Judicial Circuit. The county seat is Potosi.

Washington 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 418 miles of county roads and 58 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 17,983 in 1980 and 23,344 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2005	2004	2003	2002	1985*	1980**
	(in millions)					
Real estate	$ 91.8	82.8	79.7	76.2	53.6	32.2
Personal property	38.3	34.9	34.8	33.2	11.7	10.7
Railroad and utilities	51.7	49.6	45.6	46.7	14.3	11.1
Total	$ 181.8	167.3	160.1	156.1	79.6	54.0

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

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

	Year Ended December 31,			
	2005	2004	2003	2002
General Revenue Fund	$ .1900	.1900	.1900	.1800
Special Road and Bridge Fund	.2718	.2741	.2741	.2685
Health Center Fund	.1487	.1500	.1500	.1500
Handicapped Board Fund	.1983	.2000	.1700	.1700
Senior Citizens' Service Fund	.0496	.0500	.0500	.0500

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),			
		2006	2005	2004	2003
State of Missouri	$	54,489	51,700	48,342	46,704
General Revenue Fund		359,742	346,331	319,748	296,698
Special Road and Bridge Fund		487,506	465,763	435,294	412,044
Assessment Fund		127,729	119,878	90,511	84,292
Health Center Fund		266,796	255,232	239,185	231,143
Handicapped Board Fund		354,121	333,963	272,031	264,730
Senior Citizens' Service Fund		88,990	85,140	79,776	77,075
Collector Tax Maintenance Fund		33,003	35,370	30,906	16,484
School districts		6,533,519	6,205,476	5,769,736	5,467,235
Junior colleges		90,986	84,635	84,462	77,973
Library district		355,684	339,940	317,890	303,268
Ambulance district		444,691	425,192	397,957	383,146
Fire protection districts		427,063	454,719	421,574	392,128
Hospital		355,675	339,848	317,666	301,097
Surtax		187,471	182,939	165,548	163,969
Land Redemption		172,627	286,990	36,153	20,367
Overplus Fund		232,568	288,449	81,296	46,194
Publication Fees		39,273	45,797	40,173	25,010
Other		4,408	2,450	5,298	8,804
Cities		14,691	15,876	14,093	12,972
County Employees' Retirement		79,449	96,206	98,105	101,780
Commissions and fees:					
General Revenue Fund		165,439	162,443	148,693	142,300
Total	$	10,875,920	10,624,337	9,414,437	8,875,413

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	87	86	83	83	%
Personal property	85	86	83	83	
Railroad and utilities	100	100	100	99	

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

	Rate	Expiration Date	Required Property Tax Reduction
General	$ .005	None	50 %
Special Road and Bridge	.005	2010	None
Sheriff's Law Enforcement	.005	None	None
Economic Development Tax	.005	2011	None

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

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	$				
Robert E. Reed, Presiding Commissioner		29,060	29,060	28,400	0
Robert L. Simpson, Presiding Commissioner		0	0	0	28,400
Todd Moyers, Associate Commissioner		27,060	0	0	0
Gary L. Yount, Associate Commissioner		0	27,060	26,400	26,400
Randy O'Neail, Associate Commissioner		27,060	0	0	0
Kevin Isgrig, Associate Commissioner		0	27,060	26,400	26,400
Judy Moyers, Recorder of Deeds (1)		41,000	41,000	40,000	0
Janet Adams, County Clerk		41,000	41,000	40,000	40,000
John Rupp, Prosecuting Attorney (2)		96,000	96,000	94,800	57,400
Kevin Schroeder, Sheriff		45,000	0	0	0
Gary W. Yount, Sheriff		0	45,000	44,000	44,000
Betty Abbey, County Treasurer		41,000	41,000	40,000	29,600
Brian DeClue, County Coroner		13,000	13,000	12,000	12,000
Janet Drummond, Public Administrator (3)		54,720	60,781	50,808	41,726
Michael P. McGirl, County Collector, year ended February 28 (29),	41,000	41,000	40,000	40,000	
Charlotte Boyer, County Assessor (4), year ended August 31,		41,688	40,727	40,833	40,900
R. Timothy Daugherty, County Surveyor (5)		13,935	12,790	22,660	18,800

(1) Recorder of Deeds became a separate office in 2003.
(2) The Prosecuting Attorney became a full-time position on January 1, 2003. In 2003, $1,200 was withheld from the Prosecuting Attorney's salary due to previous overpayments.
(3) Includes salary of $10,000 and fees received from probate cases.
(4) Includes $900 annual compensation received from the state in 2002. Includes $688, $727, and $833 of compensation received from the state in 2005, 2004, and 2003, respectively.
(5) Compensation on a fee basis.

State-Paid Officials:					
Patricia Boyer, Circuit Clerk		48,500	47,850	47,300	0
Phyllis Ann Fryman, Circuit Clerk and Ex Officio Recorder of Deeds		0	0	0	47,300
Troy K. Hyde, Associate Circuit Judge		96,000	96,000	96,000	96,000