



Susan Montee, CPA
Missouri State Auditor

Stone County



December 2008
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Office of
Missouri State Auditor
Susan Montee, CPA

December 2008

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

Disbursements totaling \$1,490 from the Help America Vote Act grant were not supported by adequate documentation. Voting equipment costing \$4,054 purchased with these grant funds was not included on the county's capital asset records. Additionally, 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) prepared and submitted to the State Auditor's Office as a part of the county's annual budget. The county's SEFA for the years ended December 31, 2006 and 2005, contained several errors, and total expenditures were understated by approximately for \$20,750 and \$219,950 for 2006 and 2005, respectively.

At least \$17,800 has been misappropriated from the Prosecuting Attorney's office during the three years ended December 31, 2007. Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures, and while the Prosecuting Attorney responded in the 2002 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved. Our review identified numerous control and procedural weaknesses including questionable delays in some monies being deposited. The inadequate segregation of accounting duties and poor controls have led to the misappropriations.

The Sheriff's bookkeeper approves payments to herself for the preparation of prisoner meals and there is no evidence in the County Commission meeting minutes to indicate the County Commission was involved in the bid process for these services. As a result, there is an appearance of a conflict of interest related to the \$113,000 paid for prisoner meals during 2007.

The County Commission did not solicit proposals or document its selection process for engineering services related to the planning and zoning department. Additionally, concerns were identified with disbursements for Christmas lights from the Collector's Tax Maintenance Fund, travel expenses from the Sheriff's Law Enforcement Civil Fee Fund, and various expenses from the County Clerk's Election Services Fund. Further, the personal use of county cellular phones is not always reimbursed to the county.

(over)

YELLOW SHEET

Several weaknesses exist over the county's property tax system. The accuracy of the tax books is not verified, some changes to the tax books are not approved by the County Commission, and the county's property tax system does not adequately track all changes made to the system. Further, other improvements are needed over the reporting of property tax information.

Budgets for some county funds contained misclassifications and errors or were incomplete, actual disbursements for some funds exceeded budgeted disbursements, and the published financial statements did not include the activity of some funds. In addition, there is no detailed plan to utilize the \$325,000 that has accumulated in the Recorder User Fee Fund, and an annual maintenance plan for the county roads and bridges has not been prepared.

As of December 31, 2007, over \$300,000 is owed to the county's General Revenue Fund by the Black Oak Mountain Resort NID because adequate assessment revenues are not collected from landowners to fund the NID bond payments. According to county budgets the amount owed is anticipated to exceed \$400,000 by the end of 2008.

The county purchased approximately \$730,000 in bulk fuel during the two years ended December 31, 2006, and does not have procedures in place to compare these purchases to the amount of fuel used. Additionally, mileage records maintained for road and bridge vehicles do not differentiate mileage for employee commuting purposes, and mileage logs are not maintained for a county vehicle driven by the Prosecuting Attorney and his staff.

Poor reconciliation procedures of the Sheriff's bank account has resulted in the overpayment of fees and a negative bank account balance. Additionally, better controls are needed over cash receipts collected at various locations within the Sheriff's Department. Bookkeeping duties are not adequately segregated, and fees were not timely and accurately turned over to the County Treasurer.

Budgets did not accurately reflect the Emergency 911 Board's actual financial condition, actual disbursements exceeded the budgeted amounts, and published financial statements did not comply with state law. Additionally, vehicle mileage logs are not reconciled to fuel purchases, and gift cards were purchased to buy fuel at a discount; however, supporting documentation was not maintained to document how the gift cards were used.

Also included in the report are recommendations related to payroll and personnel procedures, capital assets, closed meetings, and the Circuit Clerk, Public Administrator, County Treasurer, Assessor, and Senior Citizens Service Board.

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

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

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

To the County Commission
and
Officeholders of Stone County

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

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

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stone County, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 16, 2008, 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 Stone County and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Susan Montee, CPA
State Auditor

June 16, 2008

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Troy Royer
Audit Staff:	Candi Copley
	Michelle Crawford
	David Olsen



SUSAN MONTEE, CPA
Missouri State Auditor

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

To the County Commission
and
Officeholders of Stone County

We have audited the financial statements of various funds of Stone County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 16, 2008. 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 Stone County, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Stone County 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1.

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

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

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



Susan Montee, CPA
State Auditor

June 16, 2008

Financial Statements

Exhibit A-1

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

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,279,690	6,835,585	6,940,479	1,174,796
Special Road and Bridge	242,805	4,609,494	4,656,710	195,589
Assessment	19,103	671,076	626,354	63,825
Law Enforcement Training	2,195	5,522	5,841	1,876
Prosecuting Attorney Training	958	971	332	1,597
Capital Improvement	182,960	147,646	112,574	218,032
Special Road and Bridge Projects	516	27,834	28,076	274
Special Road and Bridge Capital Improvement	59,086	755,999	814,780	305
Recorder User Fee	217,980	99,210	45,559	271,631
Children's Trust/Abuse Victims	0	2,140	2,070	70
Election Services	5,397	1,255	1,320	5,332
Election Grant	13,864	114,863	119,516	9,211
Stonebridge Village Neighborhood Improvement District	610,600	381,013	249,822	741,791
Edgewater Village Neighborhood Improvement District	470,353	162,796	197,083	436,066
Black Oak Mountain Resort Neighborhood Improvement District	41,810	215,932	203,451	54,291
Prosecuting Attorney Delinquent Tax	11,778	29,398	26,894	14,282
Prosecuting Attorney Bad Check	2,954	17,473	16,583	3,844
Law Enforcement Civil Fee	16,506	73,873	54,843	35,536
Law Enforcement Restitution	26,770	42,857	44,836	24,791
Law Enforcement Grant	2,092	81,182	69,799	13,475
DARE	2,156	11,241	7,549	5,848
Sheriff Revolving	3,722	6,100	3,374	6,448
Inmate Security	5,896	3,586	0	9,482
Tax Maintenance	19,920	48,549	40,765	27,704
Emergency 911	778,601	1,028,499	1,262,863	544,237
Senior Citizens Service Board	111,382	202,213	186,187	127,408
Circuit Clerk Interest	4,058	16,046	9,366	10,738
Law Library	16,413	17,416	14,781	19,048
Total	\$ 4,149,565	15,609,769	15,741,807	4,017,527

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

Exhibit A-2

STONE COUNTY
 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	\$ 1,512,127	6,462,411	6,694,848	1,279,690
Special Road and Bridge	361,987	4,453,989	4,573,171	242,805
Assessment	25,490	559,260	565,647	19,103
Law Enforcement Training	2,135	4,453	4,393	2,195
Prosecuting Attorney Training	1,343	793	1,178	958
Capital Improvement	204,991	4,840	26,871	182,960
Special Road and Bridge Projects	2,784	38,776	41,044	516
Special Road and Bridge Capital Improvement	328,581	383,525	653,020	59,086
Recorder User Fee	180,952	76,780	39,752	217,980
Children's Trust/Abuse Victims	0	1,550	1,550	0
Election Services	18,282	2,434	15,319	5,397
Election Grant	0	19,708	5,844	13,864
Stonebridge Village Neighborhood Improvement District	628,767	394,003	412,170	610,600
Edgewater Village Neighborhood Improvement District	203,191	545,129	277,967	470,353
Black Oak Mountain Resort Neighborhood Improvement District	23,917	196,483	178,590	41,810
Prosecuting Attorney Delinquent Tax	2,811	13,835	4,868	11,778
Prosecuting Attorney Bad Check	5,213	13,489	15,748	2,954
Law Enforcement Civil Fee	28,633	72,189	84,316	16,506
Law Enforcement Restitution	0	26,770	0	26,770
Law Enforcement Grant	4,088	45,874	47,870	2,092
DARE	7,664	2,728	8,236	2,156
Sheriff Revolving	11,523	5,600	13,401	3,722
Inmate Security	2,914	2,982	0	5,896
Tax Maintenance	7,933	47,203	35,216	19,920
Emergency 911	663,355	931,238	815,992	778,601
Senior Citizens Service Board	104,070	180,777	173,465	111,382
Circuit Clerk Interest	844	5,118	1,904	4,058
Law Library	7,440	18,517	9,544	16,413
Total	\$ 4,341,035	14,510,454	14,701,924	4,149,565

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

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 15,504,609	15,609,769	105,160	14,028,016	14,510,454	482,438
DISBURSEMENTS	16,484,761	15,741,807	742,954	15,222,590	14,701,924	520,666
RECEIPTS OVER (UNDER) DISBURSEMENTS	(980,152)	(132,038)	848,114	(1,194,574)	(191,470)	1,003,104
CASH, JANUARY 1	3,083,032	4,149,565	1,066,533	3,580,733	4,341,035	760,302
CASH, DECEMBER 31	2,102,880	4,017,527	1,914,647	2,386,159	4,149,565	1,763,406
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	593,500	540,289	(53,211)	515,000	494,504	(20,496)
Sales taxes	4,151,052	4,408,309	257,257	3,850,537	4,069,660	219,123
Intergovernmental	690,700	579,932	(110,768)	355,801	684,517	328,716
Charges for services	1,013,300	1,136,452	123,152	894,491	985,172	90,681
Interest	49,000	72,161	23,161	26,722	37,551	10,829
Other	132,422	98,442	(33,980)	590,102	108,259	(481,843)
Transfers in	0	0	0	82,748	82,748	0
Total Receipts	6,629,974	6,835,585	205,611	6,315,401	6,462,411	147,010
DISBURSEMENTS						
County Commission	123,100	122,584	516	112,350	109,464	2,886
County Clerk	179,213	174,282	4,931	169,396	162,631	6,765
Elections	174,105	172,679	1,426	164,239	141,674	22,565
Buildings and grounds	165,412	154,272	11,140	152,721	142,258	10,463
Employee fringe benefits	669,392	639,195	30,197	668,386	619,118	49,268
County Treasurer	79,586	79,411	175	77,042	75,986	1,056
County Collector	223,804	220,099	3,705	217,815	224,316	(6,501)
Recorder of Deeds	109,690	108,583	1,107	105,366	104,828	538
Circuit Clerk	55,766	45,591	10,175	56,797	47,043	9,754
Court Administration	107,567	91,140	16,427	118,665	99,501	19,164
Public Administrator	79,595	56,971	22,624	61,530	61,963	(433)
Sheriff	1,296,103	1,295,962	141	1,263,165	1,261,592	1,573
Jail	665,756	609,151	56,605	612,740	614,293	(1,553)
Prosecuting Attorney	408,147	402,365	5,782	390,099	387,037	3,062
Juvenile Officer	96,130	94,826	1,304	90,510	86,896	3,614
County Coroner	34,192	35,353	(1,161)	31,220	33,707	(2,487)
Emergency management	39,416	28,509	10,907	51,335	45,907	5,428
Janitorial	151,520	150,758	762	170,771	157,742	13,029
Planning and zoning	204,484	194,465	10,019	199,731	188,714	11,017
Miscellaneous	559,062	505,342	53,720	632,366	556,717	75,649
Debt service	278,575	269,462	9,113	279,883	276,670	3,213
Emergency Fund	30,000	25,279	4,721	40,000	0	40,000
Transfers out	1,479,000	1,464,200	14,800	1,296,791	1,296,791	0
Total Disbursements	7,209,615	6,940,479	269,136	6,962,918	6,694,848	268,070
RECEIPTS OVER (UNDER) DISBURSEMENTS	(579,641)	(104,894)	474,747	(647,517)	(232,437)	415,080
CASH, JANUARY 1	1,279,690	1,279,690	0	1,512,127	1,512,127	0
CASH, DECEMBER 31	700,049	1,174,796	474,747	864,610	1,279,690	415,080

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	4,300	4,966	666	4,336	4,257	(79)
Sales taxes	1,956,190	2,039,806	83,616	1,795,996	1,917,883	121,887
Intergovernmental	1,678,600	1,703,176	24,576	1,604,942	1,615,943	11,001
Interest	17,500	21,018	3,518	19,485	11,569	(7,916)
Other	12,361	3,528	(8,833)	40,814	19,037	(21,777)
Transfers in	947,000	837,000	(110,000)	885,300	885,300	0
Total Receipts	4,615,951	4,609,494	(6,457)	4,350,873	4,453,989	103,116
DISBURSEMENTS						
Salaries	1,074,527	999,305	75,222	1,058,325	1,035,551	22,774
Employee fringe benefits	299,500	286,788	12,712	299,469	278,545	20,924
Supplies	338,600	343,608	(5,008)	266,600	295,891	(29,291)
Insurance	80,000	82,319	(2,319)	95,000	70,898	24,102
Road and bridge materials	1,986,000	1,887,063	98,937	1,925,000	1,833,037	91,963
Equipment repairs	139,000	175,699	(36,699)	136,000	137,459	(1,459)
Rentals	2,000	83	1,917	3,000	0	3,000
Equipment purchases	720,920	717,739	3,181	779,069	776,147	2,922
Construction, repair, and maintenance	15,000	10,808	4,192	15,000	14,997	3
Other	105,250	97,858	7,392	135,375	130,646	4,729
Transfers out	55,440	55,440	0	0	0	0
Total Disbursements	4,816,237	4,656,710	159,527	4,712,838	4,573,171	139,667
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200,286)	(47,216)	153,070	(361,965)	(119,182)	242,783
CASH, JANUARY 1	202,805	242,805	40,000	361,987	361,987	0
CASH, DECEMBER 31	2,519	195,589	193,070	22	242,805	242,783
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	423,764	458,887	35,123	403,914	391,396	(12,518)
Charges for services	12,000	14,377	2,377	11,124	14,617	3,493
Interest	150	414	264	149	140	(9)
Other	100	398	298	396	107	(289)
Transfers in	197,000	197,000	0	153,000	153,000	0
Total Receipts	633,014	671,076	38,062	568,583	559,260	(9,323)
DISBURSEMENTS						
Assessor	650,765	626,354	24,411	592,768	565,647	27,121
Total Disbursements	650,765	626,354	24,411	592,768	565,647	27,121
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,751)	44,722	62,473	(24,185)	(6,387)	17,798
CASH, JANUARY 1	19,103	19,103	0	25,490	25,490	0
CASH, DECEMBER 31	1,352	63,825	62,473	1,305	19,103	17,798

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,000	1,892	892	1,951	1,395	(556)
Charges for services	3,000	3,630	630	3,366	3,058	(308)
Total Receipts	4,000	5,522	1,522	5,317	4,453	(864)
DISBURSEMENTS						
Sheriff	5,000	5,841	(841)	5,500	4,393	1,107
Total Disbursements	5,000	5,841	(841)	5,500	4,393	1,107
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	(319)	681	(183)	60	243
CASH, JANUARY 1	2,195	2,195	0	2,135	2,135	0
CASH, DECEMBER 31	1,195	1,876	681	1,952	2,195	243
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	750	971	221	700	793	93
Total Receipts	750	971	221	700	793	93
DISBURSEMENTS						
Prosecuting Attorney	1,500	332	1,168	1,500	1,178	322
Total Disbursements	1,500	332	1,168	1,500	1,178	322
RECEIPTS OVER (UNDER) DISBURSEMENTS	(750)	639	1,389	(800)	(385)	415
CASH, JANUARY 1	958	958	0	1,343	1,343	0
CASH, DECEMBER 31	208	1,597	1,389	543	958	415
<u>CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Interest	4,600	7,206	2,606	5,100	4,840	(260)
Transfers in	140,440	140,440	0	0	0	0
Total Receipts	145,040	147,646	2,606	5,100	4,840	(260)
DISBURSEMENTS						
Capital improvements	115,440	112,574	2,866	120,000	26,871	93,129
Total Disbursements	115,440	112,574	2,866	120,000	26,871	93,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	29,600	35,072	5,472	(114,900)	(22,031)	92,869
CASH, JANUARY 1	182,960	182,960	0	204,991	204,991	0
CASH, DECEMBER 31	212,560	218,032	5,472	90,091	182,960	92,869

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE PROJECTS FUND</u>						
RECEIPTS						
Charges for services	66,485	27,834	(38,651)	50,000	38,776	(11,224)
Total Receipts	66,485	27,834	(38,651)	50,000	38,776	(11,224)
DISBURSEMENTS						
Road and bridge projects	67,000	28,076	38,924	52,783	41,044	11,739
Total Disbursements	67,000	28,076	38,924	52,783	41,044	11,739
RECEIPTS OVER (UNDER) DISBURSEMENTS	(515)	(242)	273	(2,783)	(2,268)	515
CASH, JANUARY 1	516	516	0	2,784	2,784	0
CASH, DECEMBER 31	1	274	273	1	516	515
<u>SPECIAL ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Intergovernmental	571,401	443,499	(127,902)	350,403	179,752	(170,651)
Interest	3,000	2,500	(500)	6,488	3,773	(2,715)
Transfers in	200,000	310,000	110,000	200,000	200,000	0
Total Receipts	774,401	755,999	(18,402)	556,891	383,525	(173,366)
DISBURSEMENTS						
Capital improvements	833,486	814,780	18,706	535,069	653,020	(117,951)
Total Disbursements	833,486	814,780	18,706	535,069	653,020	(117,951)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(59,085)	(58,781)	304	21,822	(269,495)	(291,317)
CASH, JANUARY 1	59,086	59,086	0	328,581	328,581	0
CASH, DECEMBER 31	1	305	304	350,403	59,086	(291,317)
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	72,000	88,394	16,394	68,000	72,516	4,516
Interest	3,700	10,816	7,116	2,600	4,264	1,664
Total Receipts	75,700	99,210	23,510	70,600	76,780	6,180
DISBURSEMENTS						
Recorder of Deeds	54,500	45,559	8,941	47,400	39,752	7,648
Total Disbursements	54,500	45,559	8,941	47,400	39,752	7,648
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,200	53,651	32,451	23,200	37,028	13,828
CASH, JANUARY 1	217,980	217,980	0	180,952	180,952	0
CASH, DECEMBER 31	239,180	271,631	32,451	204,152	217,980	13,828

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN'S TRUST/ABUSE VICTIMS FUND</u>						
RECEIPTS						
Charges for services	1,600	2,140	540	1,600	1,550	(50)
Total Receipts	1,600	2,140	540	1,600	1,550	(50)
DISBURSEMENTS						
Abuse victims' services	1,600	2,070	(470)	1,600	1,550	50
Total Disbursements	1,600	2,070	(470)	1,600	1,550	50
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	70	70	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	70	70	0	0	0
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	553	553
Charges for services	2,500	1,255	(1,245)	1,700	1,881	181
Total Receipts	2,500	1,255	(1,245)	1,700	2,434	734
DISBURSEMENTS						
Election services	3,000	1,320	1,680	2,000	1,699	301
Transfers out	0	0	0	13,620	13,620	0
Total Disbursements	3,000	1,320	1,680	15,620	15,319	301
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(65)	435	(13,920)	(12,885)	1,035
CASH, JANUARY 1	5,397	5,397	0	18,282	18,282	0
CASH, DECEMBER 31	4,897	5,332	435	4,362	5,397	1,035
<u>ELECTION GRANT FUND</u>						
RECEIPTS						
Intergovernmental	114,500	114,450	(50)	121,100	6,088	(115,012)
Interest	0	413	413	0	0	0
Transfers in	0	0	0	13,620	13,620	0
Total Receipts	114,500	114,863	363	134,720	19,708	(115,012)
DISBURSEMENTS						
Election services	119,500	119,516	(16)	121,100	5,844	115,256
Total Disbursements	119,500	119,516	(16)	121,100	5,844	115,256
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	(4,653)	347	13,620	13,864	244
CASH, JANUARY 1	13,864	13,864	0	0	0	0
CASH, DECEMBER 31	8,864	9,211	347	13,620	13,864	244

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>STONEBRIDGE VILLAGE NEIGHBORHOOD IMPROVEMENT DISTRICT FUND</u>						
RECEIPTS						
Special assessments	380,000	348,517	(31,483)	391,000	376,165	(14,835)
Interest	0	32,496	32,496	0	17,838	17,838
Total Receipts	380,000	381,013	1,013	391,000	394,003	3,003
DISBURSEMENTS						
Debt service	380,000	246,843	133,157	390,825	409,130	(18,305)
Fees	0	2,979	(2,979)	0	3,040	(3,040)
Total Disbursements	380,000	249,822	130,178	390,825	412,170	(21,345)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	131,191	131,191	175	(18,167)	(18,342)
CASH, JANUARY 1	0	610,600	610,600	(175)	628,767	628,942
CASH, DECEMBER 31	0	741,791	741,791	0	610,600	610,600
<u>EDGEWATER VILLAGE NEIGHBORHOOD IMPROVEMENT DISTRICT FUND</u>						
RECEIPTS						
Special assessments	538,673	141,286	(397,387)	166,000	538,553	372,553
Interest	0	21,510	21,510	0	6,576	6,576
Total Receipts	538,673	162,796	(375,877)	166,000	545,129	379,129
DISBURSEMENTS						
Debt service	538,673	193,835	344,838	166,000	192,807	(26,807)
Fees	0	3,248	(3,248)	0	2,412	(2,412)
Transfers out	0	0	0	0	82,748	(82,748)
Total Disbursements	538,673	197,083	341,590	166,000	277,967	(111,967)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(34,287)	(34,287)	0	267,162	267,162
CASH, JANUARY 1	0	470,353	470,353	0	203,191	203,191
CASH, DECEMBER 31	0	436,066	436,066	0	470,353	470,353
<u>BLACK OAK MOUNTAIN RESORT NEIGHBORHOOD IMPROVEMENT DISTRICT FUND</u>						
RECEIPTS						
Special assessments	151,500	179,606	28,106	95,000	139,289	44,289
Interest	0	1,126	1,126	0	706	706
Transfers in	50,000	35,200	(14,800)	0	56,488	56,488
Total Receipts	201,500	215,932	14,432	95,000	196,483	101,483
DISBURSEMENTS						
Debt service	201,500	201,464	36	95,175	176,701	(81,526)
Fees	0	1,987	(1,987)	0	1,889	(1,889)
Total Disbursements	201,500	203,451	(1,951)	95,175	178,590	(83,415)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	12,481	12,481	(175)	17,893	18,068
CASH, JANUARY 1	0	41,810	41,810	175	23,917	23,742
CASH, DECEMBER 31	0	54,291	54,291	0	41,810	41,810

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	25,000	29,260	4,260	6,000	13,835	7,835
Other	0	138	138	0	0	0
Total Receipts	25,000	29,398	4,398	6,000	13,835	7,835
DISBURSEMENTS						
Prosecuting Attorney	20,000	26,894	(6,894)	8,200	4,868	3,332
Total Disbursements	20,000	26,894	(6,894)	8,200	4,868	3,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	2,504	(2,496)	(2,200)	8,967	11,167
CASH, JANUARY 1	11,893	11,778	(115)	2,771	2,811	40
CASH, DECEMBER 31	16,893	14,282	(2,611)	571	11,778	11,207
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	12,000	16,847	4,847	12,000	11,626	(374)
Interest	0	327	327	0	189	189
Other	0	299	299	0	1,674	1,674
Total Receipts	12,000	17,473	5,473	12,000	13,489	1,489
DISBURSEMENTS						
Prosecuting Attorney	11,000	16,583	(5,583)	17,000	15,748	1,252
Total Disbursements	11,000	16,583	(5,583)	17,000	15,748	1,252
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	890	(110)	(5,000)	(2,259)	2,741
CASH, JANUARY 1	2,684	2,954	270	5,853	5,213	(640)
CASH, DECEMBER 31	3,684	3,844	160	853	2,954	2,101
<u>LAW ENFORCEMENT CIVIL FEE FUND</u>						
RECEIPTS						
Charges for services	50,000	47,708	(2,292)	50,000	50,000	0
Other	0	26,165	26,165	0	22,189	22,189
Total Receipts	50,000	73,873	23,873	50,000	72,189	22,189
DISBURSEMENTS						
Sheriff	50,000	54,843	(4,843)	65,000	84,316	(19,316)
Total Disbursements	50,000	54,843	(4,843)	65,000	84,316	(19,316)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	19,030	19,030	(15,000)	(12,127)	2,873
CASH, JANUARY 1	16,510	16,506	(4)	28,000	28,633	633
CASH, DECEMBER 31	16,510	35,536	19,026	13,000	16,506	3,506

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for services	42,500	40,178	(2,322)	30,000	26,770	(3,230)
Other	1,440	2,679	1,239	0	0	0
Total Receipts	43,940	42,857	(1,083)	30,000	26,770	(3,230)
DISBURSEMENTS						
Sheriff	48,000	44,836	3,164	30,000	0	30,000
Total Disbursements	48,000	44,836	3,164	30,000	0	30,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,060)	(1,979)	2,081	0	26,770	26,770
CASH, JANUARY 1	26,770	26,770	0	0	0	0
CASH, DECEMBER 31	22,710	24,791	2,081	0	26,770	26,770
<u>LAW ENFORCEMENT GRANT FUND</u>						
RECEIPTS						
Intergovernmental	31,308	80,947	49,639	81,150	42,909	(38,241)
Interest	0	235	235	0	42	42
Other	0	0	0	0	920	920
Transfers in	0	0	0	2,003	2,003	0
Total Receipts	31,308	81,182	49,874	83,153	45,874	(37,279)
DISBURSEMENTS						
Sheriff	33,396	69,799	(36,403)	82,291	42,920	39,371
Prosecuting Attorney	0	0	0	4,950	4,950	0
Total Disbursements	33,396	69,799	(36,403)	87,241	47,870	39,371
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,088)	11,383	13,471	(4,088)	(1,996)	2,092
CASH, JANUARY 1	2,092	2,092	0	4,088	4,088	0
CASH, DECEMBER 31	4	13,475	13,471	0	2,092	2,092
<u>DARE FUND</u>						
RECEIPTS						
Other	2,000	11,241	9,241	3,000	2,728	(272)
Total Receipts	2,000	11,241	9,241	3,000	2,728	(272)
DISBURSEMENTS						
Sheriff	2,500	7,549	(5,049)	5,000	8,236	(3,236)
Total Disbursements	2,500	7,549	(5,049)	5,000	8,236	(3,236)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	3,692	4,192	(2,000)	(5,508)	(3,508)
CASH, JANUARY 1	3,095	2,156	(939)	7,664	7,664	0
CASH, DECEMBER 31	2,595	5,848	3,253	5,664	2,156	(3,508)

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF REVOLVING FUND</u>						
RECEIPTS						
Charges for services	5,000	6,100	1,100	8,000	5,600	(2,400)
Total Receipts	5,000	6,100	1,100	8,000	5,600	(2,400)
DISBURSEMENTS						
Sheriff	5,000	3,374	1,626	12,000	13,401	(1,401)
Total Disbursements	5,000	3,374	1,626	12,000	13,401	(1,401)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,726	2,726	(4,000)	(7,801)	(3,801)
CASH, JANUARY 1	3,722	3,722	0	11,523	11,523	0
CASH, DECEMBER 31	3,722	6,448	2,726	7,523	3,722	(3,801)
<u>INMATE SECURITY FUND</u>						
RECEIPTS						
Charges for services	3,000	3,586	586	2,550	2,982	432
Total Receipts	3,000	3,586	586	2,550	2,982	432
DISBURSEMENTS						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	3,586	586	2,550	2,982	432
CASH, JANUARY 1	5,896	5,896	0	2,914	2,914	0
CASH, DECEMBER 31	8,896	9,482	586	5,464	5,896	432
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	35,000	41,361	6,361	40,000	42,447	2,447
Interest	0	1,167	1,167	0	408	408
Other	300	6,021	5,721	0	4,348	4,348
Total Receipts	35,300	48,549	13,249	40,000	47,203	7,203
DISBURSEMENTS						
County Collector	45,000	40,765	4,235	40,000	35,216	4,784
Total Disbursements	45,000	40,765	4,235	40,000	35,216	4,784
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,700)	7,784	17,484	0	11,987	11,987
CASH, JANUARY 1	19,920	19,920	0	7,933	7,933	0
CASH, DECEMBER 31	10,220	27,704	17,484	7,933	19,920	11,987

Exhibit B

STONE COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Sales taxes	904,138	962,940	58,802	856,817	903,688	46,871
Intergovernmental	0	29,590	29,590	0	0	0
Interest	0	34,986	34,986	19,594	26,886	7,292
Other	0	983	983	1,564	664	(900)
Total Receipts	904,138	1,028,499	124,361	877,975	931,238	53,263
DISBURSEMENTS						
Salaries and fringe benefits	588,733	548,488	40,245	536,150	503,856	32,294
Office expenditures	41,800	34,705	7,095	45,900	32,476	13,424
Building and equipment	63,000	62,012	988	70,200	71,417	(1,217)
Mileage and training	16,500	20,441	(3,941)	25,000	16,420	8,580
Professional fees	10,000	3,497	6,503	9,000	8,999	1
Lease payments	202,200	528,063	(325,863)	105,800	110,018	(4,218)
Telephone	70,000	65,122	4,878	73,500	72,248	1,252
Other	4,600	535	4,065	3,900	558	3,342
Total Disbursements	996,833	1,262,863	(266,030)	869,450	815,992	53,458
RECEIPTS OVER (UNDER) DISBURSEMENTS	(92,695)	(234,364)	(141,669)	8,525	115,246	106,721
CASH, JANUARY 1	877,622	778,601	(99,021)	758,961	663,355	(95,606)
CASH, DECEMBER 31	784,927	544,237	(240,690)	767,486	778,601	11,115
<u>SENIOR CITIZENS SERVICE BOARD FUND</u>						
RECEIPTS						
Property taxes	185,385	190,492	5,107	181,712	176,645	(5,067)
Intergovernmental	1,700	7,001	5,301	500	1,226	726
Interest	1,750	4,555	2,805	1,750	1,982	232
Other	1,000	165	(835)	2,040	924	(1,116)
Total Receipts	189,835	202,213	12,378	186,002	180,777	(5,225)
DISBURSEMENTS						
Contract services	257,466	184,607	72,859	246,412	170,748	75,664
Office expenditures	850	725	125	1,260	729	531
Mileage	900	673	227	900	643	257
Transportation	2,000	182	1,818	1,500	1,345	155
Total Disbursements	261,216	186,187	75,029	250,072	173,465	76,607
RECEIPTS OVER (UNDER) DISBURSEMENTS	(71,381)	16,026	87,407	(64,070)	7,312	71,382
CASH, JANUARY 1	111,382	111,382	0	104,070	104,070	0
CASH, DECEMBER 31	40,001	127,408	87,407	40,000	111,382	71,382

Exhibit B

STONE COUNTY
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	4,000	16,046	12,046	2,151	5,118	2,967
Total Receipts	4,000	16,046	12,046	2,151	5,118	2,967
DISBURSEMENTS						
Circuit Clerk	4,000	9,366	(5,366)	6,000	1,904	4,096
Total Disbursements	4,000	9,366	(5,366)	6,000	1,904	4,096
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,680	6,680	(3,849)	3,214	7,063
CASH, JANUARY 1	4,243	4,058	(185)	844	844	0
CASH, DECEMBER 31	4,243	10,738	6,495	(3,005)	4,058	7,063
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	14,850	16,930	2,080	13,700	18,376	4,676
Interest	150	486	336	0	141	141
Total Receipts	15,000	17,416	2,416	13,700	18,517	4,817
DISBURSEMENTS						
Law Library	10,000	14,781	(4,781)	11,531	9,544	1,987
Total Disbursements	10,000	14,781	(4,781)	11,531	9,544	1,987
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	2,635	(2,365)	2,169	8,973	6,804
CASH, JANUARY 1	12,649	16,413	3,764	7,440	7,440	0
CASH, DECEMBER 31	\$ 17,649	19,048	1,399	9,609	16,413	6,804

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

Notes to the Financial Statements

STONE COUNTY
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 Stone County, 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 Senior Citizens Service Board, or the Emergency 911 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.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2006
Special Road and Bridge Capital Improvement Fund	2005
Children's Trust/Abuse Victims Fund	2006
Election Grant Fund	2006
Stonebridge Village NID Fund	2005
Edgewater Village NID Fund	2005
Black Oak Mountain Resort NID Fund	2006 and 2005
Prosecuting Attorney Delinquent Tax Fund	2006
Prosecuting Attorney Bad Check Fund	2006
Law Enforcement Civil Fee Fund	2006 and 2005
Law Enforcement Grant Fund	2006
DARE Fund	2006 and 2005
Sheriff Revolving Fund	2005
Emergency 911 Fund	2006
Circuit Clerk Interest Fund	2006
Law Library Fund	2006

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 for the year ended December 31, 2006, did not include the Circuit Clerk Interest Fund. Additionally, the Election Grant Fund did not include expenditure detail in 2005, and the Stonebridge Village NID, Edgewater Village NID, Black Oak Mountain Resort NID and Senior Citizens Service Board Funds included only those amounts that passed through the County Treasurer. In addition, the Emergency 911 Board published its financial statements separately from the county's statements.

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 depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Stone County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, the Emergency 911 Board's, and the Senior Citizens Service Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's or board's custodial bank in the county's or the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

3. Prior Period Adjustments

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

<u>Fund</u>	<u>Balance</u>
Stone Bridge Village NID Fund	\$628,767
Edgewater Village NID Fund	203,191
Black Oak Mountain Resort NID Fund	23,917
Prosecuting Attorney Delinquent Tax Fund	2,811
Prosecuting Attorney Bad Check Fund	5,213
Law Enforcement Civil Fee Fund	28,633
DARE Fund	7,664
Tax Maintenance Fund	7,933
Emergency 911 Fund	663,355
Senior Citizens Services Board Fund	104,070
Circuit Clerk Interest Fund	844
Law Library Fund	7,440

Supplementary Schedule

Schedule

STONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2006	2005
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Service				
14.231	Emergency Shelter Grants Program	ERO1640720	\$ 11,475	12,773
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.607	Bulletproof Vest Partnership Program	N/A	0	2,113
16.710	Public Safety Partnership and Community Policing Grant	1995CFWX5194 1995CFWX1594	31,120 0	0 30,619
	Program Total		<u>31,120</u>	<u>30,619</u>
Passed through:				
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2000DDVX0055	0	21,645
State Department of Public Safety				
16.588	Violence Against Women Formula Grant	2006VAWA0037 2006VAWA0036 2005VAWA0024 2004VAWA0051	28,004 16,800 0 0	0 0 16,969 26,481
	Program Total		<u>44,804</u>	<u>43,450</u>
16.592	Local Law Enforcement Block Grants Program	2005DJBX1266	8,693	0
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	658	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO - 104 (5) COE - C104 (1)	377,500 0	0 188,900
	Program Total		<u>377,500</u>	<u>188,900</u>
Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	1,945	600

Schedule

STONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2006	2005
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	13,707	7,673
Office of Secretary of State				
39.011	Election Reform Payment	SC231S5EL0000209	5,066	0
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	SC231S6EL0000437 SC231S5EL0000005	114,450 0	0 6,151
			<u>114,450</u>	<u>6,151</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Social Service				
93.643	Children's Justice Grants	AOCO3380091	2,610	1,330
93.667	Social Services Block Grants	AOCO3380091	7,437	11,410
93.669	Child Abuse and Neglect	AOCO3380091	3,001	1,529
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Program	2004GET40049 2003-MU-T3-0003	0 0	64,111 29,590
			<u>0</u>	<u>93,701</u>
97.042	Emergency Management Performance Grant	2006 EME60037	5,894	5,908
97.067	Homeland Security Grant Program	2005GET50022	50,000	0
	Total Expenditures of Federal Award		<u>\$ 678,360</u>	<u>427,802</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

STONE COUNTY
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 Stone County.

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.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to a subrecipient as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31, 2006	2005
93.643	Children's Justice Grants	\$ 2,610	1,330
93.667	Social Services Block Grant	7,437	11,410
93.669	Child Abuse and Neglect	3,001	1,529

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
Missouri State Auditor

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

To the County Commission
and
Officeholders of Stone County

Compliance

We have audited the compliance of Stone County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

In our opinion, Stone County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB

Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 06-1 and 06-2.

Internal Control Over Compliance

The management of Stone County, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Susan Montee". The signature is written in a cursive, flowing style.

Susan Montee, CPA
State Auditor

June 16, 2008

Schedule

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction
90.401	Help America Vote Act Requirements Payment

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

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

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

06-1.	Help America Vote Act Grant
--------------	------------------------------------

Federal Grantor:	Elections Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payment
Pass-Through Entity	
Identifying Number:	SC231S6EL0000437 and SC231S5EL0000005
Award Years:	2006 and 2005
Questioned Costs:	\$1,490

The County Clerk did not maintain adequate supporting documentation and as a result, we are questioning costs of \$1,490. Additionally, the County Clerk did not enter into a written agreement for contract services and did not have adequate procedures for tracking capital assets purchased with grant monies. The County Clerk received federal funding for Help America Vote Act (HAVA) grant monies through the Office of Secretary of State and expended \$120,601 of these funds during the two years ended December 31, 2006.

- A. Our review of HAVA program expenditures revealed the following concerns:
- An individual was paid \$1,244 during the two years ending December 31, 2006, from HAVA funds and the County Clerk did not maintain adequate documentation of the work performed or enter into a written contract specifying the services to be provided. According to the County Clerk, the individual was an independent contractor acting as a media specialist and a training and election assistant; however, supporting documentation only included time cards with the number of hours worked. There was no documentation of what work was performed during the hours charged or a contract specifying the services to be provided. Although this individual was classified as a contractor and her

compensation was reported on Internal Revenue Service (IRS) Form 1099, the completed time cards give the impression that she was an employee. As a result, we have questioned costs of \$1,244.

In March 2008, after this was brought to the attention of the County Clerk, a contract was drafted and signed which indicated that the contract memorialized the terms and scope of employment reached between the County Clerk and the employee in early 2003. Other payments were also made to this same individual from the County Clerk's Special Election Fund for similar type services without adequate documentation. Total payments made to this individual from all funds for contracted election services were approximately \$3,100 and \$2,400 for 2006 and 2005, respectively.

- The County Clerk received an advance grant payment of \$553 for a travel allowance for two individuals to attend training. The County Clerk reported that the entire amount was expended on mileage (\$263) and meals (\$290) associated with the training; however, the supporting documentation submitted by the two individuals attending training only indicated \$307 was spent for mileage (\$219) and meals (\$88). As a result, amounts reported by the County Clerk appear to be overstated by \$246 and we have questioned that amount. Based on the documentation submitted, it is unclear how the County Clerk calculated the amounts reported.

To ensure all disbursements of HAVA monies are proper, detailed supporting documentation, such as vendor invoices, should be maintained for all transactions. Additionally, the IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. The failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act (FLSA) and not properly withholding and paying various taxes. Further, written contracts are necessary to define responsibilities and the duties of the contracting parties. Section 432.070, RSMo, requires all county contracts to be in writing. Written agreements should clearly specify the services to be rendered and the manner and amount of compensation. Such written agreements lessen the opportunity for misunderstanding between the parties involved.

- B. The County Clerk does not have adequate procedures for capital assets purchased through the HAVA program. Voting equipment purchased in May 2005 totaling \$4,054 was not added to the county capital asset records. Also, see MAR finding number 7 regarding recommendations for overall county capital assets.

Grants Common Rule §105-71.132 specifies that states will use, manage, and dispose of equipment acquired under a grant in accordance with state laws and procedures. Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more.

WE RECOMMEND the County Commission and County Clerk:

- A. Work with the granting agency to resolve the questioned costs, ensure detailed supporting documentation is maintained for all disbursements, and comply with IRS regulations regarding independent contractors and employees. If it is determined that the individual provides services as an independent contractor, written contracts should be prepared.
- B. Ensure capital assets purchased through the HAVA program are accounted for properly.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

- A. *Since the audit report was written, all reports due under the HAVA Grant have been filed and the grant has been closed. The County Commission and the County Clerk will work with granting agencies and seek the granting agencies' guidance. The County Clerk will comply with IRS regulations concerning independent contractors and employees and, for independent contractors, will enter into written contracts.*
- B. *The County Clerk has added items purchased through the HAVA program to the inventory list and will properly account for such items.*

06-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	COE-C104(1) and BRO-104(5)
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

Federal Grantor:	Elections Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Number:	90.401
Program Title:	Help America Vote Act Requirements Payment
Pass-Through Entity	
Identifying Number:	SC231S6EL0000437 and SC231S5EL0000005
Award Years:	2006 and 2005
Questioned Costs:	Not applicable

The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA). The county prepared a SEFA for the years ended December 31, 2006 and 2005; however, it contained several errors and omissions. In total, expenditures were understated by approximately \$20,750 and \$219,950 for 2006 and 2005, respectively. Some federal programs were omitted from the schedule, and the U.S. Department of Transportation funding was understated by approximately \$100,000 on the 2005 schedule.

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

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

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

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk indicated:

We will ensure that the SEFA is complete and accurate.

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

STONE COUNTY
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, 2004, 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

STONE COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

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

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

STONE COUNTY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Stone County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 16, 2008. We also have audited the compliance of Stone County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 16, 2008.

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

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

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

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

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

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Stone 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*. Stone County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1. County Disbursements

The approval and bid process for prisoner meals should be improved to prevent the appearance of a conflict of interest, and proposals should be solicited for engineering services. Additionally, concerns were identified with disbursements made from the Collector's Tax Maintenance Fund, the County Clerk's Election Services Fund, and the Sheriff's Law Enforcement Civil Fee Fund. Further, the personal use of county cellular phones is not always reimbursed to the county.

- A. An appearance of a conflict of interest exists by the Sheriff's bookkeeper approving payments to herself for the preparation of prisoner meals. The Sheriff's bookkeeper and her husband were paid \$113,000 during 2007 for providing meals to county prisoners. Bids were solicited by the Sheriff for these services with the bookkeeper's bid being the only bid received. There is no evidence in the County Commission meeting minutes to indicate the County Commission was involved in the bid process. Additionally, our review of some December 2007 invoices totaling \$1,984 identified that the Sheriff's signature stamp, normally in the bookkeeper's custody, was used to approve the payments.

To avoid the appearance of a conflict of interest, the Sheriff should sign the invoices for prisoner meals to document his review and approval of the services. In addition, the County Commission should participate in the bid process, and the process should be documented in the County Commission meeting minutes.

- B. The County Commission did not solicit proposals or document its selection process for engineering services related to the planning and zoning department. The county used several engineers to provide engineering services and paid a total of approximately \$20,950 and \$17,170 in 2006 and 2005, respectively, for these services.

Sections 8.285 to 8.291, RSMo, provide that when obtaining engineering services at least three highly qualified firms should be considered. The firms should be evaluated based on specified criteria and qualifications for the type of service required. The best proposal should be selected based on experience, type of service to be provided, and any other relevant information.

- C. The County Collector did not document how some monies spent from the Tax Maintenance Fund complied with state law. Additionally, credit card limits were not properly monitored and bids were not solicited as required. In October 2006, the County Collector purchased Christmas lights for the outside of the courthouse

costing approximately \$7,200 with monies from her Tax Maintenance Fund. The County Collector indicated that she asked the County Commission to consider purchasing the Christmas lights, but they declined. She indicated that the Christmas lights provide lighting for her and her employees to transmit deposits to the bank. Sections 52.312 and 52.315, RSMo, establish the Tax Maintenance Fund to be used solely as a depository for funds received or collected for the purpose of funding the administration and operational costs of the office of collector.

Also, this purchase was made on the Collector's office credit card causing the credit limit of the card to be exceeded and resulting in an over-limit charge of \$29.

In addition, bids were not solicited for the purchase of the lights. Section 50.660, RSMo, requires the advertisement for bids on purchases of \$4,500 (\$6,000 as of August 2007) or more from any one person, firm or corporation during any period of ninety days, and the Collector should monitor compliance with the office credit card limits.

- D. Some disbursements paid from the County Clerk's Election Services Fund were not adequately documented.

County disbursement voucher forms and sticky notes were the only documentation to support some disbursements from the County Clerk's Election Services Fund. For example, in June 2005, a county disbursement voucher form for \$570 indicated, "bill for training picnic," however, there was no invoice or other detailed documentation to support the disbursement. Other instances of inadequately documented food and entertainment expenses were also noted, and in December 2006, \$80 was paid for training supplies and a phone card based upon comments on a sticky note. Additionally, some mileage reimbursement payments made to the County Clerk and her contract employee did not include adequate documentation such as date, destination, and purpose. As noted in finding number 06-1, the County Clerk also paid an individual \$5,500 during 2006 and 2005 from the Election Services Fund (\$4,256) and the Election Grant Fund (\$1,244) without adequate documentation or a written contract.

All disbursements should be supported by paid receipts or vendor-provided invoices. Such documentation is necessary to ensure the purchase is a proper disbursement of county funds.

- E. The Sheriff's department did not have adequate supporting documentation for some travel related disbursements paid from the Law Enforcement Civil Fee Fund.

- The Sheriff requested an advance for mileage reimbursement of \$1,012 and \$999 to use his personal vehicle to attend training in Orlando, Florida, and Salt Lake City, Utah, respectively. Supporting documentation for the Orlando trip did not indicate the number of miles incurred or estimated. Further, there was no cost comparison performed to ascertain the most economical form of travel, and based

upon the amount of mileage paid on each of these trips, it may have been significantly more economical to fly to these destinations.

- A reserve deputy for the Sheriff's department requested an advance payment of \$320 for fuel to attend training in Colorado. A training certificate was the only supporting documentation provided to support the travel expenses. While the advance payment may have been a reasonable estimate of expenses incurred, the request did not state mileage for the trip and dates of the trip, and was not signed by the Sheriff for approval.

According to the county personnel manual, in order to be reimbursed for travel expenses, any and all bills associated with the trip should be retained, details of the trip (destination, date, purpose, number of miles) should be documented, and travel advances must be approved by an elected official or a department head.

- F. Some county officials do not ensure personal use of county cellular phones is reimbursed to the county. Cellular phone bills are reviewed for personal use, and if personal calls exceed the number of minutes allowed under the plan, the cost of the overage is to be reimbursed to the county. Our review of cellular phone bills identified one instance in June 2007 where an employee made personal calls causing him to exceed his plan by approximately 540 minutes resulting in additional costs of \$219. The overage amount was not reimbursed to the County Treasurer until April 2008 when we brought the matter to the attention of the County Commission.

According to the County Commission this employee had been instructed to reimburse the county at the time of the billing, but there apparently had been no follow up to ensure the reimbursement was made. Approximately \$49,000 was paid for 50 cellular phones during the two years ended December 31, 2006.

Effective review and follow up procedures should be in place to identify and reimburse the county for personal use of county cellular phones. Additionally, the County Commission should consider prohibiting the personal use of cellular phones, except in the case of an emergency

WE RECOMMEND the County Commission:

- A. And the Sheriff ensure invoices for prisoner meals are properly approved to avoid the appearance of a conflict of interest, and the County Commission should participate in the bid process and document the process in the County Commission meeting minutes.
- B. Solicit proposals and document the selection process for engineering services.

- C. And the County Collector ensure future disbursements from the Tax Maintenance Fund comply with state law. In addition, the County Collector should perform a competitive procurement process for all major purchases and monitor compliance with credit card limits.
- D. And County Clerk maintain adequate supporting documentation for all disbursements. In addition, the County Clerk should enter into contracts when appropriate and ensure that contracts contain adequate details and protections for the county.
- E. And the Sheriff ensure that county travel policies and procedures are followed by all county employees. In addition, all travel disbursements should be supported by adequate documentation and a cost benefit analysis should be performed on all county travel disbursements.
- F. Ensure effective review and follow up procedures are in place to identify and reimburse the county for personal use of county cellular phones. Additionally, the County Commission should consider prohibiting the personal use of cellular phones, except in the case of an emergency.

AUDITEE'S RESPONSE

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

- A. *The County Commission will work with the Sheriff to ensure that all bids and contracts to supply prisoner meals will be conducted by public bidding and in accordance with Missouri statutes and the county's practices concerning contracts.*
- B. *In making past selections for engineering services, the County Commission has informally followed the provisions of Sections 8.285 through 8.291, RSMo, but did not adequately document its procedures. In the future, the County Commission will document its compliance with Sections 8.285 through 8.291, RSMo, in obtaining engineering services.*
- C. *The Collector contends the lighting has made the building a safer place at night, especially during peak tax season when employees work into the night hours, making the lighting a valid county expenditure. The Collector will ensure that future disbursements from the Collector's Tax Maintenance Fund comply with state law, will monitor credit card limits, and will solicit bids for goods and services in accordance with Missouri statutes and the county's practices concerning contracts.*
- D. *The County Clerk has maintained documentation in the past, but in the future will maintain better supporting documentation for all disbursements. The County Clerk will enter into contracts when appropriate, and will ensure that contracts contain adequate details and protections for the county.*

- E. *The County Commission will work with the Sheriff to ensure the county's travel policies and procedures are followed by his employees, all travel disbursements are supported by adequate documentation, and all requests for travel are analyzed before authorizing disbursements.*
- F. *The County Commission, the department heads, and the elected officeholders have informally monitored use of cell telephones by their respective employees. The audit report discusses one instance of which the County Commission was aware and handled. However, the County Commission will adopt a cell telephone policy.*

The Sheriff provided the following responses:

- A. *I will ensure that all bids and the bidding process is discussed with the County Commission and documented in the Commission meeting minutes. In the past, I have turned over all bids to the County Clerk and was unaware they were not forwarded to the County Commission and documented in the Commission minutes. Meal invoices will be approved by me or the Chief Deputy to prevent the appearance of a conflict of interest.*
- E. *For the Orlando conference, I took my personal vehicle and took care of all of fuel, lodging, and meals for personal reasons and only charged the county the actual mileage to and from the conference. Additionally, these trips noted in the report were last minute trips and I did check the price of airfare. I will ensure that all documentation of travel method comparisons and actual trip expense documentation is attached to the reimbursement request forms.*

2.	Property Tax Controls and Procedures
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Several control weaknesses exist over the property tax system. The County Clerk does not adequately verify the accuracy of the tax books and errors were identified in amounts reported in the delinquent real estate tax book. The County Commission does not review and approve all changes to the tax books, and the county's property tax system does not adequately track all changes made to the system. Additionally, the County Collector's annual settlement contained errors and the County Clerk does not compare her account book with the County Collector's annual settlements. Further, the County Clerk's aggregate abstracts and tax levy calculations are not properly reviewed for accuracy, and controls over the County Collector's commissions need improvement.

- A. The County Clerk does not perform adequate procedures to verify the current and back tax books for accuracy. The delinquent real estate tax book at February 28, 2007, did not include tax accounts totaling at least \$56,700. We identified the error while recalculating totals printed in the delinquent tax book. Although the totals in the tax book were accurate, not all of the individual tax amounts were included in the printed tax book. After we brought this to the County Collector's attention, she determined that a programming error caused the system to not print some accounts in

the tax book. The County Clerk indicated she reviews the tax book totals but does not test foot the tax book for accuracy.

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. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the County Collector with the amount of taxes to be collected. The failure to perform adequate reviews of the tax books could result in errors and irregularities going undetected.

- B. The County Commission does not approve additions to the tax books and personal property taxes that are outlawed each year. While the County Commission reviews and approves tax book abatements, taxes are added and outlawed each year without the County Commission's approval. Taxes totaling over \$380,000 were added to the tax books and personal property taxes totaling over \$80,000 were outlawed and removed from the tax books during the year ended February 28, 2007, without the approval of the County Commission. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission.
- C. The county's property tax computer system does not adequately track changes made to the system, who makes the changes, or the date the changes are made. When multiple assessment changes have been made to an individual tax account, the property tax computer system only tracks the last change that was made to the tax account and does not track who made the changes. The County Assessor indicated he retains the original manual forms to document who made the change and why the change was made; however, reports from the property tax computer system are not generated, printed, and retained to substantiate the manual records and properly track the changes that were made to the system. Additionally, if more than one change was made to a tax account, only the most recent change is retained by the system and the previous changes are lost.

Audit trail reports would provide documentation and allow an independent review of changes made. Such changes could be reviewed for possible irregularities and trends and to verify the accuracy, validity, and completeness of any changes made to property tax accounts. The county's computer system does not have the capability to generate these change reports, and as a result, there is an increased risk of undetected changes to the computer files.

D. The County Clerk does not adequately review property tax information, and errors were noted in the amounts reported on the County Collector's annual settlements. Additionally, data used to calculate commissions on taxes should be reviewed for accuracy.

1. The County Clerk does not adequately review property tax information she reports, and does not adequately reconcile her property tax account book and aggregate abstracts with the records maintained by the County Collector. Some amounts reported by the County Clerk on the aggregate abstracts varied slightly from the amounts reported on the County Collector's annual settlement. The railroad and utility aggregate abstracts did not include private car taxes totaling \$22,034 and \$24,833 for tax book years 2006 and 2005, respectively. Other smaller differences were also noted between the aggregate abstracts and the annual settlements. Additionally, the County Clerk certified an incorrect 2007 aggregate assessed valuation for the Northern Stone/Northeast Barry Fire Protection District, resulting in an unintended reduction in the property tax levy. While the County Clerk indicated the error was just an oversight, property tax collections for the fire protection district totaling approximately \$17,500 were not assessed or collected.

The County Clerk's account book, which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be used to verify amounts reported on the County Collector's annual settlements. Additionally, an adequate review of all property tax information prior to certifying and reporting such information should be performed. Such procedures are intended to establish some checks and balances related to the collection and distribution of property taxes and reduce reporting errors.

2. The County Collector's annual settlement contained errors in amounts reported causing collections and distributions to be overstated. Credit card collections totaling \$99,108 and \$81,774 were reported twice on the annual settlements for the years ended February 28, 2007 and 2006, respectively. Other smaller errors were also identified in amounts reported for protested tax and bankruptcy distributions. Additionally, real property tax additions and abatements were netted together instead of reported separately on the annual settlements.

Inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector is charged with collecting. As noted above, the County Clerk's account book should be used to verify the accuracy of the County Collector's annual settlements. Adjustments affecting distributions to the various political subdivisions resulting from the errors noted above are reflected in

the amounts presented in the History, Organization, and Statistical Information section of the audit report.

Similar conditions were noted in our prior report.

3. Commissions totaling approximately \$750 were over withheld from two school districts and the County Collector used approximately \$5,400 of property tax commission monies to purchase supplies for her office. Inaccurate levy information was input into the property tax system causing tax commissions for two school districts to be calculated incorrectly. After bringing this to the County Collector's attention, the error was corrected and the commissions were refunded to the districts. Additionally, property tax commissions totaling approximately \$5,400 were used during 2005 for purchases of postage and toner rather than being turned over to the county treasury. According to the County Collector, these were emergency purchases, and in 2006 she began using the Tax Maintenance Fund for emergency purchases.

To ensure commissions on property taxes are correctly computed, data used to calculate commissions should be reviewed for accuracy prior to being input into the property tax system, and commission calculations should be checked for accuracy. Additionally, property tax commissions represent accountable fees and should be remitted to the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. Also, to ensure all purchases are included in the county's budget and properly approved for payment, all disbursements should be processed through the county's normal disbursement process.

WE RECOMMEND:

- A. The County Clerk verify the accuracy of the current and back tax books.
- B. The County Commission establish proper controls over property taxes added and outlawed each year.
- C. The County Commission and County Assessor discuss with the computer programmer the possibility of updating the system to provide the appropriate audit trail reports to document all changes to property tax accounts, not just the most recent change.
- D.1. The County Clerk compare the amounts on the County Collector's annual settlements to the County Clerk's account book to ensure the annual settlements are accurate. Additionally, the County Clerk should review property tax data reported on aggregate abstracts and to taxing districts for accuracy.

2. The County Collector file accurate and complete annual settlements.
3. The County Collector ensure data used to calculate commissions is properly input into the computer system and commission calculations are checked for accuracy. Additionally, all commissions should be turned over to the County Treasurer, and supplies should be purchased through the county's normal disbursement process.

AUDITEE'S RESPONSE

The County Commission, County Clerk, County Collector, and County Assessor provided the following responses:

- A. *The County Collector has consulted with the computer software programmer to make sure ALL delinquent tax records print on the delinquent tax books, and will ensure the programmer follows through on programming corrections. The County Clerk will verify the accuracy of the current and back tax books.*
- B. *The County Commission has always approved deletions to the tax books and personal property taxes. In the future, the County Commission will also approve additions to the tax books and outlawed personal property taxes. The County Collector will ensure the County Commission signs off on outlawed taxes prior to the programmer purging the files off the system each year.*
- C. *The County Commission, County Collector, and County Assessor will discuss the possibility of updating the computer software to provide appropriate audit trail reports to document all changes to property tax accounts and not just the most recent change. The County Commission and the Assessor hope to phase in improved software, beginning with personal property and real property assessments. We hope to let bids by January 1, 2009. Manual records are maintained and reconciled on a monthly basis by the County Collector, County Clerk, and County Assessor.*
- D.1. *The County Clerk will compare the amounts on the annual settlements to the County Clerk's account book to ensure that annual settlements are accurate, and will review for accuracy property tax data reported on aggregate abstracts and reported to taxing districts.*
 2. *The County Collector will file accurate and complete annual settlements.*
 3. *The County Collector will ensure that data used to calculate commissions is properly input in to the computer software, that commission calculations are checked in great detail for accuracy, and that all commissions are turned over to the County Treasurer.*

Budgets prepared for some county funds contained misclassifications and errors, budgets filed for some discretionary funds were incomplete, actual disbursements for some funds exceeded budgeted disbursements, and the published financial statements did not include the activity of some funds. In addition, the Recorder User Fee Fund has accumulated a balance of over \$325,000 at December 31, 2007, and there is no detailed plan to utilize the funds. Further, an annual maintenance plan for the county roads and bridges has not been prepared.

A. Our review of the county's budgets and budgeting procedures identified several concerns:

- Some receipt and disbursement amounts were not appropriately classified in the county's budgets. For example, federal and state grant reimbursement monies in the General Revenue Fund totaling approximately \$320,000 and \$375,000 for 2006 and 2005, respectively, were classified in the "other revenues" category rather than in a more specific and appropriate category. In addition, federal grant reimbursement monies in the Road and Bridge Capital Improvement Fund totaling approximately \$443,000 and \$179,000 for 2006 and 2005, respectively, were also classified in the "other revenues" category. Federal and state grant proceeds are a significant source of revenue to the county, and should be properly classified in the county's financial statements. Further, transfers were not properly and consistently reflected between county funds.
- Actual beginning and ending cash balances were not always accurately reflected on the cash reconciliation portion of the budgets for several county funds. For example, beginning cash balances totaling over \$1.1 million and \$850,000 were not included on the cash reconciliation pages of the county's three Neighborhood Improvement District (NID) budgets for 2006 and 2005, respectively. In addition, the 2006 Special Road and Bridge Fund budget beginning cash balance was understated by approximately \$40,000. According to the County Clerk, this was caused by a \$40,000 voided check.
- The actual receipt and disbursement amounts presented on the county budgets did not accurately reflect all transactions of certain funds. For example, receipts and disbursements for the NID Funds only included taxes collected and bond payments that were handled by the County Treasurer. The budgets did not include financial activity for accounts held outside the county treasury. In addition, other discretionary funds for some county officials, such as the DARE Fund and the Law Enforcement Civil Fee Fund, did not include actual financial activity for 2006 and 2005 on the 2007 county budget.

Similar errors were noted and reclassification corrections were made to other smaller county funds.

To be of maximum assistance to the County Commission and to adequately inform citizens of the county's operations and financial position, the budgets need to be accurate. A thorough review process should be implemented to ensure budget documents are accurate and complete prior to approval. Adjustments have been made to the audited financial statements receipt and disbursement amounts.

- B. Disbursements were made in excess of approved budgeted amounts for many county funds during the two years ended December 31, 2006.

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Special Road and Bridge Capital Improvement	\$ N/A	117,951
Law Enforcement Grant	36,403	N/A
Prosecuting Attorney Bad Check	5,583	N/A
Prosecuting Attorney Delinquent Tax	6,894	
N/A		
Law Enforcement Civil Fee	4,843	19,316
DARE	5,049	3,236
Black Oak Mountain Resort NID	1,951	83,415
Edgewater Village NID	N/A	111,967
Stonebridge Village NID	N/A	21,345

Budgeted disbursements were also exceeded by lesser amounts in other county funds.

Although a comparison of budgeted and actual disbursements is reviewed periodically by the County Commission and amendments were made to increase budgeted disbursements for some funds through the year, these funds exceeded budgeted disbursements.

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.

- C. The county's published financial statements did not accurately report the financial position of the county's three NID Funds. Additionally, the Circuit Clerk Interest Fund was not included in the 2006 published financial statement, and the appropriate receipt and disbursement detail was not included for the Election Grant Fund in the 2005 published financial statement.

To adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be presented in the level of detail required by law.

- D. The cash balance in the Recorder User Fee Fund has accumulated from approximately \$100,000 in 2002 to over \$325,000 at December 31, 2007. In addition, the 2008 budget does not reflect a significant change is anticipated in the cash balance at December 31, 2008. The Recorder indicated that she desires to maintain cash reserves sufficient to purchase new equipment and make equipment upgrades in the future; however, the Recorder has not documented these intentions or established a cash reserve target amount.

The Recorder of Deeds should work with the County Commission to review the fund balance and develop a plan to utilize the funds as allowed by Section 59.319, RSMo.

- E. A formal maintenance plan for county roads and bridges has not been prepared. A maintenance plan should be prepared in conjunction with the annual 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.

WE RECOMMEND the County Commission:

- A. And the County Clerk ensure receipts, disbursements, transfers, and cash balances are accurately and consistently reported in the county budget documents.
- B. Not authorize disbursements in excess of budgeted amounts. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended 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.
- C. Ensure the county's published financial statements accurately report the financial position of all funds.
- D. And the County Recorder work together to review the balance of the Recorder User Fee Fund and prepare a formal plan to utilize the funds.

- E. 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 and County Clerk provided the following response:

- A. *The County Clerk will ensure that receipts, disbursements, transfers, and cash balances are accurately and consistently reported in the county's budget documents.*

The County Commission provided the following responses:

- B. *We will not authorize disbursements in excess of budgeted amounts. Extenuating circumstances will be fully documented and, if necessary, budgets will be properly amended following the same process by which the county's annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.*
- C. *We will ensure the county's published financial statements accurately report the financial positions of all funds.*
- D. *The new Recorder inherited a unusually high balance in this account and, working within the statutes that govern this account, has expended approximately \$100,000 from the fund. The County Commission and the Recorder will continue to work together to review the balance of the Recorder User Fee Fund and will prepare a plan to use the funds and reduce the accumulated balance.*
- E. *Because Stone County is one of two counties in the state that have adopted the County Highway Commission (Alternate Form) under Sections 230.200 through 230.260, RSMo, this is the responsibility of the Stone County Highway Commission. The Highway Commission will prepare an annual road and bridge maintenance plan at the beginning of each budget year, periodically update the plan throughout the year, and review the progress made in the repair and maintenance of roads and bridges to make appropriate decisions on future projects. The County Highway Commission will endeavor to better document its activities.*

The County Recorder of Deeds provided the following response:

- D. *I am currently working on a five year plan for document conversion. This will substantially reduce the balance in the Recorder User Fee account. Also, I am considering some advancement in technologies and greatly needed record storage within the years 2009 and 2010.*

4.**Neighborhood Improvement Districts**

Adequate assessment revenues are not collected from landowners within the Black Oak Mountain Resort NID, and General Revenue Fund monies have been used to fund the NID bond payments. As of December 31, 2007, over \$300,000 is owed to the county's General Revenue Fund by the Black Oak Mountain Resort NID, and according to county budgets, the amount owed is anticipated to exceed \$400,000 by the end of 2008.

The County Commission established three NIDs (Black Oak Mountain Resort, Edgewater Village, and Stonebridge Village) to develop roads and construct water and sewage systems. Bonds were issued to be paid through a special assessment on property within the NIDs. Since issuing over \$8 million in bonds in 2000, the county has had to supplement bond payments of both the Black Oak Mountain Resort and Edgewater Village NIDs. However in 2005, the Edgewater Village NID collected adequate assessments to repay the county \$82,748, representing the entire amount owed to the county plus interest. The Edgewater Village NID continues to collect adequate assessments to fund current bond payments.

As of December 31, 2007, the Black Oak Mountain Resort NID owed the county's General Revenue Fund \$311,497 plus interest, and according to the county's 2008 budget document, the county estimates an additional \$134,760 will be needed to supplement the 2008 bond payments. Delinquent NID assessments have contributed to the Black Oak Mountain Resort NID Fund not generating enough revenue to pay the bond debt service requirements. As of February 28, 2008, nearly \$900,000 in special assessments charged to property owners in the Black Oak Mountain Resort NID were delinquent and the county has only been able to sell a few of these properties for nonpayment.

The county refinanced the Black Oak Mountain Resort NID bond obligation in 2005 at a lower interest rate to help alleviate the need for the county to fund portions of the required bond payments. Additionally, as recommended in our prior audit report, the County Commission adopted a formal management plan to monitor and evaluate the three NIDs. The management plan indicates that the county believes it will no longer have to fund the Edgewater Village or the Stonebridge Village NIDs, but will have to continue to fund the Black Oak Mountain Resort NID and will pursue litigation to recoup county funds. The county currently has litigation pending against the developers, contractor, and former bond counsel of the Black Oak Mountain Resort NID. As noted in MAR finding number 3, the county's budget document for the NIDs did not include accurate cash balances and did not report all revenues and disbursements. To ensure the county is properly monitoring NID funds, the budget documents should include complete and accurate financial information.

Additionally, the county was a defendant in a lawsuit filed in March 2005 by a landowner in the Black Oak Mountain Resort NID. The court held \$39,000 in trust and the case was dismissed in November 2006; however, the county did not take action to obtain these funds from the court until we brought it to the attention of the Circuit Clerk and the county's legal counsel in February 2008. The county subsequently received and deposited the \$39,000 in the General Revenue Fund to reimburse a portion of the amount owed to the county.

WE RECOMMEND the County Commission continue to monitor the solvency of the Black Oak Mountain Resort NID, prepare complete and accurate budget documents for NID funds, and ensure NID funds held by the court are obtained in a timely manner.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We continually monitor the solvency of the Black Oak Mountain Resort NID. In each year's budget, the Commission and the Clerk forecast NID expenditures, forecast revenues from special assessments, and budget funds to make up the projected shortfall. The County Commission has obtained and distributed the funds that had been held by the Circuit Clerk.

5. County Vehicle Procedures

The county does not have procedures for comparing fuel purchases to fuel usage. Additionally, mileage records maintained for road and bridge vehicles do not differentiate mileage for employee commuting purposes, and mileage logs are not maintained for a county vehicle driven by the Prosecuting Attorney and his staff.

- A. The county's procedures to account for fuel are lacking. Fuel usage logs are maintained to account for fuel used; however, the county does not reconcile total fuel used to total fuel purchased. Such reconciliations are necessary to enable the County Commission to fully account for all fuel disbursements and identify significant loss or theft of fuel. The county maintains eleven bulk fuel tanks in several locations throughout the county for use in county owned vehicles and equipment. During the years ended December 31, 2006 and 2005, the county disbursed approximately \$395,000 and \$335,000, respectively, for bulk fuel.

This condition was addressed in our prior report and the County Commission responded that they had implemented a program to reconcile fuel usage, so that the County could fully account for all fuel expenditures, and identify significant loss or theft of fuel; however, reconciliations are not performed. Considering fuel purchases represent a significant and increasing cost to the county it is even more important that controls be put in place to account for fuel.

- B. Adequate mileage records are not maintained for the county road and bridge vehicles or for a county vehicle driven by the Prosecuting Attorney and his staff.

1. Some county vehicles assigned to road and bridge employees are housed at the employees' homes rather than at one of the road and bridge sheds. These vehicles are used for commuting purposes and mileage records do not differentiate commuting miles from miles used for county business. As a result, the county does not calculate commuting mileage and report the value on the employees' W-2 forms as taxable benefits. Thirteen road and bridge employees (approximately 37 percent of all road and bridge employees) are allowed to use county vehicles to commute between home and work.

The County Commission indicated several reasons for assigning vehicles in this manner, including: 1) these employees are on call 24 hours a day for emergency situations, 2) less response time is needed if emergencies arise, and 3) less mileage is incurred due to the location of homes as compared to work sites. However, the county has not documented the financial benefit to the county, determined the value of commuting benefits provided to employees and reportable to the Internal Revenue Service (IRS), or maintained documentation to support the reasons for the vehicle assignments to these employees. Although this condition was noted in our two prior audit reports, the County Commission has not addressed this issue with a formal written policy, and the number of employees assigned a vehicle has increased from five in 2002 to thirteen in 2006.

2. The County Prosecuting Attorney and staff members drive a county vehicle; however, mileage records are not maintained. The Prosecuting Attorney only records mileage when he fuels the vehicle at the Sheriff's department bulk fuel tank and submits this to the Sheriff's bookkeeper for her records.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

WE AGAIN RECOMMEND the County Commission:

- A. Reconcile fuel purchases to fuel usage and investigate any differences.
- B. Establish a written policy for officials and employees regarding the appropriate use of county vehicles and ensure detailed records are kept which distinguish commuting and business mileage. In addition, the County Commission should ensure compliance with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Commission will establish a procedure to reconcile fuel usage and will investigate any differences.*
- B. *Except for the Sheriff, no county elected officials use any of the county's vehicles for commuting purposes. The County Highway Commission will establish a policy for employees regarding appropriate use of the county's vehicles, will ensure that detailed records are kept that distinguish business and commuting mileage, and will ensure compliance with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles.*

The Prosecuting Attorney provided the following response:

- B. *We will follow the county guidelines as set by the County Commission.*

6. Payroll and Personnel Procedures
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Leave records are not maintained for salaried employees and a stipend paid to the Assistant Prosecuting Attorney is not subject to payroll withholdings or reported to the IRS.

- A. The county's personnel policy does not address leave time earned by salaried employees and records of vacation leave and sick leave earned, taken, and accumulated are not maintained for salaried employees. As a result, the County Commission has no documentation to support or justify the paid time off that is taken by these employees. The Presiding Commissioner indicated that these six employees do not earn a specified amount of vacation or sick leave, but if one of them needs to take an extended period of time off due to illness or other personal reasons, the county will continue to pay them their regular salary.

To ensure all salaried employees are treated equitably, the County Commission should consider a policy that defines the leave benefits provided to salaried employees. Additionally, documentation should be maintained of leave time taken to support amounts disbursed. The documentation should be prepared and signed by the employee, approved by the County Commission, and filed with the County Clerk.

- B. The county paid the Assistant Prosecuting Attorney a stipend totaling \$3,300 during 2007 that was not subject to payroll taxes or reported to the IRS. While the county personnel policy only provides health insurance coverage for county employees, a verbal agreement with the Assistant Prosecuting Attorney provided a stipend to cover health insurance for his family. The stipend was not included in the county payroll records, subject to the proper withholdings, and reported on the employee's

W-2 form, and a written contract with the Assistant Prosecuting Attorney defining this benefit could not be located.

Additional compensation or stipends should be subjected to payroll taxes and appropriately reported to the IRS. Further, the County Commission should review the personnel policy to ensure compliance or document exceptions through a separate written employment agreement.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Consider adopting a policy that defines leave benefits provided to salaried employees, and require documentation be maintained of leave time taken.
- B. Ensure all employee compensation is appropriately reported to the IRS and complies with established personnel policies. Any written contract documenting exceptions to the personnel policy should be maintained by the Prosecuting Attorney and filed with the County Commission.

AUDITEE'S RESPONSE

The County Commission and County Clerk provided the following responses:

- A. *The County Commission, the department heads, and the elected officeholders monitor the activities and attendance of salaried employees, including leave benefits provided to salaried employees and monitoring leave time taken. The County Commission will consider adopting a policy that defines leave benefits provided to salaried employees, and whether to require that documentation is maintained of leave time earned and taken.*
- B. *The County Commission and the County Clerk will ensure that all employee compensation is accurately reported to the IRS. If the county continues the policy of allowing a stipend to the Assistant Prosecuting Attorney, the stipend will be documented in a written contract.*

The Prosecuting Attorney provided the following response:

- B. *Due to the fact that Assistant Prosecuting Attorneys earn less working for the county than they are capable of earning in private practice, part of my contract with my current assistant prosecutors beginning in January of 2007 was to pay \$300 per month toward family health insurance (the county only pays for the employees insurance) and to pay for two continuing legal education conferences annually, including one of our state seminars put on by the Missouri Association of Prosecuting Attorneys and the Missouri Office of Prosecution Services. The funds for these contractual provisions come from my discretionary funds which Missouri Law specifically provides can be used for such purposes. A copy of the contract has now been provided to the State Auditor's office.*

7.**Capital Asset Procedures and Records**

Procedures and records to account for county property are not adequate and county equipment is not always properly tagged to identify property as county owned.

The County Clerk maintains the overall county property records and it is each county official's responsibility to maintain an inventory listing of capital assets for their office and provide annual inventory reports to the County Clerk.

There is no documentation to indicate the County Clerk routinely requested inventory reports from county officials. Some county officials do not update their inventory listings annually and do not include information such as acquisition date, cost, and disposition date. We requested capital asset listings from all county officials, and noted one example where the officeholder's listing had not been updated since 2003.

Also, the County Clerk does not have procedures to identify purchases throughout the year and reconcile these purchases to additions to the inventory listing to ensure all capital assets are properly recorded. For example, the September 2007 purchase of the former Stone County Library building costing approximately \$71,000 was not on the county's capital asset listing as of June 2008. Additionally, construction performed in 2006 to one of the road and bridge department buildings costing approximately \$46,000, and 35 mobile and 23 portable radios purchased in 2005 by the Sheriff's department costing approximately \$38,000 were not recorded on the county's capital asset listing. Further, tags identifying property items as county property are not assigned and affixed to some county property items.

Adequate capital asset 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. Physical inventories and proper tagging of county property are necessary to evaluate the accuracy of the records and deter and detect theft.

Similar conditions were noted in prior audit reports.

WE AGAIN RECOMMEND the County Commission and the County Clerk work with other county departments to ensure annual physical inventories are conducted, inventory reports are submitted, and capital asset records are properly maintained. Additionally, the County Commission and County Clerk should implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process.

AUDITEE'S RESPONSE

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

The County Commission and the County Clerk will adopt a policy that each department head and elected officeholder conduct and maintain accurate annual physical inventories of all items valued at over \$1,000, tag and track equipment acquisitions, and follow up on discrepancies identified during the annual physical inventory process.

8. Closed Meeting Minutes

Minutes were not prepared to document the matters discussed in closed meetings held between May 2005 and November 2006. The County Commission indicated they thought the County Clerk maintained minutes for closed meetings held during this time period; however, the County Clerk indicated that she was not present during these closed meetings and did not know what was discussed. Closed meeting minutes are currently maintained by the County Commission's secretary.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies the details that must be recorded. Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law regarding these closed meetings have been followed.

WE RECOMMEND the County Commission ensure minutes are prepared for all closed meetings.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The County Commission will ensure that minutes are prepared for all closed meetings.

9. Prosecuting Attorney's Controls and Procedures

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures. While the Prosecuting Attorney responded in the 2002 audit, as well as other previous audits, that recommendations would be implemented, conditions have not improved. As discussed below, at least \$17,800 was misappropriated from the Prosecuting Attorney's office during the three years ended December 31, 2007. Our review identified numerous control and procedural weaknesses such as undeposited monies are not adequately secured, deposits are not made timely, delinquent tax receipts are not reconciled to deposits or amounts transmitted to the Missouri Department of Revenue (DOR), and duties are not adequately segregated. Additionally, no attempt has been made to disburse

approximately \$27,600 in restitution payments to merchants. During the three years ended December 31, 2007, receipt records indicate the Prosecuting Attorney's office collected over \$1.2 million in restitution and fees.

- A. Poor internal controls and the failure to monitor an inactive bank account resulted in the misappropriation of approximately \$13,000 between February 2005 and September 2006 by the former Bad Check Clerk. Payments of bad check fees and restitution totaling approximately \$4,700 were received but not deposited, and checks totaling approximately \$8,300 were issued by the former Bad Check Clerk to herself from the Prosecuting Attorney's old bad check restitution bank account. The Prosecuting Attorney initially became aware of the misappropriation when he reviewed bank activity of the old restitution account. The Prosecuting Attorney subsequently contacted the Missouri State Highway Patrol to investigate. The former Bad Check Clerk was terminated in October 2006, pled guilty to felony stealing, was sentenced to probation, and was ordered to pay restitution.

According to the Prosecuting Attorney, at the time of the misappropriation, the former Bad Check Clerk was supposed to be reviewing old case files and determining the disposition of approximately \$27,600 held in the old bad check restitution bank account. This old account is still open and has had no activity since the misappropriation was discovered.

Inadequate segregation of duties and supervisory reviews allowed the misappropriation to occur and not be detected. Additionally, the failure to properly account for and identify inactive funds in the old bad check restitution account contributed to the misappropriation (see D and E below). The Prosecuting Attorney should ensure adequate controls are in place to prevent future misappropriations and ensure restitution is collected in full.

- B. Undeposited monies are not adequately secured. Bad check fees and merchant restitution receipts totaling approximately \$4,800 were reported stolen from the Delinquent Tax Clerk's personal vehicle. Additionally, there have been numerous questionable delays in some monies being deposited.

On August 23, 2007, the Delinquent Tax Clerk reported to the Stone County Sheriff's Department that receipts totaling approximately \$4,800 (consisting of \$3,100 in cash and \$1,700 in money orders) were stolen from her unlocked vehicle parked at her home overnight. According to the Prosecuting Attorney, the Delinquent Tax Clerk failed to take the \$4,800 to the bank on her way home from work the previous day. It was the responsibility of the Delinquent Tax Clerk to transmit all monies received at the Prosecuting Attorney's Office to the bank. The Sheriff's Department investigated the reported theft, no arrests were made, and no charges were filed. As of July 2008, neither the Prosecuting Attorney nor the Sheriff's Department have attempted to determine whether any of the missing money orders were negotiated.

During the time period just prior to and after this theft, we identified numerous instances where receipts were not deposited timely, and in several instances, the length of time between the receipt and the deposit is questionable. For example, bad check fees and merchant restitution receipts totaling \$1,310 (including \$791 in cash), received between July 10 and July 12, 2007, were not credited to the bank account until July 25, 2007. According to personnel of the Prosecuting Attorney's Office, the deposit was taken out of the office on July 13, 2007, by the Delinquent Tax Clerk to be deposited, but did not get credited to the bank account until the Delinquent Tax Clerk returned from vacation. Also, delinquent tax receipts totaling \$641 (all cash), received between July 6 and July 12, 2007, were not deposited until August 24, 2007 (the day after the reported theft noted above from the vehicle).

After the reported theft of the August 2007 deposit, the Prosecuting Attorney instructed the Delinquent Tax Clerk to no longer take deposits to the bank; however, questionable delays still existed in the timing of deposits. Bad check restitution and fees totaling \$4,043 (including \$1,000 cash) collected between March 14 and March 18, 2008, were not deposited until March 27, 2008, and according to the deposit receipt, they were taken to another bank location in a neighboring town instead of the local bank just blocks from the Prosecuting Attorney's office.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited on a timely basis and steps should be taken to ensure policies regarding depositing procedures are followed by employees. Additionally, the Prosecuting Attorney should work with the Sheriff's Department to determine if any of the money orders stolen from the Delinquent Tax Clerk's vehicle have been negotiated.

- C. Several weaknesses were identified in accounting for delinquent tax receipts. Receipt slips are not issued for delinquent tax receipts immediately upon receipt, receipts are not reconciled to deposits or transmittals to the Missouri DOR, and monies are not transmitted or disbursed to the DOR timely.
- Six payments for delinquent taxes counted on February 19, 2008, totaling \$1,377, were not receipted until February 25, 2008.
 - In September 2007, the Delinquent Tax Clerk wrote a receipt slip for a payment of \$100 for an individual's delinquent taxes; however, there is no documentation to show the \$100 money order was deposited or forwarded to the DOR. We contacted the individual who confirmed that no payment was made. The Delinquent Tax Clerk indicated she was not sure why she receipted a \$100 payment, but believes it was recorded in error.
 - Delinquent tax payments received are often not disbursed to the DOR until 30 to 60 days after receipt.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued immediately upon receipt for all monies. Additionally, receipt slips should be reconciled to the deposit slips and transmittals to the DOR. Further, funds should be disbursed to the DOR timely.

- D. Accounting duties are not adequately segregated which has led to the misappropriation of monies (see A above). The Prosecuting Attorney's Bad Check Clerk and Delinquent Tax Clerk are primarily responsible for collecting, recording, depositing, disbursing, and reconciling all monies. To ensure proper recording of all transactions, the duties of handling, recording, disbursing, and reconciling cash should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person, such as the Prosecuting Attorney, should review and initial bank reconciliations and agree recorded receipts to deposits and transmittals. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.

This condition was noted in our two prior audit reports. Had this recommendation been implemented, the conditions noted above may have been prevented.

- E. No attempt has been made to identify the restitution payments that remain in the old bad check bank account (see A above), or to disburse the funds to the appropriate merchants. As of December 31, 2007, approximately \$13,300 remains in this account, \$13,000 is due to this account from the former Bad Check Clerk, and at least \$1,300 was disbursed from this account to a victim before restitution was collected. As a result, approximately \$27,600 has been collected in restitution, but not identified with a specific merchant.

To ensure all funds are properly accounted for, the Prosecuting Attorney should identify the cases associated with the balance in the old restitution bank account, disburse the funds, and close the account.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure controls are in place to prevent future misappropriations and restitution is collected in full.
- B. Investigate the missing money orders related to the reported theft and properly follow-up on any that have been cashed. Additionally, deposits should be made timely and steps should be taken to ensure policies regarding depositing procedures are followed by employees.
- C. Issue receipt slips immediately upon receipt for all monies and reconcile receipts to the deposit slips or transmittals to the DOR. Further, funds should be disbursed to the DOR timely.

- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, an independent person should perform documented reviews of the work performed.
- E. Identify payees associated with the funds held in the old bad check restitution account, disburse the funds, and close the account.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *Restitution is currently being collected on the misappropriated monies. I implemented written policies and procedures concerning collection of money in January 2008. Those policies have been amended to address the specific recommendations made in the audit and copies provided to the State Auditor's office. I am also reviewing the accounting records on a monthly basis to ensure these policies and procedures are being followed. Finally, we are making physical changes to the office so we can control access to the area where money is collected and reduce the number of people in the office at one time.*
- B. *I intend to investigate the missing money orders. Again, the recommendations have been addressed by implementing written policies and procedures noted in part A.*
- C. *The written policies and procedures regarding the receipt of delinquent tax monies include controls such as, cash is no longer accepted for delinquent tax payments, payments are to be receipted and recorded on a daily basis, payments are to be forwarded to the Missouri Department of Revenue on a weekly basis, and the delinquent tax bank account has been closed.*
- D. *The written policies and procedures noted in part A above, address the segregation of accounting duties.*
- E. *I concur and will work to identify and pay out the monies in the old restitution bank account and close the account. This account was kept open in part due to my agreement with the State Auditor's office in August 2006 that no action would be taken with this account until the Highway Patrol investigation concerning the theft mentioned in part A above and this audit had been completed.*

Significant improvement is needed in the Sheriff's reconciliation procedures and controls over cash receipts. Poor reconciliation procedures have resulted in the overpayment of fees and a negative bank account balance. Additionally, bookkeeping duties are not adequately segregated, and errors were identified on monthly reports. Further, commissions were miscalculated on a partition sale, resulting in an overpayment to the county treasury of approximately \$3,680. The Sheriff's department processed over \$1 million in receipts during the two years ended December 31, 2006.

A. Significant weaknesses were identified with the Sheriff's reconciliation procedures. Bank reconciliations have not been properly performed for the Sheriff's fee account for several years and listings of open items are not prepared and reconciled to the fee account balance.

- In December 2006, the Sheriff's department was notified by the bank that the account was overdrawn. The negative balance was the result of approximately \$9,800 in conceal to carry permit monies, collected between 2004 through 2006, being remitted in error to both the County Treasurer and the Missouri State Highway Patrol. Since reconciliations between the bank statement and the Sheriff's records were not performed, this error went undetected until the account balance fell below zero. Funds were transferred from the Sheriff's Civil Fee Fund to the Sheriff's bank account to compensate for the negative account balance. Had bank reconciliations been performed, this overpayment would have been detected sooner.
- At our request, the Sheriff's department prepared a bank reconciliation and an open items listing as of December 31, 2007. After completing the bank reconciliation and the open items listing, the Sheriff's bookkeeper discovered that incentive payments totaling approximately \$2,600, received from the Social Security Administration (SSA) for prisoners, had been direct deposited into the Sheriff's fee account during 2007 and 2006. These payments are incentives paid to Sheriff departments for reporting prisoner information to the SSA so prisoner benefits can be halted during incarceration. Again, had monthly bank reconciliations been performed, the Sheriff's department would have been aware these payments were being direct deposited into the Sheriff's bank account. These incentive payments represent accountable fees and should be turned over to the county treasury.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. In addition, reconciling the open items listing to the reconciled bank balance is necessary to ensure records are in balance and sufficient cash is available to pay all

liabilities. Without the preparation of such reconciliations, there is little assurance that receipts and disbursements have been properly handled and recorded.

B. Receipt procedures need improvements. Monies are received in several locations at the Sheriff's department. Bond monies are received at the jail; conceal to carry permit fees, fingerprinting fees, and record copies are collected at the dispatch window; and court fees are received directly by the Sheriff's bookkeeper. Monies collected at the jail and the dispatch window are transmitted to the bookkeeper to be deposited. A review of the Sheriff's procedures and controls over cash receipts identified the following concerns:

- Persons making payments at the dispatch window for fingerprinting and record copies do not receive a receipt slip unless requested at the time of payment. When these monies are received, the dispatch employee transmits the payment to the bookkeeper who records the payment and mails the person a receipt slip at a later date if an address is obtained. In addition, blank receipt slips used for conceal to carry permits are not stored in a secure location in the dispatch area.
- Receipt slips issued do not always include the method of payment received (cash, check, or money order) and the composition of receipt slips is not reconciled to the composition of deposits. Additionally, monies received by the bookkeeper, from the dispatch window and the jail, are not reconciled to the receipt slips issued at the dispatch window and the jail to ensure that all monies received have been properly transmitted to the bookkeeper and deposited. Further, checks and money orders received at all locations are not restrictively endorsed immediately upon receipt and the numerical sequence of receipt slips is not accounted for adequately.
- Some monies received are not recorded and deposited on a timely basis. Bond and fee monies totaling \$317, counted by us on January 30, 2008, were not recorded and deposited by the bookkeeper until February 5, 2008. Additionally, accounting records do not always provide adequate detail to indicate which cash receipts are included in the deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be written immediately upon receipt for all monies received, the numerical sequence of receipt slips should be accounted for, checks and money orders should be restrictively endorsed immediately upon receipt, and the composition of monies received (cash, checks, and money orders) should be reconciled to the composition of the deposits. Additionally, receipt slips should be stored in a secure location, receipts should be deposited timely, and accounting records should provide adequate detail of which cash receipts are included in the deposit. Further, monies transmitted from the dispatch window and the jail to the bookkeeper, should be reconciled to the receipts slips issued at the dispatch window and the jail.

- C. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper is responsible for receipting, recording, and depositing monies received, and preparing and signing checks. Although another employee is responsible for performing the bank reconciliation, as noted above, these reconciliations were not properly performed, resulting in no oversight of the bookkeeper's duties. Additionally, there is no indication of an independent review of the accounting records maintained by the bookkeeper.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Sheriff.

- D. Fees were not always turned over to the county treasurer monthly, and the monthly report of fees contained some calculation errors resulting in incorrect amounts being turned over to the county treasury.

Fees for October, November, and December 2007, totaling \$20,824, were not disbursed to the County Treasurer until January 15, 2008. State law requires that all fees collected by the Sheriff be distributed monthly.

Additionally, the monthly report for July 2005, contained several calculation errors. Civil fees totaled \$1,535, but the monthly report calculation showed the total to be \$29,750. When the July fees were disbursed, the \$29,750 was changed to \$2,975 resulting in a \$1,440 overpayment to the county treasury.

Timely disbursements of fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner. Further, the Sheriff's monthly report of fees should be reviewed for accuracy and reconciled to amounts deposited to ensure disbursements are calculated correctly.

- E. The Sheriff incorrectly calculated the commission withheld from a September 2007 partition sale, resulting in approximately \$3,680 being over withheld from the proceeds. In addition, commissions totaling approximately \$4,245 from this partition sale, \$1,885 from a partition sale held in 2005, and \$2,253 from a seized property sale held in 2007, were deposited into the Sheriff's Civil Fund rather than the county's General Revenue Fund.

Attorney General's Opinion No. 108, 1970 to Holman, provides that commissions on partition sales are accountable fees and should be paid into the county's General Revenue Fund. Further, Section 542.301, RSMo, states the proceeds of any sale, less necessary expenses of preservation and sale, shall be paid into the county treasury for the use of the county. The Sheriff should ensure that commissions on partition sales

are calculated correctly and disbursed to the county treasury to be deposited in the General Revenue Fund.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are performed on a monthly basis and open items listings are prepared and reconciled to the account balance monthly.
- B. Issue receipt slips immediately upon receipt for all monies received, account for the numerical sequence of receipt slips, and reconcile the composition of receipts to the composition of deposits. Additionally, checks and money orders should be restrictively endorsed immediately upon receipt, deposits should be made timely, accounting records should specify which cash receipts are included in the deposit, and receipt slips should be stored in a secure location. Further, all money transmitted to the bookkeeper for deposit should be reconciled to amounts received at the jail and the dispatch window.
- C. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- D. Disburse fees to the County Treasurer monthly, review monthly reports of fees for accuracy, and reconcile reported amounts to deposits to ensure disbursements are calculated correctly.
- E. Ensure commissions on partition sales are calculated correctly and disbursed to the county treasury to be placed in the General Revenue Fund.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Bank reconciliations are now being performed monthly by someone independent of the bookkeeper. I am considering sourcing this service out to an independent accounting firm or individual.*
- B. *We have implemented procedures to address all of these recommendations. Official receipt books were purchased and receipt slips are now being issued at all collection points and the numerical sequence and composition of all receipt slips is being accounted for.*
- C. *Accounting duties have been properly segregated and I am documenting my review of bank reconciliations.*
- D. *I will ensure that all fees collected are accurately calculated and turned over to the County Treasurer on a monthly basis.*

- E. *This partition sale commission amount has been fixed and checks were reissued to the appropriate individuals. I will ensure the all future sale calculations are double checked for accuracy and the correct amounts are paid to the appropriate individuals and county fund.*

11. Circuit Clerk's Procedures

Procedures related to monthly bank reconciliations, open items, and accrued costs are in need of improvement. The Circuit Clerk processed approximately \$3.3 million in civil and criminal case fees, fines, and bonds during the two years ended December 31, 2006.

- A. During 2007, 2006, and 2005, the Circuit Clerk's bank reconciliation procedures were not adequately documented. Differences between the reconciled bank balance and the open items balance were approximately \$30,000 and \$60,500 at December 31, 2006 and 2005, respectively. In both instances the open item balance exceeded the reconciled bank balance, indicating a potential shortage. In addition, numerous positive and negative adjustments were made to the bank reconciliations without adequate documentation as to why the adjustments were necessary. According to the Circuit Clerk, the differences and the adjustments were the result of consolidating the Circuit, Associate, and Probate Courts and converting court records to the Justice Information System (JIS), a statewide automated record keeping system; however, documentation was not maintained to adequately support the adjustments and why differences existed.

At December 31, 2007, the bank reconciliation report printed from the JIS system showed that the reconciled bank balance agreed to the open items amount; however, a detailed open items listing was not printed and retained to properly document the records were in agreement. According to the Circuit Clerk, she did not print the entire open items listing and was unable to go back to reprint the list.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. In addition, reconciling the open items listing to the reconciled bank balance is necessary to ensure records are in balance and sufficient cash is available to pay all liabilities. To ensure receipts and disbursements have been properly handled and recorded, adequate documentation should be maintained of the reconciliation process.

- B. At January 31, 2008, the Circuit Clerk was holding several old open items. The court was holding \$39,000 related to a case disposed in 2005 involving Stone County and the Black Oak Mountain Resort NID. After our inquiry the Circuit Clerk obtained a payout order from the Judge and disbursed \$39,000 to the county in February 2008. The open items balance was approximately \$150,000 at January 31, 2008.

The failure to routinely review open items and disburse 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.

- C. A significant amount of accrued costs are due to the Circuit Court. While a listing of accrued costs is maintained through the court's computer system (JIS), the Circuit Clerk does not have procedures to monitor the amounts due to the court. The Circuit

Clerk indicated that she participates in the state's debt collection and tax offset program to collect amounts due to the court. As of January 15, 2008, approximately \$1.8 million was due to the court.

The Circuit Clerk should periodically monitor accrued costs for accuracy and completeness and take appropriate steps to ensure amounts owed are collected. 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.

WE RECOMMEND the Circuit Clerk:

- A. Ensure detailed open items lists are printed each month and reconciled to the bank account. Any differences identified should be investigated and resolved. In addition, detailed documentation should be maintained to support this process.
- B. Routinely review open items and disburse monies as appropriate.
- C. Establish procedures to monitor and collect accrued case costs.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I have always taken great pride in balancing each and every account to the penny that I have been responsible for every month since assuming this office in March of 1986. Then when our courts consolidated in January 2005, I took over all the accounting responsibilities for both offices. Each month every penny was accounted for after that change took place. However, in July 2005, Stone County went on a new Judicial Court Information (JIS) computer system. We did have an onsite accountant with us for four weeks but all he did was show us how to receipt and disburse money. He was training 12 people so his time was very limited with each clerk. At that time, we were more interested in getting all the correct information regarding the case filing(s) because the information would be going out to the public via the internet. I was told prior to going on JIS that I would have the luxury of an onsite accountant for reconciliation of back statements and balancing of open items listings*

for two month after going on JIS. That did not occur. I wrote several emails and made many phone calls to the Office of State Courts Administrator (OSCA) asking that they help me get my open items and general ledger balanced. (Some of the copies have been provided to the State Auditor's office). They did not get this accomplished until December 2007. Each month the books did balance with the bank statement. Unfortunately, when I ran the December 2007 open items list I just ran the summary sheet and failed to get a detailed open items listing for that month. The JIS computer is a very time sensitive system and does not allow for a report to be run on the first day of the month, I recently found out from OSCA that our particular system has a glitch in it and takes approximately three hours to post the end of the month checks. The report can only be run on the last day of the month to get the amounts to balance.

- B. I do routinely review open items and disburse when appropriate. I am responsible for that money and want to be assured the right person gets paid the right amount. When we went on JIS in 2005, I tried my best to get all open items disposed of; however, there were some that were to be held in the court's registry until there was a pay out order prepared. On January 31, 2008, the court was holding \$44,602.50 in criminal bonds that cannot be disbursed until a case is disposed of by the court. We were holding \$19,226.59 in adult drug treatment fees and interest in the amount of \$9,352.95 which is to be used at the discretion of the court. Also, approximately \$5,000 was being held in domestic relations/paternity cases in which the parties have been asked to deposit certain amounts into the registry of the court for the benefit of guardian ad litem (GAL) appointed for children in such cases. That money cannot be paid out until the case is finalized and the Judge assesses the total amount of GAL fees to be paid and by whom. In regard to the \$39,000 that was held in open items in Stone County v. Black Oak Mountain (Quanah Corporation) I notified the Stone County Counselor orally several times to get this situation resolved and got no response. The case was dismissed on November 3, 2006. I wrote letters dated January 15, 2007 and April 7, 2007 (copies are provided for auditors) trying to get an order typed up for the Judge's signature. Finally, I did receive a payout order on February 27, 2008. Money was disbursed the next day.*
- C. Since the inception of JIS all civil costs are paid up front. The criminal cases, however, accrue costs until they are finally disposed of. This includes regular costs, witness fees, board bills, medical bills, etc. In the past, when this office sent out cost bills many times they were returned as "no longer at this address". So we had no way of tracking down the defendant except by issuing a warrant for their arrest. On December 30, 2005, Stone County was first in the 39th Judicial Circuit to go on Debt Collection and Tax Offset as a provided service of the Office of State Courts Administrator. This attaches any fees owed to the court to a defendant and SSN. Since that time, this office has collected \$33,936.09 (copy is provided for auditors). So I feel I am doing everything I can to collect any fees due to Stone County.*

Approximately \$102,000 is due to the county from the accounts of some wards of the Public Administrator at December 31, 2007. Additionally, annual settlements were not always filed in a timely manner.

- A. The Public Administrator did not pay fees and expenses to the county from the accounts of some wards resulting in approximately \$102,000 due to the county at December 31, 2007. When the Public Administrator receives a salary and reimbursement of expenses from the county, state law allows for fees and expenses assessed by the Probate Court on Public Administrator cases to be paid to the county's General Revenue Fund. The Public Administrator indicated if the ward did not have adequate funds left after all living expenses and legal costs were paid, then the court approved fees and expenses would not be paid to the county. Although the Public Administrator keeps a listing of accumulated unpaid fees and expenses, she does not report the unpaid amounts to the County Commission.

The Public Administrator should work with the Associate Circuit Judge and the County Commission to ensure unpaid fees are properly monitored and collected to the extent possible.

- B. Annual settlements are not always filed in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held as well as financial activity for the year. The court notifies the Public Administrator of approaching settlement due dates; however, some settlements were still filed late. For example, one annual settlement reviewed for the period May 2006 through April 2007 was not filed with the court until October 24, 2007. Another settlement reviewed for the period November 2006 through October 2007 was not filed with the court until February 11, 2008.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

WE RECOMMEND the Public Administrator:

- A. Work with the Associate Circuit Judge to develop a plan to recoup monies owed from estates and inform the County Commission of the fees due to the county.
- B. Ensure annual settlements are filed in a timely manner.

AUDITEE'S RESPONSE

The Public Administrator provided the following responses:

- A. *Concerning the fees and expenses owed to the County from estates in the amount of \$102,000, your recommendation is to develop a plan to recoup the monies. All of the estates that this office serves are charged the same hourly rate for fees and expenses whether there are funds available to pay them or not. My caseload is 95 percent indigent and due to Medicaid budget cuts, even when there are extra funds available, many times these have to go to the care of the ward for clothing, dental needs, eye care, etc. I always have and will continue to collect the fees and expenses if the monies are available. However, due to the aforementioned indigent caseload, there will always be a large amount of fees and expenses that go unpaid.*

I do report the fees and expenses charged and accruing to my office on a monthly basis to the Clerk of the Stone County Commission per my statutory duties set out in RSMo 50.370. It is my understanding that these reports have not been made available to the Commission and in light of this, I will start submitting a copy to both the County Clerk and the Stone County Commission. I would agree that my monthly report only lists the individual estates with amounts owed to the county and does not include a total. I will start giving a summary sheet to both the Commission and Clerk listing the grand totals due to Stone County on a monthly basis.

- B. *I have implemented this recommendation. All annual settlements and reports are now current and up to date. I will endeavor to make all future filings in a timely manner.*

13. County Treasurer's Settlements

The County Treasurer's semi-annual settlements for the six months ended December 31, 2007 and 2005 contained errors. In addition, a thorough review of the settlements is not performed by the County Commission and/or the County Clerk. The County Treasurer prepares a settlement, which is a report to the County Commission of the receipts, disbursements, and ending cash balances of all funds and shows the reconciliation of total cash balances to the bank account balances.

Some amounts were omitted from the settlements and some totals were not calculated correctly, resulting in differences between the amounts reported on the settlements and the County Treasurer's records. Because of formula errors in the County Treasurer's spreadsheet, the settlement for the six months ended December 31, 2007, reported receipts of \$2.9 million and disbursements of \$2.8 million, while actual receipts and disbursements were \$8.7 million and \$9.1 million, respectively. Additionally, the settlement for the six months ended December 31, 2005, omitted the receipt and transfer of flood control monies totaling \$8,623, and did not report the correct beginning balance of the Library Building Reserve Fund of \$15,000. After we brought this to the attention of the of the County Treasurer, corrections were made to the settlements.

Sections 54.150, 51.150.1, and 49.260, RSMo, outline various reporting and review procedures required of the County Treasurer, County Clerk, and County Commission, respectively. The County Treasurer is required to report all accounts semi-annually. The County Clerk is required to reconcile the receipts and disbursements with the County Treasurer. In addition, the County Commission is required to review the balances in the funds held by the County Treasurer. Preparation of a complete and accurate semi-annual settlement, along with thorough reviews by other officials, should satisfy these requirements and improve the likelihood that all county funds are properly and accurately reported.

WE RECOMMEND the County Treasurer prepare complete and accurate semi-annual settlements. In addition, the County Clerk and County Commission should perform thorough reviews of the semi-annual settlements.

AUDITEE'S RESPONSE

The County Commission and Treasurer provided the following response:

The spreadsheet created for the semi-annual settlement has been repeatedly adjusted to allow for new funds created either by the County or by law. These changes created errors in the formulas that totaled revenues and expenditures at the bottom of the form. However, the Treasurer's fund balances and cash balances were always correct. The amounts omitted were NID funds held not in the County's bank account, but by the NID Trustee at its bank. These are now attached to each settlement as an addendum to the settlement.

14.	Assessor's Records
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The Assessor's Office does not retain documentation of charge account information once amounts are paid. The Assessor allows businesses and individuals to charge fees for maps, faxes, and copies, and collects approximately \$15,000 annually from these fees. As of December 31, 2007, the Assessor's records reflected approximately \$1,140 in fees were unpaid, with some of the charges dating back to 2006; however, charge account documentation is thrown away once the business or individual pays off the charges. To ensure all unpaid fees are properly collected, documentation of amounts charged and collected should be retained.

WE RECOMMEND the Assessor retain documentation for all fees charged and subsequently paid to ensure all amounts due have been appropriately collected.

AUDITEE'S RESPONSE

The Assessor provided the following response:

I concur with the auditor's recommendation and will retain all original documentation of charge accounts and will enforce collection of any monies owed to the county. I also have implemented a new Assessor's internet web page which allows individuals to access the information free of charge and has decreased the need for charge accounts.

15. Emergency 911 Board

Budgets did not accurately reflect the Emergency 911 Board's actual financial condition for the two years ended December 31, 2006, actual disbursements exceeded the budgeted amounts, and published financial statements did not comply with state law. Additionally, vehicle procedures need improvement.

A. The Emergency 911 Board's budgeting procedures need improvement.

1. The approved budget documents did not accurately reflect the actual financial condition of the Emergency 911 Board for the two years ended December 31, 2006. For example, actual revenues on the 2007 budget did not include federal grant proceeds of approximately \$29,600 in 2006 and interest revenues totaling approximately \$34,900 and \$26,900 during 2006 and 2005, respectively.

In addition, the beginning cash balances on the Emergency 911 Fund budgets at January 1, 2006 and 2005, were overstated by \$99,021 and \$95,606, respectively. Further, the cash reconciliation portion of the 2007 budget computed the ending cash balance at December 31, 2006, as \$940,596 when actual cash available at this time was only \$544,237, a \$396,359 difference. The Emergency 911 Director indicated that he was not sure why the cash balances were not accurately reported on the board's budgets; however, the board has made improvements to its budgeting process, and the 2008 Emergency 911 Fund budget accurately reports the cash balance and also includes interest revenues.

For the budget documents to be of maximum assistance to the Emergency 911 Board and to adequately inform county residents of the Board's operations and current financial position, the budget documents should be complete and accurate. Further, Section 50.590, RSMo, requires budgets to include accurate revenue and disbursement figures for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year.

2. Actual disbursements exceeded the budgeted amounts for the Emergency 911 Fund by \$266,030 in 2006. Although the board minutes indicated the board reviewed and amended the budget in October 2006 in anticipation of purchasing new dispatching software, amended budget documents were apparently not prepared and approved by the board, or filed with the State Auditor's office.

Case law provides that strict compliance with county budget laws is required. 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.

- B. The Emergency 911 Board's published financial statements did not list disbursements by vendor, and in 2006, the Emergency 911 Board published budgeted amounts rather than actual amounts. Section 50.800, RSMo, requires detailed lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the Emergency 911 Board's financial activities, all information required by law should be included.
- C. Vehicle mileage logs are not reconciled to fuel purchases and do not always include information such as beginning and ending odometer readings, destinations traveled, and the purpose of Emergency 911 business. The Emergency 911 Board has two vehicles that are to only be used for Emergency 911 business. Additionally, in August 2007, the Emergency 911 Board purchased \$500 in Wal-Mart gift cards to be used to purchase fuel at a discount for the Emergency 911 vehicles; however, supporting documentation was not obtained to document how the gift cards were used. Gift cards for lesser amounts were also purchased in other months during 2007. Further, a \$100 travel advance was paid to an employee for fuel with no supporting documentation obtained to indicate how the advance was spent.

Complete and accurate mileage logs are necessary to document appropriate use of the vehicles and to support fuel charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for Emergency 911 business and information on the logs should be reconciled to fuel purchases and other maintenance charges. Additionally, adequate documentation should be maintained to support how gift cards and travel advances are used to ensure the purchase is a proper disbursement of Emergency 911 funds.

WE RECOMMEND the Emergency 911 Board:

- A. Ensure budget documents accurately reflect cash balances and include all revenue sources. In addition, the Board should refrain from approving disbursements which exceed budgeted amounts. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended 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.
- B. Ensure that the published financial statements comply with state law.
- C. Require employees to maintain adequately detailed vehicle mileage logs and reconcile fuel purchased to amounts recorded on the logs. In addition, adequate documentation should be maintained to support how gift cards and travel advances are used.

AUDITEE'S RESPONSE

The Emergency 911 Board provided the following responses:

- A.1. *We will strive for accuracy when creating the budget and when reporting our financial position to the board and the county residents.*
 - 2. *We will ensure all budget amendments get filed with the State Auditor, as required by law.*
- B. *We will publish our financial statements as recommended.*
- C. *We have implemented procedures to accurately report company vehicle usage. Also, we will no longer purchase gift cards due to their inability to be tracked.*

16. Senior Citizens Service Board
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The Senior Citizens Service Board minutes were not signed and did not contain adequate detail regarding abstentions from voting by board members with potential conflicts of interest. Additionally, published financial statements did not contain adequate detail.

- A. We noted the following concerns pertaining to the Senior Citizens Service Board's minutes and meetings.
 - 1. While the Senior Citizens Service Board minutes were approved at each meeting, they were not signed by the board president or the board secretary. The board minutes should be signed by the board secretary as preparer and by the board president or other board member to provide an independent

attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

2. Two of the Senior Citizens Service Board members are also board members of not-for-profit (NFP) organizations that receive funding from the Senior Citizens Service Board. Although board members maintain that these members do not vote on issues involving funding provided to these NFPs, the minutes do not always clearly indicate how each member voted or abstained from voting on conflicting issues. In one instance, the minutes indicate the issue passed but did not provide details on the votes cast. In another instance, one of the board members made the motion to approve funding amounts to the NFP board he or she served on and the minutes indicate the motion passed unanimously.

Section 610.020, RSMo, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative the minutes be prepared to clearly document all business and discussions conducted, and include signatures of the preparer and the board president. Further, to reduce the appearance of a conflict of interest, the Senior Citizens Service Board should ensure any board member with an interest in an NFP that receives board funds abstain from voting and such action is disclosed in the board minutes.

- B. The Senior Citizens Service Board's published financial statements did not list disbursements by vendor. Only a summary of the amounts that passed through the County Treasurer were included in the county's published financial statements. Section 50.800, RSMo, requires detailed lists of disbursements by vendor. For the published financial statements to adequately inform the citizens of the Senior Citizens Service Board's financial activities, all information required by law should be included.

WE RECOMMEND the Senior Citizens Service Board:

- A.1. Ensure board meeting minutes are signed by the preparer and the board president to attest to their completeness and accuracy.
2. Ensure board members with an interest in a NFP that receives board funds abstain from voting on such action and board minutes clearly indicate individual votes, including any member who abstains.
- B. Ensure that published financial statements are adequately detailed as required by law.

AUDITEE'S RESPONSE

The Senior Citizens Service Board provided the following response:

We concur and will comply with the auditor's recommendation.

Follow-Up on Prior Audit Findings

STONE COUNTY
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002.

The prior recommendations which have not been implemented are repeated in the current MAR.

1. Payroll and Personnel Procedures

- A. Time sheets or other records of actual time worked were not maintained by some salaried employees, and time sheets prepared by some hourly-paid employees did not include documentation of supervisory approval.
- B. Compensation paid to two employees of the County Clerk's office for time spent preparing the county's published financial statement, and compensation paid to a seasonal employee in the County Collector's office were not processed through the county's payroll system. As a result, payroll taxes were not withheld and the compensation was not reported on the employees' W-2 forms.

Recommendation:

The County Commission:

- A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure all salary payments and wages are subject to payroll withholdings and reported on W-2 forms.

Status:

- A. Partially implemented. The County Commission has categorized salaried employees as exempt employees under the Fair Labor Standards Act in the county's personnel policy, and does not require time sheets for these employees. However, documentation of leave earned and used was not adequately maintained for these employees. See MAR finding number 6. Additionally, all time sheets we reviewed were approved by supervisors.
- B. Not implemented. See MAR finding number 6.

2. Road and Bridge

- A. Fuel usage logs were not reconciled to fuel purchased.
- B. Three road and bridge foremen and two administrative clerks used county vehicles to commute between home and work; however, records of mileage incurred on the county vehicles for commuting purposes were not maintained and reported in compliance with IRS guidelines.

Recommendation:

The County Commission:

- A. Reconcile fuel purchased to fuel usage and investigate any differences.
- B. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

Status:

Not implemented. See MAR finding number 5.

3. General Fixed Assets

Fixed asset inventories were not always completed annually, and the inventory listings did not always include information applicable to the item, such as cost and date of acquisition. Additions to the inventory listing were not reconciled to equipment expenditures to ensure all fixed assets were properly recorded.

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 the necessary definitions, address important dates, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property.

Status:

Partially implemented. While the county has developed a policy, the policy is not always followed. See MAR finding number 7.

4. County Collector's Procedures

- A. The annual settlements prepared by the County Collector were not always complete and accurate. In addition, the account book maintained by the County Clerk was not used to review or verify the accuracy of the County Collector's annual settlements.
- B. The County Collector did not prepare a formal reconciliation indicating checks outstanding and deposits in transit. As a result, there were small unidentified balances in some of the bank accounts.
- C. The Collector had an old bank account that was no longer used which had outstanding checks and accumulated interest totaling \$1,423.

Recommendation:

The County Collector:

- A. File complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.
- B. Reconcile the bank accounts monthly and investigate and resolve the differences between bank records and internal accounting records.
- C. Close the inactive bank account and distribute any monies which can be identified to the appropriate parties. Any monies which cannot be identified should be remitted to the state Unclaimed Property Section or the county Unclaimed Fees Fund.

Status:

- A. Not implemented. See MAR finding number 2.
- B&C. Implemented.

5. Assessor's Accounting Controls and Procedures

- A. Receipts were not always transmitted to the County Treasurer intact and on a timely basis. Some cash receipts were used for a change fund; however, the change fund was not maintained at a constant amount. In addition, no reconciliation of receipt slips to the amount and composition of monies transmitted to the County Treasurer was performed by the County Assessor.
- B. Checks were not restrictively endorsed immediately upon receipt.

- C. The duties of receiving, recording, and transmitting monies to the County Treasurer were not adequately segregated.

Recommendation:

The Assessor:

- A. Transmit all monies received to the County Treasurer intact and reconcile monies transmitted to receipt records. If a change fund is needed it should be maintained at a constant amount. In addition, monies should be transmitted to the County Treasurer daily or when accumulated receipts exceed \$100.
- B. Restrictively endorse checks immediately upon receipt.
- C. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.

Status:

Implemented.

6. Prosecuting Attorney's Records and Procedures

- A. The duties of collecting, recording, depositing, and disbursing all monies were not adequately segregated.
- B. The Prosecuting Attorney's staff only prepared bank reconciliations every two or three months and the open items listing was not prepared and reconciled to the cash balance. At our request, an open items listing was prepared and all but \$92 of the \$41,945 December 31, 2002, balance was identified with a specific case.
- C. The Prosecuting Attorney's bank accounts had numerous checks which had been outstanding more than one year.
- D. There was no statutory authority for the Prosecuting Attorney to maintain custody of the Child Assessment Center Grant account and the County Commission was not a party to the grant contract with the Department of Family Services.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.

- B. Prepare bank reconciliations for all accounts on a monthly basis, prepare monthly listings of open items, and reconcile to the cash balance, and attempt to identify the unidentified amount.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- D. Ensure the County Commission is a party to the Child Assessment Center Grant contract and turn over the proceeds of the Child Assessment Center Grant Fund to the County Treasurer.

Status:

A,B,
&C. Not implemented. See MAR finding number 9.

D. Implemented.

7. Sheriff Board Bill Procedures

The Sheriff's department did not routinely compare prisoner board bills to subsequent payments. In addition, the Sheriff had no formal follow-up procedures for unpaid board bills.

Recommendation:

The Sheriff compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.

Status:

Implemented.

8 Health Center

- A.1. The responsibilities of recording and depositing receipts, reconciliations, and preparing and signing checks were not adequately segregated.
 - 2. Receipt slips were not issued for some monies received and monies received were not always deposited intact in a timely manner.
- B. Budgets prepared by the health center were not accurate and complete.

Recommendation:

The Health Center Board of Trustees:

- A.1. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of receipts and deposits and monthly bank reconciliations should be performed and documented.
2. Require prenumbered receipt slips be issued for all monies received and the composition of receipts reconciled to deposits. In addition, ensure all monies are deposited intact daily or when accumulated receipts exceed \$100.
- B. Ensure the budget is prepared accurately to reflect the financial activity and cash balances of the health center.

Status:

The health center was not included in the scope of the current Stone County audit pursuant to Attorney General's Opinion No. 87, 2007, to Montee.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STONE COUNTY
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Stone was named after William Stone, a pioneer judge of Taney County. Stone County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Galena.

Stone 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 582 miles of county roads and 24 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 15,587 in 1980 and 28,658 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	325.3	309.6	273.1	261.6	82.6	26.7
Personal property		86.2	85.5	78.2	78.3	20.2	13.3
Railroad and utilities		13.0	13.0	13.5	14.0	5.5	4.3
Total	\$	424.5	408.1	364.8	353.9	108.3	44.3

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$.1300	.1300	.1300	.1300
Senior Citizens Services Fund		.0480	.0480	.0494	.0494

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

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 130,078	124,052	112,625	109,376
General Revenue Fund	573,896	548,267	496,345	483,221
Special Road and Bridge Fund	5,086	4,966	4,257	4,336
Assessment Fund	240,271	229,853	200,452	178,710
Health center	335,571	320,571	298,831	290,559
Senior Citizens Service Fund	202,693	193,548	180,659	175,508
School districts	16,297,764	15,432,868	13,773,581	12,860,157
Library district	418,702	281,488	262,273	255,056
Fire protection district	268,073	252,574	282,577	753,087
Junior college	21,456	20,493	19,625	17,345
Neighborhood Improvement				
Districts Fund	710,436	1,075,203	650,392	785,078
Community improvement district	3,205	0	0	0
Cities	41,448	36,402	34,444	34,061
County Clerk	550	513	655	570
County Employees' Retirement Fund	115,517	112,435	105,605	106,520
Tax Maintenance Fund	40,491	46,012	38,437	42,627
Commissions and fees:				
General Revenue Fund	515,750	465,462	425,650	402,227
Total	\$ 19,920,987	19,144,707	16,886,408	16,498,438

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
Real estate	92	93	92	92
Personal property	91	90	91	91
Railroad and utilities	100	99	100	100

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.00500	None	50	%
Road capital improvements	.00500	None	None	
Law enforcement	.00500	None	None	
Emergency 911	.00125	None	None	

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
George Cutbirth, Presiding Commissioner		31,700	31,700	31,700	31,700
Jerry Dodd, Associate Commissioner		29,700	29,700	29,700	29,700
Steve White, Associate Commissioner		29,700	29,700	29,700	29,700
Judy Berkstresser, County Clerk		45,000	45,000	45,000	45,000
Matt Selby, Prosecuting Attorney		96,000	96,000	96,000	96,000
Richard Hill, Sheriff		50,000	50,000	50,000	50,000
Kristi Stephens, County Treasurer		45,000	45,000	45,000	45,000
Garrick Stumpff, County Coroner		16,000	16,000	16,000	16,000
Wendy Metcalf, Public Administrator		45,000	45,000	45,000	45,000
Vicki May, County Collector, year ended February 28 (29),	45,000	45,000	45,000	45,000	
Allen Berkstresser, County Assessor (1), year ended August 31,		45,688	45,688	45,765	45,866
John Read, County Surveyor (2)					

(1) Includes \$688, \$688, \$765, and \$866 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.

(2) Compensation on a fee basis.

State-Paid Officials:

Cathy Shortt, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	47,300
Alan Blankenship, Associate Circuit Judge		96,000	96,000	96,000	92,000
William Kirsch, Associate Circuit Judge					4,000

In 1992, the county entered into a \$2.9 million cancelable lease for the purchase of the county law enforcement center. The 1992 lease was called in 1998 and the county subsequently entered into a \$3.66 million cancelable lease for further improvements to the county law enforcement center. Principal and interest payments are made from the General Revenue Fund. At December 31, 2006, the principal balance of the lease was \$2.5 million. If the county makes the minimum lease payments, the lease will be paid in full by 2017.