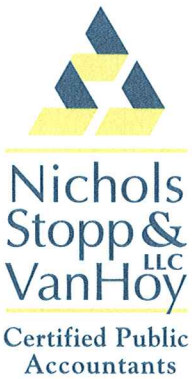
Franklin County, Missouri

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2013



Franklin County, Missouri
Table of Contents
For the year ended December 31, 2013

	Page
Report on Internal Control over Financial Statements and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary of Prior Year Audit Findings	13

Nichols Stopp & VanHoy LLC
Certified Public Accountants

10425 Old Olive Street Road, Suite 101
Creve Coeur, Missouri 63141

PHONE: 314-569-3800
FAX: 314-569-0020

www.nsvcpa.com

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
Franklin County, Missouri

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Missouri, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Franklin County, Missouri's basic financial statements and have issued our report thereon dated July 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Missouri's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2013-1, 2013-2, 2013-3, 2013-4, & 2013-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Franklin County, Missouri's Response to Findings

Franklin County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Franklin County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nichols, Stopp, & VanHoy, LLC

Creve Coeur, Missouri
July 17, 2014

Nichols Stopp & VanHoy LLC
Certified Public Accountants

10425 Old Olive Street Road, Suite 101
Creve Coeur, Missouri 63141

PHONE: 314-569-3800
FAX: 314-569-0020

www.nsvcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the County Commission
Franklin County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Franklin County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Franklin County, Missouri's major federal programs for the year ended December 31, 2013. Franklin County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Franklin County, Missouri'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin County, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of Franklin County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not

express an opinion on the effectiveness of Franklin County, Missouri's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Missouri, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Franklin County, Missouri's basic financial statements. We issued our report thereon dated July 17, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nichols, Stopp, & VanHoy, LLC

Creve Coeur, Missouri
July 17, 2014

FRANKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Number	Expenditures
U.S. Department of Transportation			
Passed through Missouri Highway and Transportation Department:			
Highway Planning and Construction	20.205	STP-5489(605)	$ 573,023
Highway Planning and Construction	20.205	STP-5489(603)	38,708
Highway Planning and Construction	20.205	STP-5489(606)	16,634
Highway Planning and Construction	20.205	STP-5489(608)	73,103
Highway Planning and Construction	20.205	STP-5490(613)	5,985
Highway Planning and Construction	20.205	STP-5489(604)	672,569
Highway Planning and Construction	20.205	STP-5490(612)	301,582
Highway Planning and Construction	20.205	STP-5489(607)	303,178
			1,984,782
Highway Safety Cluster:			
State and Community Highway Safety	20.600	14-PT-02-036	16,017
State and Community Highway Safety	20.600	13-PT-02-082	7,127
			23,144
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	14-K8-03-029	7,332
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	14-K8-03-030	22,352
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	13-K8-03-039	65,322
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	13-K8-03-038	20,673
			115,679
Passed through University of Central Missouri:			
State and Community Highway Safety	20.600	13-OP-05-0003	3,463
Alcohol Open Container Requirements	20.607	13-154-AL-074	2,000
Child Safety and Child Booster Seats Incentive Grants	20.613	13-K3-05-003	2,400
Total Highway Safety Cluster			146,686
Total U.S. Department Of Transportation			2,131,468
U.S. Election Assistance Commission			
Passed through Missouri Secretary of State:			
Help America Vote Act Requirements Payments	90.401	-	14,136
Help America Vote Act	39.011	-	12,473
Total U.S. Election Assistance Commission			26,609

FRANKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Number	Expenditures
U.S. Department of Health and Human Services			
Passed through Missouri Department of Social Services:			
Child Support Enforcement (IV-D)	93.563	-	113,104
Child Care and Development Block Grant	93.575	ERS220-11035/14030	5,965
Passed through Missouri Department of Health and Senior Services:			
Public Health Emergency Preparedness	93.069	AOC12380133	22,086
Public Health Emergency Preparedness	93.069	AOC12380128	114,118
			136,204
Maternal and Child Health Services Block Grant	93.994	AOC13380053	35,328
Children's Health Insurance Program	93.767	AOC13380047	181,400
Total U.S. Department Of Health And Human Services			472,001
U.S. Department of Justice			
Passed through Missouri Department of Public Safety:			
Violence Against Women Formula Grant	16.588	2011-VAWA-021	32,422
Edward Bryne Memorial Justice Assistance Grant	16.738	2012-JAG-006	25,688
Edward Bryne Memorial Justice Assistance Grant	16.738	2011-JAG-006	51,986
Edward Bryne Memorial Justice Assistance Grant	16.738	201-LLEBG-023	8,505
			86,179
Passed through St. Charles County Sheriff's Department:			
Missing Children's Assistance	16.543	-	40,272
Bulletproof Vest Partnership	16.607	-	23,048
Total U.S. Department Of Justice			181,921
U.S. Department of Agriculture			
Passed through Missouri Department of Health and Senior Services:			
Special Supplemental Nutrition Program For women, Infants, and Children	10.557	ERS045-1313S	171,072
Special Supplemental Nutrition Program For women, Infants, and Children	10.557	ERS045-1413S	50,207
			221,279
Summer Food Service Program for Children	10.559	-	390
Total U.S. Department Of Agriculture			221,669

FRANKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Number	Expenditures
U.S. Department of Commerce			
Economic Adjustment Assistance	11.307	-	39,488
U.S. Department of Housing and Urban Development			
Passed through Missouri Department of Economic Development:			
Community Development Block Grant	14.228	-	2,762
Community Development Block Grant	14.228	2008-D1-21	14,899
Total U.S. Department Of Housing And Urban Development			17,661
U.S. Department of Homeland Security			
Passed through Missouri Emergency Management Agency:			
Emergency Management Performance Grant	97.042	EMW-2012-EP-00018-S01	4,500
Emergency Management Performance Grant	97.042		54,013
			58,513
Passed through Missouri Office Of Homeland Security:			
Homeland Security Grant Program	97.067	2010-SS-TO-0039	94,000
Total U.S. Department Of Homeland Security			152,513
U.S. Office of National Drug Control Policy			
Passed through Missouri Highway Patrol:			
High Intensity Drug Trafficking Areas Program	95.001	G12MW0001A	3,934
High Intensity Drug Trafficking Areas Program	95.001	G13MW0001A	104,168
Total U.S. Office Of National Drug Control Policy			108,102
Total Awards Expended			$3,351,432

Franklin County, Missouri
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies

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, Audits of States, Local Governments and Non-Profit Organizations*. 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 number is not available.

This schedule includes all federal awards administered by Franklin County, Missouri.

Basis of Presentation

OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations 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.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note A of the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Subrecipients

Franklin County, Missouri provided no federal awards to subrecipients during the year ended December 31, 2013.

Franklin County, Missouri
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	Yes	X	No
Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes	____	None Reported
Any noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	____	Yes	X	No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?	____	Yes	X	No

Section 2 - Financial Statement Findings

2013-1 ***Condition:*** Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated, and operating effectively.

Cause: Management has not prepared documentation of internal controls.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: COSO (Committee of Sponsoring Organizations) provides various tools and manuals for instruction pertaining to internal controls. The Commission will acquire the necessary COSO Tools and manuals and will share them with all County offices to insure that proper procedures are in place and utilized. Appropriated policies will be added by the various offices and departments to supplement policies currently in place.

2013-2 ***Condition:*** During our audit, we noted that the County does not have adequate controls over the review and approval of payroll. Currently, payroll reports are not being closely reviewed for accuracy or adequately approved for employees' pay rates and hours prior to the payroll disbursement being made.

Effect: Without the adequate review and approval of payroll reports, inaccurate or fraudulent payroll disbursements might occur.

Cause: Management has not implemented adequate controls over the review and approval of payroll.

Recommendation: We recommend that the County develop internal control processes to ensure payroll reports are being thoroughly reviewed and approved prior to the disbursement of payroll.

Management's Response: The foundation of any viable payroll policy is the first line supervisors. Training will be implemented and repeated as necessary to insure that all supervisors are aware of the importance of accurately submitting and verifying hours worked by each employee.

The County Clerk has been requested to provide a detailed explanation of the control procedures currently in place as well as those which are planned to be implemented regarding payroll procedures. Such report will be provided immediately upon completion.

Section 2 - Financial Statement Findings (continued)

2013-3 ***Condition:*** During our audit, we noted that the County does not have controls in place to ensure that the County Auditor, Treasurer, and County Clerk's signatures, which are required on all checks, have been approved by those office holders prior to his or her signatures being electronically imprinted on cash disbursement checks.

Effect: Without these controls in place, cash disbursements could be made without the knowledge of those officer holders who have check signing privileges.

Cause: Management has not implemented controls on electronically imprinted signatures on cash disbursement checks.

Recommendation: We recommend that the County implement controls to ensure those office holders whose signatures are required on cash disbursement checks cannot be electronically imprinted without the knowledge of the respective office holders.

Management's Response: The County Auditor and County Clerk will be requested to survey the County to determine which electronic signatures are currently being used. Such list will then be cross-referenced to insure that all electronic signatures are in compliance with Missouri law.

The County Treasurer is implementing an automated fraud detection tool offered by the County's depository. In addition, the County Commission has directed that a county wide purchasing and bidding policy be prepared. The purchasing policy is in the final stages of the vetting process. Once adopted, no payment will be permitted which is not in compliance with such policy. The purchasing policy, in conjunction with the fraud detection tool should provide a comprehensive system to insure that electronic signatures are used appropriately.

2013-4 ***Condition:*** During our audit, we became aware that County failed to report personal benefits for commuting and other personal mileage on the W-2's of employees who are eligible to use County vehicles . Also, County employees who have the use of County vehicles have been using the vehicles for personal reasons while not on official County business.

Effect: Because the County does not include the personal benefits on the employees' W-2's, the County is not in compliance with the Internal Revenue Code. There could also be potentially liable for any accidents that occur while an employee is using a County vehicle while not on official County business.

Cause: The County does not have a formal policy on the personal use of County vehicles.

Recommendation: We recommend that the County implement policies over the personal use of County vehicles, and consult with a tax advisor regarding the inclusion of personal benefits on employees' W-2's.

Management's Response: Franklin County currently has in place a motor vehicle use policy. Certain employees are already being taxed on the benefits provided through the vehicle use policy. The County Counselor has been directed to obtain the necessary tax advice to insure that the existing policy is in compliance with both state and federal tax codes. Once the policy has been revised as necessary each individual who is provided a county vehicle will be classified appropriately to insure that applicable benefits are taxed.

Section 2 - Financial Statement Findings (continued)

2013-5 ***Condition:*** During our audit, we noted that no controls were implemented to ensure that the assessed valuation of real estate and personal property is reconciled between the Collector's office and Assessor's office. Due to this lack of reconciliation of assessed valuation being performed, tax abatements have been occurring in the Collector's office without following the proper approval process.

Effect: Without a process of reconciliation of assessed valuation between the Collector's office and Assessor's office, erroneous or fraudulent tax abatements may occur and not be caught in a timely manner.

Cause: Because the Collector's and Assessor's software are not integrated, tax abatements can and must be manually entered into the Collector's software. The issue has occurred due to this lack of integrated software and the fact the County has not implemented controls to reconcile the assessed valuation between Collector's office and Assessor's office.

Recommendation: We recommend the County upgrade the software in the Collector's office with software that integrates with the Assessor's software. The software should not allow any changes to be made to assessed valuation by the Collector or Collector's staff. All tax abatements should be initiated by the Assessor, follow the proper approval process, and be electronically transmitted to the Collector's software once approved. If the County does not implement integrated software in the Collector's office, the County must design and implement controls to reconcile the assessed valuation between the Collector's office and Assessor's office on at least a quarterly basis.

Management's Response: The County Commission believes that this finding is the most disturbing finding submitted. An ongoing problem has been the inability of the software systems utilized by the Assessor and Collector to communicate. This situation must be remedied. Because of the seriousness of this problem the County Commission is directing that the Collector determine and inform the County Commission and the County Auditor no later than September 1, 2014, an estimated cost of the software necessary to insure that the Collector's software is compatible with the software utilized by the Assessor.

In addition, the County Counselor is directed to prepare a summary of Missouri law as to how fair market value of property is determined and how such value can be adjusted or abated in accordance with Missouri. A copy of such summary shall be submitted to the Collector and Assessor in order to prevent any additional improper adjustments of taxes owed by taxpayers.

Section 3 - Federal Award Findings and Questioned Cost

None

Franklin County, Missouri
Summary of Prior Year Findings
For the year ended December 31, 2013

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Franklin County, Missouri, on the applicable findings in the prior audit report issued for the year ended December 31, 2012.

Financial Statement Findings - Prior Year

No financial statement findings for the year ended December 31, 2012.

Federal Award Findings and Questioned Costs - Prior Year

No federal award findings or questioned costs for the year ended December 31, 2012.