

Franklin County, Missouri

Single Audit Report

For the year ended December 31, 2016



Franklin County, Missouri
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For the year ended December 31, 2016

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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, 2016, 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 June 27, 2017.

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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency: 2016-001.

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

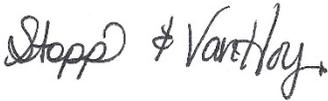
with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Franklin County, Missouri's Response to Findings

Franklin County, Missouri's response to the findings identified in our audit are 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.



Creve Coeur, Missouri
June 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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.

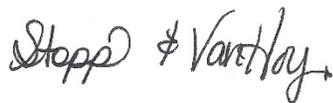
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise Franklin County, Missouri's basic financial statements. We issued our report thereon dated June 27, 2017, 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 the Uniform Guidance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Creve Coeur, Missouri
June 27, 2017

FRANKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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	BRM-9900(638)	\$ 661,463
Highway Planning and Construction	20.205	STP-9901(626)	41,950
Highway Planning and Construction	20.205	STP-5489(606)	218,823
Highway Planning and Construction	20.205	BRO-B036-(31)	<u>23,861</u>
			<u>946,097</u>
Alcohol Open Container Requirements	20.607	16-154-AL-148	7,860
Alcohol Open Container Requirements	20.607	17-154-AL-024	2,266
Alcohol Open Container Requirements	20.607	17-154-AL-025	1,188
Passed through University of Central Missouri:			
Alcohol Open Container Requirements	20.607	16-154-AL-141	<u>2,973</u>
Total Alcohol Open Container Requirements			<u>14,287</u>
Highway Safety Cluster:			
Passed through Missouri Highway and Transportation Department:			
State and Community Highway Safety	20.600	16-PT-02-032	18,730
State and Community Highway Safety	20.600	16-OP-05-002	4,900
State and Community Highway Safety	20.600	17-PT-02-128	<u>6,986</u>
			<u>30,616</u>
National Priority Safety Programs	20.616	17-M5HVE-03-003	14,403
National Priority Safety Programs	20.616	16-M5HVE-03-017	30,015
National Priority Safety Programs	20.616	16-M5HVE-03-020	75,022
National Priority Safety Programs	20.616	16-M5HVE-03-019	5,769
National Priority Safety Programs	20.616	16-M5HVE-03-018	60,535
Passed through University of Central Missouri:			
National Priority Safety Programs	20.616	16-M2OP-05-006	3,614
National Priority Safety Programs	20.616	16-M2HVE-05-001	511
National Priority Safety Programs	20.616	17-M5HVE-03-022	<u>1,318</u>
Total National Priority Safety Programs			<u>191,187</u>
Total Highway Safety Cluster			<u>221,803</u>
Passed through Missouri Emergency Management Agency:			
Hazardous Materials Emergency Preparedness	20.703	-	<u>900</u>
Total U.S. Department Of Transportation			<u>1,183,087</u>

(Continued)

FRANKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Passed through Missouri Department of Social Services:			
Child Support Enforcement (IV-D)	93.563	-	<u>151,755</u>
Child Care and Development Block Grant	93.575	ERS220-14030	7,020
Child Care and Development Block Grant	93.575	DH170009094	<u>610</u>
			<u>7,630</u>
Passed through Missouri Department of Health and Senior Services:			
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	AOC14380149	125,380
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	DH160009006	<u>4,554</u>
			<u>129,934</u>
Public Health Emergency Preparedness	93.069	AOC14380148	<u>17,121</u>
Maternal and Child Health Services Block Grant	93.994	AOC15380077	<u>39,140</u>
Children's Health Insurance Program	93.767	AOC15380266	<u>176,542</u>
Total U.S. Department Of Health And Human Services			<u>522,122</u>
U.S. Department of Justice			
Equitable Sharing Program	16.922	-	<u>35,246</u>
Passed through Missouri Department of Public Safety:			
Violence Against Women Formula Grant	16.588	2012-VAWA-008	<u>36,267</u>
Crime Victim Assistance	16.575	16-VOCA-115-MO	<u>9,162</u>
Edward Bryne Memorial Justice Assistance Grant	16.738	2014-JAG-009	51,294
Edward Bryne Memorial Justice Assistance Grant	16.738	2015-JAG-008	<u>10,398</u>
			<u>61,692</u>
Total U.S. Department Of Justice			<u>142,367</u>
U.S. Department of Commerce			
Economic Adjustment Assistance	11.307	-	<u>4,863</u>

(Continued)

FRANKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
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	ERS045-16063	212,125
Special Supplemental Nutrition Program For women, Infants, and Children	10.557	17WIC-FOA	<u>61,409</u>
Total U.S. Department Of Agriculture			<u>273,534</u>
U.S. Department of Housing and Urban Development			
Passed through Missouri Department of Economic Development:			
Community Development Block Grant	14.228	2011-PF-15	21,037
Community Development Block Grant	14.228	-	<u>705</u>
Total U.S. Department Of Housing And Urban Development			<u>21,742</u>
U.S. Department of Homeland Security			
Passed through Missouri Emergency Management Agency:			
Emergency Management Performance Grant	97.042	EP-00004-038	54,524
Disaster Grants – Public Assistance	97.036	FEMA-4250-DR-MO	<u>473,665</u>
Total U.S. Department Of Homeland Security			<u>528,189</u>
U.S. Office of National Drug Control Policy			
Passed through Missouri Highway Patrol:			
High Intensity Drug Trafficking Areas Program	95.001	G15MW0001A	299
High Intensity Drug Trafficking Areas Program	95.001	G16MW0001A	<u>124,478</u>
Total U.S. Office Of National Drug Control Policy			<u>124,777</u>
U.S. Election Assistance Commission			
Passed through Missouri Secretary of State			
Help America Vote Act	39.011	-	14,266
Help America Vote Act Requirement Payments	90.401	-	<u>12,709</u>
Total U.S. Election Assistance Commission			<u>26,975</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226	-	<u>1,764</u>
Total Awards Expended			<u>\$2,829,420</u>

(Continued)

Franklin County, Missouri
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2016

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Uniform Guidance 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

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Franklin County, Missouri has not elected to use the 10% de minimis indirect cost rate.

Note 2 - Subrecipients

Franklin County, Missouri provided no federal awards to subrecipients during the year ended December 31, 2016.

Franklin County, Missouri
Schedule of Findings and Questioned Costs
For the year ended December 31, 2016

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 2 CFR section 200.516(a)? _____ Yes X No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Franklin County, Missouri
Schedule of Findings and Questioned Costs
For the year ended December 31, 2016

Section 2 - Financial Statement Findings

2016-001 **Condition:** During our audit, we noted that the controls put in place to ensure assessed valuation of personal and real property reconcile between the Collector's office and Assessor's office were not being performed on a regular basis. Due to this lack of regular reconciliation of assessed valuation, tax abatements may be occurring in the Collector's office without following the proper approval process.

Criteria: Strong internal controls over property tax require the assessed valuation of property tax be reconciled between the Collector's office and the Assessor's office when the Collector's office has the ability to make changes to assessed valuations.

Effect: Without a regular 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 of real property between the 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 of real property between the Collector's office and Assessor's office on at least a quarterly basis.

Management's Response: The Franklin County Commission is unanimously committed to funding a permanent solution to the computer software and hardware integration between the assessor's and collector's offices in the upcoming Fiscal Year 2018 budget. The contact person for this finding is the County Commission (636) 583-6358.

Section 3 - Federal Award Findings and Questioned Cost

None

Franklin County, Missouri
Summary of Prior Year Findings
For the year ended December 31, 2016

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, 2015.

Financial Statement Findings - Prior Year

2015-001 **Condition:** During our audit, we noted that no controls were implemented to ensure that the assessed valuation of real 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 may be occurring in the Collector's office without following the proper approval process.

Criteria: Strong internal controls over property tax require the assessed valuation of property tax be reconciled between the Collector's office and the Assessor's office when the Collector's office has the ability to make changes to assessed valuations.

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 of real property between the 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 of real property between the Collector's office and Assessor's office on at least a quarterly basis.

Management's Response: The "Management" of Franklin County, being vested by Missouri in the County Commission, has directed the IT Department to once per quarter select real property and personal property data as of a given date from both Assessor's Office and the Collector's Office and shall compare same. If no discrepancies between the data are found the IT Department shall provide a report to the Assessor's Office and the Collector's Office stating such. A copy of such shall be provided to the County Commission and the Auditor. If any discrepancy is found the IT Department shall notify the Assessor, Collector, County Commission and Auditor of such discrepancies and shall advise the Assessor and Collector that such discrepancies must be corrected within seven days. The IT Department shall perform a follow-up examination immediately after the expiration of the seven day correction period. If the discrepancies are corrected the IT Department shall so notify the offices involved and the County Commission shall convene a meeting with the Collector, Assessor and IT Department to explore available remedies. The contact person for this finding is the County Auditor (636) 583-6350.

Status: The County has implemented a process in which to reconcile the assessed valuation of personal property and real property between the Collector's office and the Assessor's office. It was noted during our audit this process has not been performed on a regular basis, therefore, this finding will be repeated in the current year as finding 2016-001.

Federal Award Findings and Questioned Costs - Prior Year

No federal award findings or questioned costs for the year ended December 31, 2015.