



Thomas A. Schweich
Missouri State Auditor

Village of Country Club



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Village of Country Club

Street Repair and Funding

Village streets are in poor condition, and village officials have not established a separate fund for, nor have they separately tracked the balance of, restricted street monies. During the 6 years ended December 31, 2013, the village received \$456,000 in motor vehicle-related fees from the state and \$293,000 in sales tax revenue. The Missouri Constitution limits state motor vehicle-related revenues to road and street purposes, and it is unclear whether the sales tax is restricted to street improvement. The village deposits these revenues in the General Fund and does not identify or restrict the unspent portions. In response to residents' concerns, the village prepared spreadsheets, with assistance from its independent auditor, to show how these restricted revenues were spent. Only \$213,000 of the nearly \$750,000 was clearly spent on street-related expenses. The balance (over \$530,000) appears to have been allocated in an unallowable and/or unreasonable manner. For example, 65 percent of salaries, fringe benefits, insurance, training, and other costs related to the police department are allocated to these restricted revenues, and other expenses were allocated with no justification for the percentages used or how they were street-related. Complicating matters, the village did not retain the original ballot supporting passage of the 1/2 cent sales tax from April 1999, so it is unclear what the voters actually approved. Minutes from one board meeting indicate the sales tax was to be restricted for road improvements, but minutes from another meeting make no mention of such a restriction, and the ordinance signed by the Board does not contain a restriction. The proposed ballot language published in the newspaper in January of 1999 does not mention a restriction, but the language published in March and April of 1999 says the tax is to be limited to street repairs. Finally, the village should develop a formal annual maintenance plan for village streets.

Wastewater System

As of December 31, 2013, the village had spent \$150,164 from the General Revenue Fund to pay wastewater treatment plant project expenses, but the village does not have a payment plan or time frame for repayment of this loan. Village officials did not properly monitor construction costs and overpaid a contractor \$25,664, and the Board did not approve a change totaling \$146,455. The village has not developed adequate procedures regarding handling and accounting for delinquent wastewater accounts, and the delinquent account balances continue to grow monthly. Village ordinance states the village will contact the provider to shut off services if bills are more than 30 days past due, but the village has not initiated shut off procedures for any delinquent customers nor attempted to collect on the \$116,973 in amounts delinquent over 30 days as of January 31, 2014. The village adds a \$10 surcharge to wastewater bills but does not track these monies (\$51,443 in 2013) and cannot determine if they are spent for sewer maintenance in accordance with the village ordinance.

Disbursements	The village does not have a written contract with, or charge a fee to, the local fire protection district for services provided, and does not have written contracts with some service providers. The village has not always solicited bids as required by village ordinance and paid some disbursements electronically without Board approval. The village did not obtain adequate documentation to support some disbursements, including \$596 per month to reimburse the Police Chief for health insurance, \$500 to reimburse the Police Chief for ammunition, and \$2,500 to a home owners' association for road repair. Procedures were not adequate to prevent duplicate payments, late fees and finance charges, and unnecessary payment of sales taxes on purchases.
Accounting Records and Procedures	The Board has not segregated accounting duties, and there was not adequate independent oversight of the work of the Village Clerk. The Village Clerk kept inaccurate records, did not perform bank reconciliations, and did not maintain a running balance of accounts. There is no independent review of the credit card statements or supporting documentation to ensure purchases are reasonable, and the village needs to improve its receiving and depositing procedures.
Budgets	The 2014 and 2013 budgets were missing elements required by law, and the village did not hold a public hearing on the adoption of the budgets. The Wastewater Treatment Plant Fund was budgeted as part of General Fund operations for 2014, and no budget was prepared for this fund in 2013.
Ordinances and Sunshine Law Issues	The Board Secretary or a Board member did not sign some minutes, and no one prepared minutes for some committee meetings. Some topics discussed in closed meetings were not allowable or were not subsequently disclosed in open meetings. In a closed meeting, the Board voted to change the village hall office hours, approved a pay increase for a police officer, and retroactively recognized the Police Chief as a full-time employee. The Board also voted and approved a settlement agreement with an employee in a closed meeting and did not subsequently make the settlement agreement public.

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

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

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

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of Country Club, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Country Club. We have audited certain operations of the village in fulfillment of our duties. The village engaged Troutt, Beeman & Co., P.C., Certified Public Accountants (CPAs), to audit the village's financial statements for the year ended December 31, 2013. To minimize duplication of effort, we reviewed the report of Kevin G. Hudson, CPA, for the year ended December 31, 2012, audit, since the year ended December 31, 2013, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2013. The objectives of our audit were to:

1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Country Club.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Director of Audits:	Regina Pruitt, CPA
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Village of Country Club Management Advisory Report State Auditor's Findings

1. Street Repair and Funding

The village has not used available restricted monies to adequately repair its streets and did not retain the original ballot language for a 1/2 cent sales tax leading to confusion as to the proper use of these monies. In addition, the village has not developed a formal maintenance plan.

1.1 Restricted street monies

Village streets are in poor condition and village officials have not established a separate fund for, nor have they separately tracked the balance of, restricted street monies. We observed village streets in various states of disrepair, noting numerous potholes, cracking and crumbling pavement, and several areas where water pooled during heavy rain. During the 6 years ending December 31, 2013, the village received almost \$750,000 in revenue from motor vehicle-related fees from the state (approximately \$456,000) and sales tax (approximately \$293,000). The motor vehicle-related fees are restricted by the Missouri Constitution to road and street related purposes, and it is unclear whether the sales tax revenue is legally restricted (see section 1.2), although based on the village officials actions, it appears the intent was to restrict the sales tax. These monies are deposited in the General Fund and the unspent portions are not identified or restricted.

After residents expressed concerns, village officials consulted with their independent financial statement auditor and prepared spreadsheets for 2008 through 2013 to show how these restricted revenues were spent. These spreadsheets documented only \$213,000 in disbursements that were clearly street related, including \$78,000 for street repairs, \$111,000 on snow/ice removal; and \$24,000 for streets signs, street lights, and auto repairs/maintenance. All or a percentage of various other disbursements were then listed in the spreadsheet to justify how the remaining monies (over \$530,000) was spent. Some items and amounts allocated on these spreadsheets raised concerns and do not appear allowable and/or reasonable.

These spreadsheets were prepared to demonstrate that motor vehicle-related fees and the sales tax revenues have been spent for street related purposes, but adequate documentation was not maintained to support how the percentages were determined and if they were reasonable. The Village Clerk, Police Chief and Deputy Chief, with assistance from the village's independent auditor, determined percentages to allocate for various village costs, based on estimates of their workload, rather than based on actual time and examining the use of services and supplies by various funds. These costs included employees' salaries, police vehicle operating and maintenance, payroll taxes, several types of insurance, mowing, and legal fees, among others. The percentages allocated ranged from 20 percent to 100 percent. For example, the spreadsheet for 2013 shows 65 percent of salaries, fringe benefits, insurance, training, and other costs related to the police department were allocated to these restricted revenues. Numerous other disbursements were allocated with no justification for the percentages used or how they were street related. In an attempt to justify the large



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amount of general law enforcement expenses allocated to these restricted revenues, the state representative for the district in which the village is located requested assistance from the Attorney General's office regarding the use of the constitutionally restricted motor vehicle-related fees received by the village. The response provided does not support the uses of these funds in the manner the village has been using them.

To ensure restricted monies are spent appropriately and disbursements are allocated to various funds in proportion to the benefits received, the village should ensure the allocation of costs is reasonable and supported by adequate documentation. Article IV, Section 30, Missouri Constitution, requires motor vehicle-related revenues apportioned by the state of Missouri be expended for street purposes only. In addition, in March 2013 the Attorney General issued a letter concluding "the motor vehicle fuel tax monies may not be used for law enforcement purposes in general. Only that portion of law enforcement engaged in keeping the roads controlled, regulated, and in good order may be funded with these monies."

1.2 Sales tax

The village did not retain the actual ballot language supporting the passage of a 1/2 cent sales tax voted on during the April 6, 1999, election. Without this information it is unclear what the voters actually approved. This problem has led to debates amongst village officials and citizens related to the proper use of these monies (see section 1.1).

During our review, we noted the December 8, 1998, meeting minutes document the Board of Trustees (Board) approval of a 1/2 cent sales tax for road improvements. However, the meeting minutes from January 12, 1999, indicate Ordinance No. 327 was passed approving the 1/2 cent sales tax and the ballot language, but the minutes provided no indication the sales tax was to be used for road improvements. In addition, the ordinance signed by the Board does not restrict the sales tax revenues for road improvements.

We also reviewed an initial affidavit of publication of the ordinance and proposed ballot language published in the local newspaper on January 21, 1999. There was no indication these revenues would be restricted. However, another affidavit of publication of the proposed ballot language published in the local newspaper on March 25, 1999, and April 1, 1999, has a restriction on the 1/2 cent sales tax for street repairs.

Current village officials indicate they believe the Board's intent at that time was not to restrict the tax for road improvements and they provided the official ordinance as evidence. Village citizens contend they voted on the tax because it was to be used for street repairs as evidenced by the second published proposed ballot language. Spreadsheets showing allocations of restricted street revenues prepared by village officials (see section 1.1) included these sales tax revenues, indicating the Board's intent to spend



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these funds on street-related purposes. The Board did not seek a legal opinion on the potential restrictions on these sales tax revenues and it is unclear if the current Board intends for these revenues to be restricted. Because it is unclear what ballot language village residents voted on and approved, it is not known if use of these monies is restricted.

The Secretary of State's office provides guidelines on record retention. It is the responsibility of local governments to maintain and manage records to ensure their preservation, especially records of a permanent nature.

To resolve the dispute, it is imperative the Board evaluate and make a decision regarding the sales tax monies. The Board needs to seek the opinion of legal counsel, solicit citizen input, and determine how these sales tax monies will be used in the future. These actions and decisions should be documented and the Board should ensure future use of the sales tax monies is consistent with decisions made.

1.3 Street maintenance plan

The village has not developed a formal annual maintenance plan for village streets. As indicated in section 1.1, village streets are in very poor condition and a relatively small amount of money has been spent to repair/replace village streets since 2008. As of April 2014, the village had selected an engineering firm to evaluate the condition of the roads and assess the improvements needed.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and approved by the Board. In addition, a public hearing should be held to obtain input from village citizens.

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 streets throughout the year.

Recommendations

The Board of Trustees:

- 1.1 Determine the balance of restricted street monies and establish a separate fund or a separate accounting of these monies as required by state law. In addition, if disbursements are to be allocated to the Street Fund, the methods used for the allocations should be supported by adequate documentation.



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- 1.2 Seek a legal opinion regarding restrictions on the uses of the sales tax, solicit citizen input on the issue, and determine how these monies will be handled in the future. In addition, ensure permanent records are properly retained and preserved.
- 1.3 Establish a formal annual maintenance plan for village streets.

Auditee's Response

The Board of Trustees provided the following written responses:

- 1.1 *We agree and the village is in the process of implementing the recommendation. Fund reports were created and are in use for 2014.*
- 1.2 *We agree and will implement this recommendation.*
- 1.3 *We agree. The process to implement this recommendation began in February 2014 after concerns were expressed by the auditors.*

2. Wastewater System

The village has not developed a repayment schedule to repay its General Fund for expenses paid during the construction of the new wastewater treatment plant. Village officials also did not approve all construction change orders and overpaid a construction contract. In addition, adequate procedures have not been developed to collect delinquent customer wastewater accounts.

The village began construction of a new wastewater treatment plant in 2011. The original bid for construction of the plant was \$3,625,376. The plant became fully operational in April 2013. The village contracts with an outside vendor for operation and maintenance of the wastewater plant. In addition, the village contracts with the city of St. Joseph to perform wastewater billings and collections. The village remains responsible for pursuing delinquent customer accounts.

2.1 Loans

It is unclear when the General Fund will be reimbursed for funds paid on behalf of, or transferred to the Wastewater Treatment Plant (WWTP) Fund, to pay for wastewater treatment plant project expenses.

On March 9, 2010, the Board approved resolution 2010-001 stating it would reimburse the General Fund for wastewater treatment plant project disbursements. Up to that point the General Fund had paid \$113,852 in wastewater treatment plant expenses. Since then an additional \$36,312 in wastewater treatment plant expenses have been paid from the General Fund, including \$21,000 in February 2013 to make a wastewater treatment plant debt service payment. As of December 31, 2013, \$150,164 had been spent on wastewater treatment plant disbursements from the General Fund. The village does not have a payment plan or time frame for repayment of the



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loan from the General Fund to the WWTP Fund. Village officials indicated the village plans to repay a portion of the loan with any monies remaining in the wastewater treatment plant construction account. As of January 31, 2014, approximately \$57,000 remained unspent in this account.

The village should develop a plan to repay the entirety of the General Fund loan in accordance with the Board approved resolution.

2.2 Construction disbursements and change orders

Village officials did not properly monitor wastewater treatment plant construction expenses, resulting in an overpayment to a contractor. In addition, the Board did not approve a change order made to the initial construction contract for the wastewater treatment plant project. These changes resulted in additional costs to the project.

The village twice paid \$25,664 for construction change orders No. 5 and No. 6. The Board approved these change orders. The total value of the construction contract with all change orders was \$3,881,708, but the contractor was paid \$3,907,372. Village officials were unaware of the overpayment until we discussed the issue with them. In addition, the Board did not approve change order No. 3, totaling \$146,455.

Proper monitoring of project costs is necessary to ensure village funds are properly disbursed. In addition, the Board should approve change orders for all significant changes to construction contracts to ensure any additional disbursements represent valid and appropriate costs to the district.

2.3 Delinquent accounts

The village has not developed adequate procedures regarding handling and accounting for delinquent wastewater accounts. As a result, a significant amount of wastewater fees have not been collected since collection began in August 2013 and the delinquent account balances continue to grow monthly. Wastewater billings currently exceed \$50,000 per month.

Village Ordinance No. 476 states the village will contact the provider to shut off services if bills become more than 30 days past due. However, the village has not initiated shut off procedures for any delinquent customers nor attempted to collect on these delinquent amounts. As of December 31, 2013, accounts delinquent for over 30 days totaled \$103,463. As of January 31, 2014, the delinquent balance had grown an additional \$13,510, to \$116,973 and included 174 of the 505 active accounts, or 34 percent. In addition, there were another 81 inactive accounts with delinquent balances totaling over \$26,000.

To help maximize utility revenues, procedures should be developed to ensure adequate steps are taken to collect delinquent accounts.

2.4 Restricted surcharge

The village has not established a separate fund for, nor have they separately tracked the balance of, the restricted surcharge added to wastewater bills. By



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ordinance, the village adds a \$10 surcharge to wastewater bills. These surcharges are currently comingled with other wastewater revenues in the WWTP Fund. The balance of unspent surcharges is not tracked and the village has no mechanism to determine if the surcharge collections are spent for sewer maintenance in accordance with the village ordinance. During the year ended December 31, 2013, the village collected \$51,443 in surcharges.

Village Ordinance No. 476 states the surcharge is imposed for the purpose of establishing an "Operations, Maintenance, and Replacement Fund" to be maintained in a separate checking account for this purpose.

Recommendations

The Board of Trustees:

- 2.1 Develop and implement a loan repayment schedule for amounts due to the General Fund from the WWTP Fund.
- 2.2 Request reimbursement of the overpayment to the construction contractor. In addition, the Board should ensure adequate monitoring of project costs is performed and documented on future projects and change orders are approved.
- 2.3 Follow village ordinance shut off procedures for delinquent wastewater accounts and establish policies and procedures regarding the collection of delinquent accounts.
- 2.4 Determine the balance of restricted wastewater monies and establish a separate fund or a separate accounting of these monies as required by village ordinance.

Auditee's Response

The Board of Trustees provided the following written responses:

- 2.1 *We agree and will implement this recommendation with advisement from our bond counsel.*
- 2.2 *We agree. The process to implement the recommendation began in March 2014 after this was brought to our attention by the auditors. As of September 2014 reimbursement has not been received and this matter has been turned over to the village attorney for resolution.*
- 2.3 *We agree. The village is in the process of implementing this recommendation.*
- 2.4 *We agree and will implement this recommendation.*



3. Disbursements

Weaknesses exist in controls and procedures over disbursements.

3.1 Written contracts

The village does not have a written contract with, or charge a fee to, the local fire protection district (FPD) for services provided for the district and does not have written contracts with some service providers.

- The village does not have a written contract with the FPD for services provided and does not require the FPD to reimburse the village for any expenses. The Village Clerk maintains the FPD's bank account, handles all its accounting duties (including preparing disbursements and financial reports), posts FPD meeting notices, and prepares district meeting minutes, etc. The village pays the clerk's salary for time spent performing these duties for the FPD. The Village Clerk does not track the amount of time spent performing these duties. The FPD has a separate Board and is considered a separate political subdivision. According to the Village Clerk, the FPD had revenues exceeding \$80,000 for the year ended December 31, 2013, and had a bank account balance of \$98,741 as of December 31, 2013.
- The village does not have a contract with the Andrew County Circuit Court to process the village's traffic tickets. The village paid \$3,338 for this service during 2013.
- The village does not have a contract with a mowing company receiving payments of approximately \$3,900 during 2013.
- The village last had a written contract in place with its attorney through December 31, 2009. Currently, the village is billed a \$500 monthly retainer for "reviewing, processing, and litigating any and all Village of Country Club court matters each month," plus \$100 per hour for additional services. The village spent \$11,975 during 2013 for attorney's services.

Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure village monies are used appropriately and effectively. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

3.2 Bidding

The village has not always solicited bids as required by village ordinance. The village did not solicit bids for computers costing \$4,532. In addition, the village has used the same attorney for legal services for approximately 25 years without conducting a competitive selection process. As noted in section 3.1, the village paid \$11,975 for legal services during the year ended December 31, 2013.



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Section 135.020 of the village ordinances, requires supplies and contractual services to be bid when the estimated cost exceeds \$2,500 and contracts to be awarded to the lowest responsible bidder. In addition to being required by village ordinance, the routine use of a competitive procurement process for major purchases ensures the village has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in village business.

3.3 Board approval

The village paid some disbursements electronically through its bank's bill payment system without Board approval. The Board generally reviews and approves disbursements during Board meetings by reviewing a list of disbursements prepared by the Village Clerk, however, there were instances where electronic payments were not included in the list and approved by the Board.

Payment of invoices without documented approval from a Board member increases the risk of paying for goods or services not actually received. To ensure disbursements are appropriate, including electronic payments, the Board should require complete and accurate financial information be provided for its review and approval.

3.4 Supporting documentation

The village did not obtain adequate documentation to support some disbursements.

- The village reimburses the Police Chief \$596 per month for his cost of health insurance through his former place of employment because it is less expensive than village provided insurance. The Police Chief gives the village a self-made invoice each month to document the amount owed. The village does not obtain any other documentation to ensure the amount being billed to the village is correct. In addition, Internal Revenue Service (IRS) regulations provide that when an employer gives an employee money to pay for health insurance without requiring proof of payment of premiums, the amount is a taxable fringe benefit. The payments to the Police Chief were not reported on his W-2 form.
- The village reimbursed the Police Chief \$500 for the purchase of ammunition without any external documentation showing the purchase date or amount paid.
- The village gave a local homeowners' association \$2,500 for road repairs but did not obtain documentation supporting the work performed or its completion.

To ensure obligations were actually incurred and amounts paid were proper, all disbursements should be supported by paid receipts, itemized vendor invoices or other detailed documentation with payment information clearly indicated. In addition, proof of payment of the Police Chief's health



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insurance should be provided or the amount should be reported as a taxable fringe benefit on his W-2 form in accordance with IRS regulations.

3.5 Duplicate payments

Procedures used to review and mark invoices to prevent duplicate payments need improvement.

- The village received 2 invoices for the same vehicle repair service. The invoices were for 2 different amounts but had the same invoice number and date. The village paid both invoices on December 9, 2013, without noticing they were for the same service. The vendor identified the error and issued a refund to the village.
- For 3 of 30 (10 percent) disbursements tested the check number and/or date paid was not noted on the invoice.

A thorough and documented review of disbursements as well as documentation of payment of invoices by canceling the document upon payment reduces the possibility of duplicate payments.

3.6 Late fees, finance charges, and sales tax

The Village Clerk does not ensure bills are paid timely resulting in the village incurring late fees and finance charges. In addition, the village does not ensure all vendors are notified of the village's sales tax exemption status resulting in unnecessary expenses.

For 9 of 30 (30 percent) disbursements tested the invoice was paid past the due date. In addition to these late payments, there were invoices where the current balance was paid on time but the invoice showed there was a past due amount or indicated the prior month's payment was made after the due date. Because of the errors, we reviewed additional disbursements focusing on utility, phone, and credit card billings. For the year ended December 31, 2013, we identified 38 payments with late fees and financing charges totaling \$175. We also noted the village paid sales tax of \$1,968 in bills we reviewed that should not have been paid.

To prevent unnecessary late fees and finance charges, procedures should be in place to ensure bills are paid timely. In addition, sales tax should not be paid on purchases since the village is tax exempt.

Recommendations

The Board of Trustees:

- 3.1 Enter into written agreements defining services provided and benefits received.
- 3.2 Solicit bids and proposals as required by village ordinance.
- 3.3 Ensure all invoices are reviewed and approved by appropriate officials prior to payment.



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- 3.4 Obtain adequate supporting documentation for all disbursements. Also, the Board should ensure health insurance reimbursements to the Police Chief are properly reported under IRS regulations.
- 3.5 Ensure all invoices are adequately reviewed, and the payment number and payment date is recorded on all invoices to prevent duplicate payments.
- 3.6 Implement procedures to ensure bills are paid timely and all vendors are aware of the village's sales tax exempt status. In addition, the village should attempt to recover any unnecessary sales tax paid.

Auditee's Response

The Board of Trustees provided the following written responses:

- 3.1 *We agree. The village is in the process of implementing this recommendation.*
- 3.2 *We agree and have already implemented this recommendation. The village joined the State of Missouri Cooperative Procurement Program in February 2014 and will follow its guidelines for future purchases.*
- 3.3&
3.5 *We agree. These recommendations were implemented in May 2014 after the auditors notified us of their concerns.*
- 3.4 *We agree. This recommendation was implemented in January 2014 after the auditors notified us of their concerns.*
- 3.6 *We agree. This recommendation was implemented in February 2014 after the auditors notified us of their concerns. The Village Clerk reviewed village invoices for any additional sales tax paid and the village has already requested and received refunds of approximately \$3,000 from various vendors.*

4. Accounting Records and Procedures

Village accounting records and financial reports provided to the Board are not always accurate, bank reconciliations are not performed, there is no Board review of credit card purchases, and the village's receipting, recording, and depositing procedures are in need of improvement.

4.1 Segregation and oversight

The Board has not segregated accounting duties and there is not adequate independent oversight of the work performed by the Village Clerk. Had reviews been performed, many of the errors noted in section 4.2 would likely have been identified. The Village Clerk is responsible for all record keeping and accounting functions of the village and has access and authority



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to make electronic bill payments through the village's bank accounts. Adequate independent reviews of her work are not performed.

One person performing all record keeping and accounting functions does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances needed for good internal control. If segregation of duties is not possible, periodic independent or supervisory reviews, including a comparison of financial records to the reconciled bank statement, should be performed and documented.

4.2 Accounting records

The Village Clerk's accounting records contained inaccuracies, resulting in errors on monthly finance reports provided to the Board.

- Revenues of \$44,376 received December 27, 2013, are excluded from the year-end finance report for the WWTP Fund because the bank statement for this account runs monthly from the 19th to the 18th. All disbursements made from December 18, 2013, through December 31, 2013, were also not recorded in the finance report until January 2014. The Village Clerk matches the finance reports to the bank statement so she did not include activity for December 18, 2013, through December 31, 2013, in the report.
- Revenues of \$54,404 received from the Andrew County Collector before the end of 2013 are excluded from the year-end finance report for the General Fund because this payment was not deposited until January 9, 2014, and not recorded in the accounting records until after the deposit. The revenue should have been recognized in the December 2013 finance report.
- We noted a payment of \$1,290 for wastewater treatment plant construction expenses was paid on October 8, 2013, from the General Fund but was recorded in the WWTP Fund. We also noted a check for \$40, written on January 25, 2013, for police training and an electronic payment for \$212 made on April 29, 2013, to the Family Support Division were not recorded in the General Fund financial records. Finally, a fuel payment from the general bank account on July 3, 2013, for \$758 was incorrectly posted to the General Fund financial records as \$576.

Accurate and complete financial information is necessary for the Board to make informed decisions and to provide residents with reliable information about village finances. Inaccurately recorded transactions also make it more difficult to detect loss, theft, or misuse of funds.



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4.3 Bank reconciliations

The Village Clerk does not perform bank reconciliations for any of the village's 6 bank accounts and does not maintain a running balance for these accounts.

A monthly bank reconciliation helps ensure bank and book balances are in agreement and errors are detected and corrected timely. Maintaining a checkbook balance would also aid in preparing the monthly bank reconciliation and monitoring the bank balance.

4.4 Credit cards

Controls over credit cards need improvement. The village has one credit card account with cards issued to two employees and the Board Chairperson. There is no independent review of the credit card statements or supporting documentation to ensure purchases are reasonable and for village purposes. Village employees indicate they obtain verbal approval from a Board member prior to making a purchase. Credit card purchases totaled \$2,529 in 2013.

The Board should perform a review of all credit card purchases to ensure expenses paid are necessary, reasonable, and adequately documented.

4.5 Receipting and depositing procedures

Receipting and depositing procedures need improvement.

Receipt slips are not always issued for payments received. Receipt slips are generally written for walk-in payments only. In addition, receipt slips do not always document the method of payment received, and the composition of receipts is not reconciled to the composition of the deposit. Furthermore, receipts are not always deposited timely.

For example, we noted two checks received by mail from the Andrew County Circuit Court dated June 28, 2013, totaling \$1,575 were not receipted and not deposited until July 29, 2013. Also during the month of July 2013, village personnel made 6 deposits on July 29 and 30, 2013, totaling \$10,447 and made no other deposits during the month. In addition, payments from the Andrew County Collector were not deposited timely.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected and accounting records will contain errors.

Recommendations

The Board of Trustees:

- 4.1 Segregate accounting duties to the extent possible and ensure a documented supervisory review of the accounting records is performed.
- 4.2 Ensure accounting records are accurately maintained.



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- 4.3 Ensure monthly bank reconciliations are prepared for all bank accounts and running checkbook balances are maintained.
- 4.4 Review credit card usage and require adequate documentation be maintained and reconciled to billing statements.
- 4.5 Ensure receipt slips are issued for all monies received and the numerical sequence of receipt slips is accounted for properly. The method of payment should be documented and the composition of receipts reconciled to the composition of deposits. Additionally, the Board should ensure receipts are posted to the accounting system and deposited timely.

Auditee's Response

The Board of Trustees provided the following written responses:

- 4.1-4.4 *We agree. These recommendations were implemented in May 2014 after the auditors notified us of their concerns.*
- 4.5 *We agree. This recommendation was implemented in January 2014 immediately after the auditors notified us of their concern.*

5. Budgets

Village budgets are not complete and prepared in compliance with state law. In addition, public hearings were not held concerning their adoption.

- The 2014 and 2013 budgets did not contain a budget message, actual receipts and disbursements for the 2 preceding years for comparison purposes, or amounts related to the debt of the village. In addition, beginning available resources and estimated ending available resources were not included in these budgets but are needed to present a complete financial plan for village finances.
- A budget was not prepared for the WWTP Fund in 2013, the plant's first year of operation, and in the 2014 budget, the wastewater treatment plant activity was included in the General Fund budget.
- For the 2014 and 2013 budgets, village officials did not hold a public hearing to obtain resident input.

Section 67.010, RSMo, provides requirements for the information to be presented in the annual operating budget. A complete and well-planned budget, in addition to meeting statutory guidelines, can serve as a useful management tool by establishing specific expectations for each area of village operations and provides a means to effectively monitor actual financial activity. In addition, obtaining input from village residents through a public hearing when adopting budgets can help residents better understand decisions made.



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Recommendation

The Board of Trustees prepare complete budget documents for all village funds in accordance with state law and ensure a public hearing is held to obtain input from village residents.

Auditee's Response

The Board of Trustees provided the following written response:

We agree and will implement this recommendation when preparing the 2015 budget.

6. Ordinances and Sunshine Law Issues

Weaknesses exist in the documentation of minutes for Board and committee meetings. Items discussed in closed meetings were not always allowable or subsequently disclosed in open meetings as required by the Sunshine Law. We identified some problems regarding compliance with village ordinances.

6.1 Meeting minutes

Weaknesses exist in the documentation of minutes for Board and committee meetings.

- The number of votes on a given issue was inaccurately recorded in several instances. For example, at its May 14, 2013, meeting, the Board reviewed varying proposals from a vendor for a phone system. The Board meeting minutes indicate the motion to select one of proposals carried 5-0, but only 4 Board members attended the meeting.
- The Board minutes do not document a vote at the June 11, 2013, meeting when a bill was introduced to change workers' compensation insurance companies. The Village Clerk reviewed her handwritten notes for this meeting and determined a vote took place approving the bill 5-0. During this meeting, minutes indicate there was a motion to adjourn but no one is listed as making the motion, there was no second to the motion, and no vote recorded.
- The July 9, 2013, Board meeting minutes list the monthly bills to be paid but there is no motion or vote recorded to approve their payment.
- The September 10, 2013, Board meeting minutes indicate a bill was introduced and accepted to amend the sewer rate charge. The bill was approved but no vote was recorded, only a notation that the motion carried. In addition, the monthly bills were listed for payment, but there was no motion or vote recorded to approve their payment.

We also noted two instances where the Board Secretary or a Board member did not sign meeting minutes. In addition, no one prepared minutes for some committee meetings. For example, the Personnel Committee did not keep minutes for 6 of 7 meetings held during 2013 and the minutes for the meeting held October 2, 2013, do not show who attended the meeting or if



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any motions or decisions occurred. The minutes include only a list of topics discussed.

Section 610.020, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of board actions and decisions. The meeting minutes should be accurate and signed by the Board Secretary as preparer and by the Board Chairperson or another Board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings. In addition, Section 610.010, RSMo, defines committees appointed by and reporting to public governmental bodies as subject to Sunshine Law requirements.

6.2 Closed meetings

Some topics discussed and voted on in closed meetings were not allowable or were not subsequently disclosed in open meetings in accordance with the Sunshine Law.

- On July 23, 2013, the Board voted to change the village hall office hours. The change was not documented in the open minutes. In addition, the Board approved a pay increase for a police officer and decided to retroactively recognize the Police Chief as a full-time employee and made him eligible to receive 3 weeks of vacation. There was no documented discussion of personal information regarding either employee which is necessary for these discussions to be closed.
- On March 19, 2013, the Board voted and approved a settlement agreement to terminate an employee. The village did not make public the settlement agreement.

Section 610.021, RSMo, lists the topics that may be discussed in closed meetings and requires the results of votes related to certain decisions made in closed meetings to be made public within specified timeframes or after conclusion of the action authorized by the vote.

6.3 Ordinances

Village ordinances are not complete and organized. The village has not adopted ordinances regarding the Village Clerk's job responsibilities, work hours, compensation, etc. Section 80.240, RSMo, provides that the Board appoint certain officials, prescribe their duties, and fix their compensation. Compensation should be set by ordinance. In addition, while ordinances appear to have been codified in 2004, the ordinances are maintained in a file folder and there is no up-to-date official ordinance book. An index of all ordinances passed and rescinded by the village is not maintained.

Since ordinances represent legislation passed by the Board to govern the village and its residents, it is important ordinances be current, complete, and organized. The lack of an ordinance index also makes it more difficult for the village to determine which ordinances are active or have been rescinded.



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Recommendations

The Board of Trustees:

- 6.1 Maintain complete and accurate minutes for all open meetings.
- 6.2 Ensure meeting minutes publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, only allowable topics should be discussed in closed meetings.
- 6.3 Establish, by ordinance, certain officials duties and compensation. The Board of Trustees should also ensure ordinances are maintained in a complete, well-organized, and up-to-date manner, new ordinances are passed when appropriate, and an index of all ordinances passed and rescinded is established.

Auditee's Response

The Board of Trustees provided the following written response:

6.1-6.3 We agree and are in the process of implementing these recommendations.

Village of Country Club

Organization and Statistical Information

The Village of Country Club is located in Andrew County. The village was incorporated in 1953. The village employed three full-time employees and one part-time employee on December 31, 2013.

Village operations include law enforcement services, utilities (wastewater and trash), street maintenance, and planning and zoning.

Chairperson and Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairperson and clerk are appointed by the board from the trustees. The members of the Board of Trustees at December 31, 2013, are identified below. The Board of Trustees members receive no compensation.

Kent Shipley, Chairperson
Charles Owen Compton, Clerk
Marvin Ed Chrisman, Vice-Chair
Bill Schellhorn
Allen Ashelford