



Office of Missouri State Auditor
Nicole Galloway, CPA

City of Winona



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the review of the City of Winona

Missing Monies	The audit identified at least \$42,546 recorded utility and miscellaneous receipts that were not deposited between January 1, 2015, and March 29, 2017. Recorded cash receipts totaling at least \$34,689 and recorded check payments totaling at least \$7,245 were not deposited between January 1, 2015, and March 21, 2017, and our March 28, 2017, cash count and review of the subsequent deposits identified additional cash shortages of \$612. A review of April 2017 deposits identified questionable cash deposits and utility account postings occurring 10 days after the cash count.
Oversight, Segregation of Duties, and Annual Audits	The Board of Aldermen have not provided adequate oversight of the City Clerk and the Utility Clerk positions or obtained required annual audits.
Cash Handling Procedures and Bank Accounts	Significant weaknesses exist with the city's cash handling procedures and bank accounts. The city's procedures for receipting, recording, and depositing monies are poor. The City Clerk and Utility Clerk improperly recorded vendor payments and third party checks to customer utility accounts, and the Utility Clerk does not deposit receipts intact or timely or reconcile the composition of receipts to the composition of deposits. Checks for utility payments were held at the request of customers; the clerks cashed checks totaling over \$168,000 for city employees, family members, and utility customers; unrecorded checks were substituted into deposits for missing recorded cash receipts; and utility payments for the Mayor and Board of Aldermen were improperly recorded in the utility system. The city maintains an excessive number of bank accounts, and it is unclear whether the city had the legal authority to maintain an annuity. Non-sufficient fund checks are improperly handled and recorded, the city change fund is not maintained at a constant amount, and procedures regarding the city's Shop With a Cop program need improvement.
Restricted Funds, Allocations, and Excess Sales Tax	The city has not established adequate procedures to ensure restricted revenues are credited to the appropriate fund or to ensure restricted monies are used only for intended purposes. The city has imposed 2 general sales taxes, totaling 1.5 percent, which exceeds the statutory maximum allowed for general sales taxes by 1/2 percent.
Utility System Controls and Procedures	Utility system controls and procedures need improvement. Current water, sewer, electric, and trash rates are not supported by a cost study or other documentation showing how the rates were determined. City personnel do not prepare proper reconciliations related to utility services. The Utility Clerk posted adjustments to customer accounts without obtaining independent approvals or maintaining adequate documentation to support the reason for many adjustments. The City Clerk did not reconcile the list of refundable utility deposits to the balance of the utility deposit bank account. Some customers were allowed to pay a monthly flat fee for utility services without the Board's approval. City procedures do not comply with city ordinances when assessing penalties, discontinuing services, and calculating usage. City personnel were not proactive in following up on inactive utility account balances.
Payroll and Related Matters	Significant improvement is needed with timesheets and leave records, and

some employees may have been overpaid. The city's personnel policy does not adequately address compensatory time, holidays, overtime, or the employment and supervision of related employees, and city employees have not always followed established policies. The city inappropriately claims an overtime exemption for police department employees, and as a result, did not pay police officers for overtime. Improvement is needed in the city's handling of employee benefits, additional compensation, and the withholding and reporting of compensation.

Disbursements	The city's disbursement review and documentation procedures need improvement. The city made several unreasonable and/or unnecessary purchases. The city does not have a formal bidding policy and has not established policies for the selection of vendors providing professional services. The city does not reconcile fuel usage to fuel purchases.
Budgets and Financial Reporting	The city does not prepare complete and accurate annual budgets, publish accurate semiannual financial statements, and file annual financial reports timely.
Park Board	We noted significant weaknesses in the Park Board's controls, policies, and procedures. Park Board members indicated board meetings have not been held for a considerable period of time. The Park Board does not have current bylaws and does not operate in accordance with bylaws, city ordinance, or the operating agreement between the Park Board and the city. Various Park Board members collect park monies and do not always issue receipt slips or maintain records of monies received. Adequate supporting documentation was not retained for approximately \$3,300 of the \$9,400 spent by the Park Board during 2016.
Sunshine Law and Ordinances	City officials did not always ensure compliance with the Sunshine Law regarding closed sessions and city ordinances need improvement.
Electronic Data Security	Controls over some city computers are not sufficient to prevent unauthorized access, and sufficient plans and processes are not in place for recovering systems and data.
Capital Assets	The city does not maintain records of its capital assets including buildings, utility system infrastructure, vehicles, equipment, and other property. City personnel do not tag, number, or otherwise identify assets or perform annual physical inventories.

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.

City of Winona

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Winona, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Winona. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.
4. Determine the amount of missing monies to the extent possible.

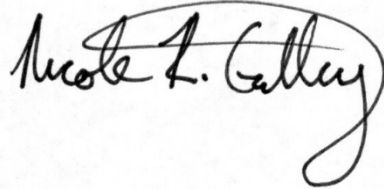
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We 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 applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting 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 city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) missing monies totaling at least \$42,546. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Winona.

An additional report, No. 2018-28, *Thirty-Seventh Judicial Circuit, City of Winona Municipal Division*, was issued in May 2018.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

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City of Winona

Management Advisory Report

State Auditor's Findings

1. Missing Monies

The audit identified at least \$42,546¹ recorded utility and miscellaneous receipts that were not deposited between January 1, 2015, and March 29, 2017. Based on the timing and amounts of monies missing during 2015, it is likely additional monies are missing in periods prior to January 2015.

The State Auditor's Office (SAO) conducted a cash count on March 28, 2017, that identified discrepancies between monies on hand and recorded receipts, and we determined monies were missing. A comparison of recorded receipts and amounts deposited from October 2016 through March 2017, identified additional discrepancies and monies missing. The SAO notified the Missouri State Highway Patrol (MSHP) of possible missing monies on August 24, 2017.² MSHP investigators questioned the City Clerk and Utility Clerk on September 1, 2017. On September 5, 2017, the Board of Aldermen terminated the City Clerk's employment. The city had employed the City Clerk since July 1994. A new City Clerk was hired part-time in September 2017 and that person became the full-time City Clerk in October 2017. The former City Clerk is referred to as City Clerk throughout this report. The Utility Clerk is still employed by the city and has served in that position since April 2013.

As stated in the State Auditor's Report, the scope of our audit included, but was not necessarily limited to the year ended December 31, 2016. After identification of missing monies and the method used to perpetrate and conceal the theft, we applied limited procedures to receipts for the period January 2015 through December 2015 and the period January 2017 through March 2017 for the purpose of identifying and quantifying additional missing monies.

The City Clerk and Utility Clerk recorded payments to multiple different records (computerized utility system, manual receipt slips, and payment stubs) and did not ensure payments were consistently and properly recorded to all appropriate records. A comparison of payments recorded to deposits identified the undeposited receipts.

The City Clerk and Utility Clerk changed procedures for recording and depositing receipts shortly after the discrepancies were identified in the March 2017 cash count, and those discrepancies along with various record-keeping and depositing problems were discussed with the clerks by the SAO. We reviewed receipt and deposit records for July 2017 and confirmed the

¹ Amounts presented in the report findings are rounded to the nearest dollar, whereas amounts presented in the report appendixes B and C are exact. Also, \$41,934 of this total pertains to deposits made between January 1, 2015, and March 21, 2017; and \$612 pertains to a cash shortage identified during a March 28, 2017, cash count.

² City officials had previously contacted the MSHP regarding concerns unrelated to these missing monies.



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clerks had changed procedures and were properly accounting for and depositing monies collected.

Undeposited cash receipts

Recorded cash receipts totaling at least \$34,689 were not deposited between January 1, 2015, and March 21, 2017. Some of these cash receipts were included on deposit reports, which always agreed in total to the amounts deposited by the Utility Clerk. However, in some instances the total cash deposited was less than the cash recorded in the receipt records while the total amount of checks and money orders deposited was more than the checks and money orders recorded in the receipt records. Unrecorded checks totaling \$31,601 not associated with the recorded receipts were substituted into these deposits for the recorded cash receipts not deposited. Most of the unrecorded checks were city checks issued by the City Clerk for the transfer of monies from one bank account to another. In addition, manual receipt slips were issued for some monies received that were not included in the deposit reports and were not deposited totaling \$3,088. (See Appendix B).

Large differences between recorded cash receipts and cash deposited on Appendix B were caused by undeposited cash receipts, the clerks cashing checks as identified on Appendix C, timing differences, and small over/(under) payments and adjustments.

Undeposited check payments

Utility receipts totaling at least \$7,245 were recorded as check payments from January 1, 2015, through March 21, 2017, but these checks could not be traced to a deposit. We contacted some of these utility account holders and they could not provide canceled checks or other documentation as proof the checks were issued or negotiated. The City Clerk and Utility Clerk may have recorded these payments in the computerized utility system and on manual receipt slips for their friends and family members while not requiring payments from those persons. (See Appendix B).

All deposits (excluding direct deposits, non-utility related transfers, and deposits into the municipal court and police department bank accounts) are presented in Appendix B. Those with missing monies are identified with amounts in the total undeposited column.

Cash count and subsequent deposit

Our March 28, 2017, cash count and review of the subsequent deposits identified cash shortages of \$612.

The cash count identified \$2,478 of cash and \$3,962 of checks (\$6,440 in total) was on hand, while receipt records showed \$2,871 of cash and \$2,459 of checks (\$5,330 in total) had been collected since the last deposit made on March 21, 2017. In following up on these discrepancies, we determined there were unrecorded checks included in the cash count, a portion of the change fund had been used to reimburse the bank for a non-sufficient funds check, and some of the counted monies were not properly deposited in subsequent deposits; and ultimately determined there was a cash shortage.



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Questionable utility transactions

A review of April 2017 deposits identified questionable cash deposits and utility account postings occurring 10 days after the cash count. Two separate cash deposits totaling \$7,703 (one containing cash totaling \$4,726 and another containing cash totaling \$2,977) were made on April 7, 2017. The cash payments were recorded on April 5 and 6, 2017, to 17 old inactive utility accounts with balances due. This cash was not on hand at the time of our cash count on March 28, 2017, and it is unlikely these customers all paid on the same days. Also, many of these accounts showed no previous payment activity for many months/years, and it is questionable the account holders actually made payments on these accounts. No past due billings or collection letters were sent or issued to support the unusual nature and timing of these payments. The Utility Clerk subsequently prepared a list of the individual amounts and the utility accounts to which these payments were recorded, which totaled \$7,650, with the remaining \$53 being collected for recycle bags and copies. According to city officials, some of these accounts may be friends and family of the City Clerk.

Overall conclusion

The lack of segregation of duties, inadequate controls, and the absence of oversight by the Board of Aldermen, as discussed in the remainder of the report, resulted in the missing receipts going undetected, poor handling of city monies, and noncompliance with various city ordinances.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding prosecution of the missing monies and take the necessary actions to seek restitution for amounts missing.

Auditee's Response

We will continue to work with law enforcement officials regarding prosecution of missing monies and take the necessary actions to seek restitution for amounts missing.

**2. Oversight,
Segregation of
Duties, and Annual
Audits**

The Board of Aldermen have not provided adequate oversight of the City Clerk and the Utility Clerk positions or obtained annual audits as required by state law.

2.1 Oversight and segregation of duties

The Board has not established adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk and the Utility Clerk. Weaknesses identified throughout this report are significant and demonstrate a lack of segregation of duties and proper oversight by the Board. There is little assurance city monies have been handled and accounted for properly.

With the exception of some utility functions, the City Clerk position is responsible for most record-keeping duties of the city including posting



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transactions into the accounting system, preparing invoices for payment, maintaining payroll records, preparing and distributing payroll and accounts payable checks, preparing monthly bank reconciliations, transferring monies between bank accounts, preparing financial reports for board meetings, and preparing budgets and financial statements.

The Utility Clerk position is primarily responsible for utility functions including, receiving, recording, and depositing receipts; preparing and distributing monthly billings; and preparing and generating monthly reports. The Utility Clerk is also responsible for receipting and depositing other types of monies received at city hall.

The City Clerk and the Utility Clerk both have access to the cash drawer and the safe, where receipts of all types are stored. The Mayor and the Board do not perform a documented supervisory review of the accounting and bank records to ensure all monies received are properly recorded and deposited.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary. Good management practices require extensive and detailed oversight by the Board.

2.2 Annual audits

The city does not obtain annual audits as required. The last audit of the city finances occurred for the year ended December 31, 2010. Section 250.150, RSMo, requires the city to obtain annual audits of the combined waterworks and sewerage system, and the cost of the audit is to be paid from the revenues received from the system. The city is also required to obtain annual audits as a condition of bond covenants.

Conclusion

The lack of adequate controls and the absence of proper oversight by the Board allowed undeposited receipts to go undetected for a significant period of time. Had proper controls and oversight procedures been in place and annual audits obtained, it is likely some of the problems noted in this report may have been detected more timely and/or prevented.

Recommendations

The Board of Aldermen:

- 2.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 2.2 Obtain annual audits of the waterworks and sewerage system as required by state law.



Auditee's Response

2.1 *We have implemented the following procedures to help segregate accounting duties:*

- a. *Deposits are prepared by a different individual than the one that has receipted the money. Then another individual verifies the deposit. The individuals that prepare the deposit and verify the deposit, date and sign the deposit documentation to denote completion of the process.*
- b. *The Board receives a list of the accounts payable and the related bills for its review at each meeting.*
- c. *Reports detailing balances and budgets are taken directly from the accounting software for all the city bank accounts and distributed to the Board members for their review.*
- d. *The Utility Clerk prints a report from the utility billing account and compares it to the report she distributes to the City Clerk. The City Clerk then compares the report from the Utility Clerk to the deposits made into the accounts.*
- e. *The bank statements and reconciliation reports are available for the Board's review at each meeting. The Mayor or another Board member will initial the bank statements and reconciliation reports monthly to denote completion of the review.*
- f. *We will obtain annual audits of all bank accounts.*

2.2 *We will obtain annual audits.*

3. Cash Handling Procedures and Bank Accounts

Significant weaknesses exist with the city's cash handling procedures and bank accounts. The city's clerks received monies at city hall for utilities (\$1.61 million), utility deposits (\$17,300), merchant licenses (\$2,490), utility reconnection and bad check fees (\$2,080), and other miscellaneous items (\$3,307) totaling approximately \$1.64 million during the year ended December 31, 2016. These monies were deposited into the General, Water, Sewer, Electric, Solid Waste, and Utility Deposit Funds.

Payments for monthly utility billings are recorded in the utility system. There are no official receipt records for other payments such as reconnection fees, bad check fees, recycle bag sales, material sales, and other miscellaneous items. However, if a customer requests a receipt slip, a manual receipt slip is issued for the payment. In instances where a utility payment stub is not remitted with monies received, the Utility Clerk prepares unofficial unnumbered payment stubs for the monies received, and payment stubs (utility and unofficial) are filed by deposit date.

3.1 Receipting, recording, and depositing

The city's procedures for receipting, recording, and depositing monies are poor.



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Receipting

The Utility Clerk does not issue official prenumbered receipt slips for some monies received, account for the numerical sequence of manual receipt slips or electronic receipt numbers, and reconcile manual receipt slips issued to the utility system or monies deposited. Also, the top copy of 12 receipt slips voided during the period January 1, 2015, through March 21, 2017, was not retained.

Recording

The City Clerk and Utility Clerk improperly recorded vendor payments and third party checks to customer utility accounts.

- Rather than paying a local tire vendor directly for services rendered, the City Clerk issued checks made payable to the city for amounts owed to the vendor and used those checks to pay the vendor's utility balance. During the year ended December 31, 2016, the City Clerk issued 8 such checks totaling \$667 for payment of tire services received. The Utility Clerk posted the payments to the vendor's utility account and deposited the city checks with other utility payments. Proper handling would require the city to pay the vendor directly for services provided and billed; and for the vendor to pay the city separately for utility services.
- The Utility Clerk sometimes accepts third-party checks from customers as payment for utility bills. For example, during the period January 2015 through March 2017, a local gas station owner brought in 57 third-party checks received from various customers for purchases made at his gas station totaling \$10,755 to be applied to his utility accounts. The Utility Clerk often recorded these receipts as cash payments instead of checks, creating differences in composition (see the Depositing section). By accepting third-party checks, the city is incurring an increased risk that these checks would be uncollectible, if returned for non-sufficient funds.

Depositing

The Utility Clerk does not deposit receipts intact or timely or reconcile the composition of receipts to the composition of deposits.

The Utility Clerk prepared deposits by including all checks on hand (except those intentionally being held as discussed later) plus cash needed from the drawer to agree to the total deposit amount reported on the deposit summary. The deposit summary supports the deposit of all monies received at city hall, with the exception of police department and municipal court monies that are separately deposited. The deposit summary included a payment report generated from the utility system with other miscellaneous receipts (not recorded in the utility system) manually denoted on the report by the Utility Clerk. For each deposit the Utility Clerk prepared multiple deposit slips to allocate monies to the appropriate bank accounts. We noted the total of each deposit agreed to the total deposit amount reported on the deposit summary. However, for various reasons the composition of the receipts generally did not agree to the composition of the deposits.



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- The Utility Clerk sometimes held checks at the request of customers. The clerk indicated this occurred when customers did not have sufficient funds at the time a utility payment was due, but wanted to avoid late charges or being disconnected. She said these checks were typically held a week to a month before being deposited.
- The City Clerk and Utility Clerk cashed checks totaling \$168,074 for city employees, family members, and utility customers from January 2015 through July 2016 (see Appendix C). The clerks allowed city employees (including themselves) to cash 329 payroll checks totaling \$132,690 and 176 personal checks totaling \$26,654, and customers to cash 38 personal checks totaling \$8,730 during this period. Checks were cashed using monies maintained in the cash drawer. In addition, the City Clerk cashed 15 city disbursement checks totaling \$3,216 from January 2015 through October 2016 to pay vendors. The Mayor discontinued the practice of paying vendors with cash in July 2016; however, a \$95 check was cashed appropriately in October 2016 (see Appendix C).

The Utility Clerk substituted city checks into deposits for missing recorded cash receipts. These city checks were issued to transfer monies from one bank account to another. City checks totaling \$30,616 were included in utility deposits during the period of January 1, 2015, through February 28, 2017. The Utility Clerk also substituted other checks totaling \$985 into deposits for missing cash receipts. These checks included checks written by individuals to the Park Board (\$565), and checks received from a utility assistance program (\$312) and city customers (\$108). The Utility Clerk indicated the City Clerk was responsible for recording Park Board monies. None of these checks were recorded on the utility deposit reports. As a result, deposits included more checks and less cash than recorded.

- The Utility Clerk improperly recorded utility payments for the Mayor and Board of Aldermen, resulting in records not reflecting actual transactions as they occurred and causing discrepancies in deposits.

The Mayor and each Alderman receive a \$100 reduction in their monthly utility bills as compensation. At the end of each month, the City Clerk issued a General Fund check payable to the city to be applied to the Mayor and each Alderman's utility accounts. However, the Mayor and Aldermen paid their portion of their utility bills on varying dates throughout the month, and the Utility Clerk recorded the \$100 city payments in the utility system at the time of these payments rather than at the end of the month when the city payment actually occurred. For example, one Alderman paid \$49 of his \$149 utility bill on December 5, 2016, and the Utility Clerk recorded a \$149 payment in the utility system on December 5, 2016, using other monies on hand to cover the \$100 difference in that



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week's deposit. On December 27, 2016, the City Clerk issued a General Fund check that included this Alderman's compensation and the Utility Clerk substituted this city check for other recorded monies in that week's deposit.

The City Clerk failed to properly report the Mayor and Aldermen's compensation or make proper withholdings (see MAR finding number 6.5) and their compensation was not established by ordinance (see MAR finding number 10.2).

- The clerks indicated they used cash on hand to reimburse the bank for non-sufficient funds (NSF) checks received (see section 3.3).
- The Utility Clerk does not deposit receipts timely. Deposits are performed approximately once a week regardless of the amount of monies collected. There were 12 deposits during the period January through March 31, 2017, which ranged from \$25,493 to \$70,955, and averaged \$38,619; 61 deposits during 2016, which ranged from \$2,158 to \$72,482, and averaged \$26,784; and 49 deposits during 2015, which ranged from \$6,773 to \$64,520, and averaged \$34,370. Cash included in deposits averaged \$8,229, \$5,062, and \$5,047 for these time periods in 2017, 2016, and 2015, respectively.

Conclusion

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies will occur and go undetected. To reduce this risk, procedures should be established to ensure all monies received are properly receipted, recorded, and deposited. These poor receipting, recording, and depositing procedures helped conceal the theft that occurred.

3.2 Bank accounts

The city maintains an excessive number of bank accounts, resulting in cumbersome record keeping, and it is unclear whether the city had the legal authority to maintain an annuity. The city maintained 15 bank accounts, 3 certificates of deposits, and an annuity. One bank account had no activity since 2015. Several city checks were issued for transfers between accounts to ensure restricted utility collections were held in the appropriate account, and these checks were substituted for recorded cash receipts and helped conceal the undeposited utility receipts.

An annuity was opened in September 2012 and listed the City Clerk as the annuitant. The balance of the annuity was \$107,245 as of December 31, 2016. In addition, the City Clerk incorrectly presented the annuity as a savings account on the city's financial statements and as a result, the Board was not aware the city had an annuity. The Board subsequently closed the annuity and deposited the monies into a checking account.



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The city may benefit from combining some city bank accounts. A large number of bank accounts require additional record keeping and increases the likelihood that errors will occur in the handling of monies.

3.3 Non-sufficient fund checks

The clerks indicated they used cash on hand to reimburse the bank for non-sufficient fund (NSF) checks, and they do not typically reverse NSF checks in the utility system to show the customer's check was returned and payment is still due from the customer; thus improperly giving the customer credit for the payment.

Without adequate procedures for the collection and recording of NSF checks, the city cannot ensure amounts due from customers are properly tracked and monies are properly distributed. Because restitution for NSF checks may not be received for a significant period after initial receipt and, in some instances, restitution may never be received, it is necessary for the city to maintain records of NSF checks and adjust accounting records accordingly.

3.4 Change fund

The city change fund is not maintained at a constant amount. The City Clerk and Utility Clerk indicated a change fund of \$250 is maintained; however, no records are maintained to support this amount. In addition, periodic reconciliations to the authorized balance are not performed. To safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount and the funds should be periodically counted and reconciled to the authorized balance.

3.5 Shop With a Cop program

Procedures regarding the city's Shop With a Cop program need improvement. The police department collects donations throughout the year that allow needy children to go shopping with police officers before Christmas.

Official prenumbered receipt slips were not issued for all monies received, and the Police Chief opened a bank account outside the city treasury in December 2016 for the deposit of these donations. The city spent \$4,411 in December 2016 for this program.

To adequately account for all Shop With a Cop receipts and ensure city funds are spent appropriately, receipt slips should be issued for all monies received and all Shop With a Cop donations should be remitted to the city treasury in the same manner other fees collected are remitted. All purchases should be made within the city's established disbursement system.

Recommendations

The Board of Aldermen:

- 3.1 Ensure receipt slips are issued for all monies received; all copies of voided receipt slips are retained; the numerical sequence of receipt slips and electronic receipt numbers is accounted for; the composition of receipts is reconciled to the composition of deposits; and monies



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are deposited timely and intact. The Board should also ensure payments are properly recorded for vendors and the Mayor and Aldermen's compensation. In addition, the Board should discontinue the practice of accepting third-party checks, cashing personal checks, and using cash receipts to reimburse the bank for NSF checks.

- 3.2 Consider reducing the number of bank accounts.
- 3.3 Establish procedures for proper follow-up and handling of NSF checks in the accounting records.
- 3.4 Maintain the change fund at a constant amount, and reconcile the change fund to the authorized balance with each deposit.
- 3.5 Work with the police department to ensure official prenumbered receipt slips are issued for all monies received and all monies are remitted to the city treasury.

Auditee's Response

- 3.1 *We are in the process of purchasing a new program that will print receipts for customers and this program will provide a numerical sequence of receipts. The composition of receipts is being reconciled to the composition of deposits. At this time, the Utility Clerk is receipting the monies using stubs or the city side of the bill, and reconciling the amounts on this stub to the amounts placed in the computer program daily. In addition the Utility Clerk is reconciling the composition of deposits to the stubs or city side of the bill daily.*

We have implemented daily deposits.

We have stopped accepting third-party checks, cashing personal checks, and using cash receipts to reimburse the bank for NSF checks.

We have stopped the Mayor and Board from receiving a \$100 deduction in their monthly utility bills.

- 3.2 *We are in the process of reducing the number of bank accounts.*
- 3.3 *We have established the following procedures for NSF checks:*
 - a. *NSF checks are withheld by the bank from the General bank account deposits.*
 - b. *The city contacts the individual by a personally hand delivered notice and advises the person of the NSF check. Within this notice it states that the individual has one business day to come and pick up the check and reimburse the city for the check and the NSF*



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fee of \$30. The individual is also to sign a copy of the notice and the city keeps it on file.

- c. The city places the individual on a bad check list and after having 2 NSF checks withheld the individual is no longer allowed to use a check for any city business.*
- d. Once the individual reimburses the city, the money is deposited into the General bank account from which the money was withheld.*

3.4 *We have started to maintain a change fund of a constant amount of \$250. The Utility Clerk reconciles the change fund to the authorized balance daily. The change fund will be checked morning and evening by 2 individuals. These individuals will sign stating that they checked the change fund.*

3.5 *We will work with the police department to ensure that official prenumbered receipt slips are issued for all monies received and all monies are remitted to the city treasury. The police department has stamped all their receipts with the police department name and address and when turning them into the city, they give a copy of the receipt with the monies turned in.*

4. Restricted Funds, Allocations, and Excess Sales Tax

The city has not established adequate procedures to ensure restricted revenues are credited to the appropriate fund or to ensure these monies are used only for intended purposes. In addition, the city has imposed general sales taxes that exceed the statutory maximum allowed.

4.1 Restricted revenues

The city has not established procedures to properly track and record various statutorily restricted monies.

- Monies collected for trash services were deposited into the city's General Fund, while disbursements related to these services were paid out of the Solid Waste Fund. Revenues received from a general sales tax were incorrectly deposited into the Solid Waste Fund and used to pay the cost of trash services.
- The city received utility reconnection fees totaling \$1,840 during the year ended December 31, 2016. These fees were incorrectly deposited and recorded in the General Fund rather than the Water or Sewer Funds. Section 250.150, RSMo, restricts the use of water and sewer monies for operating the systems, payments of bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payment of costs of improvements of such systems.



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- The city received state motor vehicle-related tax revenues totaling \$52,804 during the year ended December 31, 2016. These tax monies were incorrectly deposited into the Capital Improvement Fund rather than the Street Fund. These revenues were commingled with capital improvement sales tax monies and city officials do not know what has been spent or the remaining balance, and cannot demonstrate that these monies were used for statutorily intended purposes.

In addition, the Board inappropriately purchased a police vehicle costing \$26,650 in May 2016 with monies from the Capital Improvements Fund.

Missouri Constitution, Article IV, Section 30(a) and 30(b), requires motor vehicle-related revenues apportioned by the state of Missouri be expended for road purposes only. In addition, City Ordinance 303 restricts the use of capital improvement sales tax monies to make debt payments and fund capital improvements.

- During the year ended December 31, 2016, the City Clerk allocated all fuel, oil, parts, and repairs/maintenance costs (totaling \$14,192) associated with city maintenance vehicles to the Street Fund. Employees use city vehicles and equipment for all city utility and street maintenance services, so costs should be allocated between various funds. Section 94.700, RSMo, and City Ordinance 302, requires transportation sales tax funds to be used for the construction, reconstruction, repair, and maintenance of streets, roads, and bridges within the municipality.

To ensure restricted monies are used for the intended purpose, monies received should be credited to the appropriate fund, and disbursements should be paid from the appropriate funds.

4.2 Allocation of salaries and fringe benefits Several city employees perform tasks related to multiple city functions, but the city has no documentation to justify the allocation of salaries and fringe benefit expenses to various funds. City officials have not established allocation percentages and did not maintain documentation to support how allocations were determined. The City Clerk indicated she processed payroll with monies from various funds based on the availability of monies and not the employees' job duties. During the year ended December 31, 2016, the city paid payroll and fringe benefits totaling \$575,245 from the following funds:



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Fund	Amount
Electric	\$ 220,830
Water	116,798
Municipal Court	66,000
General	56,174
Sewer	56,113
Transportation	34,500
Heritage	21,830
Police	3,000
Total	\$ 575,245

The proper allocation of expenses is necessary for the city to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure restricted funds are used for intended purposes, the allocation of expenditures to city funds should be based on specific criteria, such as the number of hours worked by each employee, if possible, or by determining a reasonable basis to allocate costs for employees.

4.3 Excess general sales tax

The city has imposed 2 sales taxes, totaling 1.5 percent, which exceeds the statutory maximum allowed for general sales taxes per Section 94.510, RSMo, by 1/2 percent.

In April 2016, voters approved a 1/2 percent city sales tax for law enforcement purposes under Section 94.510, RSMo. As a result of the passage of this new sales tax, the city exceeded the statutory maximum allowed. The city began receiving revenue from this sales tax in November 2016. The Police Fund received sales tax revenues totaling \$59,185 during November and December 2016 and the year ended December 31, 2017. The sales tax does not have an expiration date.

Voters had previously approved a 1 percent city sales tax for general purposes under Section 94.510, RSMo, in July 1975. This sales tax is used by the city to help fund trash services to citizens and the tax does not have an expiration date. The Solid Waste Fund received sales tax revenues totaling \$139,751 during November and December 2016 and the year ended December 31, 2017.

Section 94.510, RSMo, allows cities to impose a rate of 1/2, 7/8, or 1 percent. There is no provision that prevents the city from having two sales taxes under this section. For periods before August 28, 2017, however, there was no provision authorizing the city to exceed a total tax of 1 percent. Attorney General Opinion 61-1989 (March 22, 1989) and Attorney General Opinion 97-1999 (June 4, 1999), state that without specific authorization the maximum sales tax cannot exceed the limits of the statute, interpreting similar language authorizing county sales taxes under Section 67.548, RSMo, and



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taxes for capital improvements under Section 67.700, RSMo. The additional general sales tax passed in April 2016 caused the city to exceed the statutorily-imposed maximum. Prior to submitting any future sales taxes to voters for approval, the city should review the current sales taxes imposed, research the statutory requirements for current sales taxes, and determine an allowable sales tax statute to ensure statutory limits are not exceeded.

Recommendations

The Board of Aldermen:

- 4.1 Deposit restricted monies in the appropriate fund, establish procedures to ensure restricted monies are used only for allowable purposes, and ensure shared costs are properly allocated to the applicable city funds and allocations are supported by adequate documentation.
- 4.2 Allocate salary and fringe benefit expenses to city funds based on specific criteria and retain documentation to support the allocation.
- 4.3 Consult with legal counsel to review the sales taxes levied and determine the disposition of any invalid sales taxes collected. In addition, prior to submitting any future sales taxes to voters for approval, the Board should ensure an adequate legal analysis is conducted.

Auditee's Response

- 4.1 *We have stopped depositing the monies collected for the trash services into the General account and are placing them in the Solid Waste account. We will work with the Department of Revenue (DOR) to change the direct deposit account numbers to enable the restricted monies to be placed into the appropriate account.*

We have stopped depositing the reconnection fees into the General account. The funds for 2016, 2017, and the beginning of 2018 will be calculated and placed into the Sewer and Water accounts.

We will work with the DOR to change the direct deposit account numbers to enable the restricted monies to be placed into the appropriate account. In addition, we will remove the amounts for the motor vehicle related tax from the Capital Improvement account and place those monies into the Street account.

The police department is reimbursing the money borrowed to purchase the police vehicle at \$500 a month.

We now allocate fuel, oil, parts, and repairs/maintenance costs associated with vehicles and equipment used for maintenance of streets and roads to appropriate funds.



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- 4.2 *We have implemented a process to determine the specific criteria and are retaining the documentation to support the allocation of the salary and fringe benefit expenses.*
- 4.3 *We will consult with legal counsel to review the sales tax levied and determine the disposition of any invalid sales taxes collected. We will ensure an adequate legal analysis is conducted before submitting any future sales taxes to voters for approval.*

5. Utility System Controls and Procedures

Utility system controls and procedures need improvement. According to the city's accounting records, the city collected approximately \$1.6 million for water, sewer, electric, and trash services; utility reconnection fees; and utility deposits during the year ended December 31, 2016.

5.1 Utility rates

Current water, sewer, electric, and trash rates are not supported by a cost study or other documentation showing how the rates were determined. The Board increased rates for sewer, water, electric, and commercial electric services in January 2010, January 2015, August 2016, and December 2016, respectively. Additionally, the city collected \$90,563 and disbursed \$134,179 for trash services during the year ended December 31, 2016, resulting in disbursements exceeding receipts by \$43,616. Without current cost studies for utilities, it is unclear whether the rates assessed for these services are set at an appropriate level.

Section 67.042, RSMo, provides that fees may be increased if supported by a cost study showing the increase is necessary to cover costs of providing the service. The city should periodically conduct cost studies that consider expenses such as debt service costs, the need for the extension of the system, equipment repairs and replacement, depreciation, enlargement of plant, capital improvements, and operating and incidental expenses. The preparation of a comprehensive cost study would allow the city to determine the rates necessary to support current and future operations and provide documentation to customers of the rationale behind the rates.

5.2 Utility reconciliations.

City personnel do not prepare proper reconciliations related to utility services.

- The Maintenance Supervisor did not perform monthly reconciliations of total gallons of water billed to gallons of water pumped.

Using city records, we compared the total gallons billed during December 2016 to the gallons of water pumped during that month and identified a discrepancy of 31 percent. City officials were unable to provide specific reasons for the difference. Monthly reconciliations of gallons of water billed to gallons of water pumped are necessary to help detect significant water loss or other problems and ensure all water use is properly billed.



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- The Utility Clerk did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services. Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected timely.

5.3 Adjustments

The Utility Clerk posted adjustments to customer accounts, including writing off charges caused by water leaks or incorrect meter readings, without obtaining independent approval or maintaining adequate documentation to support the reason for many adjustments. Because the Utility Clerk is responsible for all utility functions, the ability to make adjustments without independent approval represents a significant control weakness. During the year ended December 31, 2016, the Utility Clerk made 100 customer account adjustments totaling \$11,446 (\$4,082 positive, \$7,364 negative).

Requiring someone independent of receipting and recording functions to review and approve adjustments, and requiring proper supporting documentation for such adjustments would help ensure adjustments are valid.

5.4 Utility deposits

The City Clerk did not reconcile the list of refundable utility deposits to the balance of the utility deposit bank account.

New residential customers are required to pay a \$250 refundable deposit (\$200 electric, \$25 water, and \$25 sewer) and new commercial customers are required to pay a \$350 refundable deposit (\$300 electric, \$25 water, and \$25 sewer).

The city's list of refundable utility deposits totaled \$75,973 as of December 31, 2016; however, the utility deposit bank account balance was \$54,279, resulting in a shortage of \$21,694.

To ensure all customer utility deposits received are accounted for properly, the City Clerk should compare utility deposit records and bank account balances for accuracy.

5.5 Flat fees

The City Clerk and Utility Clerk allowed some customers to pay a monthly flat fee for utility services without the Board's approval. The Board has not established a policy or ordinance addressing the use of flat fee payments.

The flat fee is determined based on the customer's average of the prior year's monthly charges. The customer pays the set monthly rate throughout the year and at the end of the year the Utility Clerk calculates the difference between payments made and the actual charges during the year. The customer then pays any remaining balance due or the city will issue a refund check for any overpayment.



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Some customers did not make monthly payments every month, and some payments were for less than the calculated flat fee. These customers were not charged penalties and their service was not shut off. Some of these customers were city employees.

The Board should review the use and necessity of flat rates and consider discontinuing the practice or establish an ordinance authorizing it. In addition, the Board should ensure ordinances and policies are followed and all exceptions are approved and properly documented.

5.6 Penalties, shut off procedures, and usage calculations

City procedures do not comply with city ordinances when assessing penalties, discontinuing services, and calculating usage. The Utility Clerk prints and mails billings at the end of each month. Payment is due by the 10th of the following month.

- Penalties for late payments are assessed on the 15th of each month, which is not in compliance with city ordinances. In addition, the 5 percent penalty is assessed on the amount of current utility charges rather than the full amount due, which includes user fees and previously incurred penalties. City Ordinances 187 and 188 state residential service bills not paid on or before the 10th of the following month will have a 5 percent delinquent charge added.
- The Utility Clerk prints delinquent notices on the 16th and shut-offs are completed on the 17th. The Utility Clerk indicated extensions were granted upon request of the utility customer. These requests are not documented and are not submitted to the Board for approval. City Ordinances 187 and 188 state failure to pay a residential bill by the 15th of each month shall result in disconnection of the service.

Penalties and shut off procedures were also not followed for utility check payments held at customers' requests as discussed in MAR finding number 3.1.

- Sewer usage charges are not calculated on actual monthly usage in accordance with city ordinance. The Utility Clerk calculates sewer user charges based on the average of water usage for the months of November, December, and January of each year. City Ordinance 347 states sewer charges are to be calculated based on monthly usage.

Failure to enforce city ordinances results in inconsistent application of penalties and shut off procedures, incorrect calculation of usage, and reduces the incentive for customers to make timely payments.

5.7 Inactive accounts

City personnel were not proactive in following up on inactive utility account balances. As of December 31, 2016, the city had inactive utility account



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balances totaling \$169,212. The account listing included some balances dating back to 1994, and showed 46 account holders as deceased with balances totaling \$13,431. The city contracted with a collection agency in August 2016, and provided accounts with unpaid balances totaling \$100,972 to the agency for collection efforts; however, some delinquent accounts were not submitted to the collection agency. City officials indicated some of the accounts not submitted for collection were those of friends and family of the City Clerk and Utility Clerk.

Good business practices require adequate collection procedures be established to ensure accounts are collected timely and bad debts are kept to a minimum.

Recommendations

The Board of Aldermen:

- 5.1 Ensure a statement of costs is prepared to support utility rate increases and document formal reviews of utility rates periodically to ensure revenues are sufficient to cover all costs of providing these services.
- 5.2 Ensure monthly reconciliations of water usage and amounts billed to amounts collected and delinquent accounts are performed.
- 5.3 Ensure all adjustments are independently approved and supporting documentation is retained.
- 5.4 Periodically reconcile customer deposits per accounting records to the available cash balance and promptly investigate any differences.
- 5.5 Review the use and necessity of flat rates and adopt an ordinance authorizing its use, if the practice is continued.
- 5.6 Ensure compliance with utility ordinances.
- 5.7 Ensure sufficient procedures are developed to collect accounts receivable and all past due accounts are submitted to the collection agency.

Auditee's Response

- 5.1 *We will provide a statement of costs to support utility rate increases and document formal reviews of utility rates periodically to ensure revenues are sufficient to cover all costs of providing these services. The city is considering conducting a rate study.*
- 5.2 *The Utility Clerk prepares a monthly reconciliation of water usage and this report is provided to the City Maintenance Supervisor and the Board. The city is investigating the significant water losses*



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reported. The Utility Clerk prepares a monthly reconciliation of amounts billed, collected, and delinquent accounts.

5.3 *We now only allow adjustments when the Mayor or the Board approve. The supporting documents are reviewed by the Mayor or Board and attached to a printout of the individual adjustment made to the utility system. The Mayor or Board will sign off on the individual adjustment. The Utility Clerk will print an adjustment report every month, showing all adjustments made during the month, and the Mayor and Board will review and sign the report.*

5.4 *The City Clerk and Utility Clerk will work together to ensure the utility deposits received are accounted for properly and utility deposit records and the related bank account balances match.*

5.5 *We have discontinued the use of flat rate fees.*

5.6 *We will ensure that the 5 percent penalty is assessed on the amount of current utility charges and that they are applied on the 10th of every month.*

We will ensure that the shut-offs are in compliance with the city ordinances and there will be no extensions for the utility customers.

We have stopped prorating the sewer usage charges and are now in compliance with City Ordinance 347.

5.7 *We have enacted a procedure for collecting unpaid balances. We are unable to turn over collections of some accounts due to the lack of information on individuals that is required by the collection agency. The city now turns over unpaid balances to the collection agency quarterly. The Board will review the list quarterly and sign off on them. The Board will look at the accounts that have not been turned over due to lack of information and determine what to do with them.*

6. Payroll and Related Matters

Controls and procedures over payroll and related matters need improvement. The city disbursed \$424,182 in wages during the year ended December 31, 2016.

6.1 Timesheets, leave records, and questionable payments

Significant improvement is needed with timesheets and leave records, and some employees may have been overpaid.



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Timesheets

Timesheets were not always signed by the employee or his/her supervisor to document approval of time worked and leave used. In addition, overtime hours worked are not consistently documented on timesheets and punch cards for some employees. City maintenance employees use punch cards and manual timesheets to record hours worked, but sometimes record overtime hours only on the punch cards, while other times record overtime hours only on the manual timesheets.

Leave records

Leave records maintained are inaccurate and do not adequately track the number of hours of vacation and sick leave earned, used, and any remaining balances. The report generated from the city's accounting system does not show leave accruals or uses for some employees. In addition, employee leave balances from the report do not agree to leave balances recorded on payroll check stubs. The City Clerk indicated she manually changed the available leave balances in the accounting system when employees used leave. However, it is unclear why leave balances recorded on payroll check stubs differ from leave balances recorded in the accounting system, and no efforts have been made to determine the correct balances.

Questionable payments

The city compensates full-time police officers for 40 hour work weeks (weekly salary) even when they do not work 40 hours or take leave for unworked hours. For example, employee timesheets indicate one officer worked an average of 34 hours a week, with only 12 hours in one week, during the 5 week period December 5, 2016, through January 6, 2017. However, the officer was compensated for a full 40 hours each week for the 5 weeks reviewed and no vacation or sick leave was used.

Also, some overtime appears questionable. December 2016 timesheets for some city maintenance employees indicate overtime hours were paid for "turn-ons." Turning on and shutting off utilities is part of the maintenance employees normal daily job duties, and it is not clear from the timesheets that any additional hours were worked.

Conclusion

Without adequate timesheets or a record of leave taken, the city cannot ensure hours worked and leave earned and taken by employees are properly documented. To ensure the accuracy of the hours worked and leave taken, timesheets should be signed by the employees and reviewed and approved by the supervisor. Leave records also aid in determining final compensation for employees leaving city employment. In addition, the Fair Labor Standards Act (FLSA) requires employers maintain accurate records of actual time worked by employees.

6.2 Personnel policies

The city's personnel policy does not adequately address compensatory time, holiday pay, overtime, or the employment and supervision of related employees, and city employees have not always followed established policies.



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Compensatory time

City hall and city maintenance employees accrue and use compensatory time without Board review and approval. The city has not established a formal policy allowing the accrual and use of compensatory time.

Holidays

The city's personnel policy does not adequately address holiday pay. Some city employees work three 12-hour days, while others work five 8-hour days per week. Employees who work 12-hour days receive 12 hours of holiday pay per holiday, while those who work 8-hour days receive 8 hours of holiday pay. As a result, those employees who work 12-hour days received more hours of holiday pay than other city employees. City policy provides for all full-time employees to receive the same number of holidays each year, but does not address the number of hours received per holiday.

In addition, some employees inappropriately received both double-pay for working on a holiday and for working the separate day on which it was observed (the weekday designated for observance of a weekend holiday). City policy states full-time employees required to work on holidays shall be paid at a rate of 2 times their regular hourly rate. In 2 instances, 2 dispatchers in the police department received double-pay for working on both the day of observance and the actual holiday. By allowing these employees to receive double-pay on the day of observance, the employees received more benefits than permitted by policy. Also, the city does not pay full-time police officers for holidays in compliance with policy.

Vacation

Vacation leave is not accrued in compliance with city policy. For example, the Maintenance Supervisor accrued vacation leave one month prior to his anniversary date, and as a result, he used 24 hours of unearned vacation leave. In addition, the City Clerk's vacation leave balance carried from one year to the next in both 2016 and 2017 in violation of city policy. As a result, the City Clerk's vacation leave balance of 249.5 hours as of her termination date was overstated by 109.5 hours.

Vacation leave was not accurately and timely paid out at the end of employment for an employee as required by city policy. A police department employee accrued 40 hours of vacation leave in September 2016 (his anniversary date) and according to city records, used no vacation leave prior to his resignation in January 2017. However, the City Clerk did not compensate the employee for these hours until March 2017. In addition, the City Clerk paid the employee for 42.5 vacation hours, when only 40 hours was due.

City policy provides for vacation leave to be accrued annually on employment anniversary dates, requires vacation leave to be taken the year following its accumulation, and does not allow for carryover from one year to the next. Also, city policy provides for employees to be compensated for accrued vacation leave upon termination.



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Overtime

Nonworking time (vacation, sick leave, and holidays) is included in total hours worked when determining the amount of overtime earned by employees, which is not required by the FLSA. As a result, the city has been paying more overtime to employees than required. The city does not have a policy addressing the hours (nonworking time) to be considered when calculating overtime.

Related employees

The Maintenance Supervisor directly supervises his nephew. The supervision of related employees can compromise a supervisor's objectivity when assigning duties, tracking leave, approving payroll, or evaluating employee performance.

Written personnel policies and strict compliance with those policies is necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated.

6.3 Overtime exemption

The city inappropriately claims an overtime exemption for police department employees, and as a result, did not pay police officers for overtime.

Section 13(b)(20) of the FLSA provides an overtime exemption to law enforcement employees of a public agency that employs less than five employees during the workweek in law enforcement activities. The exemption applies on a workweek basis.

City officials do not include reserve officers in the determination of the number of officers the city employs and concluded the city was exempt of the FLSA overtime requirements. 29 CFR 553.200 indicates no distinction is made between full-time and part-time employees and all such categories must be counted in determining whether the exemption applies. Payroll records indicate the city employed 5 or more full-time and reserve officers every month during 2016. Due to the city not meeting the exemption requirement, the city likely underpaid some officers during this period.

The city's personnel policy requires all full-time employees of the city be paid at a rate of one and one-half times their regular hourly wage for any hours over 40 hours per week. The FLSA provides the city the option of computing overtime for law enforcement employees based on a work period of 7 to 28 days, and overtime pay is required when the number of hours worked exceeds 171 hours in a 28-day period, or similar proportion for shorter work periods (e.g., 86 hours in a 14-day period or 43 hours in a 7-day period).

6.4 Employee benefits

Improvement is needed in the cities handling of employee benefits.

Retirement contributions

The City Clerk did not always comply with the requirements of the Missouri Local Government Employees' Retirement System (LAGERS) for employee contributions and employee hire dates.



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The City Clerk incorrectly withheld contributions totaling \$2,564 from 9 city employees during the employees' first 6 months of employment. LAGERS does not require contributions from employees during the first 6 months of employment; and as a result, the withholdings were retained by the city.

In addition, the City Clerk incorrectly reported hire dates to LAGERS for some employees. The city's personnel policy requires a 3-month probationary period for full-time employees. The City Clerk incorrectly reported to LAGERS the ending date of the probationary period as the hire date for 3 city employees.

To ensure the equitable treatment of employees and compliance with LAGERS reporting requirements, the city should report accurate hire dates for new employees to LAGERS.

Health insurance

The City Clerk inappropriately withheld health insurance premiums for an employee who resigned from full-time employment on June 20, 2016, but continued to work part-time. City policy only provides for health insurance coverage for full-time employment. From June 26, 2016, until October 2016, the City Clerk improperly withheld health insurance premiums totaling \$363 from the employee's wages. The City Clerk also failed to remove the employee from the city's coverage until mid-July 2016 and the city was billed for coverage through August.

To ensure proper withholdings are made, the city should develop procedures to ensure employees are removed from city health insurance policies as soon as their full-time employment ends.

6.5 Additional compensation and withholding and reporting of compensation

Improvement is needed in the city's handling of additional compensation and the withholding and reporting of compensation.

- Additional compensation totaling \$4,800 and \$2,400 was paid to the City Clerk and Utility Clerk, respectively, during the year ended December 31, 2016. The clerks indicated this additional compensation was for serving as the Court Clerk and Assistant Court Clerk; however, timesheets or other supporting documentation was not retained to support the compensation. In addition, these payments were not included on the employees' W-2 forms and were not subjected to payroll tax withholdings. Also, it is unclear how the work performed was not within the normal job duties of these employees. The clerks perform these court duties during regular city business hours and received compensation for those hours worked through regular payroll checks.
- The Mayor and Aldermen receive a \$100 reduction in their monthly utility bills as compensation; however, these amounts were not reported on their W-2 forms and were not subjected to payroll tax withholdings.



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The Internal Revenue Service requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. The failure to withhold and properly report payroll and income taxes makes the city potentially subject to additional tax liabilities along with penalties and interest.

Recommendations

The Board of Aldermen:

- 6.1 Ensure timesheets are adequately prepared, and properly signed and approved; employee leave balances are properly tracked and monitored; and ensure reviews of timesheets are performed to ensure the propriety of payroll payments.
- 6.2 Review and update the personnel policy, as necessary, and ensure compliance with the policy.
- 6.3 Review overtime hours worked by police officers and pay any amounts due, and ensure compliance with the FLSA and city policy regarding overtime.
- 6.4 Ensure retirement withholdings are recalculated for current and past employees and disburse amounts owed. The Board should also ensure contributions are properly deducted and reported to LAGERS, along with accurate hire dates. In addition, the Board should disburse amounts owed to the employee for health insurance premiums withheld improperly and ensure employees are properly removed from city coverage upon termination from employment.
- 6.5 Review the additional compensation, and ensure additional time worked, if any, is reported on employee timesheets and compensated properly. In addition, the Board should ensure previous years' W-2 forms are amended, as appropriate, and compensation is properly reported and subjected to proper withholdings.

Auditee's Response

- 6.1 *We have now developed procedures that require all employees to sign their timesheets and their supervisor reviews, approves, and signs the timesheet as well. In addition, the City Clerk or the Utility Clerk check the timesheets before payroll is recorded in the accounting system. The handwritten timesheets are compared to the biometric time clock sheets and any discrepancies are noted and resolved. We have also purchased biometric time clocks and the police department employees, city hall employees, and city maintenance employees use daily.*

The City Clerk has made adjustments to the accounting system and it now automatically accounts for leave time. The employees now fill



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out leave slips if they are taking any leave and turn the slips in to their supervisor, who approves the leave. The leave slips are turned in with their timesheet and placed into their personnel files.

We have implemented a flextime schedule for all city employees.

6.2 *We have established a new personnel manual that addresses holidays, overtime, and related employees. We have stopped the use of compensatory time.*

6.3 *We have started implementing the FLSA requirements for police department employees.*

6.4 *We are going to disburse amounts owed to the employees for health insurance premiums and the retirement withholdings. We are now reporting accurate hire dates and contribution amounts to LAGERS. We will ensure employees are properly removed from city coverage upon termination from employment.*

6.5 *We are ensuring that additional time worked, if any, is being reported on employee timesheets and compensated properly. We have stopped the additional compensation for the City Clerk and Utility Clerk being Court Clerk and Assistant Court Clerk. The Board and Mayor compensation is now being paid through payroll thus enabling taxes to be withheld. They will receive a W-2 form at the end of the year. The former Court Clerk and Assistant Court Clerk received a form 1099 for the additional compensation during the year ended December 31, 2016, and in other prior years. We do not plan to amend prior year W-2 forms for the clerks or the Board and Mayor compensation.*

7. Disbursements

Controls and procedures over disbursements need improvement.

7.1 Disbursement review and documentation

The city's disbursement review and documentation procedures need improvement.

List of bills

The list of bills provided to the Board for review and approval were not compared to invoices and actual checks written and did not include payroll disbursements totaling approximately \$424,000 during the year ended December 31, 2016.

Approval of invoices

The City Clerk did not require department heads to document their review and approval of invoices and did not require documentation acknowledging receipt of goods or services.



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Supporting documentation

The City Clerk did not maintain adequately detailed supporting documentation for 14 of 116 disbursements reviewed totaling \$4,588 in 2016. These disbursements included purchases of automotive supplies (\$2,073), fiber-optic repair services (\$1,467), grocery items (\$500), and other small miscellaneous purchases. Payments were often made from summary statements, and detailed invoices documenting quantity, prices, and items purchased were not retained.

To safeguard against possible loss or misuse of funds, the Board should approve all disbursements and review supporting documentation, bank information, and canceled checks. Board approval of disbursements should be documented by signing or initialing the monthly list of bills. Requiring the receipt of goods and services prior to payment helps ensure the city actually received all items. 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.

7.2 Unnecessary
disbursements

The city made several unreasonable and/or unnecessary purchases.

- The city held a holiday party and catered meals for 60 guests totaling \$570 in December 2016. The City Clerk indicated the meals were for city employees and their families. A list of attendees was not maintained.
- The city paid \$1,200 for 24 gift certificates to a local grocery. The City Clerk indicated the gift certificates were given to employees as holiday gifts.
- The city's January 2016 credit card statement shows a \$96 purchase at a local liquor store in December 2015. An itemized receipt was not maintained to support the purchase.
- The city purchased items at a local grocery store totaling \$206. The items were charged to the city's account in December 2015 and paid for in January 2016. In addition, the signature on some of the invoices was the Maintenance Supervisor's wife, who is not a city employee.
- The city incurred travel costs for the family of the City Clerk to travel with her while she attended a training conference at the Lake of the Ozarks in April 2016. The hotel invoice indicates the room reservation was for 2 adults and 2 children totaling \$542. In addition, the credit card statement shows one restaurant charge totaling \$69; however, a detailed invoice was not retained to indicate how many meals were purchased.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as



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provided in the constitution. Public funds should be spent only on items necessary and beneficial to the city. Citizens have placed a fiduciary trust in their public officials to spend city monies in a prudent and necessary manner.

7.3 Procurement procedures and contracts

The city does not have a formal bidding policy and has not established policies for the selection of vendors providing professional services.

The city did not solicit proposals for professional services including engineering services (\$4,085) and wastewater treatment services (\$6,625). Additionally, the city did not obtain a contract for the engineering services; and the wastewater treatment contract did not clearly document each party's duties and responsibilities, and did not cover services performed during the period of September 1, 2016, through March 9, 2017.

Formal bidding procedures for major purchases or services provide a framework for economic management of city resources and help ensure the city receives fair value by contracting with the lowest or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business.

Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Sections 8.289 and 8.291, RSMo, provide requirements for the selection of engineering services.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

7.4 Fuel usage

The city does not reconcile fuel usage to fuel purchases. The city maintains a bulk fuel tank for the city maintenance department and another for the police department. Both departments maintain fuel logs showing the date, amount of fuel purchased, mileage, and the vehicle or equipment obtaining the fuel. However, no comparison is performed between total gallons pumped, gallons purchased, and gallons on hand. As a result there is less assurance fuel usage is accounted for, invoices for fuel purchased are correct, and misuse would be detected promptly. The city purchased \$14,700 in fuel during the year ended December 31, 2016.

Procedures for reviewing fuel used and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements.



Recommendations

The Board of Aldermen:

- 7.1 Ensure all payments made are included in the listing of bills presented for approval, approval of the list of bills is documented, and the approved list of bills is compared to invoices and checks written. In addition, the Board should ensure invoices are adequately reviewed and require documentation of receipt of goods and/or services prior to payment of invoices. The Board should also maintain adequate supporting documentation for all disbursements.
- 7.2 Ensure all disbursements are necessary and prudent uses of public funds.
- 7.3 Establish formal bidding policies and procedures, periodically solicit proposals for professional services, and enter into clearly written agreements for those services.
- 7.4 Ensure a documented periodic reconciliation of fuel purchased to fuel used is performed with any significant differences investigated.

Auditee's Response

- 7.1 *The City Clerk provides a list of bills that includes all expenses paid and pending to the Board monthly. The Mayor and one of the Aldermen will initial the list of bills. The invoices are matched up with billing statements and the checks written, then the Mayor and the Mayor Pro-tem sign the checks. All bills that are paid have supporting documentation attached to the check stubs.*
- 7.2 *We will ensure that all disbursements are necessary and prudent uses of public funds.*
- 7.3 *We will establish formal bidding policies and procedures and will enter into clearly written agreements for the services.*
- 7.4 *We will perform a monthly reconciliation of fuel purchases to fuel used and any significant differences will be investigated.*

8. Budgets and Financial Reporting

The city does not prepare complete and accurate annual budgets, publish accurate semiannual financial statements, and file annual financial reports timely.

8.1 Budgets

The Board does not have adequate procedures to prepare or monitor budgets.

Preparation

The city's budgets do not contain all statutorily required elements. The 2016 and 2017 budgets did not include a budget message or budget summary. In



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addition, the actual beginning available resources and estimated ending available resources were not included, but are needed to present a complete financial plan for city finances. Also, city officials did not prepare budgets for the Park Board or Sewer Rehabilitation Funds, and the financial activity and balances of the cities certificates of deposit and annuity were not reflected in the budgets.

Section 67.010, RSMo, requires the budget to present a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. A complete budget should include the beginning available resources and a reasonable estimate of the ending available resources. A complete and well-planned budget, in addition to meeting statutory requirements, serves as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in providing information to the public about city operations and current finances.

Monitoring

The Board does not adequately monitor budget-to-actual receipts and disbursements. Actual disbursements of the General Fund, Sewer Fund, and Heritage Fund for the year ended December 31, 2016, exceeded budgeted amounts by \$60,032, \$7,920, and \$21,831, respectively.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

8.2 Published financial statements

The City Clerk did not prepare and publish complete and accurate financial statements as required by state law. The City Clerk did not include various fund disbursements totaling \$33,237 shown in the accounting system for the 2 semiannual settlements published for year ended December 31, 2016. In addition, the financial activity of the Park Board Fund was not included in the published financial statement for the semiannual period ended December 31, 2016.

Section 79.160, RSMo, requires the Board to prepare and publish semiannual financial statements that include a full and detailed account of the receipts, disbursements, and indebtedness of the city. To ensure compliance with this statute, the Board should require timely preparation of financial statements and review the statements for accuracy prior to publication.

8.3 Filing of financial reports

The City Clerk did not file timely or accurate annual financial reports with the SAO as required by state law. The city's financial report for the year ended



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December 31, 2016, due by June 30, 2017, was not filed until July 25, 2017, and the financial report for the year ended December 31, 2017, due by June 30, 2018, was not filed until July 16, 2018. In addition, the report submitted for the year ended December 31, 2016, did not include financial information for the first 6 months of 2016. Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the State Auditor's Office.

Recommendations

The Board of Aldermen:

- 8.1 Prepare accurate annual budgets that contain all information required by state law, and ensure the budgets are adequately monitored.
- 8.2 Ensure accurate publication of the city's semiannual financial statements as required by state law.
- 8.3 Submit annual financial reports to the State Auditor's Office as required by state law.

Auditee's Response

- 8.1 *We will prepare accurate annual budgets that contain all information required by state law. The City Clerk provides budget to actual reports to the Board monthly. The City Clerk provides budget increase resolutions, if needed.*
- 8.2 *We will ensure the accurate publication of the city's semiannual financial statement.*
- 8.3 *We will submit annual financial reports to the State Auditor's Office as required by law.*

9. Park Board

We noted significant weaknesses in the Park Board's controls, policies, and procedures.

The Park Board is required to be governed by a seven-member board, which is appointed by the Mayor with the consent of the Board of Aldermen, and has control of disbursements for the improvement, care, and custody of city parks. The city holds the Park Board bank account and makes disbursements at the Park Board's request. City records indicate the Park Board collected \$8,714 and disbursed \$9,403 during the year ended December 31, 2016.

9.1 Board meetings

Park Board members indicated Board meetings have not been held for a considerable period of time. While there are no legal requirements stipulating the frequency of Board meetings and the Board has not adopted a policy on the frequency of Board meetings, periodic or at a minimum, annual Board meetings are necessary for the Board to properly fulfill its duties as required by state law and Board bylaws. Sections 67.010 to 67.040, RSMo, include



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provisions regarding preparation of annual budgets and Park Board bylaws include provisions for the approval of disbursements (see section 9.2).

9.2 Bylaws and agreements

The Park Board does not have current bylaws and does not operate in accordance with bylaws, city ordinance, or the operating agreement between the Board and the city.

- The Park Board did not update its bylaws to reflect changes made by city ordinance in 1983 and 1986, or a 1990 operating agreement with the city establishing the responsibility and authority for city parks.
- The Park Board does not operate with the required number of board members and does not appoint new members in compliance with city ordinance. The Park Board consisted of three members during the year ended December 31, 2016. Two of the three members resigned in March 2017, and volunteers filled the vacated positions without being appointed by the Mayor. City ordinance states the Board of Park Directors shall consist of seven members appointed for a two-year term. The Mayor with approval of the Board of Aldermen shall reappoint the members for additional 2-year terms or appoint new members.
- The Park Board does not prepare and file an annual report with the Board of Aldermen in accordance with city ordinance.
- The Park Board Treasurer did not obtain a written report from the City Clerk regarding the activity and status of the Park Board Fund, and present the report to the Park Board in accordance with the bylaws.
- The Park Board did not maintain a record of all business transactions including donations, profits, and costs in accordance with the operating agreement with the city.
- The Park Board President did not sign all checks in accordance with the Board's bylaws. The City Clerk was the only signer on Park Board checks.
- The Park Board did not review and approve disbursements in excess of \$25 by a 2/3 majority in accordance with its bylaws.
- The Park Board incorrectly reimbursed the city \$450 for utilities during the year ended December 31, 2016. The operating agreement states the city will absorb the costs of electric, water and sewer usage for Park Board activities.

Bylaws can be used as a management tool for establishing Park Board policies and procedures. To increase the usefulness of the bylaws, they should be



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updated on a regular basis. Adherence to Park Board bylaws, city ordinance, and the terms of written agreements is necessary to ensure the Park Board is operating as intended and all parties have met their contractual obligations.

9.3 Receipts

Various Park Board members collect park monies and do not always issue receipt slips or maintain records of monies received. The Park Board collects donations, sports fees, concessions revenue, and admission fees for various events. The Park Board bylaws indicate the Park Board Treasurer shall be responsible for the collection of monies. In addition, the Park Board does not reconcile the composition of monies collected to the composition of monies transmitted and deposited. As a result, there is little assurance that all monies collected are properly transmitted and deposited.

Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse of funds will go undetected.

9.4 Supporting documentation

Adequate supporting documentation was not retained for approximately \$3,300 of the \$9,403 spent by the Park Board during 2016. All disbursements should include proper supporting documentation to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

Recommendations

The Board of Aldermen in conjunction with the Park Board:

- 9.1 Ensure periodic Park Board meetings are held to properly fulfill the Board's duties, including approving disbursements and adopting budgets annually as required by the Board's bylaws and state law.
- 9.2 Review and update Park Board bylaws, city ordinances, and agreements periodically, and ensure compliance with the terms of the bylaws, ordinances, and agreements.
- 9.3 Require preparation of prenumbered receipt slips or receipt records for monies received and reconciliation of the composition of receipts to the composition of monies transmitted and deposited.
- 9.4 Require adequate supporting documentation be retained for all disbursements.

Auditee's Response

- 9.1 *The Board of Aldermen and the Park Board will ensure periodic meetings are held. The Board of Aldermen and the Park Board will adopt budgets annually and the disbursements will be approved by the Board of Aldermen.*
- 9.2 *The Board of Aldermen and the Park Board will review and update the Park Board bylaws, city ordinances, and agreements periodically*



and ensure compliance with the terms of the bylaws, ordinances, and agreements.

9.3 *The Park Board will issue prenumbered receipt slips for monies received. The monies received will be reconciled to the receipts, which will in turn be reconciled to the deposits.*

9.4 *The Park Board will provide supporting documentation for all disbursements.*

10. Sunshine Law and Ordinances

City officials did not always ensure compliance with the Sunshine Law and city ordinances need improvement.

10.1 Sunshine Law

The Board did not always comply with the Sunshine Law regarding closed sessions.

Reasons for closed meetings

Open meeting minutes did not document the specific reasons or section of law allowing the meeting to be closed for 11 of 32 closed sessions held between January 1, 2016, and March 8, 2018. Section 610.022, RSMo, requires public bodies announce the specific reasons allowed by law for going into a closed session and to enter the vote and reason into the minutes. The section also limits discussion topics and actions in closed meetings to only those specifically announced prior to closure.

Allowable topics

Some topics discussed and voted on in 27 of 32 closed sessions held between January 1, 2016, and March 8, 2018, were not allowable under the Sunshine Law. For example, closed meeting minutes indicated the Board discussed employee salaries and benefits, concerns with financial records, holiday pay for police department employees, employee awards, city street light usage, and other miscellaneous topics. Section 610.021, RSMo, provides that the discussion topics and actions in closed meetings should be limited to only those specifically allowed by law.

10.2 Ordinances

Ordinances are not comprehensive or maintained in an organized manner; one ordinance could not be located; and the city has not always established ordinances as appropriate.

- Ordinances are poorly maintained. The City Clerk maintains multiple ordinance books, ordinances are not maintained in numeric order, and many ordinances are old and not updated. In addition, an index of all ordinances passed and rescinded by the city is not maintained, making it difficult for city personnel to determine which ordinances remain in effect and which have been rescinded.



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- City officials could not locate an ordinance or ballot to support the passage of a general city sales tax. We obtained a copy of the ordinance with the ballot language from the Department of Revenue.
- The city has not adopted an ordinance to establish the current trash rates.
- The city does not have ordinances establishing the compensation of city officials and employees.

Because ordinances passed by the Board to govern the city and its residents have the force and effect of law, it is important ordinances be complete and organized. In addition, ordinances documenting approved salary amounts help ensure equitable treatment and prevent misunderstandings. Section 79.270, RSMo, authorizes the Board to fix the compensation of city officials and employees by ordinance.

Recommendations

The Board of Aldermen:

- 10.1 Ensure specific reasons for closing a meeting are documented in the open minutes, and ensure only topics allowed by state law are discussed in closed Board meetings.
- 10.2 Ensure ordinances are maintained in a complete and well-organized manner, establish an index of all ordinances passed and rescinded, retain copies of ballots or signed ordinances for all sales taxes, and establish trash rates and the compensation of city officials and employees by ordinance.

Auditee's Response

- 10.1 *We will specify the reasons for closing the meeting and will ensure only topics allowed by state law are discussed in closed Board meetings.*
- 10.2 *We will maintain the ordinances in a complete and well-organized manner and establish an index of all ordinances passed and rescinded. We will establish an ordinance for trash rates and an ordinance for the compensation of all city officials and employees.*

11. Electronic Data Security

Controls over some city computers are not sufficient to prevent unauthorized access, and sufficient plans and processes are not in place for recovering systems and data. As a result, city records are not adequately protected and are susceptible to unauthorized access, and the city faces an increased risk of not being able to resume normal business operations timely.

11.1 Passwords

The city has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The City Clerk, Utility Clerk, and employees in the police department are not required to change passwords



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periodically. The City Clerk and the Utility Clerk share the same user identification and password to access the utility system, and passwords for the utility system are not required to contain a minimum number of characters.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential and requiring users to enter their password when switching users. However, since passwords do not have to be periodically changed, are shared between employees, and are not required to contain a minimum number of characters, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, contain a minimum number of characters, and be changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

11.2 Security controls

Security controls are not in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

11.3 Contingency plan and backup data

The city has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations. In addition, the city does not periodically test backup data to ensure essential data can be restored, and does not always store backup files at a secure off-site location.

A formal, written contingency plan should be prepared, and periodically tested and updated as needed to address actions for restoring computer systems should a disaster or other extraordinary situation occur. In addition, completing regular data backups and periodically testing the backup data helps ensure current data is available to be restored and is complete and reliable. Storing backup files in a secure off-site location provides increased assurance city electronic records could be restored if necessary.

Recommendations

The Board of Aldermen:

- 11.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the city's



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computers and data. Passwords should contain a minimum number of characters.

- 11.2 Require each city computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 11.3 Develop a formal, written contingency plan that is periodically tested, evaluated, and updated as needed. The Board should also require city personnel test restoration of backup data on a periodic basis and store backup files in a secure off-site location.

Auditee's Response

- 11.1 *We will require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the city's computers and data. The passwords will contain a minimum number of characters.*
- 11.2 *We will have security controls in place to lock computers after a specified number of incorrect logon attempts and after a certain period of inactivity.*
- 11.3 *We will develop a formal written contingency plan that is periodically tested, evaluated, and updated as needed. The Board will also require backups be tested on a periodic basis and stored in a secure off-site location.*

12. Capital Assets

The city does not maintain records of its capital assets including buildings, utility system infrastructure, vehicles, equipment, and other property. Additionally, city personnel do not tag, number, or otherwise identify assets or perform annual physical inventories.

Adequate capital asset records and procedures are necessary to provide controls over city property; safeguard city assets that are susceptible to loss, theft, or misuse; and provide a basis for proper financial reporting and insurance coverage.

Recommendation

The Board of Aldermen ensure complete and detailed capital asset records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location and subsequent disposition. The Board should also ensure city personnel properly tag, number, or otherwise identify all applicable city property and conduct and document an annual inventory.

Auditee's Response

We will ensure complete and detailed capital asset records are maintained.

City of Winona

Organization and Statistical Information

The City of Winona is located in Shannon County. The city was incorporated in 1888 and is currently a fourth-class city. The city employed 15 full-time employees and 6 part-time employees on December 31, 2016.

City operations include utility services (water, sewer, electric, and trash), police, maintenance of streets, and parks and recreation.

Mayor and Board of Aldermen

The city government consists of a mayor and 6-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at December 31, 2016, are identified below. The Mayor and Board of Aldermen received \$100 reductions in their monthly utility bills as compensation. The compensation of these officials is not established by ordinance.

Brenda Barkman, Mayor
Bob Needels, Alderman
Allen Phillips, Alderman
Tommy Farris, Alderman
Charles Points, Alderman
Mark Simpson, Alderman
Peggy Jones, Alderwoman

Other Principal Officials

The City Clerk and Utility Clerk are appointed positions. The city's principal officials at December 31, 2016, are identified below:

Terri Denton, City Clerk ¹
Elisha Pierce, Utility Clerk

¹ Terri Denton served as the City Clerk until she was terminated in September 2017. Mandy Brown was subsequently hired in October 2017.

Financial Activity and Supporting Documentation

Appendix A is a summary of the city's financial activity for the year ended December 31, 2016. Appendix B and C provide supporting documentation for undeposited receipts and a summary of checks cashed.

Appendix A

City of Winona
 Schedule of Receipts, Disbursements, and Changes in Cash Balances
 Year Ended December 31, 2016

	General	Electric	Water	Sewer	Sewer Rehabilitation	Solid Waste	Street	Police Department
(1) RECEIPTS	\$ 116,644	1,266,625	119,011	134,611	20,000	135,121	56,543	31,618
(1) DISBURSEMENTS	160,032	1,286,017	145,958	148,619	0	134,179	57,774	32,398
RECEIPTS OVER (UNDER) DISBURSEMENTS	(43,388)	(19,392)	(26,947)	(14,008)	20,000	942	(1,231)	(780)
CASH BALANCE, JANUARY 1, 2016	92,832	88,742	49,543	35,190	60,000	4,388	27,511	4,098
CASH BALANCE, DECEMBER 31, 2016	\$ 49,444	69,350	22,596	21,182	80,000	5,330	26,280	3,318

	Payroll	Utility Deposit	Capital Improvement	Park Board	Municipal Court	Heritage Fund	(2) Certificates of Deposit	(2) Deferred Annuity	Total (all funds)
(1) RECEIPTS	\$ 462,361	17,406	106,512	8,638	144,598	13	1,129	1,585	2,622,415
(1) DISBURSEMENTS	467,467	14,974	26,860	9,327	143,148	21,831	0	0	2,648,584
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,106)	2,432	79,652	(689)	1,450	(21,818)	1,129	1,585	(26,169)
CASH BALANCE, JANUARY 1, 2016	10,603	51,847	226,420	2,063	3,080	21,818	447,830	105,661	1,231,626
CASH BALANCE, DECEMBER 31, 2016	\$ 5,497	54,279	306,072	1,374	4,530	0	448,959	107,246	1,205,457

(1) Receipts and disbursements presented include transfers in and out.

(2) The source and purpose of the certificates of deposit and the deferred annuity are unknown and cannot be allocated to a specific fund.

Appendix B

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Supporting Documentation - Undeposited Receipts

Deposit Date	(1) Recorded Cash Receipts	(1) Recorded Check and Money Order Receipts	(2) Unrecorded Checks	(3) Undeposited Manual Receipts	Cash Substituted for Recorded Checks	Total Receipts	Cash Deposited	Checks and Money Orders Deposited	Total Deposited	Total Undeposited
1/6/2015	\$ 8,371.80	28,957.45	683.11	0.00	0.00	38,012.36	4,730.70	32,598.55	37,329.25	(683.11)
1/13/2015	11,491.05	48,445.96	210.72	0.00	0.00	60,147.73	8,321.80	51,615.21	59,937.01	(210.72)
1/22/2015	6,790.01	18,809.74	0.00	0.00	0.00	25,599.75	3,764.02	21,835.73	25,599.75	0.00
1/29/2015	6,253.20	17,274.50	1,612.35	0.00	0.00	25,140.05	16.76	23,510.94	23,527.70	(1,612.35)
2/5/2015	9,296.47	22,521.93	274.01	150.00	245.10	32,487.51	7,901.40	23,917.00	31,818.40	(669.11)
2/10/2015	8,574.83	18,502.66	0.00	0.00	0.00	27,077.49	6,679.07	20,398.42	27,077.49	0.00
2/13/2015	7,301.89	33,029.94	0.00	0.00	0.00	40,331.83	3,404.71	36,927.12	40,331.83	0.00
2/19/2015	10,135.12	31,313.80	0.00	35.85	0.00	41,484.77	10,971.13	30,477.79	41,448.92	(35.85)
2/26/2015	7,041.47	6,266.81	0.00	0.00	0.00	13,308.28	4,263.36	9,044.92	13,308.28	0.00
3/5/2015	8,855.56	27,214.85	75.00	0.00	215.55	36,360.96	7,218.63	28,851.78	36,070.41	(290.55)
3/10/2015	8,521.16	36,560.00	0.00	0.00	0.00	45,081.16	3,726.25	41,354.91	45,081.16	0.00
3/12/2015	6,857.96	28,645.25	0.00	0.00	0.00	35,503.21	9,326.22	26,176.99	35,503.21	0.00
3/19/2015	6,541.77	22,841.60	100.00	0.00	0.00	29,483.37	5,575.74	23,807.63	29,383.37	(100.00)
3/31/2015	7,507.89	11,003.94	1,117.74	0.00	0.00	19,629.57	691.28	17,820.55	18,511.83	(1,117.74)
4/6/2015	9,314.50	24,768.70	0.00	0.00	203.87	34,287.07	6,769.94	27,313.26	34,083.20	(203.87)
4/9/2015	6,552.14	28,967.58	0.00	0.00	0.00	35,519.72	6,532.14	28,987.58	35,519.72	0.00
4/15/2015	10,366.39	37,262.09	0.00	100.00	0.00	47,728.48	9,059.13	38,569.35	47,628.48	(100.00)
4/29/2015	11,626.17	16,711.96	722.11	0.00	0.00	29,060.24	3,668.52	24,669.61	28,338.13	(722.11)
5/5/2015	8,175.89	19,653.91	0.00	0.00	245.10	28,074.90	6,975.17	20,854.63	27,829.80	(245.10)
5/12/2015	10,783.24	39,630.58	0.00	0.00	0.00	50,413.82	8,439.44	41,974.38	50,413.82	0.00
5/19/2015	7,397.51	29,574.64	0.00	50.00	0.00	37,022.15	6,015.16	30,956.99	36,972.15	(50.00)
5/28/2015	4,807.91	2,973.69	527.24	0.00	77.83	8,386.67	898.29	6,883.31	7,781.60	(605.07)
6/4/2015	8,603.66	27,404.26	0.00	100.00	172.29	36,280.21	7,047.59	28,960.33	36,007.92	(272.29)
6/11/2015	6,664.99	30,198.62	0.00	15.16	0.00	36,878.77	5,534.46	31,329.15	36,863.61	(15.16)
6/15/2015	6,569.13	27,929.90	0.00	0.00	0.00	34,499.03	5,289.09	29,209.94	34,499.03	0.00
6/30/2015	7,576.37	22,177.22	786.77	0.00	0.00	30,540.36	1,420.47	28,333.12	29,753.59	(786.77)
7/7/2015	7,006.68	25,253.03	0.00	0.00	184.68	32,444.39	5,491.75	26,767.96	32,259.71	(184.68)
7/14/2015	9,962.88	39,464.95	0.00	0.00	0.00	49,427.83	8,212.31	41,215.52	49,427.83	0.00
7/24/2015	6,112.67	14,657.64	0.00	0.00	0.00	20,770.31	2,795.74	17,974.57	20,770.31	0.00
7/31/2015	2,758.63	4,014.85	914.64	170.00	0.00	7,858.12	43.14	6,730.34	6,773.48	(1,084.64)
8/7/2015	9,397.48	27,409.76	0.00	0.00	205.97	37,013.21	5,853.77	30,953.47	36,807.24	(205.97)
8/12/2015	8,424.78	56,094.76	92.63	390.00	0.00	65,002.17	7,651.65	56,867.89	64,519.54	(482.63)
8/19/2015	7,334.65	22,262.77	0.00	0.00	450.00	30,047.42	5,700.12	23,897.30	29,597.42	(450.00)
8/31/2015	6,754.65	6,765.11	1,325.72	0.00	0.00	14,845.48	720.79	12,798.97	13,519.76	(1,325.72)
9/4/2015	8,424.38	19,046.08	0.00	0.00	666.06	28,136.52	7,493.74	19,976.72	27,470.46	(666.06)
9/9/2015	6,803.10	40,202.87	0.00	0.00	0.00	47,005.97	6,653.10	40,352.87	47,005.97	0.00
9/14/2015	9,846.78	39,275.40	0.00	0.00	0.00	49,122.18	7,718.33	41,403.85	49,122.18	0.00
9/29/2015	11,407.01	35,395.83	619.96	0.00	0.00	47,422.80	5,156.35	41,646.49	46,802.84	(619.96)
10/6/2015	7,313.93	35,665.29	0.00	150.00	314.48	43,443.70	5,747.99	37,231.23	42,979.22	(464.48)
10/13/2015	5,427.28	19,179.30	0.00	0.00	0.00	24,606.58	3,403.83	21,202.75	24,606.58	0.00
10/16/2015	6,232.58	30,250.74	0.00	0.00	300.00	36,783.32	5,144.44	31,338.88	36,483.32	(300.00)
10/29/2015	6,437.53	28,516.81	2,181.63	0.00	20.00	37,155.97	207.73	34,746.61	34,954.34	(2,201.63)
11/9/2015	10,343.43	34,803.59	0.00	0.00	806.27	45,953.29	6,471.00	38,676.02	45,147.02	(806.27)
11/12/2015	5,297.57	34,946.88	0.00	0.00	0.00	40,244.45	7,190.76	33,053.69	40,244.45	0.00

Appendix B

City of Winona

Supporting Documentation - Undeposited Receipts

Deposit Date	(1) Recorded Cash Receipts	(1) Recorded Check and Money Order Receipts	(2) Unrecorded Checks	(3) Undeposited Manual Receipts	Cash Substituted for Recorded Checks	Total Receipts	Cash Deposited	Checks and Money Orders Deposited	Total Deposited	Total Undeposited
11/30/2015	8,097.82	27,118.46	59.06	500.00	0.00	35,775.34	73.21	35,143.07	35,216.28	(559.06)
12/3/2015	4,462.78	15,054.57	505.53	0.00	0.00	20,022.88	2,680.27	16,837.08	19,517.35	(505.53)
12/8/2015	6,326.96	42,861.84	0.00	0.00	0.00	49,188.80	3,408.75	45,780.05	49,188.80	0.00
12/17/2015	7,082.24	32,102.21	0.00	150.00	0.00	39,334.45	4,719.04	34,465.41	39,184.45	(150.00)
12/29/2015	6,105.92	15,820.12	470.62	138.23	0.00	22,534.89	535.87	21,390.17	21,926.04	(608.85)
Total 2015	379,339.81	1,304,804.44	12,278.84	1,949.24	4,107.20	1,702,479.53	247,314.15	1,436,830.10	1,684,144.25	(18,335.28)
1/7/2016	6,450.18	19,444.69	0.00	0.00	0.00	25,894.87	4,901.33	20,993.54	25,894.87	0.00
1/12/2016	6,062.00	35,953.32	0.00	0.00	0.00	42,015.32	3,226.79	38,788.53	42,015.32	0.00
1/14/2016	3,940.89	27,736.14	0.00	0.00	0.00	31,677.03	3,995.54	27,681.49	31,677.03	0.00
1/27/2016	8,976.35	19,061.92	1,888.99	0.00	549.66	30,476.92	2,363.36	25,674.91	28,038.27	(2,438.65)
2/4/2016	5,732.98	21,094.40	0.00	297.42	190.67	27,315.47	4,034.88	22,792.50	26,827.38	(488.09)
2/8/2016	7,894.93	17,753.14	0.00	150.00	0.00	25,798.07	6,251.34	19,396.73	25,648.07	(150.00)
2/17/2016	12,246.48	60,235.30	0.00	0.00	599.39	73,081.17	11,301.36	61,180.42	72,481.78	(599.39)
2/29/2016	10,105.45	5,442.47	1,446.14	0.00	200.00	17,194.06	3,160.73	12,387.19	15,547.92	(1,646.14)
3/3/2016	6,723.12	18,495.26	0.00	0.00	0.00	25,218.38	6,286.49	18,931.89	25,218.38	0.00
3/8/2016	6,199.20	32,313.81	0.00	0.00	0.00	38,513.01	4,391.10	34,121.91	38,513.01	0.00
3/14/2016	13,115.18	41,052.88	0.00	0.00	0.00	54,168.06	11,881.43	42,286.63	54,168.06	0.00
3/31/2016	12,407.89	27,778.25	707.95	0.00	582.40	41,476.49	7,290.42	32,895.72	40,186.14	(1,290.35)
4/5/2016	7,709.53	20,707.61	296.59	150.00	0.00	28,863.73	5,460.46	22,956.68	28,417.14	(446.59)
4/8/2016	5,568.83	20,950.87	0.00	0.00	0.00	26,519.70	1,184.65	25,335.05	26,519.70	0.00
4/13/2016	6,686.55	35,288.75	0.00	0.00	0.00	41,975.30	6,382.96	35,592.34	41,975.30	0.00
4/27/2016	11,618.21	27,277.94	2,063.86	0.00	0.00	40,960.01	5,559.74	33,336.41	38,896.15	(2,063.86)
5/5/2016	8,938.33	17,201.30	357.67	200.00	0.00	26,697.30	7,173.21	18,966.42	26,139.63	(557.67)
5/12/2016	4,201.83	31,532.72	0.00	0.00	0.00	35,734.55	1,465.34	34,269.21	35,734.55	0.00
5/16/2016	7,088.66	31,558.03	50.00	0.00	381.13	39,077.82	6,674.15	31,972.54	38,646.69	(431.13)
5/31/2016	8,248.38	5,807.13	324.86	0.00	0.00	14,380.37	2,828.05	11,227.46	14,055.51	(324.86)
6/6/2016	6,474.35	16,965.29	1,089.53	0.00	0.00	24,529.17	4,460.32	18,979.32	23,439.64	(1,089.53)
6/8/2016	2,046.84	28,152.80	0.00	0.00	0.00	30,199.64	1,604.80	28,594.84	30,199.64	0.00
6/10/2016	6,574.80	19,590.10	0.00	0.00	0.00	26,164.90	711.46	25,453.44	26,164.90	0.00
6/14/2016	2,879.37	16,393.28	0.00	0.00	0.00	19,272.65	2,879.37	16,393.28	19,272.65	0.00
6/16/2016	1,197.98	3,372.87	0.00	0.00	0.00	4,570.85	1,283.23	3,287.62	4,570.85	0.00
6/20/2016	1,582.36	1,526.64	0.00	0.00	0.00	3,109.00	1,570.14	1,538.86	3,109.00	0.00
6/22/2016	1,606.24	552.14	0.00	0.00	0.00	2,158.38	1,686.24	472.14	2,158.38	0.00
6/27/2016	1,504.51	4,127.14	0.00	0.00	0.00	5,631.65	1,275.97	4,355.68	5,631.65	0.00
6/30/2016	844.68	4,324.27	164.91	0.00	0.00	5,333.86	223.54	4,945.41	5,168.95	(164.91)
7/5/2016	4,769.82	8,543.72	1,472.39	0.00	170.15	14,956.08	3,723.81	9,589.73	13,313.54	(1,642.54)
7/7/2016	2,753.83	16,767.15	0.00	0.00	0.00	19,520.98	2,945.19	16,575.79	19,520.98	0.00
7/11/2016	3,796.58	12,268.42	0.00	0.00	0.00	16,065.00	3,724.11	12,340.89	16,065.00	0.00
7/12/2016	1,949.22	30,142.43	0.00	0.00	0.00	32,091.65	2,049.82	30,041.83	32,091.65	0.00
7/15/2016	2,582.49	8,361.91	0.00	0.00	0.00	10,944.40	2,391.23	8,553.17	10,944.40	0.00
7/20/2016	5,346.55	12,754.84	0.00	0.00	0.00	18,101.39	5,453.07	12,648.32	18,101.39	0.00
7/26/2016	4,069.24	3,221.23	0.00	0.00	0.00	7,290.47	3,869.06	3,421.41	7,290.47	0.00
8/2/2016	4,308.76	14,077.18	1,352.97	0.00	0.00	19,738.91	1,986.75	16,399.19	18,385.94	(1,352.97)
8/5/2016	4,976.68	15,029.15	0.00	0.00	0.00	20,005.83	5,123.64	14,882.19	20,005.83	0.00

Appendix B

City of Winona

Supporting Documentation - Undeposited Receipts

Deposit Date	(1) Recorded Cash Receipts	(1) Recorded Check and Money Order Receipts	(2) Unrecorded Checks	(3) Undeposited Manual Receipts	Cash Substituted for Recorded Checks	Total Receipts	Cash Deposited	Checks and Money Orders Deposited	Total Deposited	Total Undeposited
8/9/2016	3,754.32	28,799.36	0.00	0.00	0.00	32,553.68	3,717.82	28,835.86	32,553.68	0.00
8/11/2016	7,269.76	22,605.26	0.00	0.00	0.00	29,875.02	7,609.47	22,265.55	29,875.02	0.00
8/16/2016	9,324.60	26,079.66	0.00	0.00	0.00	35,404.26	9,430.41	25,973.85	35,404.26	0.00
8/22/2016	5,383.04	3,973.42	0.00	0.00	0.00	9,356.46	5,653.70	3,702.76	9,356.46	0.00
8/30/2016	5,584.88	6,167.81	899.90	0.00	0.00	12,652.59	3,358.89	8,393.80	11,752.69	(899.90)
9/7/2016	10,857.97	38,837.10	0.00	0.00	0.00	49,695.07	11,134.93	38,560.14	49,695.07	0.00
9/9/2016	5,476.45	27,175.89	0.00	0.00	0.00	32,652.34	5,477.01	27,175.33	32,652.34	0.00
9/13/2016	11,616.29	47,527.05	40.00	0.00	0.00	59,183.34	12,223.09	46,920.25	59,143.34	(40.00)
9/19/2016	7,269.41	12,215.52	150.00	0.00	464.64	20,099.57	5,438.10	14,046.83	19,484.93	(614.64)
9/29/2016	3,878.19	5,643.83	1,397.15	0.00	0.00	10,919.17	3,195.20	6,326.82	9,522.02	(1,397.15)
10/4/2016	7,908.05	23,850.76	0.00	0.00	0.00	31,758.81	8,029.04	23,729.77	31,758.81	0.00
10/10/2016	9,583.75	23,509.85	0.00	0.00	0.00	33,093.60	9,680.43	23,413.17	33,093.60	0.00
10/12/2016	10,578.77	34,985.68	0.00	0.00	0.00	45,564.45	11,648.73	33,915.72	45,564.45	0.00
10/21/2016	9,480.65	25,701.43	0.00	0.00	0.00	35,182.08	8,714.71	26,467.37	35,182.08	0.00
10/27/2016	3,042.85	1,521.20	1,073.49	0.00	0.00	5,637.54	1,413.31	3,150.74	4,564.05	(1,073.49)
11/3/2016	5,898.13	19,209.96	0.00	10.00	0.00	25,118.09	5,870.93	19,237.16	25,108.09	(10.00)
11/8/2016	5,755.71	28,955.79	0.00	0.00	0.00	34,711.50	5,702.38	29,009.12	34,711.50	0.00
11/15/2016	9,918.67	42,951.66	0.00	0.00	0.00	52,870.33	10,608.87	42,261.46	52,870.33	0.00
11/29/2016	7,526.00	12,421.70	731.73	0.00	0.00	20,679.43	5,832.11	14,115.59	19,947.70	(731.73)
12/6/2016	6,124.44	22,788.53	0.00	0.00	0.00	28,912.97	5,995.52	22,917.45	28,912.97	0.00
12/13/2016	7,545.00	53,006.24	0.00	20.00	0.00	60,571.24	7,849.36	52,701.88	60,551.24	(20.00)
12/21/2016	6,523.10	7,984.94	0.00	0.00	0.00	14,508.04	6,624.83	7,883.21	14,508.04	0.00
12/29/2016	2,474.67	3,093.77	971.65	0.00	0.00	6,540.09	779.08	4,789.36	5,568.44	(971.65)
Total 2016	381,953.97	1,251,862.90	16,479.78	827.42	3,138.04	1,654,262.11	308,763.00	1,325,053.87	1,633,816.87	(20,445.24)
1/5/2017	6,544.03	30,786.22	0.00	0.00	0.00	37,330.25	6,591.61	30,738.64	37,330.25	0.00
1/10/2017	9,904.40	44,077.19	0.00	0.00	0.00	53,981.59	10,083.36	43,898.23	53,981.59	0.00
1/13/2017	5,318.12	22,819.72	0.00	0.00	0.00	28,137.84	6,076.31	22,061.53	28,137.84	0.00
1/26/2017	10,951.10	14,542.30	1,261.89	250.00	0.00	27,005.29	8,699.79	16,793.61	25,493.40	(1,511.89)
2/3/2017	3,972.21	25,537.75	0.00	0.00	0.00	29,509.96	4,074.69	25,435.27	29,509.96	0.00
2/7/2017	5,402.31	34,983.12	0.00	0.00	0.00	40,385.43	5,502.31	34,883.12	40,385.43	0.00
2/10/2017	7,878.49	23,856.49	0.00	0.00	0.00	31,734.98	7,926.49	23,808.49	31,734.98	0.00
2/14/2017	7,851.64	41,926.80	0.00	3.00	0.00	49,781.44	8,340.10	41,438.34	49,778.44	(3.00)
2/28/2017	14,348.02	20,511.60	1,580.84	57.87	0.00	36,498.33	11,700.40	23,159.22	34,859.62	(1,638.71)
3/7/2017	10,045.42	25,665.43	0.00	0.00	0.00	35,710.85	9,992.39	25,718.46	35,710.85	0.00
3/14/2017	12,287.81	58,667.48	0.00	0.00	0.00	70,955.29	12,735.09	58,220.20	70,955.29	0.00
3/21/2017	7,392.22	18,157.89	0.00	0.00	0.00	25,550.11	7,020.83	18,529.28	25,550.11	0.00
Total 2017	101,895.77	361,531.99	2,842.73	310.87	0.00	466,581.36	98,743.37	364,684.39	463,427.76	(3,153.60)
Total	\$ 863,189.55	2,918,199.33	31,601.35	3,087.53	7,245.24	3,823,323.00	654,820.52	3,126,568.36	3,781,388.88	(41,934.12)

(1) Represents receipts recorded in the utility system, on payment stubs, and/or on manual receipt slips and included in the deposit summary.

(2) Represents deposited checks unrelated to recorded utility receipts.

(3) Represents recorded manual receipts that could not be traced to a deposit. Method of payment was not recorded on some of the manual receipt slips or payment stubs. Therefore, the method of payment was presumed to be cash based on the contents of deposits that included these receipts.

Appendix C

City of Winona
Supporting Documentation - Summary of Checks Cashed

Year	Month	City Payroll Checks		(1) City Disbursement Checks		(2) Personal Checks		(3) Third Party Checks		Total	
		Amount	Number of Checks	Amount	Number of Checks	Amount	Number of Checks	Amount	Number of Checks	Amount	Number of Checks
2015	January	\$ 7,747.99	19	\$ 515.00	3	\$ 3,399.36	11	\$ 626.83	3	\$ 12,289.18	36
	February	5,836.39	15	0.00	0	900.00	5	1,303.91	4	8,040.30	24
	March	8,806.98	20	0.00	0	633.00	7	3.00	1	9,442.98	28
	April	8,297.27	21	0.00	0	550.00	7	700.00	2	9,547.27	30
	May	6,567.01	20	478.36	3	1,733.90	10	522.00	2	9,301.27	35
	June	7,701.45	19	66.41	3	863.16	6	235.00	2	8,866.02	30
	July	6,531.02	15	0.00	0	1,124.80	8	205.00	2	7,860.82	25
	August	8,975.68	22	0.00	0	1,180.38	5	550.00	2	10,706.06	29
	September	7,473.47	20	16.95	1	1,075.50	10	546.38	3	9,112.30	34
	October	7,126.75	18	0.00	0	1,704.36	13	500.00	1	9,331.11	32
	November	8,681.38	21	80.00	1	1,729.22	19	125.00	1	10,615.60	42
	December	7,942.35	21	0.00	0	2,914.10	17	650.00	2	11,506.45	40
2016	January	6,625.56	15	0.00	0	1,490.37	12	550.00	4	8,665.93	31
	February	8,437.10	21	0.00	0	501.00	8	1,200.00	4	10,138.10	33
	March	7,312.11	18	40.72	2	1,185.39	7	151.50	1	8,689.72	28
	April	7,900.73	20	1,924.00	1	499.00	12	72.03	1	10,395.76	34
	May	8,037.56	18	0.00	0	642.20	13	600.00	2	9,279.76	33
	June	2,689.49	6	0.00	0	4,428.15	5	188.86	1	7,306.50	12
	(4) July	0.00	0	0.00	0	100.00	1	0.00	0	100.00	1
	August	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
	September	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
	October	0.00	0	95.00	1	0.00	0	0.00	0	95.00	1
	November	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
	December	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
	Total	\$ 132,690.29	329	\$ 3,216.44	15	\$ 26,653.89	176	\$ 8,729.51	38	\$ 171,290.13	558

(1) City checks were cashed to pay vendors or for police department drug buys.

(2) Checks cashed by city employees and their family members.

(3) City cashed checks for various citizens and businesses.

(4) The Mayor discontinued the practice of cashing personal checks (including payroll) and third-party checks in July 2016. The \$95 check cashed in October 2016 was an appropriate use of funds.