



COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-62
August 26, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to petitioners from Colfax Township in Harrison County, Missouri.

Colfax Township did not prepare a budget for 1998. While a budget was prepared for 1997, various problems were noted including budgetary overspending and a lack of sufficient and accurate information in the budget document. Actual expenditures in 1997 exceeded the budgeted amount by \$11,881. Missouri state law requires townships to keep expenditures within budgeted amounts, unless the governing body approves a resolution authorizing the additional expenditures.

The former township trustee was overpaid \$3,150 in commissions during the period from January 1996 to April 1999. The township collector's commissions were incorrectly calculated in 1998 and other compensation paid to township officials did not appear to be in accordance with state law. The township did not properly report compensation and withhold payroll taxes related to compensation paid to township officials.

The former township president was paid \$1,475 during 1997 for operating the township's equipment. There was no documentation these services were competitively bid. Such compensation is prohibited unless the transaction is competitively bid. The township does not have a formal bidding policy and has not entered into written contracts for various services received or performed.

The township board does not publish annual financial statements and inventory listings as required by state law. Annual financial statements and inventory listings should be published in a local newspaper which serves the township. In addition, the township's 1997 annual financial report submitted to State Auditor's office was not accurate and an annual financial report for 1998 has not been filed as required.

The board has not held public hearings regarding the township's proposed property tax levies as required. Notices of regular meetings were not posted as required by state law.

An independent review of the records of the township trustee is not performed. Monthly bank reconciliations had not been performed since June 1998, and the receipts and disbursements ledger was not up-to-date. Checks were not restrictively endorsed and voided checks were not retained. In addition, the trustee and other township officials were not properly bonded.

The township does not maintain property records and a formal maintenance plan for township roads has not been prepared.

YELLOW SHEET

COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Directors
Colfax Township
Harrison County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Colfax Township, Harrison County, Missouri. Our audit of the township included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

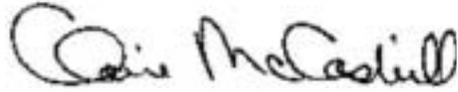
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, policies, and various township financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the township and was not subjected to the auditing procedures applied in the audit of the township.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Colfax Township, Harrison County, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive style with a large initial "C" and "M".

Claire McCaskill
State Auditor

April 14, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
HISTORY AND ORGANIZATION

Colfax Township is one of 20 townships in Harrison County and is located in the northern part of that county. Harrison County elected a township organization in 1845. There are approximately 62 miles of gravel roads maintained by the township. The population of the township in 1990 was 512.

The township's elected Board of Directors (governing body) consists of the township trustee (board member), who serves as the ex officio treasurer, and two members of the township board. One of these two board members is appointed by the board as president. Other officers are the township clerk and the township collector. All officers are elected biennially and take office in April following the election.

Officers at December 31, 1998 were as follows:

	Term Expires	Actual Compensation For the Year Ended December 31, 1998	Amount of Bond
John Bergman, Trustee and Ex Officio Treasurer(1)	April 1999	\$3,014	
Charlie Henson, President(2)	April 1999	65	
Vacant, Member(3)	April 1999	N/A	
Sandra Osborn, Collector(4)	April 1999	3,100	\$90,000
Catherine Bergman, Clerk(5)	April 1999	130	

- (1) Gene Frisbie was elected Trustee and Ex Officio Treasurer in April 1999.
- (2) Larry Baxter was elected to the board in April 1999 and was appointed President.
- (3) Steve Hoffman resigned in November 1998, and Gary Campbell was appointed in February 1999 to serve the remainder of the term. Rod Cook was elected to the board in April 1999.
- (4) Sandra Osborn was re-elected Collector in April 1999.
- (5) Jeanie Thrailkill was elected Clerk in April 1999.

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Assessed valuation and tax rate information for 1998 and 1997 were as follows:

ASSESSED VALUATION		1998	1997
Real estate	\$	3,361,731 \$	3,298,816
Personal property		1,238,464	1,327,411
Total	\$	<u>4,600,195 \$</u>	<u>4,626,227</u>

TAX RATES PER \$100 OF ASSESSED VALUATION

General revenue	\$	0.10	\$	0.10
Road and bridge		0.41		0.40
Special road and bridge		0.35		0.35

A summary of the financial activity of the Colfax Township for the year ended December 31, 1998, is presented below:

RECEIPTS:

Property taxes	\$	40,236
Financial institution taxes		866
Motor fuel taxes		445
Interest		372
Other		167
Total Receipts		<u>42,086</u>

DISBURSEMENTS:

Road materials	5,684
Labor	9,790
Rock	9,662
Equipment	7,537
Payments to township officials	3,275
Insurance	5,381
Fuel	1,902
Other	330
Total Disbursements	<u>43,561</u>

RECEIPTS OVER (UNDER)

DISBURSEMENTS -1,475

CASH BALANCE, JANUARY 1, 4,660

CASH BALANCE, DECEMBER 31, \$ 3,185

MANAGEMENT ADVISORY REPORT

COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Township Officials' Compensation (pages 9-11)

The former township trustee was overpaid \$3,150 in commissions during the period from January 1996 to April 1999. The township has not established policies and procedures regarding the township trustee's commissions. The township collector's commissions were incorrectly calculated, resulting in \$862 in excess commissions being retained. In addition, other compensation paid to township officials did not appear to be in accordance with state law. The township did not properly report compensation and withhold payroll taxes related to compensation paid to township officials.

2. Expenditures (pages 12-15)

In 1997, the former board president was compensated \$1,475 for operating the township's equipment, without adequate documentation indicating these services were bid. Disbursements approved by the board for payment were not adequately documented. Various disbursements were made without board approval, receipt of goods or services was not always documented, invoices were not always marked paid, and adequate supporting documentation was not retained for some expenditures. The township does not have a formal bidding policy and has not entered into written contracts for various services received or performed. The township did not properly report payments for nonemployee services to the Internal Revenue Service.

3. Budgets and Financial Reporting (pages 15-17)

The township did not prepare a budget for 1998. While a budget was prepared for 1997, various problems were noted including budgetary overspending and a lack of sufficient and accurate information in the budget document. The township does not publish annual financial statements and inventory listings as required by state law. The township's 1997 annual financial report submitted to the State Auditor's office was not accurate and an annual financial report for 1998 has not been filed as required.

4. Accounting Records and Procedures (pages 17-19)

An independent review of the records of the township trustee is not performed. Monthly bank reconciliations had not been performed since June 1998, and the receipts and disbursements ledger was not up-to-date. Checks were not restrictively endorsed and voided checks were not properly retained. The township trustee did not file an annual statement of financial activity with the township clerk as required. The township trustee has not been bonded as required, nor have other authorized check signers been bonded. The township does not maintain property records.

5. Township Collector's Accounting Controls (pages 19-20)

Formal bank reconciliations are not performed. Monies received are not always deposited intact or on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt and voided checks are not always retained.

6. Minutes, Meetings, and Access to Records (pages 20-21)

Board minutes are generally not signed by the clerk or a member of the board and minutes do not generally include sufficient detail of matters discussed and actions taken. The board has not held public hearings regarding the township's proposed property tax levies as required. Notices of regular meetings were not posted as required by state law. The township does not have a formal policy regarding public access to township records.

7. Road Maintenance Plan (page 22)

A formal maintenance plan for township roads has not been prepared.

COLFAX TOWNSHIP
HARRISON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

1. Township Officials' Compensation
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- A. The township trustee, as ex officio treasurer, receives commissions for receiving and disbursing the monies of the township. We noted the following concerns regarding the commissions paid to former Trustee and Ex Officio Treasurer Bergman:
- 1) During the period from January 1996 through April 1999, former Trustee Bergman received commissions totaling \$4,559. However, this official only earned \$1,409 in commissions during this period (based on actual disbursements), resulting in an overpayment of \$3,150.

The amounts paid to former Trustee Bergman included three payments made in 1998, totaling \$1,400, which were apparently made without the board's knowledge or approval. This was possible because both Mr. Bergman and his wife (the former township clerk) served as authorized signers on the township bank account.

It appears this situation occurred because former Trustee Bergman did not properly follow the statutes in determining the commissions owed. Section 65.230(2), RSMo 1994 and Cumulative Supp. 1998, provide for the township trustee to be compensated two percent on the first \$1,000 and one percent on all amounts above \$1,000 for receiving and disbursing all monies as ex officio treasurer.

Former Trustee Bergman indicated that he believed he was entitled to a two percent commission on all amounts disbursed. In addition, he indicated that the additional payments made to himself in 1998 were for commissions earned but not taken in previous years. Trustee Bergman held that position from 1977 until April 1999. While it appears there were some years where commissions were not paid, the additional payments made in 1998 were not justified. Based on a worksheet prepared by Trustee Bergman documenting the township's expenditures and commissions paid to himself over the past twenty-two years, had the commissions been calculated correctly, the amount of excess commissions received by Trustee Bergman would be even greater than the \$3,150 noted above.

The board should review this situation and ensure the amount of excess commissions paid to former Trustee Bergman are recovered.

- 2) The township has not established any policies and procedures requiring the township trustee to take commissions when they are earned or to ensure the commissions claimed by the trustee are properly calculated.

Payments to former Trustee Bergman were made sporadically and did not appear to correlate with the expenditures of any particular year. In some years no commissions were paid, and in recent years the payments were generally in even dollar amounts. The township could not locate documentation to support how the various commission payments were determined.

The board should establish policies and procedures regarding the commissions due to the township trustee. Such policies and procedures should require the board to ensure the commissions are paid when earned, are properly calculated, and fully documented.

- B. Commissions due Township Collector Osborn were incorrectly computed for December 1998. As a result, \$862 was improperly retained and not distributed to other county funds and political subdivisions, including the township. Even though the County Clerk in Harrison County calculated the commissions owed to the township collector, the township collector should review the commissions owed to her to ensure proper commissions are withheld from taxes collected and all county funds and political subdivisions receive the proper share of taxes collected.

After we noted this error, the township collector repaid the \$862 in excess commissions in April 1999, and this amount was distributed to the various political subdivisions.

- C. Other concerns were noted regarding compensation paid to township officials. Prior to August 1998, Section 65.230(1), RSMo 1994, established certain compensation for various township officials. That statute provided that each township board member (including the trustee) and the clerk were to receive a \$6 fee for the first board meeting in a month and \$2.50 for each subsequent board meeting that month. This section was revised in August 1998 and authorized the township board and clerk to receive up to \$25 per day for the first meeting each month and up to \$10 for each meeting thereafter during the month.

Compensation paid to township officials did not comply with the above statute. It appears for a number of years the township's policy has been to pay the board members and the clerk \$10 per meeting. In November 1998, the board changed this policy to \$25 per meeting (in accordance with the revised statute). In addition, the township clerk has received an additional twenty-five cents for each check written, even though this fee does not appear to be authorized by statute. Further, the township clerk and trustee received fees for meetings on several occasions when no

official board meeting was held. It appears the payment of this compensation is authorized only if an official meeting of the board is held.

Although the amount of additional compensation paid to township officials as a result of these matters does not appear significant, the township board should review this situation and ensure any future compensation paid to township officials is in accordance with the law.

- D. The township does not properly report compensation, withhold payroll taxes, or pay the employer's share of social security on the commissions and/or fees paid to the board members, trustee and ex officio treasurer, and the township clerk.

The Internal Revenue Code requires employers to report such compensation on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting such compensation and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an appointive officer or employee of a political subdivision as an employee for social security tax purposes.

WE RECOMMEND the Township Board:

- A.1. Review this situation and ensure the amount of excess commissions paid to former Trustee Bergman is recovered.
- 2. Establish policies and procedures which ensure the commissions earned by the township trustee are taken when earned, are properly calculated, and are fully documented.
- B. And the township collector ensure commissions retained on property tax collections are calculated correctly.
- C. Review this situation and ensure any compensation paid to township officials complies with the law.
- D. Ensure payroll taxes are properly withheld and remitted for any commissions or fees paid to township officials. In addition, the board should ensure that such compensation is properly reported.

AUDITEE'S RESPONSE

A.1. *The Township Board indicated it will take this matter under consideration.*

A.2., C,

& D. *The Township Board concurs.*

B. *The Township Board and the Township Collector concur.*

2.

Expenditures

- A. Former Board President Henson was paid \$1,475 during the year ended December 31, 1997, for operating the township's equipment. According to the township minutes, the board president provided these services because the township could not find anyone else to perform them; however, there was no documentation these services were competitively bid or indicating what efforts were made to obtain these services from other individuals/entities.

At the time these expenditures occurred, Section 105.454, RSMo 1994, prohibited an elected or appointed official of any political subdivision from performing any service for that political subdivision for compensation in excess of \$500 per year unless the transaction(s) was made pursuant to an award on a contract made after public notice and competitive bidding, provided that the bid or offer was the lowest received. In 1998, this threshold was changed to \$500 per transaction or \$1,500 per year.

- B. Although there was an occasional reference to a specific invoice being approved for payment, the board minutes usually made only a general reference that expenditures were approved by the board for payment. A listing of the specific expenditures approved by the township board for payment was not prepared and signed by the board members documenting their approval.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the members to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the township board before payment is made to ensure all disbursements represent valid and reasonable operating costs of the township.

- C. The following concerns were noted during a review of paid bills:

- 1) In addition to the three unauthorized payments discussed in MAR No. 1.A., we noted a number of other disbursements made by the township trustee and the clerk without the board's approval. It appears that a lack of regular monthly meetings may have contributed to this situation. During 1998, meetings were held sporadically, making it difficult to ensure the prompt and timely processing and payment of invoices.

Procedures should be established to ensure all expenditures are reviewed and approved by the township board on a timely basis. This may require the board to hold meetings on a more frequent (such as monthly) basis.

- 2) Acknowledgment of receipt of goods or services is not always documented on invoices. This is necessary to ensure that all goods or services paid for are actually received.
- 3) Invoices are not always marked paid or otherwise canceled upon payment. Although no duplicate payments were noted, the possibility of this is increased when invoices are not properly canceled.
- 4) Vendor invoices or other supporting documentation were not retained for some expenditures. These expenditures included \$4,221 in contracted labor and other services, as well as several payments to township officials. All expenditures should be supported by adequate supporting documentation to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds.

D. The township does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Bids were not solicited or bid documentation was not retained for the following purchases:

Motor grader	\$41,075 (represents total payments related to a six year lease purchase contract entered into in 1997).
Equipment repair	1,759
Contract labor	2,262
Snow removal	1,444
Insurance	5,381
Fuel	1,902

Formal bidding procedures for major purchases provide a framework for economical management of township resources and help ensure the township receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the township's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

E. The township has not entered into written contracts for various contracted services received. For example, the township has not entered into formal written contracts for

repairs to bridges, road maintenance, snow removal, or equipment repair. In addition, we noted an instance where the township decided to upgrade a road and an adjacent landowner agreed to pay a portion of the costs. However, this agreement was not in writing.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The township should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- F. The township did not prepare Forms 1099-Miscellaneous as required. In addition to the payments to the board member noted in A. above, the township also paid \$5,465 for other nonemployee services during 1998 which was subject to Form 1099-Miscellaneous reporting.

Sections 6041 through 6051 of the Internal Revenue Code require nonemployee payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on Forms 1099-Miscellaneous.

WE RECOMMEND the Township Board:

- A. Refrain from paying township officials for services provided to the township (or entering into any other business transaction with a township official) unless such services or transactions are properly bid in accordance with state law.
- B. Ensure the approval of all disbursements is adequately documented by including a complete list of approved bills with the minutes. Such lists should be signed by the board members documenting their approval.
- C.1. Establish procedures to ensure all expenditures are properly reviewed and approved by the board on a timely basis.
 - 2. Require evidence of receipt of goods or services on each invoice before making payment.
 - 3. Ensure all invoices or other supporting documentation are canceled or marked paid upon payment.
 - 4. Ensure adequate supporting documentation is maintained for all expenditures.
- D. Establish a formal bidding policy and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.

- E. Enter into written contracts, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.
- F. Ensure Forms 1099-Miscellaneous are prepared and submitted to the Internal Revenue Service as required.

AUDITEE’S RESPONSE

A. *The Township Board concurs.*

Former Board President Henson indicated the Township Board tried to find a responsible individual to operate the township’s equipment but was unsuccessful in doing so. He indicated that he and former Board Member Hoffman then met with the Harrison County Commission and discussed this matter. The commission indicated that having a township official perform and be compensated for this work would not be a problem if the township could not find anyone else to perform these services. The commission also indicated that the situation should be documented in the township board’s minutes.

Former Board President Henson indicated that the Township Board discussed the matter of him performing these services on several occasions and this was approved by the entire board prior to him actually performing the work. However, former Board President Henson agrees the board minutes do not include adequate detail to explain and document this situation.

B-F. *The Township Board concurs.*

3. Budgets and Financial Reporting

A. The township board did not prepare a budget for the year ended December 31, 1998. While a budget was prepared for 1997, a review of that budget document and related practices disclosed the following concerns:

- 1) Actual expenditures in 1997 exceeded the budgeted amount by \$11,881.

Section 67.040, RSMo 1994, requires a political subdivision to keep expenditures within budgeted amounts, unless the governing body adopts a resolution documenting the reasons making any additional expenditures necessary and approves or adopts a resolution to authorize the expenditures.

- 2) The 1997 actual and estimated revenues and expenditures as well as the prior year actual amounts were presented only in total and not by major revenue and expenditure category.
- 3) The 1996 actual amount reported for expenditures was not presented accurately, but was \$5,339 more than actual expenditures.
- 4) The board did not periodically compare actual revenues and expenditures to amounts budgeted.
- 5) The board did not formally approve the budget. Indication of approval of the budget should be documented in the official minutes of the board.

Section 67.010, RSMo 1994, requires each political subdivision to prepare an annual budget, and Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for township operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. Further, Section 65.380, RSMo 1994, requires the township board of directors to prepare and file with the county clerk an annual estimate of the amount of money required to defray the expenses of the township.

- B. The township board does not publish annual financial statements and inventory listings as required by law. Section 231.280, RSMo 1994, requires the township to publish annual financial statements and inventory listings in any newspaper of general circulation within the township which is published in the county. Publication of an annual financial statement would allow residents to be better informed as to the township's financial activity and condition.

At a minimum, the published financial statements should contain the beginning cash balance, actual receipts by source for the year, actual expenditures by major category for the year, and the ending cash balance.

- C. Section 105.145, RSMo 1994, requires the township to file a financial report with the State Auditor's office annually. It appears the 1997 annual financial report was not accurate and overstated receipts and expenditures by \$594 and \$4,042, respectively. In addition, the annual report for 1998 had not been prepared and submitted to the State Auditor's office as of June 1, 1999. The financial report is to be filed within four months after the end of the township's fiscal year (the requirement is six months

after the end of the fiscal year if an audit report prepared by a certified public accountant (CPA) is filed).

The township should ensure the annual financial reports required to be filed with the State Auditor's office pursuant to Section 105.145, RSMo 1994, are complete and accurate.

WE RECOMMEND the Township Board:

- A. Ensure complete and accurate budgets are prepared annually. The board should ensure actual expenditures do not exceed budgeted amounts and periodically compare actual revenues and expenditures with budgeted amounts to monitor township finances. In addition, the board's approval of the budget should be documented.
- B. Ensure annual financial statements and inventory listings are published in accordance with state law.
- C. Ensure the annual financial reports filed with the State Auditor's office accurately present the financial activity of the township and are filed within four months after the end of the township's fiscal year (or six months after the end of the fiscal year if a CPA audit report is filed).

AUDITEE'S RESPONSE

A-C. *The Township Board concurs.*

4. Accounting Records and Procedures

- A. The township trustee is responsible for the duties of receiving, recording, and depositing receipts, preparing checks, recording disbursements, reconciling bank accounts, and serving as co-signer on some checks. While it appears the trustee is statutorily responsible for these duties, internal controls could be improved if the township board required someone having no access to cash and no record keeping responsibilities to receive and review the bank statements and bank reconciliations and review other accounting records on a periodic basis.
- B. Bank reconciliations had not been performed and documented by the township trustee since June 1998. In addition, a current book balance has not been maintained in the check book.

Monthly bank reconciliations should be prepared to ensure that all accounting records balance, that transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the

reconciliations should be retained. In addition, a book balance should be maintained to facilitate the reconciliations.

- C. The township trustee did not adequately maintain the accounting records. Receipts were posted to the ledger maintained by the trustee; however, the date the monies were received was not always indicated. In addition, as of April 1999, the trustee had not recorded any receipts or disbursements in the ledger since November 1998.

To ensure all receipt and disbursement transactions are properly accounted for, records should be maintained up-to-date and include all necessary information.

- D. Checks were not restrictively endorsed. The township trustee just signed his name on the back of the checks being deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- E. Voided checks were not properly retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.
- F. The township trustee did not file an annual statement of financial activity with the township clerk as required by law. It appears this was not done because the two officials who held these offices during the audit period were married and worked together in maintaining the records.

Section 65.500, RSMo 1994, requires the trustee to file with the township clerk a detailed statement of all money received and paid out during the year, and the cash balance on hand. This statement should be filed in April of each year.

- G. It appears the township trustee has not been bonded for many years even though a bond is required by law. In addition, the president of the board and the clerk were co-signers on the bank account but were not bonded.

Section 65.460, RSMo 1994, requires the township trustee and ex officio treasurer to be bonded in an amount equal to one-half the largest amount on deposit during the year preceding his election or appointment. In addition, although two signatures are required on each check, failure to properly bond any individuals who have check signing authority exposes the township to risk of loss.

- H. The township does not maintain property records to account for fixed assets owned by the township. In addition, the fixed assets have not been tagged or otherwise identified as property of the township.

Adequate fixed asset records are necessary to secure better internal control over assets and provide a basis for determining adequate insurance coverage. Additionally, properly tagged items help assure the township that all fixed assets are included on the fixed asset records, and are identified as belonging to the township.

WE RECOMMEND the Township Board:

- A. Consider requiring that the bank statements be received and the bank reconciliations should be reviewed by someone having no access to cash, and no record keeping responsibilities. Other accounting records should also be periodically reviewed by an independent person.
- B. Ensure monthly bank reconciliations are properly prepared. In addition, a book balance should be maintained to facilitate the reconciliations.
- C. Ensure the township's accounting records are maintained up-to-date and include all necessary information.
- D. Require all checks to be restrictively endorsed immediately upon receipt.
- E. Require all voided checks be defaced and retained.
- F. Require the trustee to file an annual statement of financial activity with the township clerk each April, as required by statute.
- G. Ensure the township trustee is bonded in accordance with statutory requirements. In addition, the board should consider obtaining adequate bond coverage for any other individuals who are authorized check signers.
- H. Establish a record of the fixed assets owned by the township. Additionally, the township should properly tag, number, or otherwise identify all township property above an established dollar limit.

AUDITEE'S RESPONSE

- A. *The Township Board will consider this recommendation; however, it indicated that the Township Clerk is now also involved in some of these record keeping duties.*
- B-H. *The Township Board concurs.*

5. Township Collector's Accounting Controls
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A review of the township collector's records and procedures disclosed the following concerns:

- A. Formal bank reconciliations are not performed. Monthly reconciliations, reconciling the bank balance to the check book balance and to the amount of the monthly

turnovers, should be prepared to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained.

- B. Monies received are not always deposited intact or on a timely basis. During our review, we noted the collector withheld \$100 in cash from receipts for commissions, instead of disbursing this amount to herself by check. In addition, only three deposits, totaling \$22,037, were made during November 1998. The last of these deposits was made on November 18, 1998, with the next deposit not being made until December 17, 1998.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100. In addition, all disbursements should be made by check.

- C. Checks and money orders are not restrictively endorsed immediately upon receipt, but upon preparation of the deposit. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. Voided checks are not always retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

WE RECOMMEND the Township Board ensure the Township Collector:

- A. Prepares formal bank reconciliations monthly.
- B. Deposits all receipts intact daily or when accumulated receipts exceed \$100. In addition, all disbursements should be made by check.
- C. Restrictively endorses all checks and money orders immediately upon receipt.
- D. Properly retains all voided checks.

AUDITEE'S RESPONSE

A, C,
& D. *The Township Board and the Township Collector concur.*

B. *The Township Board and the Township Collector indicated an effort will be made to deposit on a more timely basis. In addition, all disbursements will be made by check.*

6. Minutes, Meetings, and Access to Records
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- A. Board minutes were prepared by the township clerk; however, they were not generally signed by the clerk. In addition, no member of the township board signed the minutes. The board minutes should be signed by the clerk and a designated member of the board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.
- B. The board minutes did not generally include sufficient detail of matters discussed and actions taken at the board's meetings. For example, in January 1997 the township entered into a lease-purchase agreement for a new motor grader; however, the minutes did not include any details regarding the acquisition of the grader or the related lease agreement. In addition, the minutes of the board meetings did not always contain information required by statute. When the minutes indicated a motion had been passed, the minutes did not generally indicate the number of votes for and against.

Complete and accurate minutes provide an official record of board actions and decisions. In addition, Section 610.020, RSMo 1994, states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken."

- C. The board has not held public hearings on the township's proposed property tax levies. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.
- D. Notices of the regular board meetings were not posted as required by law. Section 610.020, RSMo Cum. Supp. 1998, requires all public governmental bodies to give advance notice of their meetings. The notice is to include the time, date, and place of the meeting, as well as the tentative agenda, and should be given in a reasonable manner. This section of law describes reasonable notice as making available copies of the notice to any representative of the news media, and the posting of such notice at the building where the meeting is to be held.
- E. The township does not have a formal policy regarding public access to township records. A formal policy regarding access to township records would establish guidelines for the township to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Cum. Supp. 1998, lists requirements of making township records available to the public.

WE RECOMMEND the Township Board:

- A. Ensure the township clerk and a designated member of the board sign the minutes to attest to their completeness and accuracy.

- B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- C. Hold a public hearing on proposed property tax rates as required by state law.
- D. Ensure that notices of board meetings are posted as required by law.
- E. Establish a formal policy and procedures regarding public access to township records.

AUDITEE'S RESPONSE

A-E. The Township Board concurs.

7. Road Maintenance Plan

A formal maintenance plan for township roads is not prepared. A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, the board should consider holding a public hearing to obtain input from township residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of roads throughout the year.

WE RECOMMEND the Township Board prepare and document a maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of roads to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Township Board concurs.

This report is intended for the information of the township's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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