



**CITY OF CARDWELL, MISSOURI
YEAR ENDED DECEMBER 31, 2002**

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

**Report No. 2004-50
June 21, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2004

The following problems were discovered as a result of an audit conducted by our office of the City of Cardwell, Missouri.

Some monies received were not deposited into the city's accounts. A comparison of three deposits in 2003 and 2002, showed that \$136 more was received than deposited. These differences went undetected due to numerous internal control weaknesses, little or no independent review and a lack of adequate record keeping. A petty cash fund is not maintained on an imprest basis and documentation and controls over such monies was lacking. Additionally, periodic reconciliations of total billings, payments received, credit adjustments, and delinquent amounts are not performed for the water, sewer, trash, and mosquito spraying services.

In July 2003, the Board voted to increase the trash fee from \$6.25 per home to \$6.50 for homes within the city and to \$8.00 for homes outside the city limits. The city contracts with a trash hauler to collect trash from the homes and pays the trash hauler \$6 per home. The city did not prepare a formal cost study to document the need for the increase, or identify other costs related to trash service.

In 1998, a building and the surrounding property were donated to the city. The city did not immediately obtain a deed to the building and property donated to the city, and did not solicit bids, or obtain an appraisal prior to donating city property to an individual. Board minutes signed by the city officials and the individual indicated an agreement had been made but that additional information would be included in documents. Additionally, in 2002, the Mayor signed a deed transferring city property to the individual. Except for the minutes noted above, there was no documentation indicating the board had approved the transfer of this property. Litigation was initiated concerning this property and a settlement agreement has apparently been reached.

In December 2002, the city collector, chief of police, city clerk, water commissioner, and a police officer each received a payment of \$100. The minutes indicate this was a "one time pay raise"; however, the officials monthly salary did not increase. These appear to be bonuses paid to these officials and employees. These bonuses appear to be one time pay raises and represent additional compensation for services previously rendered and are a violation of the Missouri Constitution and an Attorney General's opinion.

The city has not adequately documented the specific reasons for going into closed meetings. Additionally, improvement is needed in the organization of city ordinances.

(over)

YELLOW SHEET

The audit also includes some matters related to budgets and financial statements, expenditures, payroll, restricted revenues, fixed assets and the municipal division, which the city should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.mo.gov

CITY OF CARDWELL, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-17
<u>Number</u>	<u>Description</u>
1.	Accounting Controls and Procedures.....5
2.	Minutes, Meetings, Records, and Budgets.....8
3.	City Property11
4.	Payroll and Personnel.....12
5.	Expenditures14
6.	Restricted Revenues.....16
7.	Fixed Assets.....16
8.	Municipal Division17
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	18-20

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Cardwell, Missouri. The city engaged Jimmy D. Wilson, Certified Public Accountant, to audit the city's financial statements for the year ended December 31, 2002. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2002. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of 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 significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, 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 the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Cardwell, Missouri.



Claire McCaskill
State Auditor

January 14, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
In-Charge Auditor: Carl E. Zilch, Jr.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF CARDWELL
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls and Procedures
--

Some utility monies received were not deposited into the city's accounts. The city does not maintain the petty cash fund on an imprest basis, a petty cash ledger, or documentation to support the receipts and disbursements of petty cash. In addition, there is no independent oversight or segregation of duties related to the utility system or, periodic reconciliations of total billings, payments received, credit adjustments, and delinquent amounts for the water, sewer, trash, and mosquito spraying services. Also, the city did not prepare a formal cost study to document the need for an increase in trash fees.

The city of Cardwell operates a combined waterworks and sewerage system. In addition, the city bills and collects for trash and mosquito spraying services with the water and sewer. The City Clerk accepts cash, checks, and money orders for payment of these combined utilities.

- A. Some monies received were not deposited into the city's accounts. A comparison of three deposits in 2003 and 2002, showed that \$136 more was received than deposited. The City Clerk indicated she had utilized these monies to replenish the city's petty cash fund or made cash refunds to the customers; however, she could not provide documentation of this usage. These differences went undetected due to numerous internal control weaknesses, little or no independent review and a lack of adequate record keeping. As a result, there was less assurance that cash received by the city during 2003 and 2002, was accounted for properly.

Depositing monies intact helps ensure accurate accounting of utility receipts and reduces the possibility of loss or misuse of funds. To adequately safeguard funds and ensure receipts are accounted for properly, receipts should be deposited intact and the amount of cash and checks received should be reconciled to the bank deposit. Checks written for all refunds would provide better accountability over monies disbursed and reduce the risk of loss or misuse of utility monies.

- B. The city maintains a \$50 change fund which also serves as a petty cash fund for small disbursements. The city does not maintain the petty cash fund on an imprest basis. In addition, the city does not maintain a petty cash ledger, or documentation to support the receipts and disbursements of petty cash. Per city personnel, cash receipts from the city's soda machine are placed in the petty cash fund; however, there was no documentation of these amounts. The City Clerk indicated that when additional monies are needed in the petty cash fund she retains some cash receipts from the utility deposits (see MAR finding 1.C. below). There is no documentation to show the monies withheld were placed in the petty

cash fund. The City Clerk indicated that periodically the change/petty cash fund would have excess monies which she would deposit into the city's General Fund.

To ensure all receipts are appropriately handled and recorded, and disbursements are proper, the village should maintain the petty cash fund on an imprest basis, meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of all paid invoices should always equal the predetermined balance. The fund should only be reimbursed by city checks equal to the amount of paid invoices, and other city receipts should not be added to the fund. In addition, the village should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

- C. There is no independent oversight or segregation of duties related to the utility system. The city's utility system for 2002 received revenues of \$139,553 for water and sewer, trash, and mosquito spraying services. The City Clerk performs all functions related to preparing utility bills, receipting and recording utility payments and credit adjustments, depositing utility receipts, monitoring accounts for delinquencies, and initiating service shutoff orders. As noted above, the City Clerk indicated she used some utility cash receipts to replenish the petty cash fund. In order to ensure the utility receipt report equaled the amount to be deposited, the City Clerk indicated she made credit adjustments to some customer's accounts instead of recording their payment. The City does not require documentation to support credit adjustments nor do they require approval of these adjustments by someone independent of the utility system.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between bank deposits and recorded payments, and an independent review of and approval for credit adjustments and delinquent account follow-up.

- D. Periodic reconciliations of total billings, payments received, credit adjustments, and delinquent amounts are not performed for the water, sewer, trash, and mosquito spraying services.

Periodic reconciliations should be performed to ensure 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 to support conclusions and any corrections made.

- E. On July 19, 2003, the Board voted to increase the trash fee from \$6.25 per home to \$6.50 for homes within the city and to \$8.00 for homes outside the city limits. The city contracts with a trash hauler to collect trash from the homes and pays the trash hauler \$6 per home. The additional monies collected are deposited to the city's General Fund. The city did not prepare a formal cost study to document the need for the increase. In addition, the city has not identified any other costs, such as administrative costs, related to the trash service.

Trash fees should not be used to pay for general operation expenses of the city. The administrative costs of providing this service should be calculated and documented and a separate accounting of trash revenues and expenses should be maintained. The city should ensure only expenses related to trash collections are made from the trash collections. In addition, the Board should periodically do a formal cost study of the trash service to ensure the fees collected are adequate to cover the cost of providing the service.

WE RECOMMEND the Board of Aldermen:

- A. Ensure monies are deposited intact and all refunds are made by check.
- B. Maintain the petty cash fund on an imprest basis and retain adequate documentation for all petty cash disbursements. In addition, a petty cash ledger should be maintained.
- C. Segregate the duties of receiving and depositing utility monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between bank deposits and recorded payments, and an independent review of and approval for credit adjustments and delinquent account follow-up.
- D. Require periodic reconciliations of the amounts billed to amounts collected and delinquent accounts.
- E. Ensure only expenses related to the trash service are paid from the trash collections.

AUDITEE'S RESPONSE

- A,B,
&D. *These recommendations have been implemented.*
- C. *This recommendation has been partially implemented. The Board now approves all credit adjustments. We will begin having someone perform an independent review.*
- E. *This recommendation will be implemented.*

The board has not adequately documented the specific reasons for going into closed meetings or its approval of bills. In addition, the city budgets and published financial statements did not include all information required by state law. Also, improvement is needed in the organization of the city ordinances.

- A. The Board of Aldermen frequently holds closed meetings. The open meeting minutes did not always document the specific reasons for closing the meeting. In addition, the closed meeting minutes indicate the board sometimes discussed items which are not allowed by the Sunshine Law. For example, in one closed meeting the Board of Aldermen discussed who would be authorized to sign checks for the city.

Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo 2000, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. The Board of Aldermen does not document its approval of bills. The Board of Aldermen receives a listing of bills at each board meeting, but the listing is not signed or attached to the official minutes. The listing of bills should be signed or initialed by the board to denote their approval, and retained with the official minutes.
- C. The city's budgets for the years 2002 and 2003 did not include comparative statements of actual or estimated receipts and disbursements for the two previous years, the beginning and projected ending cash balances for the funds budgeted, or a budget message as required by state law. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also

include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

D. Improvement is needed in the organization of the city's ordinances. The city's ordinances have not been codified, thus hindering the city's ability to locate specific ordinances. In addition, an index of all ordinances passed and rescinded by the city is not maintained which makes it difficult for the city to determine which ordinances are still active and which have been rescinded. The city does not have ordinances or were unable to locate ordinances for the following:

- An ordinance establishing the amount of interest that can be charged by the City Collector for delinquent taxes could not be located. The City Collector currently charges a two percent penalty per month for delinquent taxes paid with a maximum of eighteen percent per year.
- An ordinance establishing the assessment of late fees for delinquent utility payments, reconnection fees, and water deposit amounts could not be located. The City Clerk indicated a \$5 fee is assessed on payments not received by the due date, a \$20 fee is assessed for reconnection of water service, and \$75 is collected for the water deposit.

Section 94.000, RSMo 2000, states the board of alderman provide by ordinance for the levy and collection of all taxes, licenses, and other duties not herein enumerated, and for neglect or refusal to pay the same, shall fix such penalties as are now or may hereafter be authorized by law or ordinance. In addition, to ensure equitable treatment of all water customers, the board should establish an ordinance establishing the reconnection fee and water deposit amounts, which the city is already assessing and collecting.

Since ordinances represent legislation which has been passed by the board to govern the city and its residents, it is important that the city's ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and rescinded by the city could help keep track of additions and changes made to the city ordinances.

E. The city did not publish semi-annual financial statements for the year ended December 31, 2002. In addition, the city's published financial statements for the year ended December 31, 2003, did not include the city's indebtedness, as required by state law.

Section 79.160, RSMo 2000, requires the Board of Aldermen to prepare and publish, semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. Accurate and detailed financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo 2000, states the city cannot legally disburse funds until the financial statements are published.

WE RECOMMEND the Board of Aldermen:

- A. Ensure minutes document the vote to go into closed session, state the reasons for going into closed session and publicly disclose the final disposition of applicable matters discussed in closed session. In addition, the board should ensure only allowable specified subjects are discussed in closed session.
- B. Document its review and approval of bills by signing or designating a board member to sign the listing of bills and attaching the signed list to the official minutes.
- C. Ensure budget documents contain all information required by state law.
- D. Update and codify the city's ordinances, ensure a complete set of ordinances is maintained, and establish an index of all city ordinances passed and rescinded. In addition, the Board should establish ordinances regarding the assessment of late fees for delinquent utility payments and property taxes, reconnection fees, and water deposit amount.
- E. Publish semi-annual financial statements as required by state law and ensure the published financial statements provide the citizens an adequately detailed account of the financial activity and indebtedness of the city.

AUDITEE'S RESPONSE

A&E. These recommendations will be implemented.

B. This recommendation has been implemented.

C. This recommendation has been partially implemented. The information for the prior two years was not available in the past. We will ensure all of the required information is included on the budget in the future.

D. This recommendation has been partially implemented. The former City Clerk has prepared a list of all city ordinances. The Board will review these ordinances to determine which are still active. We have been trying to adopt the recommended ordinances but did not have a full Board until after the April 2004 election. We will implement this recommendation.

The city did not immediately obtain a deed when they received donated property. In addition, the city did not solicit bids, or obtain an appraisal prior to donating any property to an individual. The Mayor's subsequent transfer of this city property to the individual was questioned.

In 1998, a building and the surrounding property were donated to the city. Per the board minutes, the board voted to donate this building to an individual for use in their personal business with the stipulation that if the individual later wanted to sell the building they would donate \$3,500 to the city. The following concerns were noted regarding this property:

- A. The city did not immediately obtain a deed to the building and property donated to the city. The Dunklin County Recorder's office indicated a deed had not been recorded with their office showing the city owned this property. The records of the Dunklin County Assessor's office indicate the city did not own this property until February 2002 and that the property was transferred from the city to the individual in April 2002.

The city should immediately obtain a deed for all property purchased or received through donations to ensure their claim to the property is clearly documented.

- B. The city did not solicit bids, or obtain an appraisal prior to donating city property to an individual. Board minutes signed by city officials and the individual indicated an agreement had been made but that additional information would be included in documents. The board voted that the individual would donate \$3,500 to the city if they wished to sell the property; however, there was no documentation indicating how this amount was determined. As a result there is less assurance the price obtained for the property was reasonable or represented the fair value of the property.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Formal bidding procedures provide a framework for the economic management of city resources and help ensure the city receives fair value by contracting with the best bidders. In addition, formal written agreements are necessary to document each party's duties and responsibilities. Section 432.070, RSMo 2000, requires political subdivisions' contracts be in writing.

- C. In 2002, the Mayor signed a deed transferring city property to the individual. Except for the minutes noted above, there was no documentation indicating the board had approved the transfer of this property. In May 2002, the Mayor was impeached by the Board. This real estate transaction was one of the major reasons noted for his impeachment.

Good business practices require all transactions to be closely scrutinized by the board and properly authorized. Board approval to dispose of city property should be obtained and documented.

Litigation was initiated concerning this property and a settlement agreement between the parties has apparently been reached. Better documentation of the various transactions may have prevented the litigation.

WE RECOMMEND the Board of Aldermen:

- A. Ensure a clear deed is obtained for all property obtained.
- B. Obtain bids and/or appraisals for all property sold and ensure written contracts are entered into for all agreements. The Board should refrain from donating city property.
- C. Ensure approval for the disposal of city property is adequately documented.

AUDITEE'S RESPONSE

A, B,
&C. *These recommendations will be implemented.*

4. Payroll and Personnel

The city did not have ordinances establishing employee salaries and paid bonuses to some employees in 2002. In addition, timesheets are not prepared by city employees and the board failed to appoint someone to fill a vacant alderman position on the board.

- A. The city had not adopted ordinances establishing the salaries of city officials and employees as required by Section 79.270, RSMo 2000. To ensure compliance with state law and to avoid misunderstandings, the board should adopt ordinances which specify the terms of office and compensation of all city officials and employees.
- B. In December 2002, the city collector, chief of police, city clerk, water commissioner, and a police officer each received a payment of \$100. The minutes indicate this was a "one time pay raise"; however, the officials monthly salary did not increase. These one time pay raises appeared to be bonuses paid to these officials and employees.

These bonuses appear to represent additional compensation for services previously rendered and, as such are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray,

which states, "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- C. The Board of Aldermen approved a salary increase for the Police Chief during his term of office and the Police Chief received additional compensation for other duties being performed such as fire chief and dog catcher. The Police Chief was elected in April of 2003 to a two year term. Per the December 3, 2002 board minutes, the compensation for this office for the April 2003 term was established at \$600 a month for Police Chief. On April 25, 2003, the board approved an increase to \$600 a month for fire chief, and \$200 a month for dog catcher. In May 2003, the Police Chief resigned and the board appointed someone to complete the term of office. Per the board minutes, the Board voted to establish the salary of the new Police Chief at \$2,200 a month, which represents an \$800 a month increase during the term of office. The duties of the office remained the same (police chief, fire chief, and dog catcher). There were no ordinances establishing the pay rate and duties of the Police Chief.

Section 79.270, RSMo 2000, states that the salary of a municipal officer shall be established by ordinance and shall not be changed during his term of office and requires that the duties and powers of city officials be established by ordinance. In addition, the additional compensation paid to the Police Chief appears to violate Section 105.454, RSMo 2000, which states that no elected or appointed official of any political subdivision; serving in an executive capacity shall perform any service for such political subdivision for any consideration other than the compensation provided for the performance of his official duties.

- D. Timesheets are not prepared by some employees and no supervisory review is documented on timesheets that were prepared. During 2002, except for a few part time police officers, the city did not require city officials and employees to prepare timesheets. Timesheets submitted prior to 2002, did not document supervisory review. Adequate control over payroll expenditures requires documentation, such as properly completed timesheets signed by employees and approved by supervisors, to provide evidence that the appropriate amount of time is worked each month.

- E. The mayor was impeached in May 2002 and the Board appointed an alderman as mayor. However, the board did not appoint someone to fill the aldermen position. The alderman position was not filled until the April 2003 election.

According to Section 79.280, RSMo 2000, if a vacancy occurs in an elective office, the mayor and the board of aldermen are required to appoint a successor who serves until the next regular municipal election. The winning candidate at that election then serves the remainder of the unexpired term, in this instance,

until April 2004. The board of aldermen should ensure that any future vacant offices are filled in compliance with state law.

WE RECOMMEND the Board of Aldermen:

- A. Establish by ordinance the salaries and pay rates of all officials and employees.
- B. Discontinue granting one time pay increases to elected city officials and employees.
- C. Establish by ordinance the applicable terms of office for all officials and employees, and ensure changes to these officials' compensation do not occur during a term of office, in accordance with state law. In addition, the Board should document additional duties (and related compensation) assigned to the chief of police in a city ordinance.
- D. Ensure timesheets are prepared for all employees and signed by a supervisor.
- E. Ensure vacant elective offices are filled in compliance with state law.

AUDITEE'S RESPONSE

- A. *This recommendation has been partially implemented. Ordinances have been established for the Chief of Police and the City Collector. We will adopt ordinances for the other city officials and employees.*
- B&D. *These recommendations have been implemented.*
- C. *This recommendation has been partially implemented. As noted above, ordinances have been established for the Chief of Police and the City Collector. We will adopt ordinances for the other officials and employees. We will discuss the additional duties of the Police Chief with our City Attorney.*
- E. *This recommendation will be implemented.*

5. Expenditures

The city has not established a formal policy for soliciting bids. In addition, several expenditures reviewed did not appear to be a prudent use of public funds and the city did not enter into formal contracts for some services obtained.

- A. The city does not have a formal policy for soliciting bids for major purchases. As a result, the decision of whether to solicit bids/proposals for a particular purchase/service is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances, including approximately

\$4,400 for a police car, \$2,825 for utility software, \$2,700 for condensers and \$28,300 for trash service.

A formal bidding policy for major purchases based on specified dollar amounts would provide a more efficient framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. In addition, complete and detailed written policies and procedures for requesting professional services are necessary to provide guidance to city officials.

Competitive bidding helps ensure all parties are given an equal opportunity to participate in the city's business. Bids may be handled by telephone quotation, by written quotation, by sealed bid, or by advertised bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons noted why the bid was selected.

- B. Some city expenditures do not appear to be a prudent use of taxpayer money. These include \$48 for a plant for an official's family member and \$177 for a Christmas dinner for city officials, employees, and their spouses.

The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The above expenses do not appear to represent a necessary and prudent use of public funds.

- C. The city has not entered into formal written contracts for trash hauling services. In 2002 the city paid approximately \$28,300 for trash hauling services.

Section 432.070, RSMo 2000, requires contracts of political subdivisions be in writing. The city 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.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal policies and procedures for the selection and procurement of companies and individuals for major purchases. In addition, documentation of the bidding process should be maintained in all cases.
- B. Ensure all expenditures from city monies are a prudent use of public funds.
- C. Ensure formal written contracts are entered into for any services obtained by the city.

AUDITEE'S RESPONSE

A. *This recommendation will be implemented.*

B&C. *These recommendations have been implemented.*

6. Restricted Revenues

Documentation does not exist to support the allocation of payroll and fringe benefit expenditures to the city funds. The City Clerk's salary is split 50-50 between the General Fund and the Water and Sewer Fund and the water/street commissioner's salary is paid from the Water and Sewer Fund plus \$100 from the Street Fund. Adequate documentation is not maintained denoting how much of their time is spent on utility and street duties.

Adequate documentation to support the allocation of payroll expenditures to the city's Operating System Fund is necessary to accurately determine the results of operations of specific activities, thus enabling the city to establish user charges necessary to meet all operating costs without generating profits to subsidize other village services. In addition, Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. To ensure compliance with the Missouri Constitution, the city should maintain documentation to support payroll costs charged to the Street Fund.

WE RECOMMEND the Board of Aldermen ensure all expenditures are properly allocated to the various funds and are supported by adequate documentation.

AUDITEE'S RESPONSE

This recommendation will be implemented.

7. Fixed Assets

Fixed asset records are in need of improvement. The city has not prepared and maintained adequate detailed property records for general fixed assets, including the cost of assets owned by the city. In addition, the date of purchase and the disposition of the assets have not been adequately documented. Currently the city has a list of items for each department of the city which simply shows a brief description of the fixed assets.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. To develop appropriate records and procedures for general fixed assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets

should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions and periodically take physical counts of its assets and compare to the detailed records to ensure the accuracy of the records.

WE RECOMMEND the Board of Aldermen maintain property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

AUDITEE'S RESPONSE

This recommendation will be implemented.

8.

Municipal Division

Traffic tickets with applicable offenses involving point violations were not forwarded to the Missouri State Highway Patrol (MSHP) as required by state law. Section 302.225, RSMo 2000, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

WE RECOMMEND the Municipal Division forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law.

AUDITEE'S RESPONSE

This recommendation has been implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF CARDWELL, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Cardwell is located in Dunklin County. The city was incorporated in 1895 as a fourth class city. The population of the city in 2000 was 789.

The city government consists of a mayor and four 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, Board of Aldermen, and other principal officials during the year ended December 31, 2002, are identified below.

Elected Officials	Period of Service	Compensation Paid for the Year Ended December 31, 2002
LaWanda McMullian, Mayor (1)	January 2002 to April 2002	\$ 615
David Bishop, Mayor (1)	April 2002 to May 2002	145
Connie Risinger, Mayor (1)	May 2002 to December 2002	100
Connie Risinger, Alderwoman (2)	January 2002 to May 2002	165
David Bishop, Alderman	January 2002 to April 2002	75
Penny Stacy, Alderwoman (3)	April 2002 to December 2002	90
Doug Kemmett, Alderman (4)	January 2002	55
Greg McGrew, Alderman (4)	April 2002 to December 2002	105
Kitty Burrier, Alderwoman (5)		195
Harvey Beasley, Chief of Police (6)		17,445
Kenneth Burns, Tax Collector		3,381
<u>Other Principal Officials</u>		
Belinda Kemmett, City Clerk	January 2002 to April 2002	5,521
Jackie Gillion, City Clerk	April 2002 to May 2002	1,355
Erma Branum, City Clerk (7)	May 2002 to December 2002	11,404

All city employees, including elected officials, are covered by a \$50,000 blanket bond.

- (1) Mr. Bishop was elected in April 2002. He was impeached in May 2002 and Connie Risinger was appointed to complete his term. Mr. Bishop was re-elected in April 2003.
- (2) Ms. Risinger was appointed as mayor in May 2002 to replace David Bishop. This position remained empty until Wanda Lee was elected in April 2003.
- (3) Ms. Stacy resigned in January 2004. Rebecca Hall was elected in April 2004.

- (4) Mr. Kemmitt resigned in January 2002. This position remained empty until Greg McGrew was elected in April 2002. John Bishop was elected in April 2004.
- (5) Vera Langston was elected in April 2003. Lisa Montgomery was appointed in April 2004 upon the death of Ms. Langston.
- (6) Anthony Parker was appointed in May 2003 upon the resignation of Mr. Beasley. Ervin Harper was elected in April 2004.
- (7) Brent Tippin was appointed in April 2004 upon the resignation of Ms. Branum.

In addition to the officials identified above, the city employed two full-time employees and one part-time employee on December 31, 2002.

Assessed valuations and tax rates for 2002 were as follows:

ASSESSED VALUATION

Real estate	\$ 1,673,240
Personal property	815,460
Railroad and utility	449,480
Total	<u>\$ 2,938,180</u>

TAX RATES PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General Fund	\$.4688
Street Repair	.1427
Street GOB	1.7322