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Missouri State Auditor

City of Olympian Village



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Office of the
Missouri State Auditor
Susan Montee, JD, CPA

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The following findings were included in our audit report on the city of Olympian Village.

The city of Olympian Village is in poor financial condition resulting from the failure of the board to monitor and provide guidance and controls necessary to ensure the continuing operations of the city. Due to inadequate cash balances, the city has paid bills from whichever funds had monies available and has used restricted monies for general operations of the city. Also, the city has not properly funded the sewer repair and replacement accounts and has accumulated substantial debt including \$14,900 in payroll taxes and \$48,650 due to various vendors. Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the city. These weaknesses include the absence of budgets and financial statements, the lack of bank reconciliations, and the lack of planning and monitoring of the city's sewer system. A similar financial condition was noted in our prior report dated June 8, 2000.

The city does not have formal written agreements with several companies or individuals providing services. Also, the city does not have a formal bidding policy. Several checks totaling over \$6,000 were made payable to cash or the bank. The former Mayor cashed \$1,279 of these checks and no supporting documentation could be located related to the disposition of these monies. In addition, detailed documentation was not retained or could not be located for some disbursements reviewed totaling approximately \$25,100. Board approval of recurring bills paid is not documented. Several disbursements totaling over \$3,600 did not appear to be prudent and necessary uses of public funds, including a barbecue grill, dog food and a feeding pan, soda and candy bars, a Christmas rug, and a rare image sapphire. A current board member indicated the city is not in possession of the items nor would these items have been used by the city. The city has not established procedures to ensure Forms 1099 are filed with the Internal Revenue Service when required.

Several control weaknesses were noted concerning receipts. Duties related to receipts are not adequately segregated. Sewer monies received are not deposited on a timely basis. Receipt slips are not issued for franchise tax payments and some sewer payments. A receipt report is not generated from the city's sewer system and reconciled to amounts deposited. The city does not maintain a control ledger to account for total billings and payments received each month and, as a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid are not performed. The board does not compare the list of delinquent sewer accounts to the accounts receivable report each month. In addition, it appears the city did not charge the appropriate fees for the construction of two apartment buildings in May and June 2006.

The city does not properly report wages, withhold payroll taxes, or pay the employer's share of Social Security and Medicare taxes for compensation paid to the City Collector/Court Clerk, Municipal Judge, and Prosecuting Attorney. Police officers were paid a monthly mileage allowance for commuting to and from the city in their personnel cars in lieu of a salary. There was no documentation indicating these allowances were authorized or how the varying amounts

YELLOW SHEET

paid to each officer were determined. In addition, the payments were not properly reported as compensation for tax purposes. The city does not maintain payroll registers listing gross wages, payroll taxes withheld, net pay, and year-to-date totals for each employee. The city does not have a comprehensive employee manual. Records of vacation or sick leave earned and taken and accumulated balances were not maintained or could not be located. The former City Clerk was overpaid approximately \$2,000 and \$2,100 for the years ended December 31, 2007 and 2006, respectively, and was paid approximately \$3,000 for overtime in 2007. Time sheets were not prepared or could not be located and the board did not approve payroll transactions.

The city does not maintain property records to account for capital assets owned by the city or conduct physical inventories. The city sold several parcels of property without publicizing the sale, obtaining current appraisals, or soliciting bids. The city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city. In addition, a review of vendor statements and charge receipts for 2006 and 2007 indicated several purchases of fuel at gas stations located several miles from the city limits.

The city has not established a separate accounting for road taxes, motor vehicle-related receipts, law enforcement training fees, and sewer fees. In addition, transfers are not properly tracked and documented.

Compensation paid to city employees and some officials is not set by ordinance. The city has not adopted a policy regarding public access to city records, and some board minutes did not include sufficient detail of matters discussed and actions taken. It is not clear if the Board of Aldermen properly followed state law for impeachment proceedings when it voted to terminate an alderman at the November 8, 2007, meeting. There was no documentation or cause shown for the dismissal or that the alderman had been given the opportunity to be heard as required by the impeachment process.

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CITY OF OLYMPIAN VILLAGE

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Olympian Village. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the city has adequate internal controls over significant management and financial functions.
3. Determine if the city has complied with certain legal provisions.

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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and

circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 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 our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Olympian Village.

An additional report, No. 2008-037, *Twenty-Third Judicial Circuit, City of Olympian Village Municipal Division*, was issued in June 2008.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF OLYMPIAN VILLAGE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Condition

The city of Olympian Village is in poor financial condition resulting from the failure of the board to monitor and provide guidance and controls necessary to ensure the continuing operations of the city. The current officials appear to have taken some steps to establish controls and procedures to monitor the city's finances; however, budgets and financial statements have not been prepared (see MAR finding number 3).

The city operates with very low cash balances. On June 30, 2008 and 2007, the total of all cash balances was \$5,595 and \$1,143, respectively. Due to inadequate cash balances in some funds, the city has, at times, paid bills from whichever funds had monies available. The city has used restricted road and sewer monies for general operations of the city (see MAR finding number 8). Also, the city has not properly funded the repair and replacement accounts for its sewer system as required by ordinance (see MAR finding number 7) and has accumulated substantial debt. At June 30, 2008, approximately \$14,900 was due to the US Treasury for failure to file and remit payroll taxes for 2007 (see MAR finding number 5) and \$48,650 was due to various vendors (see MAR finding number 2). In addition, several purchases did not appear to be prudent uses of city funds (see MAR finding number 2) and it appears the former City Clerk was overpaid approximately \$4,100 (see MAR finding number 5).

Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the city and have resulted in or contributed to the problems noted above. These weaknesses include the absence of budgets and financial statements, the lack of bank reconciliations, and the lack of planning for and monitoring of the city's sewer system. Additionally, disbursements exceeded receipts by \$74,797 for the year ended June 30, 2007; however, receipts exceeded disbursements by \$4,852 for the year ended June 30, 2008.

The current board has eliminated cellular telephones and fuel credit cards, and suspended court from November 2008 through April 2009, in an attempt to reduce disbursements. In addition, the board has reduced work hours for the City Clerk and City Collector and has concentrated its efforts on resolving and paying off amounts due. However, it appears additional steps need to be taken.

The Board of Aldermen should continue to review disbursements, reducing discretionary spending as much as possible, and ensure adequate resources are available to fund the necessary core city services. These plans should be formalized in a detailed annual budget. In addition, the board should ensure an effective system of accounting and administrative controls are in place, including procedures to monitor the financial condition of the city by reviewing budget to actual comparisons and financial statements

on a timely basis. The specific recommendations contained in the following MAR findings, if implemented, will help establish these records, controls, and procedures.

A similar financial condition was noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen and Mayor closely monitor the financial condition of the city, reducing discretionary spending as much as possible. In addition, the board and Mayor should ensure the recommendations in this report are addressed and implemented on a timely basis.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following response:

We have been working on improving the overall financial condition of the city. We have reduced the city's outstanding debt significantly. The city has paid off past due amounts for several vendors and remains current on all required payroll tax reports and payments per the IRS agreement. Additionally, we are developing a budget and financial report which will be available for the beginning of the 2010 fiscal year.

2.

Disbursement Controls and Procedures

Controls and procedures over disbursements are in need of improvement. The city does not have formal written agreements for some services or a formal bidding policy. The board does not document its approval of some invoices, supporting documentation was not obtained or retained for some disbursements, and some invoices did not indicate the receipt of goods or services. In addition, several checks were written to cash or to the bank and blank checks are not stored in a secure location. Also, the city is in arrears to several vendors, some purchases did not appear prudent and necessary, the city does not have a cellular telephone policy, and the city has not established procedures to ensure Internal Revenue Service (IRS) Forms 1099 are filed as required.

A. The city does not have formal written agreements with several companies or individuals providing services. The following services were obtained without written contracts for the time period January 1, 2007 through June 30, 2008:

<u>Payee</u>	<u>Amount paid</u>
Street paving	\$ 14,771
Snow removal	10,494
Building inspector	5,425
City Attorney	3,706

Formal written agreements are necessary to document each party's duties and responsibilities, and the manner and amount of compensation to be paid. In

addition, Section 432.070, RSMo, requires political subdivisions' contracts to be in writing.

B. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The city solicited bids for some items such as street paving and snow removal. However, bids were either not solicited or bid documentation was not retained for the following items during the time period of January 1, 2007 through June 30, 2008:

	Amount Paid
Operation and maintenance of the sewer system	\$ 46,975
Sewer spill cleanup	25,124
Street paving	14,771
Asphalt	4,712
Engineering	4,000

In addition, the city accepted a bid of \$41,364 for the repaving of several streets, but there was no indication why the low bid of \$28,850 was not accepted. In addition, the amount paid exceeded the original bid by \$8,500; however, there was no documentation indicating the reason for the increase in cost.

Formal bidding procedures for major purchases provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed 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 reasons noted why the winning bid was selected. In addition, any changes to the original bid amount should be documented and approved.

C. The following concerns were noted regarding disbursements:

1) Adequate supporting documentation was not retained for some disbursements made from January 1, 2007 through June 30, 2008. Detailed documentation was not retained or could not be located for 16 of 34 disbursements reviewed, totaling approximately \$25,100. Examples include payments of approximately \$14,800 for street paving, \$5,000 for sewer maintenance, \$600 for building inspection fees, and \$2,000 for fuel. In addition, billing statements and invoices are not checked for accuracy and canceled upon payment.

All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. In addition, billing statements or invoices should be checked for accuracy to ensure the proper amount is paid, and canceled upon payment to avoid duplicate payment.

- 2) The board receives and approves a list of bills to be paid, which is included in the monthly meeting minutes; however, recurring disbursements are not included on this list. In addition, the board generally does not review and approve individual invoices for payment.

To adequately document the board's review and approval of all disbursements, a complete and detailed list of checks written should be prepared and signed or initialed by board members to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made to ensure all disbursements represent valid operating costs of the city.

- 3) Several checks, totaling \$4,357, were made payable to cash and two checks, totaling \$2,229, were made payable to the bank. It appears \$3,078 of the checks made payable to cash were used to purchase money orders to pay for electric services. However, the remaining checks totaling \$1,279 were cashed by the former Mayor and no supporting documentation could be located indicating the disposition of these monies. In addition, supporting documentation could not be located for the checks made payable to the bank. The checks made payable to the bank were signed by only the former Mayor, after his resignation. To reduce the risk of misuse of monies, the practice of writing checks payable to cash or the bank should be prohibited. In addition, the board should investigate checks cashed by the former Mayor and consult with legal counsel regarding any action to be taken.
- 4) Receipt of goods and services is not indicated on some invoices prior to payment. To ensure goods and services have been properly received by the city, procedures should be established to ensure all invoices and other supporting documentation are initialed or signed by a city employee.

- D. The city has not established procedures to ensure all checks issued contain dual signatures as required by city policy. Currently, the Mayor Pro Tem, City Treasurer, and one board member are authorized to sign checks. In the past, the Mayor, Mayor Pro Tem, and City Clerk were authorized to sign checks. Until recently, the city's printed checks had only one signature line; however, city policy requires two individuals to sign checks. During the year ended June 30, 2008, numerous checks were issued and cleared the bank with only one signature from either the former City Clerk or former Mayor. The current City Clerk

indicated the city ordered and received checks with dual signature lines. In addition, blank checks are not stored in a secure location. The current City Clerk indicated the check books are kept on a stand behind her desk.

To reduce the risk of fraud or misuse of funds, the board should establish procedures to ensure all checks drawn on the city treasury have dual signatures as required by city policy and ensure blank checks are stored in a secure location.

- E. The city failed to pay numerous invoices timely resulting in a significant increase in current liabilities. Per vendor invoices and discussion with various entities, the city owed approximately \$48,650 at June 30, 2008, and the following amounts were due as of November 18, 2008:

Description	Amount
Sewer clean-up	\$ 5,247
Supplies	186
Waste treatment	6,633
Court room rental	1,110
Sewer certification	100
Sewer maintenance	312
Check printing	340
Electrical work	2,665
Sewer testing	404
Court Clerk	2,574
Sewer equipment	265
Fuel	8,471
Trash hauling	344
Sheriff response	2,839
911 service	9,322
Attorney fees	1,113
State regulations	291
Workmen's compensation insurance	1,690
Street paving	4,177
Office supplies	321
Cellular telephones	260
Calibration of sewer system	105
Heating repair	107
Electronic equipment	203
Bookkeeping services	188
Test sewer backflow	265
Total	\$ <u>49,532</u>

In addition, the city owed approximately \$11,800 and \$14,900 in back federal payroll taxes (see MAR finding number 5) at November 18, 2008, and June 30, 2008, respectively.

Unpaid invoices should be monitored and appropriate follow up action taken. Also, the city should monitor liabilities to properly plan and budget expenses. Procedures should be in place to ensure bills are paid timely to avoid late charges and interest.

- F. Several disbursements from January 2004 through August 2008 did not appear to be prudent and necessary uses of public funds:

Barbecue grill plus assembly	\$	184
Five gallons of paint		76
Ceiling fan		60
Outside porch lamps		34
Rental for a rug cleaning machine		65
Motor oil		263
Propane tank and refills		82
Dog food and feeding pan		11
Bib overalls		94
Soda and candy bars		50
Generator including extended warranty		679
Christmas rug		10
Rare image sapphire		65
Propane		17
Over-the-counter medication		212
Telephones		78
Computer printer ink cartridge		437
Camera film		153
510 rolls of bathroom tissue (purchased in an 18 month period)		687
210 rolls of paper towels (purchased in a 14 month period)		401
Total	\$	<u>3,658</u>

A current board member indicated the city is not in possession of the items listed above, nor would these items have been used by the city. Additionally, it appears the city would not have used the large quantities purchased for several of the items. Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city monies in a prudent and necessary manner.

- G. The city has not established a formal policy regarding cellular telephone use or guidelines to determine whether cellular telephones are needed or beneficial to the city. From January 2007 through February 2008, the city paid \$1,962 for cellular telephone service provided to the former City Clerk, the former sewer operator, and a third cellular telephone which was obtained and activated in September 2007. Current officials do not know who used the third telephone. The

September 2007 bill, totaling approximately \$248, consisted of \$175 in plan charges, \$23 in directory assistance charges, and \$50 in other charges and adjustments. Of these amounts, \$65 of the plan charges and \$36 of the other charges were for the third telephone. A review of the bills for the third telephone revealed the majority of the calls took place during non business hours. The city is not currently in possession of the cellular telephones. Current city officials indicated service on the third cellular telephone was cancelled on November 14, 2007, and the remaining two cellular telephones were cancelled in February 2008.

While cellular telephones can help increase employee productivity, they are also costly. A policy is needed to ensure cellular telephones are used only for business purposes. Such a policy should address which employees need a cellular telephone and allowable use of the telephone. Effective procedures should be implemented to monitor cellular telephone use and review invoices for propriety.

- H. The city has not established procedures to ensure Forms 1099 are filed with the IRS when required. It could not be determined if Forms 1099 were filed for the following payments made in 2007:

	Total Paid
Building inspections	\$ 4,875
Snow removal	4,225
Street paving	9,662

Sections 6041 through 6051 of the Internal Revenue Code require payment of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

Conditions A through C2 were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Enter into written agreements for all services.
- B. Establish a formal bidding policy regarding the procurement of goods and services. In addition, complete documentation of the bidding process should be maintained, including bid specifications and bid forms, all bids received, and documentation of the justification for selecting and rejecting bids.
- C.1. Ensure disbursements are supported by paid receipts and/or vendor-provided invoices and require invoices to be checked for accuracy and canceled upon payment.

2. Approve invoices prior to payment and adequately document its approval by including a list of approved disbursements in the board minutes.
 3. Discontinue the practice of making checks payable to cash and the bank. In addition, the board should investigate checks cashed by the former Mayor and consult with legal counsel regarding any action to be taken.
 4. Establish procedures to ensure invoices contain indication goods or services have been received prior to payment.
- D. Ensure blank checks are stored in a secure location and checks issued are properly signed.
- E. Implement procedures to ensure bills are paid timely.
- F. Ensure disbursements are necessary and prudent uses of public funds.
- G. Develop a policy regarding the use of cellular telephones, which includes procedures to monitor use and periodically assess whether the plan selected meets the needs of the city and is cost effective.
- H. Ensure Forms 1099 are issued in accordance with IRS regulations.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented. The city is now entering into contracts for services. The city has signed contracts for street paving and snow removal, and with the City Attorney.*
- B. *We have begun obtaining bids and will develop a formal bidding policy. We will ensure bids are documented in the minutes including explanations to support our selection.*
- C.1. *This recommendation has been implemented. All invoices are retained and reviewed when checks are signed.*
2. *This recommendation has been implemented. All invoices are approved for payment at the board meetings and a list of the bills approved for payment is attached to the minutes.*
 3. *This recommendation has been implemented. Checks are no longer made payable to the bank or cash. We will discuss this with our legal counsel.*
 4. *This recommendation has been implemented. The receipt of goods is documented on the invoices.*

- D. *This recommendation has been implemented. Blank checks are stored in a locked file cabinet. In addition, all checks are now printed through the computer and require dual signatures.*
- E. *This recommendation has been implemented. The city has worked on paying vendors timely and has reduced outstanding debt significantly.*
- F. *This recommendation has been implemented. The questionable purchases were made by the prior administration and all of those vendor accounts have been closed.*
- G. *Cellular phones were utilized by the prior administration. The current board determined cellular phones were not necessary for the city.*
- H. *This recommendation has been implemented. The city issued 1099 forms to independent contractors providing services to the city for 2008.*

3.	Budgets and Financial Reports
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Budgets are not prepared and financial statements are not prepared, published, or submitted to the State Auditor's office as required by state law. In addition, the city does not obtain annual audits.

- A. The board did not prepare and approve a budget for the year ended June 30, 2008. The current Mayor indicated a budget had not been prepared and approved for several years. The failure to prepare budgets has been a significant contributing factor to many of the city's problems. City officials are unable to compare budgeted to actual receipts and disbursements preventing them from taking necessary steps to address revenue shortfalls and deficit spending or to readily determine funds available.

Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provides a means to effectively monitor financial activity. It will also assist in setting tax levies and informing the public about the city's operations and current finances. A complete budget should include separate receipt and disbursement estimates by fund, beginning available resources, and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- B. The current Mayor indicated the city has not published semi-annual financial statements for several years as required by state law. Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semi-annually a full and

detailed account of the receipts, disbursements, and indebtedness of the city. Complete and accurate financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo, states the City Treasurer cannot legally disburse funds until the financial statement is published.

- C. The city did not submit annual financial reports for the years ended June 30, 2004 through 2008, to the State Auditor's office. Section 105.145, RSMo, requires political subdivisions to file an annual report of financial transactions with the State Auditor's office.
- D. The city does not obtain annual audits. Section 250.150, RSMo, requires the city to obtain an annual audit of its sewer system revenues and transactions.

In addition to being required by state law, annual audits of city funds would help ensure financial transactions are properly recorded.

Conditions A through C were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Prepare and adopt annual budgets as required by state law.
- B. Ensure semi-annual financial statements are published or posted in accordance with state law.
- C. Ensure annual financial reports are filed with the State Auditor's office.
- D. Obtain an annual financial audit of sewer transactions.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented. The board is currently developing budget procedures and will adopt a budget for the year ending June 30, 2010.*
- B. *This recommendation has been implemented. The city is working on the financial statement for the year ending June 30, 2009.*
- C. *The city will implement this recommendation upon completion of the financial statement for the year ending June 30, 2009.*
- D. *The city will implement this recommendation beginning with the year ending June 30, 2009.*

4.**Accounting Controls and Procedures**

Formal bank reconciliations are not prepared and accounting duties are not properly segregated. Sewer monies collected are not deposited timely, receipt slips are not issued for some monies received, the composition of receipt slips issued is not reconciled to deposits, and the numerical sequence of receipt slips issued is not accounted for properly. Checks and money orders are not restrictively endorsed upon receipt. In addition, the sewer accounts receivable balance is not reconciled to total billings less collections, and there is no review of account balances. Fees for a building permit did not appear to follow the established fee schedule.

- A. Formal bank reconciliations are not documented by the current City Clerk and were not prepared by former City Clerks or could not be located. The current City Clerk indicated she attempted to reconcile the bank accounts for April 2008, when she took over this position; however, she was unable to reconcile. As a result, she began new check registers for all accounts. The current City Clerk indicated she reconciles the bank accounts each month; however, the reconciliation is not documented.

Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

- B. Duties related to receipts are not adequately segregated. The City Collector prepares the monthly sewer billings, enters and approves adjustments, issues shut off notices on delinquent accounts, collects payments, prepares deposits, records receipts and maintains sewer accounts receivable records. The City Treasurer agrees deposits to deposit slips and deposit reports prepared by the City Collector; however, she does not reconcile deposits to receipt slips issued. These duties should be segregated to allow for a system of checks and balances. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the City Collector's records.

A similar condition was noted in our prior report dated June 8, 2000.

- C. The following concerns related to receipts were noted:

- 1) Sewer monies received are not deposited on a timely basis. Deposits are prepared daily by the City Collector; however, they are held at city hall until the City Treasurer reviews and approves the deposits at the end of each week and takes the deposits to the bank. For example, the deposits prepared daily for the week of April 10 through April 16, 2008, totaling \$2,634 and including \$427 in cash, were deposited on April 16, 2008. In

addition, checks and money orders are not restrictively endorsed immediately upon receipt. The City Treasurer endorses checks and money orders when she verifies the deposits.

- 2) Prenumbered receipt slips are not issued for some monies received. Receipt slips are not issued for franchise tax payments and some sewer payments. In addition, the City Collector does not reconcile the composition of receipt slips issued to the composition of deposits or account for the numerical sequence of receipt slips issued. A review of April 2008 receipts revealed three receipt slips which did not indicate the method of payment and two checks deposited for which receipt slips were not issued.
- 3) A receipt report is not generated from the city's sewer system and reconciled to amounts deposited. The City Collector posts sewer payments to the city's computerized sewer system. This system is used to generate monthly billings and to determine unpaid accounts which should be disconnected.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, prenumbered receipts slips should be issued for all monies received, the composition of receipts should be reconciled to the composition of deposits, checks and money orders should be restrictively endorsed immediately upon receipt, and all monies should be deposited timely. Also, a receipt report should be generated from the sewer system and reconciled to receipt slips issued and deposits.

- D. The city maintains individual customer sewer accounts; however, the city does not maintain a control ledger to account for total billings and payments received each month. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid are not performed.

Monthly reconciliations are necessary to ensure 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, and to facilitate independent reviews.

- E. The board does not compare the list of delinquent sewer accounts to the computerized accounts receivable report each month. The City Collector is responsible for making adjustments to accounts and preparing and issuing shut-off notices each month for delinquent accounts. The City Collector indicated she scans each account in the computer and compiles a list of delinquent accounts and sends out shut-off notices. The board is given a copy of this list to review; however, the board does not compare the list to an accounts receivable report generated by the computer. The board should compare the accounts receivable

subsidiary report to the delinquent list each month and document its approval to provide assurance all shut-off notices have been issued timely.

- F. It appears the city did not charge the appropriate fees for the construction of two apartment buildings in May and June 2006. The city's fee schedule states new construction requires building permits at a cost of \$100 plus 17 cents per square foot of living space, \$300 for covering three inspections, and a \$1,000 sewer tap fee. A current board member indicated the fees applied to each building and each apartment building contained 3,540 square feet of living space. The city only charged for one sewer tap fee; however, it appears at least two sewer tap fees should have been charged since there were two buildings. The following shows the comparison of calculated fees to actual fees collected:

Fee	Actual Fees	Fees per Audit
Building permit	\$ 100	200
Square foot cost	193	1,204
Inspections	400	600
Sewer tap	1,000	2,000
Total	\$ <u>1,693</u>	<u>4,004</u>

There was no documentation indicating how the city calculated the fees charged.

The city should assess fees charged for new construction according to its fee schedule. The reasons for variances should be documented and retained.

WE RECOMMEND the Board of Aldermen:

- A. Ensure formal monthly bank reconciliations are prepared and maintained for all city accounts.
- B. Segregate the duties of the City Collector and/or establish a periodic review of the receipt records by an independent person.
- C.1. Deposit all monies on a timely basis and restrictively endorse checks and money orders immediately upon receipt
 2. Require receipt slips be issued for all monies received, the method of payment be recorded, the numerical sequence of receipt slips issued be accounted for properly, and the composition of receipt slips issued be reconciled to deposits.
 3. Ensure a receipt report is generated from the city's sewer system and reconciled to amounts deposited.

- D. Require the City Collector to maintain an accounts receivable control record and periodically reconcile individual customer accounts receivable balances to the total ending accounts receivable balance.
- E. Compare the delinquent accounts list to the receivables subsidiary report and document its approval.
- F. Ensure construction fees are charged according to the city fee schedule.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been implemented. Formal bank reconciliations are now prepared by the City Clerk for all accounts.*
- B. *This recommendation has been implemented. All adjustments are reviewed and approved by the board each month.*
- C.1. *This recommendation will be implemented. The board will review the amount of cash collected during the week and make deposits more frequently (twice a week) when significant amounts of cash are collected.*
 - 2. *This recommendation has been partially implemented. Receipt slips are now issued for all monies received. In addition, the composition of receipt slips will be reconciled to the deposits by the Treasurer before the deposit is taken to the bank.*
 - 3. *This recommendation will be implemented.*
- D. *The city will establish procedures to reconcile sewer balances each month.*
- E. *This recommendation has been implemented. The board reviews the delinquent accounts each month. We will begin printing out a copy to document this review and approval.*
- F. *This recommendation has been implemented. The city follows the fee schedule when assessing all required fees. Any deviation from the established fee schedule will be documented as to the reasons why. The city has entered into legal action to recoup lost fees from a developer incorrectly charged by the prior administration.*

5.	Payroll Procedures and Policies
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Payroll taxes were not withheld from some compensation payments. In addition, some compensation was not reported on W-2 forms, and the city failed to file reports and remit payments for federal and state payroll tax withholdings. Payroll registers are not maintained detailing gross wages and deductions for each pay period and year-to-date

totals. The city does not maintain an employee personnel manual, require time sheets, or track overtime and leave. The city does not have adequate procedures to ensure payroll expenses are properly reported and payroll tax withholdings are properly computed and disbursed. In addition, the former City Clerk was overpaid approximately \$2,000 and \$2,100 for the years ended December 31, 2007 and 2006, respectively.

A. The following payments to employees were not subject to payroll tax withholdings or W-2 reporting as required:

- 1) The city does not properly report wages, withhold payroll taxes, or pay the employer's share of Social Security and Medicare taxes for compensation paid to the City Collector/Court Clerk, Municipal Judge, and Prosecuting Attorney. City officials indicated the City Attorney and Municipal Judge were issued IRS 1099 forms; however, copies of the 1099 forms could not be located.

Payments made to the City Collector/Court Clerk, Municipal Judge, and Prosecuting Attorney represent compensation subject to IRS reporting, payroll tax, and income tax withholdings. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes from and pay the employer's share of Social Security and Medicare taxes on compensation paid to employees. Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security tax purposes.

- 2) Police officers were paid a monthly mileage allowance for commuting to and from the city in their personnel cars in lieu of a salary. There was no documentation indicating these allowances were authorized or how the varying amounts paid to each officer were determined. In addition, the payments were not properly reported as compensation for tax purposes. Officers were not required to report mileage or actual vehicle expenses incurred. Three officers were reimbursed a total of \$1,559 and \$1,333 for mileage driven between home and city hall for personal travel for calendar years 2007 and 2006, respectively. In addition, the city allowed the officers to charge at least \$500 in gasoline to the city from July through September 2007 for use in their personal cars. Additional amounts may have been charged to the city for use in personal cars, but current city officials were not able to obtain copies of vendor invoices for gasoline purchases in order to determine the total. The officers, who serve as volunteers for the city, were provided city vehicles for patrolling the city.

The city should require police officers to report all city-related expenses incurred on their personal vehicles to ensure gasoline charges are

reasonable and the use of personal vehicles for patrolling is necessary, or consider reimbursing the police officers for actual mileage incurred and discontinue paying mileage allowances. In addition, the mileage allowance payments appear to be taxable compensation to the officers, but the city did not report the payments on the officers' W-2 forms. IRS regulations require travel and expense reimbursements be reported on the recipients' W-2 forms unless the recipients are required to report the related expenses to their employer, and commuting mileage is required to be reported on the recipients' W-2 forms unless specific criteria are met. No other current city employee received similar mileage reimbursements, and the current city administration has discontinued the mileage allowance.

- B. The city failed to file required payroll reports and remit payments to the IRS and Missouri Department of Revenue (DOR) for payroll and unemployment taxes for the year ended December 31, 2007. The city recently filed the required payroll tax forms with the IRS and DOR for 2007, and paid the DOR in full, including penalties and interest of approximately \$250. In addition, the city entered into a payment plan with the IRS for back taxes. The payment plan requires the city to remain current on all required tax filings and payments and pay \$500 per month on the outstanding balance. As of June 30, 2008, the city has remained current on tax filings and payments and has an outstanding balance of approximately \$14,900 for 2007. Interest and penalties on federal payroll taxes for the first and second quarters of 2007 totaled approximately \$2,400.

The Internal Revenue Code requires Form 941 to be filed with the IRS on a quarterly basis along with payment of Social Security and Medicare taxes withheld from the employee and the employer's share, as well as federal income taxes withheld. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. Good business practices require the city to make timely deposits of tax withholdings to avoid unnecessary penalties and interest.

This condition was noted in our prior report dated June 8, 2000.

- C. The city does not maintain payroll registers listing gross wages, payroll taxes withheld, net pay, and year-to-date totals for each employee. In addition, the city does not have adequate procedures to ensure payroll expenses are properly reported and withholdings are properly computed and disbursed. Some mathematical errors were noted in the calculation of gross wages and an incorrect percentage was used for the determination of some Medicare taxes.

Adequate payroll registers and calculations of payroll taxes are needed to file accurate payroll reports, and retention of payroll documentation is required to support payroll tax computations and to show compliance with applicable federal

and state laws and regulations. Failure to properly withhold and report payroll taxes could result in fines and penalties levied against the city.

- D. The city does not have a comprehensive employee manual detailing personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees.

A comprehensive employee manual which summarizes policies can benefit both city officials and employees by providing a basic understanding between management and employees regarding rights and responsibilities. It can also help ensure management's policies are fairly and consistently applied to all city employees. The city should establish formal written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned responsibilities.

- E. Records of vacation or sick leave earned and taken and accumulated balances were not maintained or could not be located. The city currently does not offer benefits including vacation and sick leave to employees. However, the former administration did offer employees vacation and sick leave and some employees were paid for unused vacation leave. The former City Clerk was paid approximately \$1,200 and \$700 for vacation for the years ended December 31, 2007 and 2006, respectively. Adequate documentation of leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure time used is not in excess of time accumulated. Without leave records, payments for unused leave cannot be properly verified.

- F. The former City Clerk was overpaid approximately \$2,000 and \$2,100 for the years ended December 31, 2007 and 2006, respectively. In addition, she was paid approximately \$3,000 for overtime during the year ended December 31, 2007. Time sheets were either not prepared or could not be located to support the payments. Also, there was no documentation of board approval of payroll. In 2007, the City Clerk was issued 52 checks during the 43 weeks she was employed, including 3 checks for vacation. In 2006, she was issued 58 checks for the 52 week time period including a check for 2 weeks vacation. Some checks were issued as payroll checks and some were issued as vendor checks. The vendor checks, which totaled approximately \$8,720, were not included in gross payroll amounts or recorded on her W-2 form at year end for 2006.

Time sheets are necessary to document hours actually worked, substantiate payroll disbursements and the allocation of payroll disbursements to the various funds, and to provide the board with a method to monitor and approve hours worked. The current board requires all city employees to prepare time sheets which are reviewed and approved. The board should consult with the City Attorney to investigate any legal action that can be pursued to recoup excess amounts paid.

WE RECOMMEND the Board of Aldermen:

- A.1. Ensure payroll taxes are properly withheld and remitted for any wages or salaries paid. In addition, the board should ensure compensation paid is properly reported.
- 2. Consider reimbursing police officers for actual mileage incurred and discontinue paying the mileage allowance. In addition, the board should ensure all personal mileage reimbursements are properly reported to the IRS.
- B. Ensure federal and state payroll tax forms are filed and payments remitted on a timely basis to avoid penalty and interest charges.
- C. Ensure complete detailed payroll registers are maintained.
- D. Develop a comprehensive employee manual.
- E. Require records of vacation, sick leave, and compensatory time earned, taken, and any accumulated balances be maintained if leave benefits are re-established in the future.
- F. Consult with the City Attorney to investigate any legal action that can be pursued to recoup excess compensation paid and consider issuing a corrected IRS W-2 form to include all monies paid to the former City Clerk. In addition, the board should continue to require time sheets be prepared, approved, and retained.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A.1. *This recommendation has been implemented. The city is withholding payroll taxes on all employee wages and remitting them timely.*
- 2. *We no longer pay the police force and only pay for gasoline for city vehicles.*
- B. *This recommendation has been implemented. The city has prepared all required payroll tax reports and remitted them timely along with payment to the proper agencies.*
- C. *This recommendation has been implemented. The city currently uses quick books payroll software to process and maintain payroll information including weekly, quarterly, and year to date information.*
- D. *The city currently does not provide benefits to their employees. We are working on developing a personnel policy.*
- E. *This recommendation will be implemented if the city establishes employee benefits in the future.*

- F. *The city will consult with legal counsel concerning the excess compensation paid. In addition, the city will continue to require time sheets from all employees and consult with the IRS regarding the issuance of a corrected W-2 form.*

6. Capital Assets and Vehicle Usage
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The city does not maintain records for capital assets, including procedures for an annual physical inventory. The city sold several parcels of property without publicizing the sale, obtaining current appraisals, or soliciting bids. In addition, controls over the use of city owned vehicles are not adequate.

- A. The city does not maintain property records to account for capital assets owned by the city and does not conduct physical inventories. Adequate capital asset records are necessary to provide better internal controls over city property and provide a basis for proper financial reporting.

To develop appropriate records and procedures for capital assets, the city should 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 capital asset transactions and ensure the accuracy of the recorded capital assets. Periodically, the city should take a physical inventory of its assets and compare to the detailed records. Accurate capital asset records are essential to ensure all city assets are accounted for and insured against loss.

This condition was reported in our prior report dated June 8, 2000.

- B. During the year ended June 30, 2006, the Board of Aldermen voted to sell three parcels of property (lots 285, 286 and 135 known as the park property) to an interested buyer without publicizing the sale, obtaining a current appraisal, or soliciting bids. Each parcel of property was sold for \$5,000.

Good business practices require the sale or purchase of real estate be formally publicized, bids obtained, and an independent appraisal obtained to ensure a reasonable price is received.

- C. The city does not maintain mileage/usage or maintenance logs for vehicles and equipment owned by the city and used by the street, sewer, and police departments. As a result, fuel usage by vehicle cannot be reviewed for reasonableness or reconciled to billings received and paid by the city. The city owns two police cars, a backhoe, a dump truck, and a skid loader. The city purchased \$7,076 and \$10,199 of fuel during calendar years 2007 and 2006, respectively. The city reduced fuel spending significantly in 2008 as a result of eliminating fuel credit card use and police patrols.

In addition, a review of vendor statements and charge receipts for 2006 and 2007 indicated several purchases of fuel at gas stations located several miles from the city limits. Purchases totaling \$4,925 were made in Festus, \$68 in Desoto, and \$887 in Barnhart. Several of the receipts were marked "personal" and one police officer stated at a board meeting that he used the city's fuel credit card to purchase fuel for his wife's vehicle with the prior administration's knowledge (see MAR finding number 5).

Mileage/usage logs are necessary to document appropriate use of vehicles and equipment and to support fuel charges. The mileage/usage and maintenance logs should include the purpose and destination of each trip, daily beginning and ending odometer readings (or hours of use for equipment), and operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business and are properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance costs. In addition, paying for fuel for personal use is not a prudent use of city funds.

WE RECOMMEND the Board of Aldermen:

- A. Ensure 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. In addition, annual physical inventories should be performed.
- B. Obtain current appraisals and solicit bids for the sale of property.
- C. Require complete and accurate mileage/usage and maintenance logs be maintained for all vehicles and heavy equipment. The logs should be reviewed by the board periodically for completeness and reasonableness. Information on the logs should be reconciled to fuel purchases and other maintenance costs. In addition, the board should cease allowing fuel to be charged for personal use.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation will be implemented. The city will prepare a list of its capital assets to include acquisition date, description, cost, and location. In addition, the city will tag all assets and perform an annual inventory.*
- B. *The board will require current appraisals and bids be obtained for the sale of real or personal property.*
- C. *The city has developed a mileage log for police vehicles. The board will develop and maintain a log for all other city owned equipment.*

7.**Maintenance of Streets and Sewer System**

A maintenance plan for the sewer system was established by ordinance in 1983; however, the plan was not followed or updated and the city raised sewer rates without conducting a formal cost study. In addition, a formal maintenance plan for the streets has not been prepared.

- A. The city does not have a current repair and replacement plan for the sewer system and treatment plant and has not estimated related future costs. In 1983, the city adopted ordinance number 123, which required the establishment and funding of several specific restricted accounts for the operation, maintenance, repair, and replacement of the sewer system. The ordinance called for the city to establish an operations and maintenance account, a grinder pump repair and replacement account, and a treatment plant and sewer system repair and replacement account. The ordinance also established the methodology for annually establishing the monthly user fee and the required contributions to the above accounts based on a 20 year repair and replacement schedule. As of June 30, 2008, the city has established the Operations and Maintenance Account and one Replacement Account, but has not distinguished its specific purpose. The Replacement Account has a balance of approximately \$200 and has not received any additional funding.

The former board approved an increase in sewer rates of \$10 per month from \$25.50 to \$35.50 for city residents and from \$35.50 to \$45.50 for non-city residents in April 2006, which went into effect in April 2007. There was no documentation to show the methodology used in determining the rate increase. As of June 30, 2008, the city had virtually no funds set aside for future repair and replacement costs for the sewer system. In February 2008, the city entered into a contract with Alliance Water Resources to operate and maintain the sewer system at a cost of \$75,000 per year; however, the city remains responsible for the cost of supplies, equipment replacement, and repairs.

The city needs to update its repair and replacement plan ordinance and ensure adequate funding is set aside to carry out the plan, including planning for any additional bond issue or grant subsidy. An updated repair and replacement plan, with anticipated timetables and estimated costs, would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the adequacy of funding and progress made in the repair and replacement of sewer system components throughout the year. In addition, the city should document its justification for setting rates for utilities.

- B. The city has not developed a maintenance plan for its streets. The city spent \$49,864 and \$55,337 during the years ended June 30, 2008 and 2007, respectively, for repaving streets. This paving work was performed without a

master plan for future street work and the city did not document reasons for choosing these streets rather than other streets in the city which were in poor condition.

Maintenance plans should be prepared in conjunction with the annual budget and include descriptions of the streets, 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 plans should be included in the budget message and approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

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

These conditions were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A Prepare a repair and replacement plan for the city sewer system and periodically update the plan. The board should review the progress made in the repair and replacement of sewer system components to make appropriate decisions on future projects. In addition, the board should conduct a formal cost study to determine if rates are sufficient to ensure adequate funding exists to operate, maintain, and upgrade the system as required.
- B. Prepare a formal maintenance plan for the streets at the beginning of the year and periodically update the plan throughout the year.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation has been partially implemented. The city has established a maintenance plan for the sewer system and has submitted it to the Department of Natural Resources. The city will also review the ordinances establishing the accounts required and conduct a cost study to ensure rates are set to properly fund sewer operations and replacement accounts. The city is also in the process of securing stimulus money along with an interest free loan to update the city's sewer system.*
- B. *The city will develop a maintenance plan for the repair and replacement of streets.*

8.**Restricted Receipts**

The city has not established a separate accounting for road taxes, motor vehicle-related receipts, law enforcement training fees, and sewer fees. In addition, some restricted receipts are inappropriately used for general city operations, and transfers are not properly tracked and documented.

- A. Road levy property tax receipts are not clearly spent on roads. The city levied approximately \$5,000 in property taxes for roads during each of the years ended June 30, 2008 and 2007. While it appears this tax has been levied by the city for a number of years, the city could not locate a copy of the original ballot or an ordinance or formal policy defining the allowable uses of these monies.

This tax is currently collected and direct deposited into the city's General Fund by the Jefferson County Collector. The city does not transfer the property taxes for roads from the General Fund account to the Road and Street Fund account and does not track road expenses paid from the General Fund to ensure restricted road monies are spent for their specific purpose. As a result, it appears the monies generated by this tax may have been used by the city for disbursements unrelated to roads. While it is unclear what restrictions were placed on the original ballot, it appears the monies received from this property tax would be restricted for road expenses only.

	Year Ended June 30, 2008
Total road taxes	\$ 5,801
Less amounts deposited in the Road and Street Fund	<u>(2,450)</u>
Amount deposited in the General Fund	3,351
Less road expenses paid out of the General Fund	<u>(1,562)</u>
Amount of restricted road taxes used to fund city operations	<u>\$ 1,789</u>

The city should establish procedures to ensure all restricted receipts are properly recorded and transfer the road funds from the General Fund into the Road and Street Fund monthly to ensure these restricted monies are used for their intended purposes.

- B. The city uses restricted funds, such as motor vehicle-related receipts, sewer fees, and law enforcement training fees, for general city operations. The city deposits motor vehicle-related monies into the Road and Street Fund, sewer fees into the Sewer Fund, and law enforcement training fees into the General Fund. However, general city expenses such as insurance, payroll taxes, utilities, court costs, and other fees were paid from these funds. The City Clerk indicated that due to low

fund balances, she paid bills from whichever fund had monies available instead of allocating them to the proper funds. In addition, the city does not maintain proper documentation to support transfers between funds and board approval. In some instances, the City Clerk noted a transfer was a "reimbursement"; however, no documentation was available to show what was being reimbursed. A review of bank statements from January 1, 2007 through June 30, 2008, indicated the city transferred:

From	To	Amount
Sewer Fund	General Fund	\$ 11,355
Sewer Fund	Road and Street Fund	3,595
Road and Street Fund	General Fund	7,640
Total		\$ <u>22,590</u>

Restricted funds such as the Road and Street, Sewer, and Law Enforcement Training Funds should only be used for their intended purposes and should not be used to subsidize general operations of the city. Allocation of expenses is necessary for the city to ensure sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the use of certain funds, such as motor vehicle-related receipts and law enforcement training fees, are limited by state law for specified purposes. In addition, proper documentation to support transfers should be maintained and any transfers from restricted funds, which are to be used for general purposes, should be board approved and reimbursed within a reasonable time period. The board should repay the Road and Street, and Sewer Funds for any monies used to pay the expenses of other funds or inappropriately transferred to other funds.

Similar conditions were reported in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Ensure road taxes are transferred to the Road and Street Fund monthly. In addition, the board should authorize the transfer of \$1,789 from the General Fund to the Road and Street Fund.
- B. Develop procedures to ensure restricted monies are used for intended purposes and not for general city operations. These procedures should include maintaining proper documentation to support transfers and allocation of expenses. If monies are borrowed from restricted funds, the board should ensure its approval is documented and reimbursements to the restricted funds are made within a reasonable time period.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *The city has corrected the account number for road taxes monies to be deposited. In addition, the city will transfer the road tax monies from the General Fund to the Road and Street Fund.*
- B. *All transfers will be made by resolution, approved by the board, and adequately documented. The city will ensure restricted funds are used for their intended purpose, and any monies used for general operations will be tracked and repaid.*

9. Minutes and Ordinances

Compensation paid to city employees and some officials is not set by ordinance and there is no formal policy documenting public access to records. It is not clear if the board properly followed state law for impeachment proceedings. Additionally, minutes lack proper documentation of discussions held during board meetings.

- A. The City Clerk and City Collector are paid by the hour; however, the hourly rates are not established by ordinance.

Section 79.270, RSMo, provides that city officials and employees salaries be set by ordinance. Establishing ordinances to set compensation rates, in addition to meeting statutory requirements, documents the approved amounts to be paid and eliminates misunderstandings regarding the amount of compensation to be received by each employee.

- B. The city has not adopted a policy regarding public access to city records. The City Clerk indicated the city charges 10 cents per copy. Although the city appears to follow the Sunshine Law for fees charged for copying public records, the city has not formally adopted a policy. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records.

Section 610.026, RSMo, establishes the fees for copying public records, and Section 610.023, RSMo, lists requirements of making city records available to the public.

- C. It is not clear if the Board of Aldermen properly followed state law for impeachment proceedings when it voted to terminate an alderman at the November 8, 2007 meeting. There was no documentation or cause shown for the dismissal or that the alderman had been given the opportunity to be heard as required by the impeachment process. Section 79.240, RSMo, allows the mayor

with consent of a majority of all elected board members to remove from office for cause shown, any elected officer after such officer is allowed along with witnesses to be heard before the board sitting as a board of impeachment.

To ensure compliance with state law, the board should establish procedures to remove an elected official from office. In addition, the board should consult with legal counsel to provide assurance all legal requirements are followed.

- D. Some board minutes did not include sufficient detail of matters discussed and actions taken. For example, the Mayor indicated one of the board members abstained from voting when his wife was hired as City Clerk; however, his abstention was not documented in the minutes. Additionally, there was no documentation indicating property tax rates were approved.

Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and include the date, time, and place; members present and absent; and a record of votes taken. Minutes serve as the official permanent record of decisions made by the board. Therefore, it is necessary minutes clearly document all business conducted.

Conditions A and B were noted in our prior report dated June 8, 2000.

WE RECOMMEND the Board of Aldermen:

- A. Establish the compensation, duties, and terms of offices for all city officials and employees by ordinance.
- B. Establish written policies and procedures regarding public access to and/or copies of city records.
- C. Establish procedures for removal of an official from office to ensure compliance with state law.
- D. Ensure minutes clearly document all business conducted.

AUDITEE'S RESPONSE

The Mayor and Board of Aldermen provided the following responses:

- A. *This recommendation will be implemented.*
- B. *This recommendation has been implemented. The City Clerk is the custodian of city records.*
- C. *The city will ensure compliance with state law.*

D. The city will obtain and record votes by roll call in the future. Minutes will also be reviewed to ensure all matters discussed are documented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF OLYMPIAN VILLAGE
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Olympian Village is located in Jefferson County. The city was incorporated in 1965 and is currently a fourth class city. The population of the city in 2000 was 669.

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 officials during the year ended June 30, 2008, are identified below.

<u>Mayor and Board of Aldermen</u>	<u>Dates of Service During the Year Ended June 30, 2008</u>		
Antonette Casey, Mayor (1)	April 2008 – June 2008		
Robert Link, Mayor (1)	July 2007 – November 2007		
Jennifer Johnston, Alderman (2)	July 2007 – June 2008		
Keith Atchley, Alderman (3)	October 2007 – June 2008		
George Slocum, Alderman (4)	December 2007 – June 2008		
Royce Link, Alderman (4)	July – 2007 – November 2007		
Larry Fodge, Alderman (5)	May 2008 – June 2008		
Cody Feverston, Alderman (5)	July 2007 – March 2008		
		<u>Other Officials</u>	<u>Compensation Paid for the Year Ended June 30, 2008</u>
	<u>Dates of Service During the Year Ended June 30, 2008</u>		
Leady Atchley, City Clerk (6)	April 2008 – June 2008	\$	3,224
Melissa Fodge, City Clerk (6)	November 2007 – March 2008		3,260
Dianne Warren, City Clerk (6)	July 2007 – October 2007		8,519
Sherri Eames, Collector * (7)	December 2007 – June 2008		1,752
Pat Kanevsky, Collector * (7)	July 2007 – November 2007		4,521
Johanna Cooke, Treasurer * (8)	April 2008 – June 2008		0
Mary Yount, Treasurer * (8)	December 2007 – March 2008		0
Steven Davis, City Prosecuting Attorney	July 2007 – June 2008		3,000
Sandra Koester, City Attorney (9)	January 2008 - May 2008		3,706
Lawrence Schmidt, City Attorney (9)	July 2007 – November 2007		0

* Elected position

(1) Robert Link resigned as mayor at the November 8, 2007 meeting. Cody Feverston, Mayor Pro Tem, acted as mayor until April 2008.

- (2) Jennifer Johnston was re-elected in April 2009.
- (3) Keith Atchley was appointed in October 2007, to fill the vacant alderman seat of John Williams who resigned in May 2007.
- (4) George Slocum was appointed in December 2007, to fill the vacant alderman seat of Royce Link who was terminated in November 2007.
- (5) Larry Fodge was appointed in May 2008, to fill the vacant alderman seat of Cody Feverston who resigned in March 2008. Larry Fodge resigned in September 2008 and Jerel Eames was appointed to complete the term. Jerel Eames was elected to this position in April 2009.
- (6) Leady Atchley was hired as City Clerk in April 2008, to replace Melissa Fodge who resigned in March 2008. Melissa Fodge was appointed in December 2007 to replace Dianne Warren who was suspended October 29, 2007, without pay and terminated in November 2007.
- (7) Sherri Eames was appointed Collector in December 2007, to replace Pat Kanevsky who resigned in November 2007. Sherri Eames was elected in April 2008.
- (8) Johanna Cooke was elected in April 2008. Mary Yount was appointed in December 2007, and served through March 2008.
- (9) Sandra Koester was appointed as city attorney in January 2008, and resigned in May 2008. Lawrence Schmidt's services were terminated in November 2007. Steven Davis was appointed as city attorney in December 2008.

Assessed valuations and tax rates for June 30, 2008 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 3,022,123
Personal property	1,196,415
Total	<u>\$ 4,218,538</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General	\$.02341
Road	.01217

The city is in arrears with several vendors for past due invoices.

A statement showing receipts, disbursements, and changes in cash for each bank account for the year ended June 30, 2008 follows.

CITY OF OLYMPIAN VILLAGE

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - BY BANK ACCOUNT

YEAR ENDED JUNE 30, 2008

	General Fund <u>Account</u>	Road and Street Fund <u>Account</u>	Sewer Fund <u>Account</u>	<u>Total</u>
Receipts	\$ 51,640	89,213	118,916	259,769
Disbursements	51,599	86,529	116,789	254,917
Receipts over (under) disbursements	<u>41</u>	<u>2,684</u>	<u>2,127</u>	<u>4,852</u>
Beginning balance July 1	468	136	539	1,143
Ending balance June 30	<u>\$ 509</u>	<u>2,820</u>	<u>2,666</u>	<u>5,995</u>