



Susan Montee, JD, CPA  
Missouri State Auditor

---

City of Iron Mountain Lake  
and  
Twenty-Fourth Judicial Circuit  
City of Iron Mountain Lake  
Municipal Division

---

September 2009  
Report No. 2009-93



---

[auditor.mo.gov](http://auditor.mo.gov)



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

September 2009

The following findings were included in our audit report of the City of Iron Mountain Lake and the Twenty-Fourth Judicial Circuit, City of Iron Mountain Lake Municipal Division.

-----  
At least \$12,968 received for sewer payments, fees, and court fines and costs, was not deposited and appears to be missing, and additional monies could be missing.

Poor controls, records, and procedures allowed the missing cash receipts to go undetected. Cash custody and recordkeeping duties are not adequately segregated. Receipt slips are not issued for some monies received, no one accounts for the numerical sequence of receipt slips issued, and the composition of receipts is not reconciled to the composition of deposits. Formal bank reconciliations are not performed. Some receipts and disbursements are not properly recorded in the check register, and as a result, an accurate balance is not maintained. Some monies received are not deposited intact or in a timely manner and the change fund is not maintained at a constant amount.

The city does not have a formal bidding policy and does not solicit bids for city purchases. Some invoices are not marked paid or otherwise canceled upon payment. Invoices did not include documentation of receipt of goods and/or services, and some disbursements did not appear to be prudent uses of taxpayer monies.

Payroll records and procedures are not adequate and are in need of improvement. Payroll duties are not adequately segregated and a supervisory review of the payroll ledger and payroll checks is not performed. It is unclear whether two individuals paid by the city were employees of the city or contract employees. The city did not withhold payroll taxes from payments to the two individuals hired, nor were the payments reported to the IRS. The Police Chief purchased a computer with city monies to perform city work at home. This disbursement was to be reimbursed to the city through payroll deductions, resulting in the city providing an interest-free loan on the personal purchase. In addition, when the Police Chief resigned in July 2008, he did not return the computer to the city and approximately \$1,000 remained due to the city as of March 31, 2009, per the former Police Chief. Timesheets prepared by employees are not consistently signed by a supervisor, and employee withholding forms (W-4s) were not on file for some employees.

The city has not established procedures to ensure restricted revenues are expended only for the intended purpose and disbursements are properly allocated among funds.

The Board of Aldermen meeting minutes are prepared by the City Clerk and approved by the Board at the following meeting; however, the minutes are not signed. In addition, the city ordinance regarding public access to records needs to be updated.

YELLOW SHEET

The city has not submitted annual financial reports to the State Auditor's office since 2005, and an annual audit of the sewer system has not been performed for the past several years. The former City Clerk prepared separate financial reports for the City Operations Account and the Sewer Account for the Board of Aldermen; however, these reports were not complete or accurate.

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The city does not maintain complete and current records for its capital assets including land, buildings, vehicles, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated. The City Clerk/Court Clerk does not file a monthly report with the city of all cases heard in court, as required by state law. Crime Victim's Compensation and Peace Officer Standards and Training Commission fees are not turned over to the state monthly in accordance with state law, and the city has not established ordinances authorizing the fees. The posted schedule of fines and court costs to be assessed and collected at the Violation Bureau has not been updated to indicate the current amount of fines and court costs. A bond ledger is not maintained and a monthly list of liabilities is not prepared and reconciled with bonds held in the City Operations Account. Neither the police department nor the municipal division maintain adequate records to account for tickets assigned and issued, and their ultimate disposition.

**All reports are available on our Web site: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

CITY OF IRON MOUNTAIN LAKE

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS .....	4-18
<u>Number</u>	<u>Description</u>
1.	Missing Monies.....5
2.	Accounting Controls and Procedures .....6
3.	Disbursements.....8
4.	Payroll Controls and Procedures.....10
5.	Restricted Revenues.....12
6.	Meeting Minutes and Public Records Policy.....12
7.	Financial and Audit Reports .....13
8.	Capital Assets .....14
9.	Municipal Court Controls and Procedures.....15
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	19-22
SCHEDULE OF MISSING MONIES .....	23-24

STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

Honorable Mayor  
and  
Members of the Board of Aldermen  
and  
Presiding Judge  
and  
Municipal Judge  
Twenty-Fourth Judicial Circuit  
Iron Mountain Lake, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Iron Mountain Lake and we have audited certain operations of the City of Iron Mountain Lake Municipal Division of the Twenty-Fourth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 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. Evaluate the city's and municipal division's internal controls over significant management and financial functions.
3. Evaluate the city's and municipal division's compliance 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 and municipal division, 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 and municipal division's management and was not subjected to the procedures applied in our audit of the city and municipal division.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Iron Mountain Lake and the City of Iron Mountain Lake Municipal Division of the Twenty-Fourth Judicial Circuit.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA, CIA, CGFM  
Audit Manager: Debra S. Lewis, CPA  
In-Charge Auditor: Katie Twiehaus

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

CITY OF IRON MOUNTAIN LAKE  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Missing Monies**

At least \$12,968 received for sewer payments, fees, and court fines and costs, was not deposited and appears to be missing, and additional monies could be missing. No cash was deposited in the City Operations Account or the Sewer Account between January 1 and September 30, 2008.

Per receipt slips issued, cash was received for court fines and costs totaling at least \$671 between June 1 and September 30, 2008, but was not deposited to the City Operations Account and appears to be missing. Receipt slips from January 1 through May 31, 2008, could not be located and receipt slips are not issued for some monies received (see MAR number 2); therefore, additional monies could be missing. A police report was filed by the former City Clerk on June 4, 2008, indicating some receipt books were missing from city hall. The Schedule of Missing Monies included in this report documents the missing court receipts.

In addition, sewer receipt reports do not agree to monies deposited to the Sewer Account. The following amounts were recorded as received and were deposited to the Sewer Account from January 1 through September 30, 2008:

		Cash	Check	Total
Received	\$	3,699	43,331	47,030
Deposited		0	34,733	34,733
Missing	\$	3,699	8,598	12,297

The sewer receipt reports included payments on accounts that were not deposited. All payments marked as cash and some marked as check could not be traced to a deposit. For two payments reviewed which could not be traced to a deposit, the customer indicated they paid their bill with cash; however, the sewer receipt report reflected the bill was paid by check. The Schedule of Missing Monies included in this report documents the missing sewer receipts.

Poor controls, records, and procedures allowed the missing cash receipts to go undetected. Implementation of our recommendations will help the city improve controls and detect any future problems. The Board of Aldermen should further investigate the missing monies and contact law enforcement.

**WE RECOMMEND** the Board of Aldermen investigate the missing monies and take appropriate action to recover the monies including working with law enforcement officials regarding criminal prosecution and restitution of the missing funds.

## **AUDITEE'S RESPONSE**

*The Mayor and Board of Aldermen provided the following response:*

*This recommendation will be implemented. The city will investigate the missing monies and work with law enforcement.*

<b>2. Accounting Controls and Procedures</b>
--

Controls over monies received are in need of improvement. Duties are not adequately segregated, receipt slips are not issued for some monies received, bank reconciliations are not performed monthly, monies are not deposited intact or in a timely manner, and the change fund is not maintained at a constant amount.

- A. Cash custody and recordkeeping duties are not adequately segregated. The Treasurer receives monies, records transactions, prepares deposits, and issues and signs checks (formerly the City Clerk performed these duties). While two signatures are required on checks, this requirement was not always followed. The Mayor, Board President, and City Treasurer are authorized to sign checks. Several checks issued had only one signature or included the signature of the official who was the check payee. The board approves a list of disbursements; however, no one independent of the disbursement process agrees the list of disbursements approved to checks issued.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic independent reconciliations of receipt slips issued to the amount and composition of bank deposits should be performed and documented. In addition, someone independent of the disbursement process should agree the approved list of disbursements to checks issued.

- B. Receipt slips are not issued for payments made by check or received through the mail. No one accounts for the numerical sequence of receipt slips issued, and the composition of receipts is not reconciled to the composition of deposits. In addition, the City Clerk posts sewer payments to the city's computerized sewer accounting system and a receipt report is generated; however, this report is not reconciled to amounts deposited.

Without issuing and accounting for prenumbered receipt slips for non-utility monies collected and reconciling the composition of receipts issued and sewer receipt reports to the composition of deposits, the city cannot ensure all monies collected are ultimately recorded and deposited.

- C. Formal bank reconciliations are not performed. Some receipts and disbursements are not properly recorded in the check register, and as a result, an accurate balance is not maintained by the current City Treasurer. The City Treasurer's records were not up to date, thus a current bank reconciliation could not be prepared.

Maintaining accurate book balances and recording receipts and disbursements promptly to the check register helps ensure accurate records and provides balances to reconcile to bank amounts. 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.

- D. Some monies received are not deposited intact or in a timely manner. Monies are normally collected each business day, but deposits are normally made only once per week. The average deposit during March and December 2008, was approximately \$2,800 and \$3,400, respectively. In addition, some monies were withheld and deposited on separate days.

In addition, the change fund is not maintained at a constant amount. The City Clerk maintains the change fund for sewer monies only. When a sewer bill is paid with cash, the City Clerk does not deposit the one dollar bills, instead she places them in the change fund. In addition, she does not document the amount of the change fund. During the cash count on March 3, 2009, the amount in the change fund was \$27.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and on a timely basis. In addition, change funds should be maintained at a constant amount.

**WE RECOMMEND** the Board of Aldermen:

- A. Adequately segregate the duties of receiving and depositing monies from recording and disbursing monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits. In addition, the Board of Aldermen should ensure proper controls are established over disbursements and two signatures are included on checks issued. Any unusual items or discrepancies noted should be investigated promptly.
- B. Require prenumbered receipt slips be issued for all non-utility monies received and the numerical sequence of those receipt slips be accounted for properly. The composition of monies collected should be reconciled to receipt slips issued, the receipt report generated from the city's sewer accounting system, and deposits.

- C. Ensure bank reconciliations are prepared monthly. Any differences should be investigated and resolved. In addition, the Board should ensure all transactions are recorded and an accurate balance is maintained in the check register.
- D. Require all monies received be deposited intact on a timely basis. In addition, the change fund should be maintained at a constant amount.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following responses:*

*A&D. These recommendations will be implemented.*

*B. This recommendation has been partially implemented. Receipt slips are issued for all monies received. The remainder of the recommendation will be implemented.*

*C. This recommendation has been implemented. The city is currently preparing monthly bank reconciliations.*

<b>3.</b>	<b>Disbursements</b>
-----------	----------------------

The city does not have a formal bidding policy. Some invoices are not marked paid and receipt of goods and/or services is not documented prior to payment. In addition, a city disbursement did not have adequate supporting documentation to ensure the purchase was a prudent and necessary use of city funds, and some items purchased did not appear to be for city business.

- A. The city does not have a formal bidding policy and does not solicit bids for city purchases. Bids were not solicited for various purchases made by the city, including building insurance (\$3,811), fuel (\$2,968), and sewer plant maintenance (\$2,550) during the 14 months ended February 28, 2009.

Formal bidding procedures for purchases would provide a framework for 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, by written quotation, by sealed bid, or by 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 bid was selected.

- B. Some invoices are not marked paid or otherwise canceled upon payment. In addition, invoices did not include documentation of receipt of goods and/or services. Canceling invoices and all other supporting documentation reduces the

likelihood of duplicate payments and requiring acknowledgement of receipt of goods and/or services prior to payment will ensure the city actually received all items.

- C. Some disbursements did not appear or could not be determined to be prudent uses of city funds or for city business.
- Due to lack of supporting documentation, we could not determine if a \$155 prepaid bank card purchased in September 2008, was a prudent use of city monies. Former city officials could not be contacted and current city officials could not recall the purchase.
  - At least \$60 was spent on items such as fragrance, soda, cookies, donuts, etc., which do not appear to be for city business. The former city clerk was dismissed for using city funds to purchase these personal items.

All disbursements should be supported by vendor invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds. In addition, supporting documentation should be reviewed by someone independent of the person making the purchase to ensure disbursements are for city business and are an appropriate use of funds.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure all paid invoices are marked as such in order to prevent reuse and require documentation of receipt of goods and/or services prior to payment of invoices.
- C. Require all disbursements be properly supported by vendor invoices and ensure they are independently reviewed to ensure the disbursements are proper and prudent uses of taxpayer monies.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following responses.*

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

*B. This recommendation has been implemented. The City Clerk is marking all paid invoices as such.*

**4.****Payroll Controls and Procedures**

Payroll records and procedures are not adequate and are in need of improvement.

- A. Payroll duties are not adequately segregated and a supervisory review of the payroll ledger and payroll checks is not performed. Currently, the City Treasurer handles all payroll duties. This includes record keeping, disbursing payroll checks, and distributing employee W-2 forms. Prior to October 2008, the former City Clerk handled all payroll duties. The Board does not approve payroll.

A proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of error. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employee timesheets by an independent individual would provide supervisory review and minimize the risk of errors going undetected.

- B. It is unclear whether two individuals paid by the city were employees of the city or contract employees. The city did not withhold payroll taxes from payments to the two individuals hired, nor were the payments reported on IRS W-2 or 1099 MISC Forms. Between January and July 2008, the city paid the two individuals a total of \$1,106, for trash pickup and data entry. City personnel indicated these individuals were the wife and daughter of the former City Administrator and considered independent contractors; however, the city did not clearly document why the individuals qualified as independent contractors. They were paid on an hourly basis and the city provided the computer and other equipment used.

For employees, the Internal Revenue Service (IRS) requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees. Additionally, Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. The city should clearly document why individuals are considered city employees or contract employees, and verify the classification with the IRS.

- C. The Police Chief purchased a computer with city monies to perform city work at home. This disbursement was to be reimbursed to the city through payroll deductions, resulting in the city providing an interest-free loan on the personal purchase. The city did not enter into a written agreement with the Police Chief. In addition, when the Police Chief resigned in July 2008 (reappointed April 16, 2009), he did not return the computer to the city. The city paid the remaining balance on the computer and attempted to obtain reimbursement from the Police Chief; however, per the former police chief approximately \$1,000 remained due

as of March 31, 2009. No documentation could be located indicating the total purchase price, amounts paid, or the amount due. The city should continue to attempt to collect the remaining amount due from the Police Chief.

This transaction appears to be a loan and violates Article VI, Section 23, Missouri Constitution, which prohibits any political subdivision of the state from granting or lending money to an individual.

- D. Timesheets prepared by employees are not consistently signed by a supervisor. Adequate control over payroll disbursements requires documentation, such as properly completed timesheets signed by employees and approved by supervisors, to provide evidence of time worked.
- E. Employee withholding forms (W-4s) were not on file for some employees. The IRS requires employers to ensure a Form W-4 is completed by each employee to support withholdings and taxes.

**WE RECOMMEND** the Board of Aldermen:

- A. Require duties of recording, calculating, and disbursing payroll to be adequately segregated. At a minimum, there should be documented supervisory reviews of the payroll system.
- B. Ensure all persons hired by the city are clearly documented as employees or contract employees in compliance with IRS rules and regulations. In addition, the Board should ensure all compensation paid to employees is subject to payroll taxes and properly reported on W-2 forms and amounts paid to contractors are properly reported on Forms 1099.
- C. Prohibit the purchase of personal items with city funds. The Board of Aldermen should continue to pursue reimbursement for any city monies used towards the purchase of the computer.
- D. Ensure all timesheets are signed by the employee and the supervisor to document approval.
- E. Ensure all individuals receiving wages from the city have a properly completed Form W-4 on file.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following responses:*

- A. *This recommendation has been implemented.*

- B. *This recommendation will be implemented. The city has already begun withholding payroll taxes.*
- C. *This recommendation will be implemented. The city will work with the Police Chief regarding this issue.*
- D. *This recommendation will be implemented.*
- E. *This recommendation has been implemented. All W-4 forms are maintained in employee files.*

<b>5.</b>	<b>Restricted Revenues</b>
-----------	----------------------------

The city has not established procedures to ensure restricted revenues are expended only for the intended purposes and disbursements are properly allocated among funds. The city transferred approximately \$13,700, during the year ended December 31, 2008, from the Sewer Account to the City Operations Account to cover various salaries paid from the City Operations Account. The City Clerk and maintenance employees, who perform sewer related functions, are paid from the City Operations Account; however, the city did not have documentation to support the amounts transferred or to show how salaries were allocated.

To ensure restricted revenues are spent for the intended purposes, the city should properly allocate expenses to the various funds. Documentation and proper allocation of expenses is useful for both management and compliance purposes.

**WE RECOMMEND** the Board of Aldermen ensure all disbursement and payroll allocations between funds are supported by adequate documentation.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following response:*

*This recommendation will be implemented.*

<b>6.</b>	<b>Meeting Minutes and Public Records Policy</b>
-----------	--

The Board of Aldermen meeting minutes are not signed. The city's policy regarding public access to records needs to be updated.

- A. The Board of Aldermen meeting minutes are prepared by the City Clerk and approved by the Board at the following meeting; however, the minutes are not signed. The minutes should be signed by both the City Clerk and the Mayor upon

approval to show the minutes have been reviewed and accurately reflect the discussions held and actions taken in the meeting.

- B. The city ordinance regarding public access to records needs to be updated. Currently, City Ordinance 39 indicates 25 cents a page is charged for copies of city records and \$15 an hour for document searches, with a minimum fee of \$10. The city does not have support to show how the \$15 per hour was determined. The City Clerk is paid \$8 per hour per city ordinance.

Chapter 610, RSMo, lists requirements for making city records available to the public and includes provisions related to charging fees for providing public records. The Board should update the city ordinance to comply with state law.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure meeting minutes are signed by the preparer and the Mayor to attest to their completeness and accuracy.
- B. Update the city ordinance regarding procedures to obtain public access to, or copies of, public city records, and ensure fees charged are in compliance with state law.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following responses:*

- A. *This recommendation has been implemented. The board minutes are signed by both the City Clerk and the Mayor.*
- B. *This recommendation will be implemented.*

**7.**

**Financial and Audit Reports**

The city does not submit annual financial reports to the State Auditor's office or obtain annual audits as required by state law. In addition, the monthly financial reports prepared by the former City Clerk did not include all financial activity of the city.

- A. The city has not submitted annual financial reports to the State Auditor's office since 2005. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's office within the time prescribed by the State Auditor (currently within 4 months of the end of the fiscal year for un-audited financial statements and within 6 months of the end of the fiscal year for audited financial statements).

- B. An annual audit of the sewer system has not been performed for the past several years. Section 250.150, RSMo, requires the city to obtain annual audits of the sewer system, and provides the cost of the audit is to be paid from the monies received from the system. In addition to being required by state law, annual audits of the funds would help ensure financial transactions have been properly recorded.
- C. The former City Clerk prepared separate financial reports for the City Operations Account and the Sewer Account for the Board of Aldermen; however, these reports were not complete or accurate. The City Operations reports did not include some deposits and the Sewer reports indicated more monies received than deposited. Currently, the City Treasurer prepares the monthly reports; however, the reports do not classify receipts and disbursements. Accurate and timely information about the city's finances is essential for the Board of Aldermen to make informed decisions while managing the resources of the city.

**WE RECOMMEND** the Board of Aldermen:

- A. Submit annual reports of financial transactions to the State Auditor's office as required by state law.
- B. Obtain annual audits of the sewer system as required by state law.
- C. Ensure the City Clerk and/or City Treasurer prepare complete and accurate monthly financial reports.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following responses:*

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

*B. This recommendation has been implemented. The city is currently working with the CPA firm to complete the audit of the city's sewer system.*

<b>8.</b>	<b>Capital Assets</b>
-----------	-----------------------

The city has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The city does not maintain complete and current records for its capital assets including land, buildings, vehicles, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

The city should maintain capital asset records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, and asset identification numbers; the physical location of the assets; the date and method of disposition of the assets; insurance coverage; and vehicle titles. All capital assets should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare the inventories to capital asset records. All capital assets should be recorded at historical costs or estimated historical cost, if actual cost is not available.

**WE RECOMMEND** the Board of Aldermen ensure property records are maintained which include all pertinent information. The Board should ensure all city property is properly tagged, numbered, or otherwise identified and an annual inventory is conducted.

### **AUDITEE'S RESPONSE**

*The Mayor, Board of Aldermen, and City Clerk provided the following response:*

*This recommendation has been partially implemented. The police department has completed an inventory and the city is working on completing inventories for the remaining city departments.*

<b>9. Municipal Court Controls and Procedures</b>
---

Controls and procedures for the handling of court monies are in need of improvement.

- A. Cash custody and recordkeeping duties have not been adequately segregated. The City Clerk/Court Clerk receives monies and records transactions. There is no evidence of any independent or supervisory review of court records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The City Clerk/Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080, RSMo, requires the Court Clerk to prepare and file with the city a monthly list of all cases heard in court, including fines and court costs collected. This list should indicate information such as the defendant's name, fines imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).
- C. The controls and procedures for court costs need improvement.

- 1) Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly in accordance with state law. CVC fees were not remitted to the state for several months. In addition, POSTC fees were not remitted for the year ended December 31, 2008. Due to the lack of adequate records, the municipal division has no estimate of the amounts owed to the state for CVC and POSTC fees.

Section 595.045, RSMo, requires 95 percent of CVC fees collected be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly. To ensure the proper amount is remitted to the state, records should clearly document the amount of CVC and POSTC fees collected each month.

- 2) The city has not established ordinances authorizing the fees assessed for CVC and POSTC. Court costs assessed should be established by city ordinance to ensure compliance with state law.
- 3) The posted schedule of fines and court costs to be assessed and collected at the Violation Bureau (VB) has not been updated to indicate the current amount of fines and court costs. In addition, the schedule indicates one amount of \$25 that should only represent court costs; however, the City Clerk/Court Clerk could not provide statutory authority for this amount or identify which court costs were included. The court should take appropriate action to ensure the schedule of fines and court costs is updated, and clearly indicates the amount of court costs and the types of costs included.

- D. A bond ledger is not maintained and a monthly list of liabilities is not prepared and reconciled with bonds held in the City Operations Account. The city does not account for bond monies separately from city monies, thus lists of liabilities cannot be reconciled to bond monies held. Upon our request, the Court Clerk prepared a list of outstanding bonds as of April 8, 2009, totaling \$1,311.

A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. Monthly lists of outstanding bonds should be prepared and reconciled to the bonds held in the city's account to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow differences to be investigated and errors corrected on a timely basis. In addition, the municipal division should request the city maintain a separate accounting of bond monies.

- E. Neither the police department nor the municipal division maintain adequate records to account for tickets assigned and issued, and their ultimate disposition. As a result, there is no assurance all tickets are accounted for properly. A ticket

book is assigned to each officer; however, a log of ticket books assigned is not maintained. No log is maintained by the police department or the municipal division of tickets issued and submitted to the division for processing.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured all tickets assigned and issued are properly submitted to the division. A log listing ticket books assigned, each ticket number, the date each ticket is issued, and the violator's name would ensure all tickets issued are submitted to the municipal division for processing or properly voided. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

**WE RECOMMEND** the City of Iron Mountain Lake Municipal Division:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare and file monthly reports of cases heard in the court with the city in accordance with state law.
- C.1. Remit CVC and POSTC fees to the state monthly in accordance with state law. In addition, the division should maintain records in a manner to ensure all fees collected are properly distributed.
  - 2. Request the city establish ordinances authorizing the fees assessed and collected per case.
  - 3. Ensure the VB schedule is updated and clearly indicates court costs by type of cost.
- D. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. The ledger should be reconciled to the bonds held in trust on a monthly basis. In addition, the division should request the city to account for the bond monies separately from city monies.
- E. Work with the police department to implement the necessary procedures and establish records to account for the numerical sequence of all tickets assigned to officers and tickets issued and their ultimate disposition.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. *This recommendation will be implemented. The Judge will discuss establishing supervisory reviews.*

B. *This recommendation will be implemented. The Court Clerk will develop a summary report to submit to the city.*

C.1. *This recommendation will be implemented. The Court Clerk will investigate and remit to the state any unpaid fees.*

2. *This recommendation will be implemented. The Judge will request the city pass the necessary ordinances.*

C.3.

*&D. These recommendations will be implemented.*

*The Police Chief provided the following response:*

E. *This recommendation will be implemented. The police department will account for tickets assigned to and issued by officers.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

CITY OF IRON MOUNTAIN LAKE  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The city of Iron Mountain Lake is located in St. Francois County. The city was incorporated in 1983 and is currently a fourth-class city. The population of the city in 2000 was 693.

The city government consists of a mayor and six-member board of aldermen. The members are elected for 2-year and 1-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen receive no compensation. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2008, are identified below.

Mayor and Board of Aldermen	Dates of Service During the Year Ended December 31, 2008	
Jody Niccum, Mayor (1)	July 2008 – December 2008	
Michael Juenger, Mayor	April 2008 – June 2008	
Bill Skaggs, Mayor	January 2008 – April 2008	
Don May, Alderman (2)	May 2008 – December 2008	
Nancy Anderson, Alderman	January 2008 – April 2008	
Glen Smith, Alderman (3)	August 2008 – December 2008	
Jody Niccum, Alderman	January 2008 – July 2008	
Phil Fox, Alderman (4)	January 2008 – December 2008	
Jack Watson, Alderman (5)	August 2008 – November 2008	
Allen Atkins, Alderman	May 2008 – June 2008	
Louie Nichols, Alderman	January 2008 – April 2008	
Brian Schmaltz, Alderman (6)	May 2008 – December 2008	
Connie Beard, Alderman	January 2008 – April 2008	
Becky Leija, Alderman (7)	May 2008 – December 2008	
Elmer Loucks, Alderman	January 2008 – April 2008	
		Compensation Paid for the Year Ended December 31, 2008
Other Officials	Dates of Service During the Year Ended December 31, 2008	
Julie Bennett, City/Court Clerk	November 2008 – December 2008	\$ 1,280
Christina Lincoln, City/Court Clerk	January 2008 – November 2008	14,470
Feron Henson, City Administrator (8)	March 2008 – October 2008	0
Paul Powell, City Treasurer (9)	October 2008 – December 2008	0
Scott Killen, City Attorney	January 2008 – December 2008	1,968
Edward Pultz, Municipal Judge	January 2008 – December 2008	2,500

- (1) Jody Niccum was appointed to this position in July 2008 until a special election could be held to fill the position left by Michael Juenger who resigned. Eugene Henson was elected Mayor in April 2009.
- (2) Nancy Anderson was elected to this position in April 2009.
- (3) Glen Smith was appointed to this position in August 2008 to complete the term of Jody Niccum, who was appointed mayor. Josh Skaggs was elected to this position in April 2009.
- (4) Brian Goodman was elected to this position in April 2009.
- (5) This position was vacant for both July and December 2008 due to the resignations of Allen Atkins and Jack Watson, respectively. Linda Dicus was elected to this position in April 2009.
- (6) This position was vacant for May 2008 due to the resignation of Connie Beard. Connie Beard was elected to this position in April 2009.
- (7) Todd Loucks was elected to this position in April 2009.
- (8) No one served in this position prior or subsequent to this appointment.
- (9) No one served in this position prior to this appointment.

In addition to the officials identified above, the city employed one full-time employee and three part-time employees on December 31, 2008.

Assessed valuations and tax rates for 2008 were as follows:

#### ASSESSED VALUATIONS

Real estate	\$ 2,221,646
Personal property	612,532
Total	<u>\$ 2,834,178</u>

#### TAX RATES PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General Fund	\$ 0.7166
Debt Service	1.5131

#### TAX RATES PER \$1 OF RETAIL SALES

	<u>Rate</u>
General	\$ 0.0100

At December 31, 2008, the city had bonds payable of \$281,000, dated March 2002, to finance the costs to repair and restore the city's roads. Revenue collected from property taxes are used to fund the bond payments.

A statement showing receipts, disbursements, and changes in cash by each bank account for the year ended December 31, 2008 follows. This was the only financial information available for the city due to the inaccuracy of the prior City Clerk's monthly reports and insufficient detail in the current Treasurer's monthly reports.

CITY OF IRON MOUNTAIN LAKE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH – BY BANK ACCOUNT

	City Operations Account	Sewer Account	Road Bond Account	Public Funds Account	Early Warning Signal Equipment Account	Total
Receipts	\$ 156,847	51,232	24	26	3,604	211,733
Disbursements	<u>158,856</u>	<u>58,643</u>	<u>227</u>	<u>0</u>	<u>3,908</u>	<u>221,634</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,009)	(7,411)	(203)	26	(304)	(9,901)
CASH, JANUARY 1	<u>9,978</u>	<u>14,303</u>	<u>17,665</u>	<u>3,838</u>	<u>304</u>	<u>46,088</u>
CASH, DECEMBER 31	<u><u>\$ 7,969</u></u>	<u><u>6,892</u></u>	<u><u>17,462</u></u>	<u><u>3,864</u></u>	<u><u>0</u></u>	<u><u>36,187</u></u>

SCHEDULE OF MISSING MONIES

CITY OF IRON MOUNTAIN LAKE  
SCHEDULE OF MISSING MONIES

The following tables provide supporting information for the missing monies discussed in MAR finding number 1.

The following schedule compares the sewer receipt report to deposits for January through September 2008.

	Amount Received Per Report	Amount Deposited	Difference
January	\$ 5,420	4,500	920
February	5,484	4,080	1,404
March	4,763	3,327	1,436
April	5,234	3,744	1,490
May	4,893	3,543	1,350
June	5,137	4,035	1,102
July	5,458	3,840	1,618
August	5,509	4,097	1,412
September	5,132	3,567	1,565
Total	\$ <u>47,030</u>	<u>34,733</u>	<u>12,297</u>

The following is a list of court receipt slips issued for cash that were not deposited from June through September 2008.

	Receipt Number	Amount
7/11/08	4758	\$ 60
7/11/08	4760	40
7/11/08	4762	30
7/11/08	4764	40
7/16/08	4765	45
9/3/08	4766	110
9/10/08	4767	166
9/12/08	4769	180
Total		\$ <u>671</u>