



Thomas A. Schweich

Missouri State Auditor

City of Lanagan

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Lanagan

Missing Funds	Thousands of dollars of city monies are missing, and the city should work with law enforcement to prosecute the person(s) responsible and recover the missing amounts. The auditors identified over \$13,600 in missing cash receipts and believe another \$2,800 in property tax receipts is missing, and it is likely additional monies are missing.
Excess Court Revenues	The city failed to turn over approximately \$36,000 in excess traffic ticket revenues to the Missouri Department of Revenue, as is required by state law, and the Police Chief continued to report certain traffic stops as being on city streets even after the audit staff informed him it was improper.
Financial Condition	The city is in poor financial condition, and elected officials are not taking the necessary steps to address the city's finances. At December 31, 2010, the city owed almost \$84,000, and only had approximately \$17,600 in available funds. Despite this, the city hired a new employee and gave raises to existing employees.
Accounting Controls and Procedures	The city's poor accounting controls and procedures, including the lack of segregation of duties, inadequate controls and absence of proper oversight allowed the missing funds to go undetected. The city lacks procedures to properly account for licenses and fees, accurate accounting records are not maintained, and \$805 was removed from the petty cash fund but there is no documentation to show what happened to it. The city should consider reducing the number of bank accounts it maintains (nine checking and three savings) to reduce the number of transfers between accounts and opportunities for error. The city does not regularly backup its computer system and store the backups offsite.
Water and Trash Services	The city's water supply infrastructure has severely deteriorated, and the city lacks the resources to upgrade it. The city should segregate utility system accounting duties, investigate large water losses, review its water rates, and enforce delinquent penalties. The city used refundable water deposits to pay city expenses, and the fund is short by more than \$10,000.
City Disbursements	The city did not solicit bids for trash services and does not have an adequate written agreement with this vendor. The city contracted with an engineering firm, but had no documentation showing it evaluated and considered competitors. The city lacks procedures to properly calculate, collect and remit sales taxes, and does not adequately document and approve disbursements. The city does not pay its bills on time and has been charged late fees, finance charges, and overdraft fees.

Restricted Funds	The city does not properly allocate expenses among its restricted funds and has spent Law Enforcement Training fees on items not allowed by state law.
Property Tax Collections	The Board of Aldermen did not properly protect city records, and the tax records disappeared from City Hall. The city paid the former City Clerk \$802 in property tax commissions, but it is not clear whether these payments were appropriate. The Board of Aldermen does not review and approve property tax reports, and accurate delinquent tax lists are not maintained.
Payroll Procedures	The city does not maintain personnel files for its employees, and some time records were not available. The city does not maintain adequate documentation of leave balances, and the Police Chief and the former City Clerk both received unsupported payments for leave. The city did not properly report all wages on W-2 forms and paid its federal payroll taxes late, which cost the city \$885 in penalties and interest.
Financial Statements, Budgets, and Audits	The city does not regularly publish semi-annual financial statements, submit annual financial statements to the State Auditor's office, or obtain annual audits.
Ordinances and Meetings	The city does not maintain a complete and orderly set of ordinances. The city needs to improve meeting minutes and ensure Sunshine Law compliance by limiting closed meeting discussions to allowable topics.
Capital Assets	The city does not maintain capital asset inventory records, tag assets for identification, or conduct annual physical inventories. The city had no documentation to support how it disposed of three city vehicles.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The City of Lanagan received a \$7,671 Recovery Act: Edward Byrne Memorial Justice Assistance Grant Program Local Law Enforcement Block Grant, which was expended during the 2 years ended December 31, 2010, for officer safety equipment.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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City of Lanagan

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Missing Funds4 2. Excess Court Revenues7 3. Financial Condition8 4. Accounting Controls and Procedures10 5. Water and Trash Services16 6. City Disbursements21 7. Restricted Funds25 8. Property Tax Collections27 9. Payroll Procedures29 10. Financial Statements, Budgets, and Audits31 11. Ordinances and Meetings32 12. Capital Assets34
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Organization and Statistical Information	36
---	----

Documentation of Missing Cash Receipts	39
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THOMAS A. SCHWEICH

Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Lanagan. We have audited certain operations of the City of Lanagan in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Lanagan.

An additional report, 2011-12, *Fortieth Judicial Circuit, City of Lanagan Municipal Division*, was issued in March 2011.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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City of Lanagan

Management Advisory Report

State Auditor's Findings

1. Missing Funds

Between January 1, 2009, and December 31, 2010, utility receipts collected for water and trash services totaling at least \$13,520 and other cash receipts totaling at least \$158 were received but not deposited and are missing. Additionally, when this audit began, property tax books and receipts records were discovered to be missing from city hall, and property tax receipts totaling approximately \$2,800 also appear to be missing.

Some other essential records could not be located by the current City Clerk, and as a result, it is likely additional funds are missing. After our initial visit to the city on Wednesday, September 22, 2010, to begin the audit of the City of Lanagan Municipal Division, the former City Clerk, Peggy Gilliam, ended her employment. The Board of Aldermen appointed Monica Blue as City Clerk on October 12, 2010.

Water and trash receipts

Water and trash receipts totaling \$171,928 were recorded as received during the 2 years ended December 31, 2010, but only \$163,908 was deposited in the bank account, resulting in a shortage of \$8,020. In addition, some adjustments posted to water customer accounts indicate specifically that payments were received but not posted. These adjustments total at least \$5,500 and should have been included in total receipts but were not. As a result, at least \$13,520 was received but not deposited, and is missing.

Recorded receipts	\$ 171,928
Adjustments posted to customer accounts (labeled as payments received but not posted)	<u>5,500</u>
Total receipts	\$ 177,428
Total deposits	<u>163,908</u>
Missing cash receipts	\$ <u>13,520</u>

Water/trash receipts are posted to the computer system in batches, and deposit amounts should agree to batch totals. A detailed comparison of each individual receipt and deposit was performed for 4 months (May, October, and November, 2009, and February, 2010). This detailed review identified significant amounts of cash receipts missing from city deposits. As a result, the remaining 20 months of the audit period were reviewed by comparing total recorded receipts to total deposits to arrive at the above amounts and the amounts reported on the Documentation of Missing Cash Receipts Schedule at the end of this report.



City of Lanagan
 Management Advisory Report - State Auditor's Findings

During our audit, we observed instances where residents brought their paid property tax receipt into City Hall to prove to the new City Clerk property taxes had been paid and were not delinquent. Deposits could not be located for these receipts.

Assuming the 2010 collection percentage of 82 percent is reasonable for the City of Lanagan then an additional \$2,877 should have been collected during 2009.

Other receipts

During our detailed review of receipt records for 4 months (May 2009, October 2009, November 2009, and February 2010), we identified some manual receipt slips for cash that should have been deposited in the General Fund and Water Deposit Fund; however, the cash was not deposited.

<u>Month and type of receipt</u>	<u>Receipt slip numbers</u>	<u>Cash received</u>	<u>Cash deposited</u>	<u>Cash shortage</u>
May 2009				
Property tax and dog tag	142091, 198008	\$ 63	20	43
October 2009				
Partial water deposit	198119	35	0	35
November 2009				
Water deposit	198112	80	0	80
Total		\$ <u>178</u>	<u>20</u>	<u>158</u>

Since manual receipts and deposit records were only reviewed for 4 months it is likely additional monies are missing.

Overall conclusion

The lack of segregation of duties, inadequate controls, and the absence of proper oversight by the Board of Aldermen, as discussed in the remainder of this report, resulted in the missing cash receipts being undetected. Given the varying methods in which receipts are missing from the city, it is apparent city financial activity was not adequately monitored.

Report No. 2011-12, *Fortieth Judicial Circuit, City of Lanagan Municipal Division*, issued in March 2011 also identified at least \$521 missing in municipal court cash receipts between July 1, 2009, and December 31, 2009.

Recommendation

The Board of Aldermen work with law enforcement officials regarding criminal prosecution for the missing cash receipts and take the necessary actions to recover restitution for amounts missing.



Auditee's Response

The Board of Aldermen provided the following response:

We will work with law enforcement officials regarding the criminal prosecution of the individual responsible for the missing cash receipts and we will take any action necessary to recover restitution. We will also consult with our city attorney regarding any civil action.

2. Excess Court Revenues

Procedures are not in place to track tickets issued on state and federal highways and related fines and costs collected to determine the excess revenues to be distributed to the Missouri Department of Revenue (DOR). Additionally, the Chief of Police did not properly report the location of vehicle stops to the Missouri Attorney General.

2.1 Monitoring

Tickets issued on state and federal highways and the related fines and costs collected are not properly tracked to determine the excess revenues to be distributed to the DOR. Section 302.341.2, RSMo, requires municipalities deriving more than 45 percent prior to August, 2009, and more than 35 percent after August, 2009, of their annual general operating revenue from fines and costs for traffic violations occurring on a state or federal highway to turn the excess amount over to the DOR, to be distributed to schools of the county.

The city police department issued 1,163 traffic tickets in 2010 and 541 tickets in 2009. Since the city and the municipal division do not track the amount of fines and costs collected on tickets issued on state and federal highways, we reviewed all 555 tickets issued by the police department between January 1, 2010, and June 30, 2010. This review determined 5 tickets were issued for non-traffic violations, 4 tickets were issued on city streets, the location stop of 3 tickets issued could not be determined, and the remaining 543 tickets (98 percent) were issued on state highway 59 (Main Street) or state highway EE, within the city limits.

Based on city receipt records, 35 percent of the 2010 annual general operating revenue (\$117,868) was \$41,254. Annual receipts received from the municipal division totaled \$76,364 and, based on our review of 2010 tickets, estimated receipts for violations on state and federal highways would be \$74,837 (98 percent), resulting in excess monies to be turned over to the DOR of approximately \$33,583 (\$74,837 less \$41,254). In addition, we calculated excess revenues for 2009 to be \$2,698. As a result, total excess revenues for 2010 and 2009 are \$36,281.

To ensure monies are properly disbursed to the DOR and to comply with state law, the city should establish procedures to track tickets issued on state and federal highways, determine the excess revenue collected, and submit the excess to the DOR.



City of Lanagan
Management Advisory Report - State Auditor's Findings

2.2 Reporting

The city did not properly report the location of vehicle stops to the Missouri Attorney General for the 2010 and 2009 Missouri Vehicle Stops Annual Report prepared by the Chief of Police. A review of the city's submission reported all vehicle stops made by the police department for 2010 and 2009 were on city streets.

The Missouri Attorney General's web site instructions indicate state highway should be reported for the location of vehicle stops on a state highway that runs through a city. In October 2010, audit staff advised the Police Chief of this requirement and he responded that according to Google Maps the road is titled Main Street and therefore, he reported it as a city street. In February 2011, the Police Chief submitted the 2010 data and again reported all vehicle stop locations occurred on a city street.

To ensure vehicle stop locations are accurately reported to the Missouri Attorney General, vehicle stops occurring on a state highway that runs through the city should be reported as occurring on a state highway, not a city street.

Recommendations

The Board of Aldermen

- 2.1 Properly track collections from fines and court costs for traffic violations on state and federal highways and distribute excess revenues to the DOR. In addition, the Board of Aldermen should pay the DOR \$36,281 for 2010 and 2009 excess revenues or review all tickets for 2010 and 2009 to determine the exact amount of excess revenues collected and disburse that amount to the DOR.
- 2.2 Ensure the Missouri Vehicle Stops Annual Report submissions to the Missouri Attorney General are correctly completed and all traffic stops on state highways are properly reported.

Auditee's Response

The Board of Aldermen provided the following responses:

- 2.1 *The Board will make every effort to abide by state law. The current Board was not aware of this liability and will attempt to remedy the situation.*
- 2.2 *All vehicle stops from this point forward will be properly reported.*

3. Financial Condition

The City of Lanagan is in poor financial condition and there is no evidence elected officials are providing the guidance and controls necessary to ensure the continuing operations of the city.

The city did not have adequate cash at year end to pay all city liabilities. At December 31, 2010, the cash balance of the General Fund and Water Fund



City of Lanagan
Management Advisory Report - State Auditor's Findings

were \$10,172 and \$7,501, respectively. Our review indicated the city owed at least \$83,994 at December 31, 2010, as follows:

Description	Amount
CPA services	\$ 1,438
Utility repairs	3,331
Trash services (see MAR finding number 6)	7,000
Insurance	1,935
Water utility supplies	2,529
Engineering services	17,708
Legal services	1,943
Delinquent vehicle lease payments (6 months behind)	2,964
Due to Water Deposit Fund (see MAR finding number 5)	8,865
Department of Revenue (see MAR finding number 2)	36,281
Total	<u>\$ 83,994</u>

The city routinely receives past due notices from vendors and incurs penalties and finance charges for the late payment of invoices (see MAR finding number 6). At December 31, 2010, the city was six payments behind on the vehicle lease for the police car and negotiated with the lease company to avoid the assessment of late charges. Shutoff notices for utilities have been received from utility companies on several occasions because bills are not paid timely.

In addition, the water system has severely deteriorated and water quality violations have been referred to the Missouri Attorney General by the Missouri Department of Natural Resources (DNR). As a result, court fees and related penalties for violations may be assessed and could be substantial. City officials have not secured funding or developed a plan to make repairs to the water system. Additionally, water rates have not been properly reviewed to ensure rates are sufficient to cover costs and there is a significant amount of water loss monthly without adequate follow-up by city officials (see MAR finding number 5).

Further, city officials continue to increase spending without regard to the poor financial condition of the city. According to the 2011 budget, wages for city and court personnel will increase from approximately \$77,500 in 2010 to approximately \$118,000 in 2011. Raises were given to most employees and one additional employee was hired. To fund this \$40,500 increase in wages, city officials estimated revenues from water/trash services on the 2011 budget would increase; however, water rates have not been increased in several years and the number of water customers did not increase. As a result, it is unclear how city officials determined such an increase in revenue will occur.

Poor management practices exhibited by city officials, numerous internal control weaknesses, and inaccurate accounting records, as well as the



City of Lanagan
Management Advisory Report - State Auditor's Findings

missing cash receipts of at least \$13,678 have contributed to the poor financial condition.

It is essential the Board address the situation both in the immediate- and long-term future. To improve the financial condition of the city, the Board should review disbursements and reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of city resources, and attempt to maximize all sources of revenue. In addition, to effectively monitor the available cash and financial condition of each fund, the city needs complete and accurate financial reports.

Recommendation

The Board of Aldermen closely monitor and take the necessary steps to improve the financial condition of the General and Water Funds. The Board should perform adequate short-term and long-term planning that include implementing internal controls and monitoring procedures, accurate accounting records, and proper budgeting procedures. Additionally, the Board should contact creditors and negotiate payment plans to reduce city liabilities, and work with the DNR to repair the deteriorated water system.

Auditee's Response

The Board of Aldermen provided the following response:

We will implement procedures to better monitor the financial condition of the city. Recommendations in this audit report will be taken seriously by the Board and addressed. We have been working toward reducing some of our liabilities, but additional steps will be taken to reduce all liabilities. We are currently working with the DNR to arrive at a remedy to address the city's water system deficiencies.

4. Accounting Controls and Procedures

Numerous weaknesses were identified with accounting controls and procedures. Extremely poor accounting controls and procedures allowed the missing funds identified in MAR finding number 1 to occur and go undetected.

4.1 Segregation of duties

The Board of Aldermen has not established adequate segregation of duties or supervisory review over the accounting functions performed by the City Clerk. Weaknesses identified in the utility, payroll, and property tax systems, and overall receipting and disbursing procedures are significant and demonstrate a lack of proper oversight by the Board.

The City Clerk is responsible for receiving, recording, and depositing monies; reconciling bank accounts; preparing invoices for payment; issuing checks; and posting entries into the accounting system. Additionally, the City Clerk performs all utility billing procedures and payroll related duties. Many of these duties would normally be performed by a City Treasurer and City Collector; however, the city does not have individuals serving in these



City of Lanagan
Management Advisory Report - State Auditor's Findings

positions, and in November 2010, the Board approved City Ordinance No. 10-08 combining the offices of City Clerk and City Tax Collector.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city, the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these offices, by the same person at the same time would be incompatible. The current procedures jeopardize the system of independent checks and balances intended by state law. If segregating these duties is not possible, at a minimum, a timely supervisory review by the Board of Aldermen should be performed and documented. Had adequate oversight procedures been in place, some of the missing funds noted in this report may have been prevented.

4.2 Receipting and depositing procedures

The city does not maintain adequate records of receipts, and depositing procedures are poor. As a result, there is no assurance all monies collected were properly handled, recorded, or deposited to city bank accounts.

- Receipt slips are not issued for some monies received. Receipt slips are not always issued for business licenses, fire dues, park fees, cemetery plot sales, and franchise fees received from electric and gas companies. Additionally, water/trash services payments were not always properly or consistently recorded on manual receipt slips or billing stubs.
- Manually issued receipt slips and utility stubs do not always indicate the method of payment, and the city does not reconcile the method of payment recorded on the receipt slips and utility stubs to the composition of receipts recorded in the computerized accounting system or to the deposit.
- Receipt slips are not issued in numerical sequence. Multiple receipt slip books are used to record various types of receipts and the city could not locate all receipt slip books used. Additionally, some receipt slips were not properly voided and retained, and all copies of some receipt slips were missing from the receipt slip books.
- Monies deposited are not reconciled to receipt records. Water/trash monies collected are posted to the computerized utility system and a deposit report is generated daily; however, amounts deposited into the bank account did not always agree with the deposit report. Instances were identified where monies deposited were less than the amount on the deposit report and monies were missing (see MAR finding number 1). Also, instances were noted where monies deposited were more than amounts recorded on the deposit report, and some monies received and deposited were not recorded on the deposit report.



City of Lanagan
Management Advisory Report - State Auditor's Findings

- Monies collected are not always deposited intact or in a timely manner. For example, a check received on May 8, 2009, from an alderwoman for water/trash services was not deposited until May 20, 2009, even though several deposits were made by the city between these dates. A hand written note requesting the check be held was attached to the receipt slip. Several other examples of monies held from deposits were also noted.
- Checks and money orders received are not restrictively endorsed immediately upon receipt. The endorsement is applied when the deposit is prepared or in some instances no endorsement was applied.
- Access to monies received is not properly restricted. While monies are placed in the city safe at night, access is not limited, as several city employees know the combination to the safe and have access.

Poor receipting and depositing procedures resulted in missing funds not being detected timely (see MAR finding number 1). In addition, we identified one instance where the city received a check from the State of Missouri for \$516 issued in September 2010 for Peace Officer Standard Training fees and the check was never receipted or deposited by the city. According to state records, the check remains outstanding and the city has not made an effort to request the state reissue the check.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips or utility billing stubs should be issued and maintained for all monies received, the numerical sequence of receipt slips should be accounted for properly, the method of payment should be documented, and the composition of receipts should be reconciled to the composition of deposits. Additionally, all receipt slip books should be retained, voided receipt slips should be properly defaced and retained, all monies should be deposited intact and in a timely manner, and checks should be restrictively endorsed immediately upon receipt.

4.3 City licenses and fees

Procedures have not been implemented to properly account for various city licenses and fees. According to city deposit records, approximately \$30,000 was deposited related to various city fees during the 2 years ended December 31, 2010.

Business licenses

Documentation of business license fees charged and paid was not adequate. A computerized list of city businesses is printed and when a business pays the license fee, the payment is manually noted on the printout; however, the 2010 printout did not indicate a fee was paid by several businesses and one business was included on the list twice. According to the City Clerk, several businesses on the list are no longer open and the list has not been updated since 2008.



City of Lanagan
Management Advisory Report - State Auditor's Findings

Additionally, the amount charged to at least one vendor is questionable. Three business licenses were issued in 2010 to one local vendor with a \$10 fee listed for each license; however, the vendor was charged and paid \$160. The City Clerk indicated she believed the additional cost was because the vendor sold alcohol, but this is not clearly documented on the license, in city ordinance, or other city documents.

Pet licenses

Tag numbers issued with pet licenses are not accounted for properly, the license fee charged does not agree to city ordinance, and some fees collected could not be accounted for in the accounting records.

The city tracks the sale of pet license fees collected on a plain piece of paper, listing the pet owner, date of tag purchase, and amount collected. The record is unorganized and in some instances not legible. A review of the 2010 pet license record indicated that tag numbers were not listed, and the numerical sequence was not accounted for properly. Additionally, the amount charged for an animal not neutered was \$7.50 instead of \$7 as specified in city ordinance. Further, the record indicated \$110 was collected for pet licenses in May 2010, but according to city accounting records only \$73 was received and deposited.

Park fees

Park fee receipt slips do not include the year on the date line, only the month and day, making it difficult to determine the amount of park fees collected in a specific year. Additionally, there are no procedures in place to document the transfer of park fees collected by the park attendant to the City Clerk.

Fire membership dues

No accounting of fire membership dues or insurance reimbursement claims billed or collected is maintained. Varying amounts ranging from \$25 to \$100 identified as membership dues were collected by the city and deposited in the fire department bank account. The city was unable to provide documentation of fire membership monies received; documentation, such as an ordinance or bylaw, of a basis for charging the dues; or a list of which residents owed the dues. Additionally, amounts billed to insurance companies for responding to a fire were not maintained by the city to ensure all amounts billed were collected.

Cemetery plot fees

City cemetery plot sales records are poorly maintained in a spiral notebook. While official cemetery plot receipt slips are available, they are not used. The date of the last receipt recorded in the receipt slip book was November 2009. Additionally, some individuals appear to have made partial payments on their cemetery plots; however, no payment plan records were provided to document the amount owed, amount paid, and balance due.



City of Lanagan
Management Advisory Report - State Auditor's Findings

To ensure all city fees are accounted for properly, adequate records and procedures should be established to ensure amounts are properly collected, recorded, and deposited.

4.4 Accounting records

Accounting records are not accurately maintained. As a result, reports generated from the accounting system cannot be relied upon by city officials when making decisions.

- Some disbursements are inaccurately classified in the accounting system. For example, accounting records for the year ended December 31, 2009, report wages paid to law enforcement employees totaled \$4,803; however, 2009 federal and state wage reports indicate approximately \$30,000 was paid to law enforcement officers.
- Some receipts are not consistently classified in the accounting records. For example, various city fees were sometimes recorded as "other revenue" instead of as city fees. In one instance, \$160 collected for a licensing fee was recorded as a property tax receipt.
- Transfers between bank accounts were sometimes recorded as a receipt and not properly classified in the accounting records. For example, a check for \$710 issued from the Water/Trash Fund account to the General Fund account was incorrectly recorded as a property tax receipt in the accounting system.
- Numerous additional errors, such as check issue dates and deposit dates were posted incorrectly in the accounting records. In one instance, a payroll check was recorded in the accounting records to the wrong payee. In a similar instance, a check for \$500 was posted to the accounting records as issued to the Internal Revenue Service; however, the payee on the check was the water supply vendor.

Accurate and complete financial information is necessary to provide the Board with sufficient information to make informed decisions and to provide residents with reliable information about city finances.

4.5 Petty cash fund

A petty cash balance of \$805 was removed from the accounting records without documentation of the disposition of the funds. The 2009 computer generated financial statements indicate the city maintained a cash fund of \$805 used for small purchases and to make change. During 2009, an adjustment was made in the computerized accounting records to remove the cash balance of \$805 at the direction of the Board of Aldermen. To ensure monies are accounted for properly, documentation should be maintained to provide accountability as to the disposition of the \$805.



4.6 Bank accounts and transfers

The city has nine checking accounts and three savings accounts, resulting in excessive transfers between accounts and cumbersome recordkeeping. Numerous checks are issued to make transfers from one checking account to another. During our review of transfers between city accounts, we identified several instances where checks were issued from one account and then directly re-deposited into the same account in error, and some transfer checks were deposited into the wrong city account and required another transfer check to correct the error. Also, several deposits were made into the wrong city account requiring transfer checks to be issued from city accounts. Checks totaling approximately \$302,000 were issued for transfers between city bank accounts during the 2 years ended December 31, 2010.

To help simplify city records and reduce the number of transfers between bank accounts that must be monitored and controlled, the Board should consider reducing the number of bank accounts.

4.7 Backups

Regular and timely backup copies of computer information are not maintained. The computer system crashed in 2009 and information had to be reentered. Backups are necessary to provide a means for recreating destroyed data. Backup copies should be maintained and stored off-site to provide increased assurance that city computerized records can be recreated.

Recommendations

The Board of Aldermen:

- 4.1 Consider appointing separate individuals to the position of City Clerk, City Collector, and City Treasurer to adequately segregate duties. If this is not possible, at a minimum, the Board of Aldermen should perform and document reviews of the City Clerk's work.
- 4.2 Require receipt slips or billing stubs be issued or maintained for all monies received and the numerical sequence of receipt slips be accounted for properly. The method of payment should be documented and the composition of receipts reconciled to the composition of deposits. Additionally, voided receipt slips should be properly defaced and retained, all monies should be deposited intact and in a timely manner, and checks should be restrictively endorsed immediately upon receipt.
- 4.3 Establish adequate records and procedures to ensure all city fees are properly collected, recorded, and deposited.
- 4.4 Ensure accounting records are accurately maintained.
- 4.5 Maintain documentation to provide accountability of the disposition of the petty cash/change fund.
- 4.6 Consider reducing the number of bank accounts.



City of Lanagan
Management Advisory Report - State Auditor's Findings

- 4.7 Maintain backups of computer information and store the backups in a secure, offsite location.

Auditee's Response

The Board of Aldermen provided the following responses:

- 4.1 *The Board has attempted to segregate some duties with the addition of another clerical staff person. As a Board, we will request more financial information and provide additional oversight of city operations. We will comply with the Attorney General's opinion.*
- 4.2 *These recommendations have been implemented. Receipt records are now agreed to amounts deposited.*
- 4.3 *This recommendation has been implemented. Spreadsheets have now been developed for most of the various city licenses and fees. In addition, during 2011 the year was included with the date on receipt slips issued for park fees.*
- 4.4 *The current City Clerk balances bank accounts with the city's accounting records monthly. The City Clerk will begin providing bank reconciliations and bank statements along with monthly financial statements to the Board for their review to help ensure the accuracy of these records.*
- 4.5 *As the Board now has several new members, we are not responsible for practices of past administrations. The city now maintains a small change fund for utility payments. A petty cash fund is not maintained.*
- 4.6 *We agree and will review current city needs and consider reducing the number of bank accounts held by the city.*
- 4.7 *This recommendation has been implemented.*

5. Water and Trash Services

The city water system is failing and city officials do not have a plan to finance and repair the system. Additionally, significant weaknesses exist in control procedures related to the water system and trash service. As a result of these weaknesses, there is less assurance all utility monies have been accounted for properly, water and trash services have been billed properly, and user charges are set at the appropriate level to cover the cost of providing the related service.

The city provides water and trash services to its residents and maintains approximately 170 utility accounts. According to city records, water and trash sales totaled \$97,417 and \$102,487, for the years ended December 31, 2010 and 2009, respectively.



City of Lanagan
Management Advisory Report - State Auditor's Findings

5.1 Deterioration of water system

The city water supply infrastructure has deteriorated and was referred to the Missouri Attorney General by the DNR on January 3, 2011, for violations of National Primary Drinking Water Regulations and Missouri Safe Drinking Water Regulations.

City officials entered into a Bilateral Compliance Agreement (BCA) with the DNR on December 20, 2005, and extended in 2007 requiring completion of water system upgrades by 2010. Several conditions required by the BCA have not been fulfilled, and the city has not taken appropriate action to eliminate the violations and comply with the agreement. As a result, formal enforcement action was initiated by the DNR and court fees and related penalties could be substantial.

The city lacks adequate resources required for the upgrades without passing additional costs on to utility customers, and as a result, will need substantial financial help from external sources to keep the water utility system in operation and avoid complete failure. Although a \$100,000 bond issue was approved by voters on November 3, 2009, bonds have not been issued and this funding alone will not provide adequate funds to repair or replace the system.

The city has attempted to obtain public assistance grants and/or loans to fund water system upgrades, but lacks complete and accurate financial statements, an audit of financial activities, and a long-term capital improvement plan, all of which are typically required for public funding. City efforts have been unsuccessful and funding for improvements has not been obtained. Additionally, according to minutes of the Board of Aldermen meetings, the Board does not appear to have a clear understanding of how to resolve the issues with the water system. In September 2010, the Board voted unanimously to obtain water from a neighboring city, and then in May 2011, the minutes indicate the Board discussed retaining the current water system.

It is apparent the Board of Aldermen has not adequately addressed the problems with the water system. As a result, the deteriorating system has significantly impacted the city's financial condition. To successfully address water system issues, the Board of Aldermen should prepare short-term and long-term plans that outline the repair/replacement project and funding sources.

5.2 Adjustments

City Clerk duties include all utility billing, receipting, and recording functions, as well as posting adjustments to the utility computer system without obtaining independent approval or adequate documentation to support the reason for the adjustments. During 2010 and 2009, adjustments were made resulting in an overall reduction to utility account balances of approximately \$56,800. While some of these adjustments may be legitimate,



City of Lanagan
Management Advisory Report - State Auditor's Findings

numerous adjustments allowed the concealment of missing monies (see MAR finding number 1).

Requiring someone independent of receipting and recording functions to review and approve adjustments, and requiring proper supporting documentation be maintained for such adjustments would help ensure all adjustments are valid. If these procedures had been in place, missing monies may have been identified timely.

5.3 Water loss

Critical information used to monitor the water system distribution efficiency is not always recorded, and the city has not documented efforts to resolve significant water losses. Although the computerized water billing system automatically compares the total water pumped to the total water billed to customers, monthly water system data to perform this calculation is not always recorded or recorded correctly in the water accounting system, and there is no documentation the Board investigates and resolves significant water losses.

Incomplete or inaccurate information was entered into the water accounting system for 7 months during 2010, preventing the calculation of an accurate water loss percentage. During December 2010, reasonably accurate information appeared to have been entered into the water system showing approximately 3 million gallons of water was pumped and approximately 716,000 gallons was billed or used by the city, resulting in a water loss of 76 percent. City officials indicated that because of the serious deterioration of the water system, significant losses, such as the loss calculated in December 2010, are routine. While the city believes most of the monthly water loss represents water lost between the well and customer meters, some of the loss could represent unbilled water usage. As a result, the city is incurring higher costs to operate the system which contributes to the poor financial condition of the city.

To help detect significant water loss and ensure all water use is properly billed, accurate water system information should be obtained and entered into the water system. The Board should review the reconciliation of gallons of water pumped to gallons of water billed monthly and document its efforts to resolve the differences. According to the U.S. Environmental Protection Agency, the water industry goal for unaccounted for water is 10 percent or less.¹

5.4 Water rates

The city has not performed a review of water rates for several years, and documentation officials provided to support the last rate increase from 2008 was not adequate. Additionally, accounting records are not accurately

¹ <http://www.epa.gov/watersense/pubs/utilities.html>, Last updated on Monday, October 10, 2011.



City of Lanagan
Management Advisory Report - State Auditor's Findings

maintained to provide the financial data necessary to calculate the cost of operating the water system (see MAR finding number 4). As a result, water rates may not be sufficient to cover the costs of operating the system.

Water fees are user charges which should cover the cost of providing the related services. The city should perform a detailed review of its water costs, including depreciation, and set rates to cover the total costs of operation. Preparing a statement of costs would not only allow the city to determine the rates necessary to support current and future operations, but also provide documentation to customers of the rationale behind the rates. Such rate studies should be performed periodically.

5.5 Refundable water deposits

Refundable water deposit monies are not properly restricted and have been used to pay city expenses. Additionally, some water deposit monies received were deposited into the wrong bank account, some were not posted to the computerized utility accounting system, and some cash received for water deposits could not be traced to a bank deposit and is missing.

New customers are required to pay an \$80 refundable deposit before receiving water services. According to the water deposit report for October 31, 2010, the city should be holding at least \$14,225 in refundable water deposits; however, the balance of the Water Deposit Fund bank account at this date is only \$4,052, a difference of \$10,173.

- Restricted water deposit monies totaling \$8,865 were transferred from the Water Deposit Fund bank account to the Payroll Fund bank account (\$1,246), Water/Trash Fund bank account (\$3,254), and General Fund bank account (\$4,365) during 2009 and 2008 for payment of city expenses. Board of Aldermen meeting minutes indicate a payment plan of \$390 for 24 months was approved in 2009 to repay the water deposit loan with interest, but no payments have been made.
- During 2009 and 2010, refundable water deposits of \$1,640 were deposited into the Law Enforcement Training (LET) Fund bank account and only \$1,320 was disbursed from this account to correct the error. As a result, \$320 is due from the LET Fund bank account to the Water Deposit Fund bank account.

A limited review of water deposit records revealed that not all payments for refundable water deposits are properly posted to customer accounts and therefore, are not included in the water deposit report total of \$14,225 noted above. During July and August 2010, two receipt slips for the \$80 cash payment of refundable water deposits were not posted to the utility computer system or reflected in the appropriate customer account. In addition, one of the \$80 cash payments could not be traced to a deposit.



City of Lanagan
Management Advisory Report - State Auditor's Findings

Refundable water deposit monies are restricted funds. Borrowing from these funds to pay city expenses is not an appropriate use of these funds, and is not an appropriate way to finance funding shortfalls. To ensure the city is properly holding sufficient water deposits on behalf of customers, the Board should prepare a plan to repay the Water Deposit Fund bank account and prepare a budget that reflects this plan. In addition, to ensure all water deposit monies received from customers are accounted for properly, the Board should review water deposit records to ensure all monies received were deposited and posted to the appropriate customer account, and prepare an accurate list of water deposits held by the city and reconcile the list monthly to monies held in the Water Deposit Fund bank account.

5.6 Delinquent accounts

Penalties are not always properly assessed on delinquent water and trash accounts. City Ordinance No. 24.01 states any payment not received by the 21st day of each following month after water and trash billing is delinquent. A late penalty of 15 percent of the bill is to be added to each delinquent bill; however, we identified some customers with penalties of 5 percent and one with 0.5 percent. In addition, penalties were not charged for some customers with delinquent bills.

Recommendations

The Board of Aldermen:

- 5.1 Prepare short-term and long-term plans that outline the repair/replacement project and funding sources for addressing all water system deterioration issues.
- 5.2 Require someone independent of the utility system review and approve all adjustments, and ensure adequate documentation is retained supporting such adjustments.
- 5.3 Ensure complete and accurate data is entered into the water accounting system to calculate the monthly water loss percentage and document any effort to resolve significant water losses.
- 5.4 Perform a documented review of water rates periodically to ensure receipts are sufficient to cover all costs of providing these services.
- 5.5 Develop a plan to repay the Water Deposit Fund bank account, review water deposit records to ensure all monies received were deposited and posted to the appropriate customer account, and prepare an accurate list of water deposits held and reconcile the list monthly to monies in the Water Deposit Fund bank account. Any discrepancies should be investigated and resolved.
- 5.6 Ensure penalties are assessed on delinquent water and trash accounts in accordance with city ordinance.



Auditee's Response

The Board of Aldermen provided the following responses:

- 5.1 *We understand the implications of the current condition of the city's water system. Past administrations have failed to properly address this area. We will discuss all available options and prepare a plan to address and remedy the problems with the city's water system.*
- 5.2 *All future monthly adjustment reports will be provided to the Board by the City Clerk for approval.*
- 5.3 *The new City Clerk is now entering all information and she will provide all water system reports to the Board for review and action in the future.*
- 5.4 *Once the water system repairs are completed and the city's water system is in compliance, we will review rates.*
- 5.5 *The new City Clerk has started reviewing all water deposit information. Once this review is complete and an accurate listing is prepared, we will work to ensure adequate funds are set aside and labeled as customer water deposits.*
- 5.6 *The new City Clerk believes part of the problem results from a computer programming issue. She will contact the system programmer to resolve any issues to ensure penalties will be assessed in accordance with city ordinance.*

6. City Disbursements

Controls and procedures over city disbursements are in need of significant improvement.

6.1 Trash service

The city failed to solicit bids for trash services, does not have an adequate written agreement with the trash service vendor, and is delinquent in paying for this service.

In April 2007, the city extended an existing 5 year contract for trash services for another 5 years without evidence of bidding. Additionally, the contract on file with the city was not signed by city officials and did not specify the amount to be retained by the city for commissions. Charges for trash services are included on customer water bills, collected by the city, and remitted to the trash service vendor monthly with the exception of a commission retained by the city. The City Clerk indicated the city retained \$1 per customer per month for trash collection services; however, the trash service vendor indicated the city was to retain only 50 cents per customer, per month. Without a commission amount specified in the written agreement, it is not clear if the city is withholding the proper amount.



City of Lanagan
Management Advisory Report - State Auditor's Findings

Further, the city does not remit payment monthly to the trash service vendor and does not document calculations of amounts due. During 2010, the city made only 7 monthly payments totaling \$9,675 to the trash vendor without evidence of how these amounts were calculated. According to the trash service vendor, the city owes approximately \$7,000 as of December 31, 2010.

Soliciting bids periodically for trash services helps ensure the city has made every effort to obtain the lowest and best price for this service, and all interested parties are given an equal opportunity to participate in city business. To ensure amounts paid to the trash service vendor are properly calculated, documentation should be maintained of payment calculations and the written contract should specify the amount of commissions retained by the city.

6.2 Water sales taxes

Procedures are not in place to ensure the amount of quarterly sales tax is properly calculated and remitted to the DOR. For example, the computerized water billing system indicates sales taxes of approximately \$400 were charged to customers during October, November, and December 2010; however, the sales tax return completed by the city and submitted to the DOR showed sales tax of approximately \$800 was due and paid by the city. Based upon water sales amounts reported on the sales tax return, it appears the city may have over reported the amount of water sold to businesses.

To ensure sales tax amounts are properly charged, collected, and remitted to the DOR, quarterly sales tax returns should be compared to amounts charged and collected per the computerized water billing system and any differences should be investigated.

6.3 Supporting documentation

Adequate supporting documentation was not maintained for many city disbursements. Of 25 disbursements reviewed, we identified 11 without adequate supporting documentation. Additionally, procedures are not in place to document receipt of goods and services and cancel invoices when payment is made.

Our review identified payments to a lumber company (\$490), discount store (\$1,050), and an individual (\$500) without documentation of goods purchased or services rendered. In addition, the city failed to retain the grant application, time reports, documentation of bids received, and invoices paid for disaster clean up expenses funded through federal and state grant monies totaling approximately \$55,000. Although we subsequently obtained this information from the state agency administering the federal funds, copies of the documentation should have been retained by the city.



City of Lanagan
Management Advisory Report - State Auditor's Findings

Invoices for pump repair services (\$981), fuel (\$723), and water products (\$500) were not marked paid to prevent duplicate payments and there was no indication the goods or services were received by the city. Numerous other instances were noted where the city failed to retain documentation to support payments, failed to mark invoices paid, and failed to indicate goods and services were received.

To ensure obligations were actually incurred and amounts paid were proper, all disbursements should be supported by paid receipts, itemized vendor invoices, or other detailed documentation with payment information and receipt of goods or services information clearly indicated. Additionally, all documentation related to federal and state grant monies should be retained by the city to document the propriety of related expenses.

6.4 Approval process

The Board of Aldermen does not have adequate controls over the approval process for disbursements. Additionally, the list of bills approved each month is not complete, and a comparison of this list to actual checks written is not performed.

For example, the July 2010 list of bills to be paid totaled \$4,704; however, Board meeting minutes indicate the Board approved bills totaling \$7,880 at the July 2010 meeting. There is no explanation for the difference. In addition, the monthly list of bills is not always a complete list of all amounts to be paid. For example, in February 2010, two checks totaling \$652 issued to the former City Clerk for property tax commissions were not included on a list of bills approved by the Board.

Further, the Board routinely approves a total amount of bills to pay that exceeds the available cash balance. For example, on June 8, 2009, the Board approved payment of bills totaling \$28,633 when funds became available; however, according to city records, available cash balances of the General and Water Funds on this date totaled only approximately \$6,000, and funds were not available to make these payments for several months. The determination of which city obligations are paid is made by the City Clerk, and no one compares the list of approved disbursements to amounts actually disbursed.

To ensure disbursements are properly approved, the Board of Aldermen should ensure the list of bills to be paid is complete and accurate, ensure adequate funds are available to pay amounts approved, and compare checks written to the list of bills approved for payment.

6.5 Engineering services

The city contracted with an engineering firm in June 2009 and then renegotiated the contract in April 2010 without documentation of the evaluation and consideration of other firms.



City of Lanagan
Management Advisory Report - State Auditor's Findings

Sections 8.289 and 8.291, RSMo, provide guidance on the selection of engineering services.

6.6 Late fees, overdraft fees,
and finance charges

Because of the city's poor financial condition, bills are not paid timely and late fees and/or finance charges are often incurred. In addition, city bank accounts have been overdrawn on several occasions incurring overdraft fees.

- Late fees and finance charges totaling \$720 were paid in 2010 and 2009 to a credit card company, \$326 to the city accountant, and \$254 on a tractor loan.
- The bank statement for the General Fund bank account reflected a negative balance five times during 2010 with overdraft charges totaling at least \$255.

Several other instances were noted where late fees and finance charges were assessed for untimely payments. To prevent unnecessary fees and finance charges, procedures should be in place to ensure bills are paid timely. Additionally, to prevent bank account overdraft charges, the city should more closely monitor bank account balances.

Recommendations

The Board of Aldermen:

- 6.1 Solicit bids periodically for trash services, maintain a signed agreement with the trash service vendor detailing city commission amounts, document the calculation of the fees paid, and determine the amount of delinquent charges and remit unpaid amounts to the trash service vendor timely.
- 6.2 Compare quarterly sales tax returns to amounts charged and collected per the computerized water billing system and investigate any differences.
- 6.3 Maintain adequate supporting documentation for all disbursements. Such documentation should be clearly marked as paid to avoid duplicate payments and receipt of goods or services should be indicated. In addition, the Board of Aldermen should ensure documentation related to state and federal grant funds is retained by the city.
- 6.4 Ensure the list of bills to be paid is complete and accurate and adequate funds are available to pay amounts approved, and compare checks written to the list of bills approved for payment.
- 6.5 Comply with state law regarding the selection of engineering services.



City of Lanagan
Management Advisory Report - State Auditor's Findings

- 6.6 Implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.

Auditee's Response

The Board of Aldermen provided the following responses:

- 6.1 *We agree and will consider bidding for trash services in the near future. An adequate contract that contains all necessary information and is signed by both parties will be obtained. The city is currently including a partial payment of delinquent amounts owed along with our current payments in an effort to reduce this liability.*
- 6.2 *City officials will review the utility accounting system to make sure taxes are properly charged. Sales tax returns will be reviewed for accuracy before filing.*
- 6.3 *This recommendation has been implemented. Documentation is now maintained for all city disbursements.*
- 6.4 *The list of bills provided to the Board is now accurate and complete. We will ensure adequate funds are available when bills are approved and we will begin comparing checks written to bills approved.*
- 6.5 *We will comply with this recommendation.*
- 6.6 *We agree and believe bills are now paid in a timely manner. We are also currently working on paying delinquent bills from past administrations.*

7. Restricted Funds

Expenses are not properly allocated among city funds, and law enforcement training (LET) fees are not properly restricted to training related expenses.

7.1 Allocation of expenses

No documentation was maintained to support the allocation of expenses among funds.

- It is not clear how payroll related expenses for employees performing multiple functions are allocated among the various city funds. Monies are transferred from the various bank accounts to the Payroll Fund bank account periodically as payroll checks are issued or payroll taxes are paid; however, there is no documentation to support how amounts transferred are calculated. During the years ended December 31, 2010 and 2009, the city transferred monies to the Payroll Fund bank account as follows:



City of Lanagan
Management Advisory Report - State Auditor's Findings

Transferred from	Year Ended December 31,	
	2010	2009
General Fund Account	\$ 53,784	41,305
Water Fund Account	29,523	36,579
LET Fund Account	0	1,302
	\$ 83,307	79,186

In addition, approximately \$8,000 was disbursed directly from the General Fund account for payroll related liabilities. It is not clear why some payroll expenses were paid from the Payroll Fund bank account and allocated among other city funds and some were paid directly from the General Fund bank account.

- Expenses (other than payroll) are not properly allocated among the various city funds. Most city disbursements are made from the General Fund bank account, and transfers are made from restricted accounts, such as the Water/Trash Fund bank account, to the General Fund bank account to cover expenses related to the restricted funds. Documentation is not maintained on how transfer amounts are calculated. In addition, based upon the timing and amount of the transfers, it appears some transfers were made to avoid a negative General Fund bank account balance. A total of \$113,771 was transferred from restricted city funds to the General Fund bank account during the 2 years ended December 31, 2010.

Proper allocation of expenses, including payroll, is necessary for the city to accurately determine the results of operations of specific activities thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. Documentation should be maintain to support the allocation of expenses.

7.2 Law Enforcement Training Fund

LET monies are not always used for purposes allowed by state law. During the 2 years ended December 31, 2010, the city disbursed approximately \$1,740 for salaries, \$270 for uniforms, and \$330 for police supplies (gun holster, magazine case, swat knife) from the LET Fund. Section 488.5336, RSMo, requires LET fees to be used only for the training of law enforcement officers.

Recommendations

The Board of Aldermen:

- 7.1 Properly allocate expenses among city funds and maintain documentation to support the allocation.
- 7.2 Ensure LET funds are expended in accordance with state law.



Auditee's Response

The Board of Aldermen provided the following responses:

7.1 *We will review the allocation of payroll expenses. The City Clerk is currently documenting the allocation of other city expenses.*

7.2 *We will comply with this recommendation.*

8. Property Tax Collections

Numerous concerns were noted with reporting and monitoring procedures of property tax collections. As a result, the Board has little assurance property taxes, which the City Clerk/City Collector has been charged to collect, have been properly recorded and deposited. According to city deposit slips, tax collections totaled \$7,479 and \$4,602 for 2010 and 2009, respectively.

8.1 Tax books

The Board of Aldermen did not properly protect city records and as a result, the 2009 property tax book and related property tax receipts disappeared from City Hall shortly after our audit began in September 2010.

Property taxes collected and deposited during 2009 are significantly less than amounts typically collected and it appears some property tax monies are missing (see MAR finding number 1). The former Mayor indicated the tax books were at city hall before the audit started but disappeared shortly after the audit began. Although city officials were aware records were missing from city hall, a formal report to local law enforcement was not filed and an investigation was not conducted. City officials incurred additional charges totaling \$300 from the county to reprint the tax books.

City officials have a fiduciary duty to protect city records and investigate the circumstances surrounding missing records and report the situation to law enforcement.

8.2 Property tax commissions

The city had no documentation to support the calculation of \$802 in property tax commissions paid to the former City Clerk. In addition, there is no city ordinance authorizing these commissions, and payroll taxes were not withheld or paid on the compensation, nor was the amount reported on the former City Clerk's W-2 form. As a result, it is not clear whether or not these payments were appropriate.

To ensure property tax commission payments are proper, the city should adopt an ordinance authorizing the commissions and documentation should be maintained to support the amounts paid. Additionally, Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for payroll tax purposes. To comply with state and federal payroll laws, payroll taxes should be withheld and paid on commissions.

8.3 Monthly and annual reports

Monthly and annual reports were not prepared and presented to the Board of Aldermen summarizing the amount of property taxes collected.



City of Lanagan
Management Advisory Report - State Auditor's Findings

Additionally, tax records are not reviewed by someone independent of the tax collection and reporting process.

Section 79.310, RSMo, requires the City Collector to make a detailed report to the Board of Aldermen stating monies collected, the amounts uncollected, and the names of the persons from which amounts are uncollected. Detailed reports, which comply with state law, classified by type of tax and reviewed by the Board of Aldermen would provide greater assurance taxes have been properly collected, abated, or determined delinquent.

8.4 Delinquent taxes

The delinquent tax list is not accurate and included some individuals and amounts as delinquent when the taxes had been paid. Additionally, the current City Clerk/Collector made corrections to the delinquent tax list but did not always obtain proof of payment from taxpayers when removing them from the list and did not obtain approval by the Board of Aldermen.

Section 94.320, RSMo, provides the Board of Aldermen shall require the City Collector, at the first meeting of the Board in April each year, to prepare lists of delinquent taxes for the Board of Aldermen to examine and approve and charge the City Collector with the amount of taxes due. Any changes to the delinquent tax lists should be approved by the Board of Aldermen, and charged to the City Clerk/Collector.

Recommendations

The Board of Aldermen:

- 8.1 Take steps to investigate missing property tax records.
- 8.2 Maintain documentation to support payment of commissions on property tax collections, including an ordinance authorizing such compensation, and withhold and pay applicable payroll taxes on commissions.
- 8.3 Require the City Clerk/Collector to prepare detailed monthly and annual reports as required by state law. The Board should examine the reports for propriety and accuracy.
- 8.4 Require the City Clerk/Collector to submit a list of all taxes remaining due and uncollected at the first meeting of the Board in April for the Board to review and approve.

Auditee's Response

The Board of Aldermen provided the following responses:

- 8.1 *We will work with law enforcement to recover missing property tax records. A possible civil action will also be considered.*



City of Lanagan
Management Advisory Report - State Auditor's Findings

8.2 *The city is no longer paying commissions on property taxes collected.*

8.3&4 *The Board will comply with these recommendations.*

9. Payroll Procedures

Controls and procedures related to employee records, employee leave, and payroll taxes and reporting need improvement.

9.1 Personnel records

The city does not maintain personnel files for current city employees, and the current City Clerk could not locate personnel records of past city employees. As a result, pay rates and other personnel information was not adequately documented.

For example, meeting minutes of the Board of Aldermen indicate an employee was hired on January 12, 2010, at \$7.50 per hour, but computerized payroll records indicate this employee was paid \$10 per hour. The Mayor indicated this employee did not accept employment at \$7.50 per hour, and a second offer of \$10 per hour was made and accepted. There was no documentation of Board approval of this rate increase.

Personnel files are necessary to document hire/termination dates, pay rates, promotions, or disciplinary actions. Without adequate personnel records, there is less assurance payments to employees are properly authorized.

9.2 Time records

Some employee time records were either lost, misfiled, or not prepared.

Time records are necessary to document hours worked by employees, substantiate payroll disbursements, and provide the city with a method to monitor hours worked and leave taken.

9.3 Employee leave benefits

Documentation of leave benefits accumulated and used, and remaining balances are not properly maintained, and sick leave payments were made to employees without adequate documentation.

Computerized payroll records reflect balances for vacation and sick leave for employees; however, it appears amounts earned and used were not properly posted and reflected in these balances. During 2010, the Police Chief and the former City Clerk were paid \$448 and \$324, respectively, for sick leave; however, computerized leave records do not reflect adequate unused sick leave balances to warrant these payments. As a result, it is not clear whether or not these payments were appropriate.

Accrued leave represents a potential liability to the city, and balances should be properly maintained and monitored to ensure employees are properly compensated.



City of Lanagan
Management Advisory Report - State Auditor's Findings

9.4 Wage reporting

The city does not have adequate procedures in place to ensure payroll and withholding amounts are properly reported and paid in a timely manner.

Wages totaling at least \$3,618 paid to employees in 2009 and \$360 in 2010 were not generated through the payroll accounting system and as a result, were not reported on W-2 forms. Additionally, federal and state payroll taxes withheld from these wages and the city share of payroll taxes on these wages were not remitted to the state and federal government. Unpaid payroll taxes for these wages totals approximately \$970.

Additionally, the city failed to deposit federal payroll taxes in a timely manner resulting in the assessment and payment of penalties and interest totaling \$885 in 2009.

To ensure all employee wages are properly reported and the appropriate taxes are paid, all wages should be paid through the payroll accounting system and the total amount paid should be reconciled to amounts reported on payroll tax forms. Additionally, the timely payment of payroll tax withholdings prevents unnecessary penalties and interest.

Recommendations

The Board of Aldermen:

- 9.1 Maintain personnel files of all city employees.
- 9.2 Ensure time records are prepared and retained for all employees.
- 9.3 Ensure employee leave balances are properly tracked and monitored.
- 9.4 Ensure compensation amounts reported on W-2 forms are accurate and reconcile these forms to amounts paid to employees. Amended W-2 forms should be filed for payments made in 2010 and 2009 and unpaid payroll taxes remitted to the state and federal government. Additionally, the Board should ensure payroll taxes are paid timely.

Auditee's Response

The Board of Aldermen provided the following responses:

- 9.1&3 These recommendations have been implemented.*
- 9.2 City employees are now required to submit time sheets. All time sheets are signed and approved, and will be retained.*
- 9.4 We will review 2009 and 2010 payroll records and file corrected W-2 forms and remit taxes as required. Payroll taxes for 2011 are being paid timely.*



10. Financial Statements, Budgets, and Audits

The city does not comply with state law regarding financial reporting and budgeting. In addition, the city does not have annual audits.

10.1 Financial statements

The city did not comply with state law regarding publishing financial statements and submitting financial statements to the State Auditor's office. The city failed to publish semi-annual financial statements for the 6 months ended December 31, 2010, and financial statements published for other time periods contained errors and were incomplete. For example, the city published a financial statement for the 6 months ended June 30, 2010, which contained calculation errors and did not include indebtedness of the city. Additionally the city has not submitted annual financial statements to the State Auditor's office since 2007.

Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semiannually, a full and detailed account of the receipts, disbursements and indebtedness of the city. Further, Section 105.145, RSMo, requires political subdivisions to file annual reports of financial transactions with the State Auditor's office.

10.2 Budgets

City budgets do not comply with state law. The budgets do not include the beginning and estimated ending cash balances, and do not include actual receipts and disbursements for the 2 preceding years. Additionally, the budgets do not include indebtedness.

Further, the city approved deficit budgets for several city funds for 2010 and 2009. The 2010 budget for the General and Fire Funds reflect budgeted deficit fund balances of \$27,921 and \$18,686, respectively.

Sections 67.010 to 67.080, RSMo, set specific guidelines for the format of the annual operating budget and prohibit deficit budgeting. 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 actual costs and receipts. Considering the city's poor financial condition, it is imperative the city prepare a complete and accurate budget and periodically compare actual results to budgeted amounts.

10.3 Annual audits

The city does not obtain an annual audit. While an annual audit is not required by law, an audit of the city's funds would help ensure financial transactions are properly recorded and monies are accounted for properly. Additionally, an audit of the city's water fund may assist the city in obtaining outside funding sources to improve the water system. Further,



City of Lanagan
Management Advisory Report - State Auditor's Findings

considering the significant problems identified in this report, an annual audit of city funds should be considered by the Board of Aldermen.

Recommendations

The Board of Aldermen:

- 10.1 Ensure complete and accurate financial statements are published and submitted to the State Auditor's office as required by state law.
- 10.2 Ensure budgets comply with state law.
- 10.3 Consider obtaining annual audits.

Auditee's Response

The Board of Aldermen provided the following responses:

- 10.1 *The city has now published financial statements for the 6 months ended December 31, 2010. We will ensure financial statements for the 6 months ended June 30, 2011, are published as soon as possible. In the future, complete and accurate financial statements will be published and submitted to the State Auditor as required by law.*
- 10.2 *We will approve a budget for 2012 that complies with state law.*
- 10.3 *The city has been in contact with a CPA firm to perform an annual audit.*

11. Ordinances and Meetings

Improvement is needed with ordinances, and the city did not always ensure compliance with the Sunshine Law.

11.1 Ordinances

Significant problems were noted with procedures for establishing and maintaining ordinance records.

- A complete orderly set of ordinances is not maintained and ordinances are not properly updated. Some ordinances could not be located and some ordinances were not properly signed and dated. In March 2009, the Board of Aldermen approved a code of ordinances for the city; however, according to documentation from the city legal counsel, the approved code book was intended as a preliminary draft and not intended to be a complete set of ordinances for the city. The Board repealed the code of ordinances on February 16, 2011, and adopted only the chapter for traffic code ordinances.
- The city has not adopted ordinances to adequately establish guidelines for operation of the fire department and cemetery. Varying amounts are



City of Lanagan
Management Advisory Report - State Auditor's Findings

collected by the city for fire dues and cemetery plot sales and these fees are not established by ordinance.

- The rate charged to customers for trash pick-up is not set by ordinance.

Since ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important the ordinances be maintained in a complete, well-organized, and up-to-date manner. In addition, such items as cemetery plot fees, fire dues, and trash rates should be set forth by ordinance to provide residents information about the amount of fees to be collected.

11.2 Meetings

Procedures for complying with the Sunshine Law and maintaining minutes of meetings need improvement.

- Meeting minutes were not always sufficient to demonstrate how some issues discussed in closed meetings were allowable under the Sunshine Law. For example, the resignation of an alderman and an appointment to fill the vacated position was conducted in a closed meeting on June 24, 2009.
- Open meeting minutes do not record a roll call vote of the Board of Aldermen to enter into closed session.
- Some open meeting minutes did not include the time and place of the meeting.
- Meeting minutes were not always prepared and approved in a timely manner. For example, the meeting minutes for February 9, 2010, were not approved by the Board until September 20, 2010.
- Meeting minutes were not always filed in an organized manner. Some minutes were not filed in date order making it difficult to ensure the city had minutes for all Board of Aldermen meetings.
- No records are maintained of meetings held by the park, fire, or cemetery committees.

The Sunshine Law, Chapter 610, RSMo, limits discussions in closed meetings to only those specifically allowed by law; requires governmental bodies to prepare and maintain minutes of open and closed meetings; and requires minutes to include at a minimum the date, time, place, members present, members absent and votes taken, including roll call votes before closing a meeting. Further, to ensure all decisions are properly documented and minutes are properly maintained, meeting minutes should be prepared



City of Lanagan
Management Advisory Report - State Auditor's Findings

for committee meetings and filed with the city, and all minutes should be prepared and approved timely, and filed in an orderly manner.

Recommendations

The Board of Aldermen:

- 11.1 Maintain a complete updated set of city ordinances in an organized manner and adopt ordinances addressing the operation of the fire department and cemetery, and an ordinance setting the rate for trash pick-up services.
- 11.2 Limit discussions in closed meetings to only those specifically allowed by law and record roll call votes to enter closed session in open meeting minutes. Additionally, the Board of Aldermen should ensure meeting minutes are properly and timely prepared and approved for all meetings (including committee meetings), and filed in an orderly manner.

Auditee's Response

The Board of Aldermen provided the following responses:

- 11.1 *We are in the process of reviewing city ordinances and have been in contact with a company to codify our ordinances.*
- 11.2 *This recommendation will be implemented.*

12. Capital Assets

The city does not maintain capital asset inventory records, and documentation was not maintained of the disposition of some city vehicles.

12.1 Asset records

The city does not maintain records for its capital assets including buildings, water system infrastructure, equipment, and other property. Additionally, assets are not tagged for specific identification, and an annual physical inventory is not performed.

Adequate capital asset records are necessary to provide better controls over city property and provide a basis for proper financial reporting. Without these records, the city does not have a reliable record of property owned. Further, city assets should be tagged to document ownership and a physical inventory should be performed periodically and compared to capital asset records to ensure records are kept up to date.

12.2 Vehicles

City officials were not able to provide documentation of the disposition of some city vehicles. City insurance documents indicate the city maintained insurance on seven city vehicles (including emergency response vehicles) in March 2009. As of September 2010, the city insured only three vehicles. According to city officials, the other four vehicles were disposed of; however, the city could provide documentation of the sale of only one of the vehicles. The Mayor indicated two of the remaining vehicles were traded to



City of Lanagan
Management Advisory Report - State Auditor's Findings

a local mechanic for repairs made to a fire department vehicle, but no documentation was maintained to document this disposition. According to the Mayor, the fourth vehicle was sold for \$500; however, no documentation of the disposition (such as date sold and name of purchaser) and no deposit of the sale proceeds could be located.

To ensure city vehicles are properly disposed, documentation should be maintained of Board approval to dispose of vehicles, and the method of disposition (sale, trade, etc). Further, the Board should ensure proceeds from the sale of vehicles is properly deposited and recorded in the accounting records.

Recommendations

The Board of Aldermen:

- 12.1 Ensure property records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location and subsequent disposition. The Board should also properly tag, number, or otherwise identify all applicable city property and conduct and document an annual inventory.
- 12.2 Maintain documentation to support the disposition of all city assets and follow up to determine the disposition of the \$500 vehicle sale proceeds.

Auditee's Response

The Board of Aldermen provided the following responses:

- 12.1 *The City Clerk is currently in the process of preparing a new city asset listing.*
- 12.2 *We agree and will follow up on the disposition of these vehicles.*

City of Lanagan

Organization and Statistical Information

The City of Lanagan is located in McDonald County. The city was incorporated in 1963 and is currently a fourth-class city. The city employed two full-time employees and three part-time employees on December 31, 2010.

City operations include utility services, police, fire services, recreational services, and the operation of a city cemetery.

Mayor and Board of Aldermen

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 and Board of Aldermen, at December 31, 2010, are identified below. The Mayor and Board of Aldermen do not receive compensation.

Edna Billups, Mayor
Carol O'Roake, Mayor Protem, North Ward Alderman
Dan Hudgens, North Ward Alderman
Amber Stryffeler, South Ward Alderman
Pat Walker, South Ward Alderman

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

According to city personnel, the city was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A \$7,671 Recovery Act: Edward Byrne Memorial Justice Assistance Grant Program Local Law Enforcement Block Grant was awarded by the U.S. Department of Justice to the Missouri Department of Public Safety and was passed through and received by the city in 2009 for the purchase of law enforcement officer safety gear, mobile radios, and radio and emergency lighting equipment for the patrol vehicle. During the years ended December 2010 and 2009, \$3,871 and \$3,800 was expended, respectively.

Financial Activity

A summary of the city's financial activity for the 2 years ended December 31, 2010 follows:



City of Lanagan
Organization and Statistical Information

City of Lanagan
Year Ended December 31, 2010

	General Account	Payroll Account	Cemetery Account	Park Account	Fire Department Account	Water and Trash Account	LET Account	Utility Deposit Account	Total
RECEIPTS									
Property tax	\$ 7,479	0	0	0	0	0	0	0	7,479
Sales tax	12,873	0	0	0	0	0	0	0	12,873
Franchise tax	13,603	0	0	0	0	0	0	0	13,603
Motor fuel and vehicle fees	15,725	0	0	0	0	0	0	0	15,725
Water, trash, and penalty	0	0	0	0	0	79,390	160	270	79,820
Court fines and costs	76,364	0	0	0	0	0	1,972	0	78,336
Fees, grants, and other	7,528	0	1,757	1,781	3,975	6	40	1,448	16,535
Interest	21	0	0	0	4	107	0	30	162
Transfers in	56,764	83,307	63	678	0	2,632	0	0	143,444
Total Receipts	190,357	83,307	1,820	2,459	3,979	82,135	2,172	1,748	367,977
DISBURSEMENTS									
Wages and payroll taxes	5,006	81,729	0	0	0	0	0	0	86,735
Insurance	13,185	0	0	0	0	0	0	0	13,185
Contract services	25,544	0	6,018	320	0	0	0	0	31,882
Loan and lease agreements	14,974	0	0	0	0	0	0	0	14,974
Tax commission	802	0	0	0	0	0	0	0	802
Membership dues and fees	417	15	0	0	0	15	0	0	447
Training and travel	185	0	0	0	0	0	266	0	451
Office supplies	10,127	0	0	0	0	0	0	0	10,127
Equipment	4,643	0	0	0	0	0	333	0	4,976
Petty cash	183	0	0	0	100	0	0	0	283
Postage	1,088	0	0	0	0	300	0	0	1,388
Fuel	7,582	0	0	0	0	0	0	0	7,582
Repair and maintenance	12,677	0	0	450	0	0	0	0	13,127
Supplies	3,744	0	0	20	0	2,000	0	0	5,764
Utilities	26,951	0	0	0	0	0	0	0	26,951
Other	5,217	0	0	0	500	453	0	543	6,713
Transfers out	56,177	1,959	714	1,732	3,771	78,628	463	0	143,444
Total Disbursements	188,502	83,703	6,732	2,522	4,371	81,396	1,062	543	368,831
RECEIPTS OVER (UNDER)									
DISBURSEMENTS	1,855	(396)	(4,912)	(63)	(392)	739	1,110	1,205	(854)
CASH, JANUARY 1, 2010	8,317	1,282	13,919	1,214	538	6,762	2,176	3,172	37,380
CASH, DECEMBER 31, 2010	\$ 10,172	886	9,007	1,151	146	7,501	3,286	4,377	36,526

Note: The above schedule represents financial transactions occurring in the applicable city bank accounts.



City of Lanagan
Organization and Statistical Information

City of Lanagan
Year Ended December 31, 2009

	General Account	Payroll Account	Cemetery Account	Park Account	Fire Department Account	Water and Trash Account	LET Account	Utility Deposit Account	Total
RECEIPTS									
Property tax	\$ 4,602	0	0	0	0	0	0	0	4,602
Sales tax	14,509	0	0	0	0	0	0	0	14,509
Franchise tax	13,758	0	0	0	0	0	0	0	13,758
Motor fuel and vehicle fees	15,236	0	0	0	0	0	0	0	15,236
Water, trash, and penalty	2,631	0	0	120	0	82,041	0	0	84,792
Court fines and costs	31,021	0	0	0	0	0	754	0	31,775
Fees, grants, and other	8,534	0	2,763	8,118	19,099	7,671	1,985	480	48,650
Interest	15	0	0	0	6	143	0	36	200
Transfers in	69,252	79,186	0	2,000	163	6,357	0	1,320	158,278
Total Receipts	159,558	79,186	2,763	10,238	19,268	96,212	2,739	1,836	371,800
DISBURSEMENTS									
Wages and payroll taxes	7,644	77,821	0	0	0	0	440	0	85,905
Insurance	13,353	0	0	0	2,528	0	0	0	15,881
Grant funds	0	0	0	0	0	0	0	0	0
Contract services	17,914	0	3,377	0	0	5,667	0	0	26,958
Loan and lease agreements	9,926	0	0	105	3,324	800	0	0	14,155
Membership dues and fees	275	0	0	0	0	0	0	0	275
Training and travel	0	0	0	0	0	125	0	0	125
Office supplies	4,784	104	19	13	0	583	120	0	5,623
Equipment	6,882	0	0	3,939	325	0	0	0	11,146
Postage	126	0	0	0	0	0	0	0	126
Fuel	5,036	0	0	0	0	284	0	0	5,320
Repair and maintenance	7,960	0	17	5,063	641	2,848	0	0	16,529
Supplies	8,282	0	52	14	0	2,483	0	0	10,831
Utilities	22,480	0	0	0	0	0	0	0	22,480
Other	3,131	660	200	0	1,175	2,007	80	546	7,799
Transfers out	51,747	2,311	570	446	13,509	82,233	3,097	4,365	158,278
Total Disbursements	159,540	80,896	4,235	9,580	21,502	97,030	3,737	4,911	381,431
RECEIPTS OVER (UNDER)									
DISBURSEMENTS	18	(1,710)	(1,472)	658	(2,234)	(818)	(998)	(3,075)	(9,631)
CASH, JANUARY 1, 2009	8,299	2,992	15,391	556	2,772	7,580	3,174	6,247	47,011
CASH, DECEMBER 31, 2009	\$ 8,317	1,282	13,919	1,214	538	6,762	2,176	3,172	37,380

Note: The above schedule represents financial transactions occurring in the applicable city bank accounts.



City of Lanagan
Documentation of Missing Cash Receipts

The following table provides supporting documentation for missing cash receipts discussed in MAR finding number 1.

<u>Recorded Receipts</u>				<u>Bank Deposits</u>			<u>Differences</u>		<u>Totals</u>		
Month	Cash	Check/MO	Total	Cash	Check/MO	Total	Cash (short)/long	Check (short)/long	Total (short)/long	Adjustments indicating money received but not recorded	Grand Total (short)/long
2009											
January	\$ 1,898	6,050	7,948	1,816	5,497	7,313	(82)	(553)	(635)	(52)	(687)
February	2,512	7,166	9,678	2,062	6,637	8,699	(450)	(529)	(979)	(32)	(1,011)
March	1,554	6,528	8,082	1,604	6,170	7,774	50	(358)	(308)	(56)	(364)
April	1,373	6,305	7,678	1,545	5,694	7,239	172	(611)	(439)	0	(439)
May	1,867	6,060	7,927	1,365	5,983	7,348	(502)	(77)	(579)	(97)	(676)
June	1,445	4,487	5,932	1,420	4,377	5,797	(25)	(110)	(135)	(51)	(186)
July	1,986	6,417	8,403	1,208	6,078	7,286	(778)	(339)	(1,117)	(187)	(1,304)
August	1,881	6,392	8,273	1,259	6,682	7,941	(622)	290	(332)	(148)	(480)
September	2,508	5,660	8,168	770	5,398	6,168	(1,738)	(262)	(2,000)	0	(2,000)
October	1,610	6,224	7,834	540	5,731	6,271	(1,070)	(493)	(1,563)	(47)	(1,610)
November	1,479	5,075	6,554	575	5,118	5,693	(904)	43	(861)	0	(861)
December	1,332	5,252	6,584	1,332	5,811	7,143	0	559	559	(366)	193
	21,445	71,616	93,061	15,496	69,176	84,672	(5,949)	(2,440)	(8,389)	(1,036)	(9,425)

<u>Recorded Receipts</u>				<u>Bank Deposits</u>			<u>Differences</u>		<u>Totals</u>		
Month	Cash	Check/MO	Total	Cash	Check/MO	Total	Cash (short)/long	Check (short)/long	Total (short)/long	Adjustments indicating money received but not recorded	Grand Total (short)/long
2010											
January	\$ 895	4,444	5,339	895	4,446	5,341	0	2	2	(480)	(478)
February	2,159	3,873	6,032	1,996	4,674	6,670	(163)	801	638	(737)	(99)
March	2,478	6,281	8,759	2,027	5,577	7,604	(451)	(704)	(1,155)	(759)	(1,914)
April	1,323	4,052	5,375	1,709	4,773	6,482	386	721	1,107	(789)	318
May	1,747	4,533	6,280	1,647	4,987	6,634	(100)	454	354	(368)	(14)
June	1,150	4,438	5,588	1,195	4,675	5,870	45	237	282	(120)	162
July	1,570	6,037	7,607	1,347	5,309	6,656	(223)	(728)	(951)	(143)	(1,094)
August	1,896	5,066	6,962	1,645	5,315	6,960	(251)	249	(2)	(198)	(200)
September	1,106	4,656	5,762	1,121	5,480	6,601	15	824	839	(73)	766
October	2,499	5,750	8,249	1,910	5,443	7,353	(589)	(307)	(896)	(415)	(1,311)
November	1,522	4,151	5,673	1,668	4,344	6,012	146	193	339	0	339
December	1,792	5,449	7,241	1,784	5,269	7,053	(8)	(180)	(188)	(382)	(570)
	20,137	58,730	78,867	18,944	60,292	79,236	(1,193)	1,562	369	(4,464)	(4,095)
Grand Totals	\$ 41,582	130,346	171,928	34,440	129,468	163,908	(7,142)	(878)	(8,020)	(5,500)	(13,520)

* May and November 2009 include \$274 and \$50, respectively, for manually issued cash receipt slips not posted to the utility computer system.



City of Lanagan
Documentation of Missing Cash Receipts

The following tables represent an example reconciliation of receipts recorded in a batch report to amounts deposited in the city's bank account. The left side of the table compares total recorded receipts to the total deposit and the right side of the table compares recorded cash receipts to cash deposited.

Batch Titled: 2009Nov06-01-peggy

Date	Reconciliation of Total Amounts on Batch Report to Corresponding Deposit	Amount	Reconciliation of Cash Amounts on Batch Report to Corresponding Deposit	Amount
11/6/2009	Total Receipts Recorded in Batch	\$ 326.50	Cash Receipts Recorded in Batch	\$ 32.88
11/12/2009	Corresponding Deposit	<u>378.23</u>	Cash in Corresponding Deposit	<u>0.00</u>
	Difference (amount deposited appears greater than amount recorded)	51.73	Difference (obvious cash shortage)	(32.88)
	Adjustment for 5 checks included in deposit, but not posted on this batch. Checks were posted on subsequent batch report.	(166.68)	Single receipt posted to batch report as a check, but utility stub indicates payment was made in cash and no check found in deposit records.	(19.76)
		<u> </u>	Check recorded on batch report, but not located on city deposit records, may be a cash receipt.	<u>(62.31)</u>
	Total Deposit Shortage	<u><u>\$ (114.95)</u></u>	Total Estimated Cash Shortage	<u><u>\$ (114.95)</u></u>