



**Thomas A. Schweich**  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Village of Indian Point

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September 2011  
Report No. 2011-64



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# Village of Indian Point

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Board of Trustees  
Village of Indian Point, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-09 *Village of Indian Point*, issued in March 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the village about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the village prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. We reviewed documents and other evidence indicating the level of implementation for each recommendation reviewed.

As part of the AFTER work conducted, we reviewed supporting documentation provided by village officials regarding their work on the recommendations in the audit report. Documentation included copies of sewer construction invoices and contracts, financial statements and records for the village and the Board of Public Works, board meeting minutes, correspondence with the village attorney, sewer customer payment reports, and discussions with village officials. This report is a summary of the results of this follow-up work, which was substantially completed during August 2011.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

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# Village of Indian Point

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Sewer Project                      The sewer project was poorly planned and system revenues were not sufficient to meet all operational costs. In addition, supporting documentation was not maintained for some sewer project disbursements.
- 1.1 Planning and oversight        The sewer project was poorly planned and oversight by the village Board of Trustees was inadequate.
- The Board of Public Works (BPW) did not have a clear estimate of the costs associated with pumping tanks and hauling the solid waste to a neighboring city's sewer system.
  - The village did not have a long-term plan to address the costs of a holding tank installed on Map Lane.
  - Financing for the installation of the sewage holding tanks was not secured until after the project started.
  - Wireless meters costing \$8,172 were installed during construction of the waste-water system but were not utilized by the BPW.
  - Due to an error, part of the equipment for the treatment facility was placed on private property.
  - The state of Missouri Department of Natural Resources (DNR) noted several deficiencies during an inspection and the village did not meet the September 30, 2010, deadline to submit a corrective action plan.
  - The board did not approve all change orders as required by ordinance.

**Recommendation**                      The Village of Indian Point Board of Trustees work with the BPW to ensure all capital improvement projects are properly planned and provide adequate oversight of the BPW. Additionally, the Board of Trustees and the BPW should work together to resolve all issues with the current sewer system.

**Status**                                      **In Progress**

Village officials stated they have hired a new village attorney and a new engineer, who are working toward addressing the audit report findings and working with the DNR to resolve sewer plant issues. According to village officials, the plant is undergoing weekly testing to determine whether upgrades estimated at approximately \$86,000 can be avoided. The village expects the DNR to issue a final report on the sewer system in September 2011.

Village officials obtained numerous invoices and other documentation that previously could not be located. A review of these documents indicated the village paid for 49 sewage holding tanks, but the BPW has only billed residents for 46. Village officials are in the process of determining the locations of the three remaining tanks.



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According to village officials, the new engineer is reviewing the use of the wireless meters and the village has implemented a written schedule for pumping residential and business tanks annually. The village is currently pumping two residential tanks and one business tank each month at a cost of \$625.

Village officials indicated they intend to address the Map Lane issues after other operational issues are addressed. The village has been unable to identify the owner of the private land where the equalization tank was placed. Village officials intend for the attorney to address this issue further.

## 1.2 Financial condition

User fees were insufficient to meet operational costs and debt payments for the system. No formal review of sewer rates had been conducted since 2005 and revenue projections were improperly calculated. In addition, assessment and collection of costs for residential sewage tanks were inconsistent, and no ordinance existed making payment of fees mandatory. The BPW had not enforced the collection of various fees for sewer service.

## Recommendation

The Village of Indian Point Board of Trustees closely monitor the financial condition of the BPW by performing a review of sewer rates, consult legal counsel regarding sewage tank charges, and adequately track amounts owed by each customer.

## Status

### **In progress**

Sewer system revenues are still not adequate to cover operational costs of the BPW and village monies continue to supplement the BPW. The village attorney advised officials to develop a new user rate ordinance; however, village officials indicated they will not calculate new rates until the DNR provides its final report to the village. Amounts owed by each customer are now properly tracked and village officials indicated they have instructed the village attorney to begin collection procedures on all delinquent accounts.

## 1.3 Supporting documentation

Adequate supporting documentation was not maintained for some sewer project disbursements. Further, sewer equipment warranties and contractor bonds were not maintained by the village and copies of some contracts did not contain all signatures.

## Recommendation

The Village of Indian Point Board of Trustees ensure all disbursements are supported by adequate documentation and signed contracts, and performance bonds and written warranties are maintained.

## Status

### **Implemented**

Village officials have met with representatives of the sewer construction company and obtained copies of supporting documentation that could not be



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located during the audit. Village officials believe they now have most documentation.

## 2. Municipal Center

The village did not adequately plan for the financing of the Municipal Center and as a result, the village incurred unnecessary debt and interest. The village borrowed funds more than 2 years before construction of the Municipal Center started. In addition, the village had approximately \$400,000 available in village bank accounts to help fund the construction of the Municipal Center, but chose to borrow funds.

### Recommendation

The Village of Indian Point Board of Trustees ensure capital improvement projects and corresponding debt issuance are properly planned to prevent unnecessary interest costs.

### Status

#### **In Progress**

The village is still making regular payments on the certificates of participation (COPs) used to finance the municipal center. This process will continue since the COPs do not allow for early payoff. Village officials communicated that the financial status of the village has recently declined as sales tax revenues used to help fund COP payments are down by approximately 16 percent. Further, the balance of the village's certificates of deposit has dropped from approximately \$400,000 to approximately \$350,000 because sewer system revenues are insufficient to fund the BPW. Village officials indicated they are aware of the mistakes made in financing the Municipal Center and will avoid repeating the same mistakes in the future.

## 4. Accounting Controls and Procedures

Accounting controls and procedures utilized by the village needed improvement.

### 4.1 Segregation of duties

There was minimal oversight and inadequate segregation of accounting duties. The village clerk was responsible for receipting and disbursing monies, performing bank reconciliations, and preparing monthly financial reports. Bank statements were not provided to the Board for review, and there was minimal evidence the Board provided adequate supervision or review of the work performed by the village clerk.

### Recommendation

The Village of Indian Point Board of Trustees segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.



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**Status**

**In Progress**

The village is currently in the process of establishing written accounting controls and procedures. Although the village trustees are reviewing various accounting records, no written verification of the review exists. Village officials indicated they will document future reviews of accounting records.

4.2 Receipting and depositing

Receiving and depositing procedures needed improvement.

- Monies received were not recorded and deposited in a timely manner.
- Generic rediform receipt slips, instead of official receipt slips, were issued for monies paid in person at the Municipal Center, and the numerical sequence of receipt slips was not accounted for properly.
- The method of payment was not documented on receipt records, preventing reconciliation of the composition of receipts to the composition of deposits.
- Checks were not restrictively endorsed upon receipt.

**Recommendation**

The Village of Indian Point Board of Trustees ensure monies are posted to the computer system and deposited in a timely manner, official prenumbered receipt slips are issued for all monies received, the numerical sequence of receipt slips is accounted for properly, the method of payment is documented, the composition of receipts is reconciled to the composition of deposits, and checks are restrictively endorsed immediately upon receipt.

**Status**

**Implemented**

The village provided a copy of a deposit schedule indicating the receipt date and deposit date of monies received. Based upon this schedule, it appears receipts are now posted to the computer system and deposited timely. The village is now issuing receipts for all monies received, tracking the composition of receipts and reconciling it to deposits, and restrictively endorsing checks immediately upon receipt. The village has not obtained official receipts slips with its name printed on each receipt slip; however, the village has purchased a stamp with its name and stamps each receipt slip.

4.3 Financial records

Village financial records were not accurate.

- The profit and loss statement for the year ended December 31, 2009, failed to include over \$13,600 in disbursements, resulting in an overstatement of the cash balance.
- Some disbursements were inaccurately classified in the village accounting system.



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- The treasurer's report for 2009 and 2008 financial activity did not include income totaling approximately \$55,000 and \$119,000, respectively.

**Recommendation** The Village of Indian Point Board of Trustees ensure village financial records are accurately maintained.

**Status** **In Progress**  
According to village officials, they are currently reviewing the financial records and have found some errors. Village officials are working to correct those errors.

4.4 Bank reconciliations Bank reconciliations were not always performed in a timely manner.

**Recommendation** The Village of Indian Point Board of Trustees ensure bank reconciliations are performed timely.

**Status** **Implemented**  
Village officials provided recent bank reconciliations to document that reconciliations are now performed timely.

4.5 Record retention Numerous village records were not maintained and had to be obtained from other sources or were not maintained in the Municipal Center.

**Recommendation** The Village of Indian Point Board of Trustees ensure village records are properly retained and stored at the Municipal Center.

**Status** **Implemented**  
Village officials indicated they are now retaining records at the Municipal Center. For example, records pertaining to the construction of the Municipal Center are no longer stored at the home of a trustee.

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5. Board of Public Works Utility Controls and Procedures Significant weaknesses were identified in controls and procedures related to the utility system maintained by the BPW.

5.1 Segregation of duties Accounting duties, such as receiving and disbursing monies and performing bank reconciliations, were performed by the BPW Clerk without adequate oversight.



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**Recommendation**

The Village of Indian Point Board of Trustees ensure the BPW segregates accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.

**Status**

**In Progress**

The work performed by the part-time BPW clerk is reviewed; however, the review is not documented. According to village officials, a review sheet will be included in future accounting records showing what records were included for the review and the signatures of those who review them.

**5.2 Controls over monies received**

Improvement was needed in controls over monies received.

- Sewer monies were not recorded immediately upon receipt.
- Monies received were not deposited in a timely manner.
- Sewer receipts were not adequately secured.
- Checks and money orders were not restrictively endorsed immediately upon receipt.

**Recommendation**

The Village of Indian Point Board of Trustees ensure the BPW records and deposits monies timely, adequately secures monies prior to deposit, and restrictively endorses checks and money orders immediately upon receipt.

**Status**

**Implemented**

The BPW provided a copy of a deposit schedule indicating the receipt date and deposit date of monies received. Based upon this schedule, it appears receipts are now posted to the computer system and deposited timely. In addition, the village has implemented procedures to adequately secure monies and restrictively endorse checks and money orders upon receipt.

**5.3 Receipt records**

The BPW needed better accountability over computerized receipt numbers and customer accounts.

- The numerical sequence of computerized receipt slips was not accounted for properly.
- Receipt amounts posted to customer accounts in the utility system were not reconciled to receipt amounts posted to the accounting system.

**Recommendation**

The Village of Indian Point Board of Trustees ensure the BPW accounts for the numerical sequence of receipt slips, and reconciles receipt amounts posted to customer accounts to receipt amounts posted in the accounting system.



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**Status**

**Implemented**

The BPW clerk indicated she now reconciles computer entries to receipt slips and to the accounting system. Prenumbered receipt slips are now issued for all monies received.

5.4 Bank reconciliations

Reconciliations were not always performed in a timely manner.

Recommendation

The Village of Indian Point Board of Trustees ensure the BPW performs bank reconciliations timely.

**Status**

**Implemented**

The BPW clerk provided recent bank reconciliations to document that reconciliations are now performed timely.

5.5 Adjustments

Adjustments made to customer sewer accounts were not properly authorized or adequately documented.

Recommendation

The Village of Indian Point Board of Trustees ensure the BPW requires someone independent of the sewer system review and approve all adjustments and ensure adequate documentation is maintained of such adjustments.

**Status**

**In Progress**

Although the BPW clerk now adequately documents the date and reason for adjustments, the village trustees do not perform a documented review. Village officials indicated they will conduct a documented review in the future.

5.6 Delinquent accounts

Some village ordinances were not enforced, and the village had not established formal written policies and procedures related to delayed sewer payments.

- Penalty charges were not assessed as required by village ordinance and BPW rules and regulations.
- Sewer service was not shutoff when accounts were delinquent. According to the BPW Vice Chairwoman, businesses were allowed to delay payments during winter months and make those payments in summer months; however, this was not specified in an ordinance.

Recommendation

The Village of Indian Point Board of Trustees ensure the BPW assesses penalties and properly follows shutoff procedures in accordance with village ordinance and BPW rules and regulations.



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**Status**

**In Progress**

According to village officials, penalty amounts are too high and are not currently charged, but officials will review penalty amounts concurrently with sewer rates. Village officials indicated they will not shutoff service to delinquent accounts, but have authorized the village attorney to institute collection proceedings on delinquent accounts.

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**8. Meetings and Records**

Meeting minutes needed improvement, and the village did not comply with state law when members of the board voted by email.

**8.1 Meeting minutes**

Several concerns were identified regarding minutes maintained for the Board of Trustees and BPW meetings.

- Minutes for the village Board of Trustees and the BPW were not maintained in an orderly manner or in a centralized location.
- Minutes were not maintained for some open and closed meetings.
- Open meeting minutes for the village Board of Trustees did not always document the reasons for closing the meeting or the specific section of the law that allows for the closed meeting.
- There was no evidence roll call votes were taken during open meetings to close meetings of the village Board of Trustees and the BPW.
- Final copies of minutes were not available for the BPW meetings for the months of October 2009 through January 2010.
- Minutes of the Municipal Center Task Force were not filed with the village.

**Recommendation**

The Village of Indian Point Board of Trustees ensure Board of Trustee and BPW minutes are maintained for all meetings in an orderly manner, and the village meetings and minutes comply with state law.

**Status**

**Implemented**

The village provided documentation that minutes are now maintained for all village and BPW meetings. The village maintains minutes for open and closed meetings separately and follows proper procedure for entering closed sessions. Minutes for the Municipal Center Task Force are now maintained at the Municipal Center.

**8.2 Email vote**

The village did not comply with state law when board members voted by email without a quorum of members physically present during the vote.

**Recommendation**

The Village of Indian Point Board of Trustees comply with state law regarding email votes.



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**Status**

**Implemented**

According to village officials, no further email votes have been conducted.

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9. Elected Officials

A village board member's actions resulted in nepotism, and a candidate for village trustee was not qualified to run for office.

9.1 Nepotism

According to meeting minutes in October 2009, Trustee Canaday voted to appoint his wife to the BPW and voted for her to hold the office of BPW Vice Chairwoman.

Recommendation

The Village of Indian Point Board of Trustees ensure Board members abstain from voting when a relative's appointment is involved, and consult legal counsel regarding the nepotism issue.

**Status**

**Implemented**

Trustee Canaday resigned his position as village trustee and was later re-elected to the board. He is currently the Chairman. His wife resigned her position from the BPW.

9.2 Qualifications to hold village office

The village has not established adequate procedures to ensure all candidates for the position of trustee are qualified to run for office. During the April 2010 election, village Board Chairman Daily was listed on the ballot when his sewer fees for his business were in arrears.

Recommendation

The Village of Indian Point Board of Trustees ensure candidates for village office possess the statutory qualifications for holding office. The Board of Trustees should also consider seeking legal advice from the village attorney regarding the situation.

**Status**

**In Progress**

The village is currently in the process of establishing an ordinance to further restrict individuals from serving on committees and in other positions if amounts owed to the village are not paid. As of August 16, 2011, Trustee Daily owes \$6,879 in delinquent sewer fees. This amount does not include the amount of \$573 he was billed August 1, 2011, for current charges.