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FOLLOW-UP REPORT ON AUDIT FINDINGS

Village of Country Club

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Village of Country Club

Follow-Up Report on Audit Findings

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*Includes selected findings



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Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of Country Club, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-105, *Village of Country Club* (rated as Poor), issued in November 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. 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 specific plans to begin, or 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. As part of the AFTER work conducted, we met with village officials and reviewed documents provided to us. Those documents included Board of Trustee meeting minutes, village contracts, bank reconciliations, receipt slips and deposits, and annual budgets. This report is a summary of the results of this follow-up work, which was substantially completed during May 2015.

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State Auditor

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Status of Findings

1. Street Repair and Funding
The village had not used available restricted monies to adequately repair its streets and did not retain the original ballot language for a 1/2 cent sales tax leading to confusion as to the proper use of these monies. In addition, the village had not developed a formal maintenance plan.

1.1 Restricted street monies
Village streets were in poor condition and village officials had not established a separate fund for, nor had they separately tracked the balance of, restricted street monies. Restricted street monies include motor-vehicle related fees from the state as well as a village sales tax. The motor vehicle-related fees are restricted by the Missouri Constitution to road and street related purposes, and it is unclear whether the sales tax revenue is legally restricted (see section 1.2), although based on the village officials actions, it appears the intent was to restrict the sales tax. These monies are deposited in the General Fund and the unspent portions are not identified or restricted.

After residents expressed concerns, village officials consulted with their independent financial statement auditor and prepared spreadsheets for 2008 through 2013 to show how these restricted revenues were spent. Some items and amounts allocated on these spreadsheets raised concerns and did not appear allowable and/or reasonable. These spreadsheets were prepared to demonstrate that motor vehicle-related fees and the sales tax revenues had been spent for street related purposes, but adequate documentation was not maintained to support how the percentages were determined and if the percentages were reasonable.

Recommendation
The Board of Trustees determine the balance of restricted street monies and establish a separate fund or a separate accounting of these monies as required by state law. In addition, if disbursements are to be allocated to the Street Fund, the methods used for the allocations should be supported by adequate documentation.

Status
Implemented
In November 2014, the Board of Trustees (Board) voted to restrict \$284,800 of the December 31, 2014, General Fund balance for streets. A separate accounting of street monies is now maintained. The Board Chairperson indicated there are no plans to allocate disbursements in the future.

1.2 Sales tax
The village did not retain the actual ballot language supporting the passage of a 1/2 cent sales tax voted on during the April 6, 1999, election. Without this information it was unclear what the voters actually approved. This led to debates amongst village officials and citizens related to the proper use of these monies.

Spreadsheets showing allocations of restricted street revenues prepared by village officials included these sales tax revenues, indicating the Board's



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intent to spend these funds on street-related purposes. The Board did not seek a legal opinion on the potential restrictions on these sales tax revenues and it was unclear if the current Board intended for these revenues to be restricted. Because it was unclear what ballot language village residents voted on and approved, it was not known if use of these monies was restricted.

Recommendation

The Board of Trustees seek a legal opinion regarding restrictions on the uses of the sales tax, solicit citizen input on the issue, and determine how these monies will be handled in the future. In addition, ensure permanent records are properly retained and preserved.

Status

Partially Implemented

No legal opinion was obtained regarding restriction on the uses of the sales tax and no specific meeting or public hearing was held to obtain citizen input on the matter. However, the Board held several budget work sessions during November and December 2014 to discuss this issue and evaluate how much general revenue monies would be restricted for street purposes and how these monies would be accounted for in the future. The Board Chairperson indicated these work sessions were open to the public and citizen input was welcomed. In December 2014, the Board passed a resolution, effective January 1, 2015, to document its intent for the sales tax to be restricted for street repairs in the future. The Board learned the original copies of ballots have been maintained by Andrew County in the past, but county policy was to destroy those ballots after 5 years. The Board is working with Andrew County to ensure the village receives original ballot information for future ballot measures and plans to retain this information.

1.3 Street maintenance plan

The village had not developed a formal annual maintenance plan for village streets. Village streets were in very poor condition and a relatively small amount of money had been spent to repair/replace them since 2008. As of April 2014, the village had selected an engineering firm to evaluate the condition of the roads and assess the improvements needed.

Recommendation

The Board of Trustee establish a formal annual maintenance plan for village streets.

Status

Implemented

A Street Assessment and Inventory of Pavement Conditions report on all village streets was prepared by the engineering and surveying company hired in 2014. The Board Chairperson indicated village officials are using this report to prioritize maintenance projects for 2015. The village is in the process of preparing bid specifications to repair the 8 highest priority roads.



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2. Wastewater System

The village had not developed a repayment schedule to repay its General Fund for expenses paid during the construction of the new wastewater treatment plant. Village officials also did not approve all construction change orders and overpaid a construction contract. In addition, adequate procedures had not been developed to collect delinquent customer wastewater accounts.

2.1 Loans

It was unclear when the General Fund will be reimbursed for funds paid on behalf of, or transferred to the Wastewater Treatment Plant (WWTP) Fund, to pay for wastewater treatment plant project expenses.

On March 9, 2010, the Board approved resolution 2010-001 stating it would reimburse the General Fund for wastewater treatment plant project disbursements. As of December 31, 2013, \$150,164 had been spent on wastewater treatment plant disbursements from the General Fund. The village did not have a payment plan or time frame for repayment of the loan from the General Fund to the WWTP Fund. Village officials indicated the village planned to repay a portion of the loan with any monies remaining in the wastewater treatment plant construction account. As of January 31, 2014, approximately \$57,000 remained unspent in this account.

Recommendation

The Board of Trustees develop and implement a loan repayment schedule for amounts due to the General Fund from the WWTP Fund.

Status

Implemented

The Board passed a resolution in December 2014 requiring 3 equal transfers of \$50,055 from the WWTP Fund to the General Fund in 2014, 2015, and 2016. The 2014 transfer occurred in December.

2.2 Construction disbursements and change orders

Village officials did not properly monitor wastewater treatment plant construction expenses, resulting in an overpayment of \$25,664 to a contractor. In addition, the Board did not approve a change order made to the initial construction contract for the wastewater treatment plant project. These changes resulted in additional costs to the project.

Recommendation

The Board of Trustees request reimbursement of the overpayment to the construction contractor. In addition, the Board should ensure adequate monitoring of project costs is performed and documented on future projects and change orders are approved.

Status

Implemented

The village received reimbursement of \$25,664 from the contractor in November 2014. No additional projects have been performed by the village.



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2.3 Delinquent accounts

The village had not developed adequate procedures regarding handling and accounting for delinquent wastewater accounts. As a result, a significant amount of wastewater fees had not been collected since collection began in August 2013 and the delinquent account balances continued to grow monthly.

Village Ordinance No. 476 states the village will contact the provider to shut off services if bills become more than 30 days past due. However, the village had not initiated shut off procedures for any delinquent customers nor attempted to collect on these delinquent amounts.

Recommendation

The Board of Trustees follow village ordinance shut off procedures for delinquent wastewater accounts and establish policies and procedures regarding the collection of delinquent accounts.

Status

In Progress

The Board approved hiring a collection agency in November 2014 to collect delinquent accounts for customers who have moved from the village. The village has also amended its contract with the City of St. Joseph to require sending of late notices to current customers with delinquent accounts. A write off and collection policy was adopted in November 2014 and the Board Chairperson indicated the village is currently working with its water provider to implement the provider's required procedures before the company shuts off water of a customer whose sewer payments are delinquent.

2.4 Restricted surcharge

Village officials had not established a separate fund for, nor have they separately tracked the balance of, the restricted surcharge added to wastewater bills. By ordinance, the village added a \$10 surcharge to wastewater bills. These surcharges were comingled with other wastewater revenues in the WWTP Fund. The balance of unspent surcharges was not tracked and the village had no mechanism to determine if the surcharge collections were spent for sewer maintenance in accordance with the village ordinance. During the year ended December 31, 2013, the village collected \$51,443 in surcharges.

Recommendation

The Board of Trustees determine the balance of restricted wastewater monies and establish a separate fund or a separate accounting of these monies as required by village ordinance.

Status

Implemented

The Board decided to begin 2015 with a \$0 balance of restricted wastewater monies and has developed a separate accounting for these monies.



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3.1 Disbursements - Written contracts The village did not have a written contract with, or charge a fee to, the local fire protection district for services provided for the district. In addition, the village did not have written contracts with the Andrew County Circuit Court to process the village's traffic tickets, a mowing company, or the village's attorney.

Recommendation The Board of Trustees enter into written agreements defining services provided and benefits received.

Status **Implemented**

The Board approved contracts with the local fire protection district and village attorney in April 2014, and has established a contract with the mowing company for 2015. The village did not establish a contract with Andrew County Circuit Court to process traffic tickets, but received a letter from the Andrew County Circuit Clerk indicating the hourly pay for the deputy clerk handling village tickets. The village employs the deputy clerk on a part-time basis and pays her for 5 hours work per week through the village payroll.

3.3 Disbursements - Board approval The village paid some disbursements electronically through its bank's bill payment system without Board approval. The Board generally reviewed and approved disbursements during Board meetings by reviewing a list of disbursements prepared by the Village Clerk, however, there were instances where electronic payments were not included in the list and approved by the Board.

Recommendation The Board of Trustees ensure all invoices are reviewed and approved by appropriate officials prior to payment.

Status **Implemented**

The village has hired an accountant to handle many of its accounting functions, including preparation of checks. The Board Chairperson or another Board member reviews all invoices at the accountant's office prior to signing checks. We reviewed all April 2015 payments and invoices and the Board Chairperson has signed off on each invoice. Paying bills electronically has been discontinued.

3.6 Disbursements - Late fees, finance charges, and sales tax The Village Clerk did not ensure bills were paid timely resulting in the village incurring late fees and finance charges. In addition, the village did not ensure all vendors were notified of the village's sales tax exemption status resulting in unnecessary expenses.

Recommendation The Board of Trustees implement procedures to ensure bills are paid timely and all vendors are aware of the village's sales tax exempt status. In



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addition, the village should attempt to recover any unnecessary sales tax paid.

Status

Implemented

We reviewed all disbursements for April 2015 and noted the village paid all invoices timely and incurred no late charges. The village requested and received approximately \$3,100 in sales tax refunds from various vendors in 2014 and the Board Chairperson indicated all current vendors are aware of the tax exempt status of the village.

4.1 Accounting Records
and Procedures -
Segregation and
oversight

The Board had not segregated accounting duties and there was not adequate independent oversight of the work performed by the Village Clerk.

Recommendation

The Board of Trustees segregate accounting duties to the extent possible and ensure a documented supervisory review of the accounting records is performed.

Status

Implemented

The village hired an accountant in 2015 to perform many of the accounting duties, including deposit preparation, check preparation, and bank reconciliations. The Board receives reports of all financial activity, along with bank reconciliations, on a monthly basis. The Village Clerk prepares a log of all monies received, which is transmitted to the accountant, along with the monies that need to be deposited. The accountant is responsible for ensuring all monies received are deposited, and provides a copy of the deposit receipt to the Village Clerk periodically.

4.3 Accounting Records
and Procedures - Bank
reconciliations

The Village Clerk did not perform bank reconciliations for any of the village's 6 bank accounts and did not maintain a running checkbook balance for these accounts.

Recommendation

The Board of Trustees ensure monthly bank reconciliations are prepared for all bank accounts and running checkbook balances are maintained.

Status

Implemented

Copies of the April 2015 bank reconciliations for all accounts were provided for our review and running checkbook balances are now maintained and agreed to the reconciled balances of the accounts.



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4.5 Accounting Records
and Procedures -
Receipting and
depositing procedures

Receipt slips were not always issued for payments received. Receipt slips were generally written for walk-in payments only. In addition, receipt slips did not always document the method of payment received, and the composition of receipts was not reconciled to the composition of the deposit. Furthermore, receipts were not always deposited timely.

Recommendation

The Board of Trustees ensure receipt slips are issued for all monies received and the numerical sequence of receipt slips is accounted for properly. The method of payment should be documented and the composition of receipts reconciled to the composition of deposits. Additionally, the Board should ensure receipts are posted to the accounting system and deposited timely.

Status

Partially Implemented

We reviewed April 2015 receipts and deposits. Village personnel issued receipt slips for all monies received and the numerical sequence was accounted for. The method of payment was not recorded for many of the receipt slips issued and the accountant had to mark the method of payment on those receipt slips. The Board Chairperson indicated a temporary clerk was employed during April 2015 and a new clerk was hired in May 2015 and she will be instructed to ensure the method of payment is marked on receipt slips issued. The accountant reconciled the composition of receipts to the composition of deposits for April 2015, but did not post the receipts to the system or make deposits timely. He made three separate deposits on April 20, 2015, which included all receipts from the beginning of the month.

5. Budgets

Village budgets were not complete and prepared in compliance with state law. In addition, public hearings were not held concerning their adoption.

- The 2014 and 2013 budgets did not contain a budget message, actual receipts and disbursements for the 2 preceding years for comparison purposes, or amounts related to the debt of the village. In addition, beginning available resources and estimated ending available resources were not included in these budgets but are needed to present a complete financial plan for village finances.
- A budget was not prepared for the WWTP Fund in 2013, the plant's first year of operation, and in the 2014 budget, the wastewater treatment plant activity was included in the General Fund budget.
- For the 2014 and 2013 budgets, village officials did not hold a public hearing to obtain resident input.

Recommendation

The Board of Trustees prepare complete budget documents for all village funds in accordance with state law and ensure a public hearing is held to obtain input from village residents.



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Status

Implemented

We reviewed the 2015 budget and determined it was complete and included all elements required by state law. While a separate public hearing on the budget was not held, several public budget work sessions were held during November and December 2014 where citizens could provide input.

6.2 Ordinances and
Sunshine Law Issues -
Closed meetings

Some topics discussed and voted on in closed meetings were not allowable or were not subsequently disclosed in open meetings in accordance with the Sunshine Law.

Recommendation

The Board of Trustees ensure meeting minutes publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, only allowable topics should be discussed in closed meetings.

Status

Implemented

We reviewed the minutes of the 6 closed Board meetings held between October 2014 and April 2015. We did not identify any unallowable topics being discussed in closed meetings, and noted final disposition of matters discussed was disclosed as required.