



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Wellston

Report No. 2018-011
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City of Wellston

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA **Missouri State Auditor**

To the Honorable Mayor
and
Members of the City Council
Wellston, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2017-039, *City of Wellston* (rated as Poor), issued in May 2017, 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 city 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 has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by city officials and held discussions with city officials to verify the status of implementation for the recommendations. Documentation provided by the city included minutes of meetings, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during January and February 2018.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

City of Wellston

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Status of Findings

1. Accounting Controls and Procedures

Numerous weaknesses existed with the city's accounting controls and procedures. Some monies were handled and processed by employees at city hall, while other monies were deposited directly into the city's bank accounts by the payor.

1.1 Receipting and depositing procedures and recording of accounting entries

The city's procedures for receipting payments and making deposits were poor, and there were no procedures to ensure all receipts were recorded in the computerized accounting system. As a result, there was no assurance all monies collected were properly receipted, recorded, and deposited.

City personnel issued prenumbered manual receipt slips for all monies received, which were carbon copied to a manual cash receipts ledger. We compared receipts to deposits into the city's general account and road and bridge account and identified various problems.

- Deposits were not always made timely and intact.
- Receipt slips were not always issued in numerical sequence.
- City personnel did not issue receipt slips for some transactions, and did not retain some deposit slips.
- City personnel did not reconcile the amount or composition of recorded receipts to the computerized accounting system or deposits.

In September 2015, the city hired an independent accountant to handle the recording of all receipts and disbursements in the computerized accounting system, perform bank reconciliations, and assist the city with preparing the financial data and reports used to draft a budget proposal for the City Council.

Based on the unavailability and disorganization of various city records, it was likely additional problems with the receipting, recording, and depositing of monies occurred.

Recommendation

The City Council implement procedures requiring city personnel to make deposits intact and timely, properly account for the numerical sequence of receipt slips, issue receipt slips in numerical sequence, issue receipt slips for all monies received, and retain deposit slips. The Council should also ensure procedures are implemented to reconcile the amount and composition of receipts to the computerized accounting system and deposits.

Status

Implemented

City personnel said they now prepare deposits when checks and money orders received exceed \$1,000. After the city transferred all court operations to the City of St. Ann in February 2017, the city discontinued accepting cash or credit card payments. In September 2017, the Council approved hiring a part-



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time City Treasurer who makes the deposits, and the city's independent accountant (hired in September 2015) records the deposits in the computerized accounting system. The City Treasurer continues to receive on the job training for various accounting duties. The City Administrator and Assistant City Administrator receipt monies, issue receipt slips, and maintain the manual one-write accounting ledger. On a bi-weekly basis, the independent accountant matches the prenumbered manual receipt slips to the deposit slips and manual one-write accounting ledger, and accounts for the numerical sequence of all receipt slips. The independent accountant determines the proper classification for payments received, records the individual receipts and/or deposits in the accounting system, and compares the composition of checks and money orders per the receipt slips to the deposit records to ensure agreement. The independent accountant said she ensures all accounting records are organized and filed correctly to prevent them from being lost or misplaced.

We reviewed bank statements for the city's General bank account for June 2017 and December 2017 and noted deposits are being made timely. In addition, we reviewed 25 receipt slips and 5 deposits for the period January 16, 2018, through January 25, 2018, and noted all receipt slips were accounted for, deposits were made intact and timely, receipt slips were issued in numerical sequence and for all monies received, and deposit slips were retained.

1.2 Bank reconciliations

Bank reconciliations were not performed for any of the city's bank accounts during the year ended June 30, 2015. The city subsequently contracted with an independent accountant who was preparing these reconciliations monthly; however, the reconciliations were not presented to the Council, or formally reviewed or approved by the Council or other city personnel.

Recommendation

The City Council perform monthly documented reviews of bank reconciliations.

Status

In Progress

The independent accountant continues to prepare monthly bank reconciliations for all bank accounts. The Council receives a copy of the General bank account reconciliation, and approves it along with other items included in the monthly City Treasurer's report. The Council does not receive copies of the bank reconciliations for the other bank accounts. However, a majority of the Councilmembers said they do not wish to receive copies of those reconciliations, and are aware they may request to review them if considered necessary. The Mayor indicated the city plans to require the City Treasurer to begin performing an independent documented review of the monthly bank reconciliations once he has a complete understanding of the city operations and his duties.



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1.3 Segregation of duties	The Council had not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel were performed.
Recommendation	The City Council segregate the accounting duties of the city office personnel. If proper segregation cannot be achieved, ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
Status	Implemented As discussed in the Section 1.1 status comments, the city has implemented new controls and procedures to ensure accounting duties are adequately segregated and/or independent or supervisory reviews of detailed accounting and bank records are performed.
2. Monitoring Financial Condition	The financial condition of the General Fund had declined in recent years and was not expected to improve significantly in the immediate future. In addition, the city's financial records were not complete and accurate, making it difficult for the Council to effectively monitor the city's financial condition.
Cash flow	The city struggled to generate sufficient cash flow to sustain operations. Also, the city paid significant settlement amounts in recent years resulting from various lawsuits.
Municipal court	City personnel indicated revenues generated by the municipal court significantly declined after Senate Bill 5 took effect in August 28, 2015. As a result of the city's poor financial condition, insufficient cash flow, and existing obligations to pay for goods and services, the city improperly expended some restricted court monies.
Cost reductions	The Council took several significant actions to improve the city's financial condition. The Council disbanded the city's police department and entered into a contract with the North County Police Cooperative to provide policing services. In addition, the Council dissolved the city's municipal division and entered into a contract with the City of St. Ann for court services.
Insufficient monitoring	The Council was not provided sufficient information to adequately monitor the city's financial condition. Members were provided a monthly financial report that summarized information from the bank statements including a summary of the beginning balance, receipts, disbursements, transfers, and ending balance for the month; but did not receive bank reconciliations or other reports that would provide more information regarding available fund balances, historical financial data, projections of current and future liabilities, and detail on the types of major receipts or disbursements.



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Recommendation

The City Council ensure it receives detailed financial data monthly, perform long-term planning, and closely monitor and take necessary steps to improve the city's financial condition.

Status

Partially Implemented

Councilmembers indicated monthly City Treasurer reports are still provided for all bank accounts but they are not receiving any additional financial information. City officials and the Council are aware of and continue to closely monitor the city's declining financial condition and the city's ongoing problems generating sufficient cash flows to sustain city operations. During October, November, and December 2017, the Council held several town hall meetings and budget committee workshops to discuss ideas for increasing operating revenues and/or decreasing operating expenses. For example, the Council has discussed attempting to sell about 75 vacant city-owned lots. Councilmembers indicated if these lots are privately developed, city revenues could increase and the city's operating expenses for maintaining them would decrease. The Council has not made a final decision on what to do with the lots.

Also, Councilmembers said the city's continued participation in the North County Police Cooperative and Consolidated Municipal Court (CMC) has reduced operating expenses. They said the city must continue to pay for the court's computerized case management system, even though the city no longer operates a municipal court, because CMC staff continue to work on resolving the backlog of old cases, and the contract with the system's vendor has not yet expired. Also, we noted the city is still incurring monthly fees of about \$140 for leasing 2 credit card machines even though these machines are no longer in use. Councilmembers indicated they would work on ending these leases.

Councilmembers said the city is still struggling with generating sufficient cash flows to sustain daily operations and often cannot pay bills timely. The city continues to incur unnecessary expenses and/or make unnecessary purchases as discussed in the status comments to MAR finding number 4.5.

Although Councilmembers said they plan to closely monitor the budget once one is established (see the status comments to MAR finding number 3.1), they have not developed a formal long-term plan for the city.

3. Budgets, Financial Reporting, and Ordinances

The city had not complied with various state laws including preparing an annual budget for each fund, publishing semiannual financial statements, and filing annual financial reports timely. In addition, improvement was needed in ordinances.

3.1 Budgets

The City Council did not prepare a budget for any city funds.



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Recommendation The City Council prepare annual budgets for all funds that contain all information as required by state law, and approve the budget prior to the beginning of the operating year.

Status **Not Implemented**

The Council has taken some actions to move forward with drafting a budget; however, those action are incomplete and untimely. The independent accountant has drafted a fiscal year 2018 operating budget that includes only the General and Payroll Funds, but not other funds. The Council plans to vote to approve that budget at its February 2018 meeting, more than 7 months after the beginning of the fiscal year (July 1, 2017). Councilmembers said this is occurring late in the fiscal year, but they feel this first step is necessary to get them moving in the right direction. They will begin discussing the fiscal year 2019 budget in April 2018 and plan to have the independent accountant draft a full budget to include all city funds. The Council provided us with the draft fiscal year 2018 budget and we noted the budget proposal as presented did not include all statutorily required elements. The independent accountant said she will incorporate the required elements in the fiscal year 2019 budget.

3.2 Published financial statements The city did not prepare and publish financial statements as required by state law.

Recommendation The City Council ensure publication of the city's semiannual financial statements as required by state law.

Status **Not Implemented**

The city has not published semiannual financial statements. The Council plans to request the independent accountant start working on this issue when time allows, after the budget work is completed.

3.3 Filing of financial reports City personnel did not file timely or accurate annual financial reports with the State Auditor's Office as required by state law, and continued to make disbursements after the statutorily required deadline for submitting the financial report in violation of state law. In addition, the previous report filed did not include all required elements.

Recommendation The City Council submit annual financial reports to the State Auditor's Office as required by state law, and discontinue processing any disbursements until the financial report is properly filed with the State Auditor's Office.

Status **Not Implemented**

The city has not filed the required financial reports for fiscal years 2016 and 2017 and continues to process disbursements. The Council plans to request



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the independent accountant start working on this issue when time allows, after the budget work is completed.

Statutory revisions effective August 28, 2017 (subsequent to release of the audit report in May 2017) impose additional penalties for not filing timely financial reports. The city was notified by the state Department of Revenue in January 2018 that its 2017 financial statement had not been filed by the due date. If the city does not file its report as required by this notification it may be subject to a fine of \$500 per day.

3.4 Ordinances

City ordinances were not complete or organized. Ordinances were last codified in 1996, and an up-to-date official ordinance book had not been maintained. The city did not maintain an index of all ordinances passed and rescinded.

Recommendation

The City Council ensure city ordinances are maintained in a complete, well-organized, and up-to-date manner, and establish an index of all ordinances passed and rescinded.

Status

Not Implemented

The Council has no specific plans to implement the recommendation. One councilmember said he has done some informal research regarding this matter and noted many cities post detailed information on city ordinances on their websites. He plans to request the Council vote to implement a similar feature once the city's website, which is under development, is functional.

4.1 Disbursements - Bidding

City personnel did not always solicit competitive bids or proposals for goods and services, and the city's ordinance for procurement needed to be clarified to indicate when bidding was required. City personnel indicated they only solicit competitive bids for projects funded by a federal grant for various purposes such as demolition of abandoned structures and street paving.

Section 2-8 of the city code stated sealed bids shall be solicited for any purchases exceeding \$1,000. However, section 2-9 of the code exempted bidding requirements in certain circumstances. These exceptions were broad and vague, which could lead to varying interpretations.

Examples of significant purchases of goods or services for which bids or proposals were not solicited included workers compensation insurance (\$53,199), payroll processing services (\$4,732), information technology services (\$4,541), and fuel (\$36,478).

Recommendation

The City Council solicit bids and proposals for all applicable purchases and clarify city code to indicate when bidding or solicitation of proposals is required.



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Status

Partially Implemented

City officials said they have recently solicited informal bids and/or obtained price quotes for purchases of various goods and services including pothole patching, lawn mowers, asphalt paving, and tree trimming. However, with the exception of the asphalt paving project (vendor selected using sealed bids) and pothole patching (vendors were required to submit written bids) personnel obtained informal bids and/or price quotes by contacting known local vendors but did not maintain any documentation to support the information obtained. For the majority of professional services examples cited in the audit report finding, the city did not change how these services are obtained. The officials said we received some wrong information during the audit because workers compensation insurance has always been bid annually through an insurance broker.

We noted the city issued a contract dated August 2, 2017, to a local vendor to perform pothole patching. This vendor was the low bidder; however, this vendor did not incorporate with the Missouri Secretary of State's Office until August 10, 2017, and the Council approved acceptance of the contract and payment on August 16, 2017. Given the documentation and circumstances, the city selected an individual who did not have a construction and maintenance business established on the date the contract was issued.

The Council has not revised city code provisions pertaining to bidding or solicitation of proposals, and has no specific plans to do so.

4.2 Disbursements -
Mayor's fuel usage

The Mayor's use of city purchased fuel did not appear reasonable and necessary, was not properly reported as a taxable benefit to the Internal Revenue Service (IRS) on W-2 forms, and had not been authorized by the Council. Also, the city had not prepared a written agreement or guidelines regarding allowable fuel usage. The Mayor was not provided a city-owned vehicle and used his personal vehicles for city business.

The Mayor fueled his personal vehicles at the St. Louis County gas pumps and charges were billed monthly to the city. The Mayor took office in November 2014 and was provided access to the pumps starting in February 2015. During the 11 months ended December 31, 2015, the Mayor pumped approximately 1,570 gallons of fuel billed to the city.

According to the Mayor, he used his card to fuel vehicles used for city business by a public works employee who left employment in June 2015, and a code enforcement officer who passed away in February 2016. He also indicated he fueled the vehicle used by the city's building inspector.

The city did not report the fuel as a taxable benefit on the Mayor's W-2 forms, and the Mayor did not prepare or submit a mileage log to record the personal and business use of fuel.



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Recommendation

The City Council implement a written agreement or guidelines governing the use of city purchased fuel. Also, the Council should consider using vehicle allowances or mileage reimbursement to better ensure the city is only reimbursing reasonable and necessary expenses incurred by officials while traveling on city business. In addition, the Council should ensure the city complies with IRS regulations for reporting taxable employee fringe benefits, and amend prior W-2 forms.

Status

Partially Implemented

The Mayor has recently been assigned a city-owned vehicle to use for city business, is allowed to use the vehicle for commuting to/from home, and was instructed to only use the fuel key for that vehicle. Also, in December 2017, the city worked with the fuel vendor to assign separate fuel keys for each of the 5 city vehicles plus one master key for fueling equipment, and each employee was provided training on how to use the system.

The Council approved a new fleet ordinance in September 2017 covering various vehicle standards and/or requirements including identification, assignment and take-home rights, and fuel. The ordinance also addressed purchasing of vehicles. The Council is currently discussing a draft fleet policy that expands on the ordinance's requirements, and plans to vote on its approval in the near future. The draft policy is comprehensive, has clearly stated objectives, and addresses various areas such as requirements and responsibilities for vehicle operators, including proper usage of municipal vehicles, maintenance, and various other topics.

Regarding the Mayor's prior or current vehicle arrangement with the city, the Council has not taken any action to ensure the city complies with IRS regulations for reporting taxable employee fringe benefits. The city did not amend prior W-2 forms.

**4.3 Disbursements -
Council approval**

The Council did not approve all disbursements. City personnel only submitted a listing of payments considered non-recurring to the Council for approval and, as a result, the Council only approved a small percentage of total disbursements. City officials considered utilities, insurance, payroll, employee benefits and deductions, fuel, interfund transfers, and municipal court activities to be recurring types of expenditures. At least some of these types of disbursements were subject to significant fluctuation each month, were of higher risk, and/or were subject to abuse.

Recommendation

The City Council review and approve all disbursements and ensure approval of disbursements is documented.

Status

Not Implemented



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The Council approved a motion on September 6, 2017, requiring all payments from any city bank account to be formally approved by the Council prior to payment. However, we reviewed disbursements for the period September 6, 2017 to December 31, 2017, and noted the Council is not complying with this policy. We noted instances where bills, both recurring and non-recurring, were paid without documented Council approval.

4.5 Disbursements -
Unnecessary
disbursements

We identified several wasteful or unnecessary disbursements.

- The city incurred \$940 in finance charges on funding obtained from a finance company so that it could pay the annual workers compensation insurance policy premium.
- The city incurred about \$2,400 in bank service charges on the 3 bank accounts that had the most financial activity during the year ended June 30, 2015. Similar charges were also incurred on other city accounts.
- The city paid conference registration fees and booked lodging arrangements for the Mayor and 4 councilmembers to attend a conference for local government officials; however, 3 councilmembers did not attend. The city received only a partial refund, forfeiting about \$680.
- The city paid a utility bill several weeks after the due date, incurring late fees of \$72.

Recommendation

The City Council ensure purchases are reasonable and prudent uses of public funds.

Status

Not Implemented

The independent accountant said the city is still incurring additional charges on the workers compensation policy because premiums are paid in monthly installments, but the city is no longer incurring loan financing costs. Due to continued cash flow issues, the city is still incurring significant late fees and the financial situation has continued to worsen. We reviewed several recent invoices and identified additional examples of wasteful or unnecessary disbursements.

- In May 2017 the city purchased, through a financing agreement, 5 new commercial mowers and other mowing equipment at a cost of nearly \$39,000. The majority of councilmembers agreed this was a tough but necessary decision because various citizens were demanding better maintenance and upkeep of about 75 vacant city-owned lots, and city parks. The equipment is primarily used to mow these lots and parks that cover minimal acreage. Also, the second monthly invoice for this purchase included a \$27 late fee because of late payment for the first invoice.



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- The January 2018 invoice from the City of Vinita Park for policing services showed the city had a balance due of almost \$161,000 that included the recurring contractual monthly charge for November 2017, December 2017, and January 2018, plus a 5 percent late fee on the past due balances.
- A utility company invoice dated September 7, 2017, indicated the vendor requested the city post a deposit of \$10,090 to continue receiving street lighting services. The city's balance had accumulated over 2 months and exceeded \$10,400. The city did not immediately comply as requested by the vendor, but subsequently submitted a payment for \$10,193 on October 11, 2017, for the past due balance and late fees.
- The city continues to incur significant bank service charges. As of January 2018, the city had 11 bank accounts open at 2 different banks. The banks assessed service and/or analysis charges totaling about \$574 for December 2017. Two accounts had negative cash balances.

We also noted that the Mayor issued checks to cash and obtained 4 cashier's checks from the Road and Bridge Account for \$2,100 during the months of June, July, and August 2017, and the Council did not approve these transactions. The Mayor provided invoices for the services paid, which included emergency street repair, tree removal, and debris removal. The Mayor said he wrote the checks in this way because no official checks were on hand for the account and he had to use counter checks provided by the bank. The Councilmembers indicated they subsequently instructed the Mayor not to issue checks without their approval in the future. We noted 3 of the 4 checks only had 1 signature, which violates city policy.

5. Sunshine Law

The Council generally met twice per month and did not always comply with the Sunshine Law.

In May 2016, the city received a letter from the Missouri Attorney General's Office (AGO) outlining the results of that office's investigation and review of the city's compliance with certain aspects of the Sunshine Law. The letter noted various compliance concerns and requested city officials take corrective actions. We identified similar concerns.

5.1 Record requests

The city did not timely respond to public record requests, and the City Administrator (the city's custodian of records) did not maintain a log of public record requests and did not always document the date a request was received. The city was sued twice for failure to respond to requests. The city did not implement any changes in procedures to prevent future violations of the Sunshine Law.

Recommendation

The City Council ensure requests for information are responded to timely and maintain a public request log to help ensure compliance with state law.



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Status

Partially Implemented

The City Administrator indicated she had developed an electronic log to track Sunshine Law requests, but she could not provide it to us. Instead, she provided numerous email messages the city had received in recent months but only a few were Sunshine Law requests. For those requests, documentation showed the city responded within 3 business days as required.

5.2 Closed sessions

The city did not comply with state law regarding closed sessions.

Reasons for closing meetings

Open meeting minutes did not document the specific reasons or section of law allowing the meetings to be closed. Most meeting notices and agendas included a statement that a closed session would be held, in the event the Council wanted to enter closed session, and the statement generally included the same list of potential discussion matters.

Allowable topics

Some topics discussed and voted on in closed Council meetings were not allowable under the Sunshine Law.

Recommendation

The City Council ensure specific reasons for closing a meeting are documented in the open minutes, and ensure only topics allowed by state law are discussed in closed Council meetings.

Status

Partially Implemented

We reviewed all closed session minutes provided for the period July 2017 through December 2017. The city attorney said the Council and city officials are doing better staying on point in the closed meetings and only discussing the topics cited as reasons for entering closed session. We did not identify any instances of unallowable topics being discussed.

Open meeting minutes still do not document the specific reasons or section of law allowing the meetings to be closed. City officials continue to prepare meeting notices and agendas in the same manner noted during the audit, and indicated no plans for changing this process.

5.3 Meeting minutes

Minutes for several Council meetings could not be located, and sufficient documentation was not retained when Council meetings were canceled. In addition, for the minutes provided, the City Administrator had not signed them as the preparer, and some minutes had not been subsequently approved by the Council or approved timely.

Recommendation

The City Council maintain complete and accurate minutes for all meetings and ensure meeting minutes are signed by the preparer. Also, ensure meeting minutes are timely reviewed and approved.



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Status

Not Implemented

We reviewed all open and closed session minutes provided to us for the period July 2017 through December 2017. The city could not locate closed minutes for 3 closed meetings held during that time. The City Administrator had not signed any of the minutes as the preparer. Also, closed minutes from February and March 2017 were not approved timely, and minutes of 2 closed sessions held in April 2017 had not been approved.

5.4 Agendas

The city did not include sufficient details in meeting notices and agendas to advise the public of all matters to be considered. Notices and agendas included vague statements such as new business, unfinished business, and old business. In addition, the meeting notices and agendas were not provided for some meetings.

Recommendation

The City Council ensure proper notification and agendas for public meetings are given and sufficiently detailed.

Status

Partially Implemented

Councilmembers are now required to submit their agenda items to the Mayor several days prior to the scheduled meeting so these issues can be added to the official agenda before it is printed. The notices and agendas we reviewed included significantly more detail on the topics to be discussed. The city could not locate or provide the agendas from 2 meetings held in September and October 2017.

**6.1 Salaries and Employee
Leave - City
Administrator leave
payouts**

The City Administrator received two payouts of accrued vacation leave, one of which was not adequately supported by the city's leave records. These payouts violated the city's personnel policy and were not approved by the Council. In addition, while the Council was notified of concerns regarding the first leave payout, sufficient actions were not taken to further investigate the matter. Personnel policies do not specify who should authorize payment of accrued leave and the Council does not pre-approve payroll transactions, increasing the risk that improper payments may occur and not be detected.

In April 2014, the City Administrator was paid for 290 hours of vacation, costing the city about \$5,000 but the payout was not supported by the city's leave records. The City Administrator indicated the payout was valid because employee turnover in the bookkeeping department prior to 2014 resulted in record-keeping errors that understated her vacation leave balance by 200 hours; however, she provided no additional records or other documentation to support this claim. In addition, the City Administrator was paid for 64 hours of vacation in December 2015, costing the city about \$1,100, without Council approval.



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Recommendation

The City Council review and revise personnel policies to ensure provisions regarding vacation leave and payouts are clearly defined. Additionally, the Council should determine if recovery of overpayments is warranted, pre-approve any future vacation payouts before they occur, and develop procedures to monitor employee leave records.

Status

Partially Implemented

Councilmembers said they held discussions after the release of the audit and decided not to pursue recovery of monies from the City Administrator due to the poor leave balance records. A majority of the Councilmembers at our meeting agreed that no payouts of leave would be made in the future unless authorized by the Council. The Council has not made a formal decision on changes to personnel policies or prepared a draft of proposed changes, but Councilmembers said revisions to the personnel manual will be a priority in the near future. The Council has taken no action to develop procedures to monitor employee leave records for accuracy and completeness.

6.2 Salaries and Employee Leave - Mayor pro-tem salary

The city violated state law and overpaid an elected official who served a dual role.

The former mayor was removed from office by a judge's order in May 2014, and the position remained vacant until a new mayor was elected and took office in November 2014. During the time of the vacancy, a court-appointed receiver provided independent oversight over the city's financial transactions. The City Council elected a new Mayor Pro-Tem in September 2014 who served as Acting Mayor until November 2014 and continued to serve in the role of Mayor Pro-Tem. The city overpaid the Acting Mayor a pro-rated salary of about \$1,625 over a three-month period. During this time, she improperly received both the monthly salary as a councilmember of \$625 plus the monthly salary as mayor of \$1,667.

Recommendation

The City Council review and determine if recovery of the overpayment is warranted, and ensure any similar future payments, if needed, comply with state law.

Status

Implemented

The Council held further discussions and consulted with the city attorney after the release of the audit. Based on those discussions and the city attorney's verbal opinion, a decision was made not to pursue recovery of monies from the Mayor Pro-Tem.

7. Restricted Monies

The city was not properly tracking and recording certain restricted monies. State motor vehicle-related and half-cent Capital Improvements Sales Tax monies were comingled with general purpose monies rather than being accounted for in separate funds. City personnel deposited these monies into



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the General Fund, and while they tracked receipts by restricted source, they did not track the subsequent disbursements and balances. As a result, the city could not determine what portion of the General Fund represents restricted monies. Also, the city could not demonstrate disbursement of the funds occurred in accordance with state law, applicable ballot language, and/or city ordinance.

Recommendation

The City Council determine the amount of restricted monies in the General Fund and establish separate funds or a separate accounting of these monies.

Status

In Progress

No actions had been taken prior to our follow-up review to implement this recommendation. In January 2018, the Council instructed the independent accountant to establish separate bank accounts for the restricted monies to allow for more transparent tracking of the associated receipts and disbursements. This change is expected to be implemented within 60 days.