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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Winona

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City of Winona

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 Board of Aldermen
City of Winona, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2018-069, *City of Winona* (rated as Poor), issued in September 2018, 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 for which follow up is considered necessary, 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 discussion with city officials to verify the status of implementation for the recommendations. Documentation provided by the city included minutes of meetings, financials records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during March 2019.

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

Nicole R. Galloway, CPA
State Auditor

City of Winona

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Status of Findings

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|-----------------------------------|---|
| 1. Missing Monies | The audit identified at least \$42,546 of recorded utility and miscellaneous receipts that were not deposited between January 1, 2015, and March 29, 2017. |
| Undeposited cash receipts | Recorded cash receipts totaling at least \$34,689 were not deposited between January 1, 2015, and March 21, 2017. Unrecorded checks totaling \$31,601 were substituted into deposits for the recorded cash receipts not deposited. Most of the unrecorded checks were city checks issued by the City Clerk for the transfer of monies from one bank account to another. In addition, manual receipt slips were issued for some monies received that were not included in the deposit reports and were not deposited totaling \$3,088. |
| Undeposited check payments | Utility receipts totaling at least \$7,245 were recorded as check payments from January 1, 2015, through March 21, 2017, but these checks could not be traced to a deposit. |
| Cash count and subsequent deposit | Our March 28, 2017, cash count and review of the subsequent deposits identified cash shortages of \$612. |
| Questionable utility transactions | A review of April 2017 deposits identified questionable cash deposits and utility account postings that occurred 10 days after the cash count. The cash payments were recorded on April 5 and 6, 2017, to 17 old inactive utility accounts with balances due. This cash was not on hand at the time of our cash count and it is unlikely these customers all paid on the same days. |

Recommendation	The Board of Aldermen continue to work with law enforcement officials regarding prosecution of the missing monies and take the necessary actions to seek restitution for amounts missing.
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Status	Implemented The Board of Aldermen indicated they are continuing to work with law enforcement officials regarding prosecution of the former City Clerk and will take the necessary action to obtain restitution. A criminal charge of stealing was filed against the former City Clerk and the case is ongoing as of April 2019.
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- | | |
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| 2. Oversight, Segregation of Duties, and Annual Audits | The Board of Aldermen did not provide adequate oversight of the City Clerk and the Utility Clerk positions or obtained annual audits as required by state law. |
| 2.1 Oversight and segregation of duties | The Board had not established adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk and the Utility Clerk. |



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Recommendation The Board of Aldermen segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Status **Implemented**

The City Clerk indicated deposits are currently reviewed by city personnel independent of the personnel collecting monies and preparing the deposits. Each month, the City Clerk reconciles utility system receipts to the amounts recorded by the Utility Clerk in the city's accounting system. The Utility Clerk prepares reports of utility billings, collections, and delinquent accounts monthly that are presented to the Board for review. The Mayor reviews bank statements and bank reconciliations monthly. During our review of accounting records for December 2018, we noted documentation of these various reviews.

2.2 Annual audits The city did not obtain annual audits as required.

Recommendation The Board of Aldermen obtain annual audits of the waterworks and sewerage system as required by state law.

Status **In Progress**

The city entered into an engagement letter dated March 8, 2019, with an accounting firm to perform an audit of the city for the year ended December 31, 2017. This audit had not yet been completed as of the end of March. The City Clerk indicated the same accounting firm will also perform an audit for the year ended December 31, 2018, after the year ended December 31, 2017, audit is completed.

3.1 Cash Handling Procedures and Bank Accounts - Receipting, recording, and depositing The city's procedures for receipting, recording, and depositing monies were poor.

Receipting The Utility Clerk did not issue official prenumbered receipt slips for some monies received, account for the numerical sequence of manual receipt slips or electronic receipt numbers, and reconcile manual receipt slips issued to the utility system or monies deposited. Also, the top copy of 12 receipt slips voided during the period January 1, 2015, through March 21, 2017, were not retained.

Recording The City Clerk and Utility Clerk improperly recorded vendor payments and third-party checks to customer utility accounts. Rather than paying a local tire vendor directly for services rendered, the City Clerk issued checks made



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payable to the city for amounts owed to the vendor and used those checks to pay the vendor's utility balance. The Utility Clerk sometimes accepted third-party checks from customers as payments for utility bills. The Utility Clerk often recorded these receipts as cash payments instead of checks, creating differences in composition.

Depositing

The Utility Clerk did not deposit receipts intact or timely or reconcile the composition of receipts to the composition of deposits. The Utility Clerk sometimes held checks at the request of customers. The City Clerk and Utility Clerk cashed checks for city employees, family members, and utility customers. The Utility Clerk improperly recorded utility payments for the Mayor and Board of Aldermen, resulting in records not reflecting actual transactions as they occurred and causing discrepancies in deposits. The clerks indicated they used cash on hand to reimburse the bank for non-sufficient funds (NSF) checks received. The Utility Clerk did not deposit receipts timely.

Recommendation

The Board of Aldermen ensure receipt slips are issued for all monies received; all copies of voided receipt slips are retained; the numerical sequence of receipt slips and electronic receipt numbers is accounted for; the composition of receipts is reconciled to the composition of deposits; and monies are deposited timely and intact. The Board should also ensure payments are properly recorded for vendors and the Mayor and Aldermen's compensation. In addition, the Board should discontinue the practice of accepting third-party checks, cashing personal checks, and using cash receipts to reimburse the bank for NSF checks.

Status

In Progress

We reviewed financial activity for December 2018, and noted receipt slips were not issued for monies received for some recycle bags, or for checks received for property taxes, merchant licenses, and other miscellaneous fees. The City Clerk indicated the city has purchased a new computer system that will issue receipt slips for all transactions in the future. The City Clerk indicated voided receipt slips are now retained. No manual receipt slips were voided during the financial activity reviewed for December 2018. The City Clerk indicated city personnel account for the numerical sequence of manual receipt slips by reviewing the prior receipt slip issued to ensure no receipt slips have been skipped. She also indicated she accounts for the numerical sequence of manual and electronic utility receipts as she records them in the electronic accounting system. During our review of December 2018 records, we were able to account for the numerical sequence of manual and electronic receipts. In addition, the composition of receipts was reconciled to the composition of deposits, and monies were deposited timely and intact.



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The City Clerk indicated payments to vendors and the Mayor and Aldermen for compensation are properly recorded and that the Mayor and Aldermen's utility bills are no longer reduced as a form of compensation. The City Clerk indicated the practice of accepting third-party checks, cashing personal checks, and using cash receipts to reimburse the bank for NSF checks was discontinued. During our review of December 2018 records, we noted the city did not accept any third-party checks, cash personal checks, or use cash receipts to reimburse the bank for NSF checks.

3.2 Cash Handling
Procedures and Bank
Accounts - Bank
accounts

The city maintained an excessive number of bank accounts, resulting in cumbersome record keeping, and it was unclear whether the city had the legal authority to maintain an annuity. The Board subsequently closed the annuity in 2018 and deposited the monies into a checking account.

Recommendation

The Board of Aldermen consider reducing the number of bank accounts.

Status

Implemented

In November 2018, the Board approved consolidating the city's bank accounts into 4 primary bank accounts. The City Clerk is in the process of changing electronic deposits and payment information and waiting for all outstanding checks to clear the bank, and plans to close the various bank accounts no longer being used.

4. Restricted Funds,
Allocations, and Excess
Sales Tax

The city had not established adequate procedures to ensure restricted revenues were credited to the appropriate fund or to ensure these monies were used only for intended purposes. In addition, the city had imposed general sales taxes that exceed the statutory maximum allowed.

4.1 Restricted revenues

The city had not established procedures to properly track and record various statutorily restricted monies.

- Monies collected for trash services were deposited into the city's General Fund bank account, while disbursements related to these services were paid out of the Solid Waste Fund bank account. Revenues received from a general sales tax were incorrectly deposited into the Solid Waste Fund and used to pay the cost of trash services.
- Utility reconnection fees were incorrectly deposited and recorded in the General Fund rather than the Water or Sewer Funds bank account.
- State motor vehicle-related tax revenues were incorrectly deposited into the Capital Improvement Fund bank account rather than the Street Fund bank account. The Board inappropriately purchased a police vehicle in 2016 with monies from the Capital Improvement Fund bank account.



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- During the year ended December 31, 2016, the City Clerk allocated all fuel, oil, parts, and repairs/maintenance costs associated with city maintenance vehicles to the Street Fund bank account. Employees use city vehicles and equipment for all city utility and street maintenance services, so costs should be allocated between various funds.

Recommendation

The Board of Aldermen deposit restricted monies in the appropriate fund, establish procedures to ensure restricted monies are used only for allowable purposes, and ensure shared costs are properly allocated to the applicable city funds and allocations are supported by adequate documentation.

Status

In Progress

During our review of financial activity for December 2018, we noted that monies collected for trash services were properly deposited into the Solid Waste Fund bank account and utility reconnection fees were properly deposited into Water and Sewer Funds bank account. General sales taxes were direct deposited into the Solid Waste Fund bank account; however, most of these monies were transferred to the General Fund bank account and properly recorded in the General Fund during 2018. State motor vehicle-related tax revenues were direct deposited into the Capital Improvement Fund bank account; however, these monies were transferred to the Street Fund bank account and properly recorded in the Street Fund. The City Clerk indicated she is working with the Department of Revenue to have these sales tax monies direct deposited into the proper bank account in the future. Our review of 2 invoices paid in December 2018, (fuel and supplies), showed these costs were allocated to various city funds based on documented usage.

4.2 Allocation of salaries and fringe benefits

Several city employees performed tasks related to multiple city functions, but the city had no documentation to justify the allocation of salaries and fringe benefit expenses to various funds. City officials had not established allocation percentages and did not maintain documentation to support how allocations were determined.

Recommendation

The Board of Aldermen allocate salary and fringe benefit expenses to city funds based on specific criteria and retain documentation to support the allocation.

Status

Implemented

The city developed forms to track the employee time spent on multiple city functions each month. These forms are used to prepare a spreadsheet that allocates employee salaries and fringe benefits to various funds based on the time worked on functions within each fund. Documentation to support the allocation of salaries and fringe benefits was retained.



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4.3 Excess general sales tax The city had imposed 2 sales taxes, totaling 1.5 percent, which exceeded the statutory maximum allowed for general sales taxes per Section 94.510, RSMo, by 1/2 percent.

Recommendation The Board of Aldermen consult with legal counsel to review the sales taxes levied and determine the disposition of any invalid sales taxes collected. In addition, prior to submitting any future sales taxes to voters for approval, the Board should ensure an adequate legal analysis is conducted.

Status **In Progress**

In December 2018, the Board voted to repeal the 1/2 percent city sales tax for law enforcement purposes that was passed in April 2016 under Section 94.510, RSMo. However, the repeal will not be effective until December 2019. Based upon a verbal legal opinion, the Board placed a 1/2 percent city sales tax for general purposes under Sections 94.500 to 94.550, RSMo, on the April 2019 ballot. However, this sales tax was not approved by the voters.

5.1 Utility System Controls and Procedures - Utility rates Water, sewer, electric, and trash rates were not supported by a cost study or other documentation showing how the rates were determined.

Recommendation The Board of Aldermen ensure a statement of costs is prepared to support utility rate increases and document formal reviews of utility rates periodically to ensure revenues are sufficient to cover all costs of providing these services.

Status **In Progress**

A rate study of the water and sewer system was completed in November 2018. As a result of the rate study, water and sewer rates were adjusted in February 2019. The City Clerk indicated the city is in the process of obtaining a rate study for electric services. The city does not plan to obtain a rate study for solid waste services because the city charges the amount charged by the trash vendor.

5.2 Utility System Controls and Procedures - Utility reconciliations City personnel did not prepare proper reconciliations related to utility services. The Maintenance Supervisor did not perform monthly reconciliations of total gallons of water billed to gallons of water pumped. The Utility Clerk did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services.

Recommendation The Board of Aldermen ensure monthly reconciliations of water usage and amounts billed to amounts collected and delinquent accounts are performed.



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Status	Implemented
	<p>The Maintenance Supervisor prepares a reconciliation of total gallons of water billed to gallons of water pumped. Our review of the December 2018 reconciliation showed a difference of 1,679,910 gallons of water or a 46 percent water loss. The City Clerk indicated several leaks were corrected and the water loss decreased to 29 percent in January 2019. The Utility Clerk prepares monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services. We reviewed the December 2018 reconciliation and no differences were noted. The City Clerk indicated these reports are presented to the Board at each monthly meeting.</p>
5.3 Utility System Controls and Procedures - Adjustments	<p>The Utility Clerk posted adjustments to customer accounts, including writing off charges caused by water leaks or incorrect meter readings, without obtaining independent approval or maintaining adequate documentation to support the reason for many adjustments.</p>
Recommendation	<p>The Board of Aldermen ensure all adjustments are independently approved and supporting documentation is retained.</p>
Status	Implemented
	<p>Our review of 3 utility adjustments made in January 2019, totaling \$426, showed the Mayor independently approved the utility adjustments made by the Utility Clerk, and supporting documentation of the adjustments was retained.</p>
5.6 Utility System Controls and Procedures - Penalties, shut off procedures, and usage calculations	<p>City procedures did not comply with city ordinances when assessing penalties, discontinuing services, and calculating usage. Penalties for late payments were assessed on the 15th of each month instead of the 10th of each month as required, and the 5 percent penalty was assessed on the amount of current utility charges rather than the full amount due. The Utility Clerk granted shut off extensions at the request of the utility customers and these requests were not documented or approved by the Board. Penalties and shut off procedures were not followed for utility check payments held at the customers' requests. Sewer usage charges were not calculated on actual monthly usage, but were instead calculated on the average water usage for the months of November, December, and January of each year.</p>
Recommendation	<p>The Board of Aldermen ensure compliance with utility ordinances.</p>
Status	Partially Implemented
	<p>The City Clerk indicated all late charges are now assessed on the 11th of each month. However, city ordinance requires late fees to be assessed on the 11th for residential customers and on the 16th for commercial customers. The</p>



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Utility Clerk indicated the utility system can only assess late fees on one day of the month; therefore all late charges are assessed on the 11th. Penalties are assessed on the amount of current utility charges and not the full amount due. Utilities are shut off on the 15th of the month for residential and the 20th for commercial. However, city ordinance requires shut offs to be completed on the day after the 15th for residential customers, and the day after the 20th for commercial customers. No requests for shut off extensions were made during our review of utility records for December 2018. Sewer usage charges are calculated on actual monthly water usage; however, charges are still not calculated in compliance with city ordinance.

**5.7 Utility System Controls
and Procedures -
Inactive accounts**

City personnel were not proactive in following up on inactive utility account balances. The inactive account listing included some balances dating back to 1994 and showed 46 account holders were deceased. Some delinquent accounts were not submitted to the collection agency.

Recommendation

The Board of Aldermen ensure sufficient procedures are developed to collect accounts receivable and all past due accounts are submitted to the collection agency.

Status

Implemented

In December 2018, the Board approved writing off 117 inactive utility account balances totaling \$9,203 that dated back more than 10 years, belonged to deceased account holders, or involved a bankruptcy. The City Clerk indicated the Board reviews a report of utility accounts that have been turned over to the collection agency each month.

**6.1 Payroll and Related
Matters - Timesheets,
leave records, and
questionable payments**

Significant improvement was needed with timesheets and leave records, and some employees may have been overpaid.

Timesheets

Timesheets were not always signed by the employee or his/her supervisor to document approval of time worked and leave used. In addition, overtime hours worked were not consistently documented on timesheets and punch cards for some employees.

Leave records

Leave records maintained were inaccurate and did not adequately track the number of hours of vacation and sick leave earned, used, and any remaining balances.

Questionable payments

The city compensated full-time police officers for 40 hour work weeks (weekly salary) even when they did not work 40 hours or take leave for unworked hours. Also, some overtime appeared questionable. Timesheets for



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some city maintenance employees indicated overtime hours were paid for "turn-ons." Turning on and shutting off utilities was part of the maintenance employees' normal daily job duties, and it was not clear from the timesheets that any additional hours were worked.

Recommendation

The Board of Aldermen ensure timesheets are adequately prepared, and properly signed and approved; employee leave balances are properly tracked and monitored; and reviews of timesheets are performed to ensure the propriety of payroll payments.

Status

Implemented

During our review of December 2018 employee timesheets, we noted timesheets were adequately prepared and signed by the employees and reviewed and signed by the employees' supervisors. Our review of leave records for December 2018 indicated employee leave balances were properly tracked; only one employee's leave record was not accurate. Our review of timesheets and payroll records for the month of December 2018 showed police officers are only paid compensation for the actual number of hours worked and maintenance employees are no longer paid for "turn-ons."

6.2 Payroll and Related Matters - Personnel policies

The city's personnel policy did not adequately address compensatory time, holiday pay, overtime, or the employment and supervision of related employees, and city employees did not always followed established policies.

Compensatory time

City hall and city maintenance employees accrued and used compensatory time without Board review and approval.

Holidays

The city's personnel policy did not adequately address holiday pay, and there were inconsistencies in the number of hours employees received for holidays. Some employees inappropriately received double-pay for working on a holiday and also the weekday designated for observance of a weekend holiday.

Vacation

Vacation leave was not accrued in compliance with city policy, and vacation leave was not accurately and timely paid out at the end of employment for one employee.

Overtime

Nonworking time (vacation, sick leave, and holidays) was included in total hours worked when determining the amount of overtime earned by employees.

Related employees

The Maintenance Supervisor directly supervised his nephew.

Recommendation

The Board of Aldermen review and update the personnel policy, as necessary, and ensure compliance with the policy.



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Status

Implemented

The Board updated the city's personnel policy in January 2018. While the policy does not address compensatory time, the City Clerk indicated compensatory time is no longer accrued or used by city employees and all overtime worked is paid to employees with their regular paychecks. City policy provides for employees to receive holiday pay based on work shift hours. General and maintenance employees are provided 8 hours of holiday pay, while police department personnel are provided 10 to 12 hours of holiday pay based on work shifts. The policy only provides for an employee to receive double-pay if scheduled to work on a holiday. The City Clerk indicated vacation leave is not allowed to be used until the employee has accrued the vacation leave, and employees accrue vacation leave upon the anniversary of their employment date. The personnel policy states employees must work in excess of 40 hours per week to earn overtime, and holidays and paid time off do not count as work time. The personnel policy also states that related employees are not allowed to supervise relatives, and the Mayor now supervises all employees related to each other.

6.5 Payroll and Related Matters - Additional compensation and withholding and reporting of compensation

Improvement was needed in the city's handling of additional compensation and the withholding and reporting of compensation. Additional compensation totaling \$4,800 and \$2,400 was paid to the City Clerk and Utility Clerk, respectively, during the year ended December 31, 2016. However, timesheets or other supporting documentation was not retained to support the compensation, and these payments were not included on the employees' W-2 forms and were not subjected to payroll tax withholdings. The Mayor and Aldermen received a \$100 reduction in their monthly utility bills as compensation; however, these amounts were not reported on their W-2 forms and were not subjected to payroll tax withholdings.

Recommendation

The Board of Aldermen review the additional compensation, and ensure additional time worked, if any, is reported on employee timesheets and compensated properly. In addition, the Board should ensure previous years' W-2 forms are amended, as appropriate, and compensation is properly reported and subjected to proper withholdings.

Status

Partially Implemented

The city no longer pays the City Clerk and Utility Clerk additional compensation. City employees are only compensated for the time worked and documented on timesheets. The City Clerk indicated amended W-2 forms were not issued to the City Clerk, Utility Clerk, Mayor, or the Aldermen for the compensation paid in previous years.



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7.1 Disbursements - Disbursement review and documentation	The city's disbursement review and documentation procedures needed improvement.
List of bills	The list of bills provided to the Board for review and approval were not compared to invoices and actual checks written and did not include payroll disbursements.
Approval of invoices	The City Clerk did not require department heads to document their review and approval of invoices and did not require documentation acknowledging receipt of goods or services.
Supporting documentation	The City Clerk did not maintain adequately detailed supporting documentation for several disbursements.
Recommendation	The Board of Aldermen ensure all payments made are included in the listing of bills presented for approval, approval of the list of bills is documented, and the approved list of bills is compared to invoices and checks written. In addition, the Board should ensure invoices are adequately reviewed and require documentation of receipt of goods and/or services prior to payment of invoices. The Board should also maintain adequate supporting documentation for all disbursements.
Status	Partially Implemented Our review of the list of bills for the Electric Fund for December 2018 showed all payments were included on the list. Meeting minutes documented the Board's approval of the list of bills, and the list was retained with the meeting minutes. The City Clerk indicated that the Board does not compare the approved list of bills to invoices and checks written. The City Clerk indicated invoices are attached to checks for the Mayor or Mayor Pro-Tem to review when signing checks, and supporting documentation is retained for all disbursements. However, the Mayor or Mayor Pro-Tem do not document the review of the invoices. The City Clerk indicated she obtains verbal approval from department heads for the payment of invoices and receipt of goods and/or services; however, this approval is not documented.
7.3 Disbursements - Procurement procedures and contracts	The city did not have a formal bidding policy and had not established policies for the selection of vendors providing professional services. The city did not obtain a contract for engineering services; and the wastewater treatment contract did not clearly document each party's duties and responsibilities, and did not cover services performed during some periods of time.



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Recommendation

The Board of Aldermen establish formal bidding policies and procedures, periodically solicit proposals for professional services, and enter into clearly written agreements for those services.

Status

Partially Implemented

The city has not developed formal bidding procedures, but the City Clerk indicated that the Board recently solicited proposals for wastewater treatment and engineering services. However, the wastewater treatment contract did not clearly document each party's duties and responsibilities. The City Clerk indicated the city plans to enter into a written contract with the engineer after grant funds are approved and the project is started.

8.1 Budgets and Financial Reporting - Budgets

The Board did not have adequate procedures to prepare or monitor budgets.

Preparation

The city's budgets did not contain all statutorily required elements, such as a budget message or budget summary, actual beginning available resources, and estimated ending available resources. Also, city officials did not prepare budgets for the Park Board or Sewer Rehabilitation Funds, and the financial activity and balances of the certificates of deposit and annuity were not reflected in the budgets.

Monitoring

The Board did not adequately monitor budget-to-actual receipts and disbursements.

Recommendation

The Board of Aldermen prepare accurate annual budgets that contain all information required by state law, and ensure the budgets are adequately monitored.

Status

Partially Implemented

In 2019, the city combined the Park Board Fund with the General Fund and budgeted for those monies in the General Fund. However, the city's 2019 budgets do not contain all statutorily required elements. The budgets do not include a budget message or budget summary, actual beginning available resources, estimated ending available resources, and the 2 preceding years of receipts and disbursements. Budgets for the Sewer Rehabilitation Fund and the Heritage Fund were not prepared, and the financial activity of the certificates of deposit and annuity were not reflected in the budgets. During 2018, the Board monitored budget-to-actual receipts and disbursements, and we noted budget amendments were approved through resolutions.

9.1 Park Board - Board meetings

Park Board members indicated Board meetings had not been held for a considerable period of time. The Board had not adopted a policy on the frequency of Board meetings. Periodic or at a minimum, annual Board



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meetings are necessary for the Board to properly fulfill its duties as required by state law and Board bylaws.

Recommendation

The Board of Aldermen in conjunction with the Park Board ensure periodic Park Board meetings are held to properly fulfill the Board's duties, including approving disbursements and adopting budgets annually as required by the Board's bylaws and state law.

Status

Partially Implemented

The Park Board held a meeting in December 2018, and a new President was appointed. However, the Park Board has not adopted a policy on the frequency of Board meetings. Park Board monies are now handled in the city's General Fund and were included in the 2019 General Fund budget. Disbursements from park monies are approved by the Board of Aldermen, but are not approved by the Park Board.

9.2 Park Board - Bylaws and agreements

The Park Board did not have current bylaws and did not operate in accordance with bylaws, city ordinance, or the operating agreement between the Board and the city. The Park Board did not update its bylaws to reflect changes made by city ordinance in 1983 and 1986, or a 1990 operating agreement with the city. The Park Board did not operate with the required number of board members and did not appoint new members in compliance with city ordinance. The Park Board did not prepare and file an annual report with the Board of Aldermen, obtain a written report from the City Clerk regarding activity and status of the Park Board Fund, or maintain a record of all business transactions. In addition the Board President did not sign all checks in accordance with the Board's bylaws. The Park Board did not review and approve disbursements in excess of \$25 by a 2/3 majority, and incorrectly reimbursed the city for utilities.

Recommendation

The Board of Aldermen in conjunction with the Park Board review and update Park Board bylaws, city ordinances, and agreements periodically, and ensure compliance with the terms of the bylaws, ordinances, and agreements.

Status

Partially Implemented

The Board of Aldermen and Park Board have not updated the Park Board bylaws, and the Board of Aldermen have not updated city ordinances or agreements related to the Park Board.

Currently, the Park Board only has 3 of the required 7 members and is unable to appoint new members due to a lack of interest. The Park Board has not prepared and filed an annual report with the Board of Aldermen or maintained a record of all business transactions. The Park Board bank account was closed and the remaining monies were transferred to the General Fund bank account.



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Disbursements are now handled through the city's General Fund bank account, and therefore, the Park Board President does not sign checks. The Park Board does not review and approve disbursements in excess of \$25. The Park Board no longer reimburses the city for utilities.

10. Sunshine Law and Ordinances

City officials did not always ensure compliance with the Sunshine Law and city ordinances needed improvement.

10.1 Sunshine law

The Board did not always comply with the Sunshine Law regarding closed sessions.

Reasons for closed meetings Open meeting minutes did not document the specific reasons or section of law allowing the meeting to be closed for 11 of 32 closed sessions held between January 1, 2016, and March 8, 2018.

Allowable topics Some topics discussed and voted on in 27 of 32 closed sessions held between January 1, 2016, and March 8, 2018, were not allowable under the Sunshine Law.

Recommendation

The Board of Aldermen 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 Board meetings.

Status

Partially Implemented

We reviewed the open and closed meeting minutes for the December 11, 2018, meeting. While the open meeting minutes documented the section of law allowing the meeting to be closed, some of the topics discussed (e.g., a volunteer position) were not allowable under the Sunshine Law or under the specific section cited in the open meeting minutes.

10.2 Ordinances

Ordinances were not comprehensive or maintained in an organized manner; one ordinance could not be located; and the city had not always established ordinances as appropriate.

Recommendation

The Board of Aldermen ensure ordinances are maintained in a complete and well-organized manner, establish an index of all ordinances passed and rescinded, retain copies of ballots or signed ordinances for all sales taxes, and establish trash rates and the compensation of city officials and employees by ordinance.

Status

Partially Implemented

The City Clerk indicated city personnel have organized the city ordinances into 2 books, have indexed approximately 95 percent of the ordinances, and are documenting the dates ordinances are passed and rescinded. The City



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Clerk indicated copies of ordinances and ballots are retained. The city adopted an ordinance for trash rates in November 2018, and an ordinance for the compensation of officials in April 2018. The city has not established the compensation of city employees by ordinance.

11. Electronic Data Security Controls over some city computers were not sufficient to prevent unauthorized access, and sufficient plans and processes were not in place for recovering systems and data.

11.1 Passwords The city had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Some employees are not required to change passwords periodically. The City Clerk and the Utility Clerk share the same user identification and password to access the utility system, and passwords for the utility system are not required to contain a minimum number of characters.

Recommendation The Board of Aldermen require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the city's computers and data. Passwords should contain a minimum number of characters.

Status **Implemented**
The City Clerk indicated passwords are required to be changed every two months, employees no longer share the same user identification and password to access the utility system, and passwords are required to have a minimum number of characters.

11.2 Security controls Security controls were not in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.

Recommendation The Board of Aldermen require each city computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.

Status **Partially Implemented**
The City Clerk indicated city computers do not have security controls in place to lock computers after a specific number of incorrect logon attempts; however, city computers do lock after a certain period of inactivity.

11.3 Contingency plan and backup data The city had not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations. In addition, the city did not periodically test backup data to ensure essential data could be restored, and did not always store backup files at a secure off-site location.



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Recommendation

The Board of Aldermen develop a formal, written contingency plan that is periodically tested, evaluated, and updated as needed. The Board should also require city personnel test restoration of backup data on a periodic basis and store backup files in a secure off-site location.

Status

Not Implemented

The City Clerk indicated a formal, written contingency plan has not been developed. City personnel do not test the restoration of backup data on a periodic basis and do not store backup files at a secure off-site location.