



VILLAGE OF NEW MELLE, MISSOURI

YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 99-50  
August 4, 1999

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Village of New Melle, Missouri.**

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In 1998, New Melle operated ten months without an approved budget; it was not until October 1998 that the village's budget went into effect. In addition, as of March 30, 1999 the village budget for fiscal year 1999 had not been approved. Missouri state law requires governments to operate from approved budgets.

In addition to meeting state law requirements, a complete and well-planned budget can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist informing the public about the village's operations and current finances.

Funding for the Community Oriented Policing Services (COPS) grant program was to end in June 1999. The village has not documented a plan to address this significant reduction of revenues.

The village inaccurately reported disbursements on the quarterly Financial Status Reports to the COPS program, incorrectly paid officers who were not a part of the program to cover leave time, and requested more money than needed for disbursements each month through the COPS program. As a result, at December 31, 1998, federal reimbursements of \$23,103 have been questioned.

In 1998, New Melle contributed \$3,653 to an Individual Retirement Account (IRA) for five police officers, instead of participating in the state approved retirement program (LAGERS) *Missouri Local Government Employee's Retirement System*. The village is prohibited by state law from establishing its own retirement plan. We recommend the Board of Trustees review the legality of the village's retirement plan.

New Melle has one person serving as Village Clerk and Village Treasurer. This person's duties include making bank deposits, maintaining receipt and disbursement records and preparing financial reports. In addition, there is no independent review of the clerk's work.

Holding both of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions and jeopardizes the system of independent checks and balances intended by state law.

(over)

The village did not have formal written agreements with some companies or individuals providing services such as the Village attorney and accountant. We noted several checks payable to cash totaling \$1,600. According to the City Clerk, the cash was used for gas for patrol cars. The village responded that in mid-1998 it issued credit cards for gasoline purchases and the practice of using petty cash was discontinued.

New Melle has not established a separate accounting for motor vehicle-related receipts, law enforcement training fees, and judicial education fees to ensure these funds were spent in accordance with applicable laws and regulations.

The municipal court division does not issue receipt slips for some monies received. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the bond account cash balances. Municipal summonses are not properly accounted for by either the police department or New Melle's municipal court division. The Court Clerk, who is also the Village Clerk, performs the duties of receiving, recording, disbursing, and depositing monies.

VILLAGE OF NEW MELLE, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Chairman  
and  
Board of Trustees  
Village of New Melle  
New Melle, Missouri 63365

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of New Melle, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

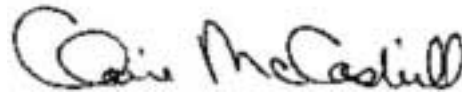
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of New Melle, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

March 30, 1999

## HISTORY AND ORGANIZATION

# VILLAGE OF NEW MELLE, MISSOURI HISTORY AND ORGANIZATION

The village of New Melle was incorporated in 1979 and is located in St. Charles County. The population of the village in 1990 was 206. The village elected to become a fourth class city in the April 1999 election.

The village government consists of a five-member board of trustees. The trustees are elected in staggered elections for two-year terms. The chairman is appointed by the board. The village trustees at December 31, 1998, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended December 31, 1998</u>
Barry Shortt, Chairperson	April 2000	\$ 0
Jan Muskopf, Trustee	April 2000	0
Wayne Welge, Trustee	April 2000	0
Gary Schneider, Trustee	April 1999(1)	0
Vicki Auping, Trustee	April 1999(2)	0

(1) Re-elected in April 1999.

(2) Replaced by Ernest B. Arteaga in April 1999.

## Appointed officials

Judy Anderson, Village Clerk/Treasurer, Court Clerk	\$ 0
Brad Curdiff, Municipal Judge (3)	300
Joel Brett, Village Attorney	12,832
Mike Kern, Acting Police Chief	21,620

(3) Appointed in December 1998 to replace Andy Koor.

The village has an additional four employees.

The village has a general sales tax of one percent of retail sales within the village. The village does not have a property tax levy.

Assessed valuation information for the year 1998 is as follows:

## ASSESSED VALUATION

Real Estate	\$ 4,324,669
Personal	<u>1,784,179</u>
Total	\$ <u>6,108,848</u>



Financial Activity for Year Ended December 31, 1998

	General Fund	Sewer Fund	COPS Grant	DPS Grant	Total
<b>RECEIPTS</b>					
Fines and court costs	\$ 57,929	0	0	0	57,929
Sales taxes	33,794	0	0	0	33,794
House and property rent	13,819	0	0	0	13,819
Motor fuel and motor vehicle fees	8,193	0	0	0	8,193
Franchise taxes	6,417	0	0	0	6,417
Interest	2,779	0	0	0	2,779
Reimbursements on police equipment	2,220	0	0	0	2,220
Insurance refund	1,089	0	0	0	1,089
Licenses and fees	858	0	0	0	858
Proceeds from sale of police car	825	0	0	0	825
Community Development Block Grant	0	58,187	0	0	58,187
St. Charles PWSO #2 - sewer contribution	0	26,732	0	0	26,732
Community Oriented Policing Grants	0	0	128,000	0	128,000
Local Law Enforcement Grant	0	0	0	9,000	9,000
Other	424	0	5,945	0	6,369
Transfers in	3,194	0	6,972	1,000	11,166
Total Receipts	<u>131,541</u>	<u>84,919</u>	<u>140,917</u>	<u>10,000</u>	<u>367,377</u>
<b>DISBURSEMENTS</b>					
Salaries and fringe benefits	29,319	0	140,462	0	169,781
Utilities	5,168	0	0	0	5,168
Loan payment	6,701	0	0	0	6,701
Bond payment	6,321	0	0	0	6,321
Office supplies	3,565	0	0	0	3,565
Police expenses	40,857	0	0	10,000	50,857
State of Missouri	4,514	0	0	0	4,514
Attorney fees	12,832	0	0	0	12,832
Accounting fees	3,362	0	0	0	3,362
Sewer expenses	50	117,687	0	0	117,737
Court expenses	3,350	0	0	0	3,350
Repay use tax	1,785	0	0	0	1,785
Insurance	6,947	0	0	0	6,947
Rent	4,200	0	0	0	4,200
Other	3,160	0	0	0	3,160
Transfers out	7,972	0	3,194	0	11,166
Total Disbursements	<u>140,103</u>	<u>117,687</u>	<u>143,656</u>	<u>10,000</u>	<u>411,446</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-8,562	-32,768	-2,739	0	-44,069
CASH AND CASH EQUIVALENTS, JANUARY 1,	<u>80,457</u>	<u>61,585</u>	<u>7,366</u>	<u>0</u>	<u>149,408</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31,	<u>\$ 71,895</u>	<u>28,817</u>	<u>4,627</u>	<u>0</u>	<u>105,339</u>
reconciled balance	71895	28817	4627	0	105339
difference	0	0	0	0	0

A summary of the financial activity of the village of New Melle for the year ended December 31, 1998, is presented on the next page.

## MANAGEMENT ADVISORY REPORT

VILLAGE OF NEW MELLE, MISSOURI  
SUMMARY OF FINDINGS

1. Financial Condition (page 9)

The village does not have a documented plan to address the significant reduction of revenues after the COPS program funding ends in June 1999.

2. Community Oriented Policing Services (COPS) Grant (pages 9-11)

The village incorrectly reported disbursements from the COPS program on the quarterly Financial Status Reports filed with the federal government. The village incorrectly paid General Fund officers from the COPS grant to cover COPS officers leave time and requested more money than required for disbursements each month. As a result, at December 31, 1998, federal reimbursements of \$23,103 have been questioned.

3. Retirement Plan (page 11)

During the year ended December 31, 1998, the village contributed \$3,653 to an Individual Retirement Account (IRA) for five police officers. The village is prohibited by state law from establishing its own retirement plan.

4. Budgets, Financial Reports and Minutes (pages 12-14)

The village did not approve the year ended December 31, 1998 budget until October 1998. The village's budgeted disbursements exceeded budgeted receipts and the actual disbursements exceeded budgeted disbursements. Board meeting minutes are not signed to indicate board approval. The board does not have formal written minutes for its closed meetings and the specific reasons for closed meetings are not documented. Annual financial reports were not filed on a timely basis with the State Auditor's office.

5. Accounting Records, Controls, and Procedures (pages 14-16)

The Village Clerk also serves as the Village Treasurer. The Board of Trustees and police officers have access to village funds and are not bonded. Checks and money orders are not restrictively endorsed until the deposit is prepared. The village does not have a formal policy regarding access to village records. The Board of Trustees has not established a personnel policy on vacation and sick leave, and compensatory time.

6. Disbursements (pages 16-17)

The village does not have formal written agreements with companies or individuals providing services such as the Village Attorney and the accountant. We noted several checks payable to cash totaling \$1,600.

7. Mileage Logs (page 17)

The police department does not keep vehicle usage logs for the patrol cars.

8. Restricted Revenues (pages 17-18)

The village has not established a separate accounting for motor vehicle-related receipts, law enforcement training fees, and judicial education fees to ensure these funds are spent in accordance with applicable laws and regulations.

9. Municipal Court Division Controls and Procedures (pages 18-19)

The municipal court division does not issue receipts slips for some monies received. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the cash balance of the bond account. Municipal summonses are not properly accounted for by either the police department or the municipal court division. The Court Clerk, who is also the Village Clerk, performs the duties of receiving, recording, disbursing, and depositing monies.

VILLAGE OF NEW MELLE, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1.</b>	<b>Financial Condition</b>
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The village of New Melle established a police department in August 1994, with one part time officer. In 1996, the village began receiving monies from the U.S. Department of Justice under the Community Oriented Policing Services (COPS) program to fund five additional full-time police officer positions. During the year ended December 31, 1998, the village received approximately \$128,000 in COPS program funding. Effective June 1999, the funding was to be discontinued.

Although facing a serious financial situation, the village has not documented a plan to address this significant reduction of revenues. Either receipts will need to be increased or services reduced to enable the village to meet its required financial obligations.

**WE RECOMMEND** the Board of Trustees establish a financial plan for the future of the village of New Melle.

**AUDITEE'S RESPONSE**

*The village is well aware of the impact of the COPS grant expirations on our ability to provide police service and we have been in contact with the COPS office for the last year discussing the grants. We will provide more documentation of these efforts in the board meeting minutes and will develop a formal written plan for officer retention. We have obtained verbal permission from COPS to extend the grant period (not the amount) to March 2000 in order to give us time to implement a plan.*

<b>2.</b>	<b>Community Oriented Policing Services (COPS) Grant</b>
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In 1996 the village started receiving grants totaling \$481,412 from the U.S. Department of Justice under the COPS Universal Hiring (UH) and COPS Funding Accelerated for Smaller Towns (FAST) programs. The COPS FAST program provided a 75% grant to hire one officer for three years. The COPS UH program provided full funding to hire four officers for three years. The Department of Justice's Office of the Inspector General, Audit Division, completed an audit of the New Melle COPS grants. The audit report, dated November 13, 1997, and covering the entire grant period up to August 31, 1997, included eight recommendations. During our review of the village's resolutions to the recommendations and compliance with the grant requirements during the year ended December 31, 1998, we noted the following concerns:

A. The village reports grant disbursements to the COPS office quarterly on a Financial Status Report (FSR). The FSR shows the total disbursements, local disbursements, and federal disbursements for the previous quarter, the current quarter, and a cumulative for the grant period. The village reported \$138,881 in total disbursements for the grant in 1998; however, actual grant disbursements totaled only \$135,038. The following items were incorrectly claimed for reimbursement:

- 1) The COPS grant monies may be used to pay for officers' health, dental, and life insurance. The officers contribute money to the COPS account for family insurance coverage. The village then writes one check monthly from this account for all of these benefits. The village reported the entire check amount on two of the quarterly reports; however, because the family insurance coverage is reimbursed by the officers and not an allowable grant cost it should not be reported. The family coverage paid during the year totaled \$1,781.
- 2) During the fourth quarter of 1998, the village paid for third quarter taxes for all officers of the village from the COPS account. The village's General Fund then reimbursed the COPS account for the amount of taxes paid that applied to officers paid from the General Fund. The payment of taxes included on the quarterly report was overstated \$133.

A similar condition was also noted in the COPS audit report and the total amount owed to the COPS program at December 31, 1998 totals \$18,257.

B. When officers paid by the COPS program are on sick or vacation leave, the village pays the officers who cover their shifts from the COPS program. These officers are normally paid from the General Fund. The village also continues to pay the COPS officers their regular pay while on leave. According to COPS personnel and the COPS grant manual this practice is not an allowable grant cost. The total amount paid for 1998 in these circumstances was \$1,730.

C. The village of New Melle requests funds in advance from the COPS program to pay officers' salaries and benefits for the month. For 1998, the village of New Melle requested and received approximately \$135,000 from the COPS program. The village reported on their four 1998 financial status reports (FSR) that federal disbursements totaled \$131,884. The village requested and received \$3,116 more than was expended for the year. The village should only request the amount required for actual disbursements for each month.

A similar condition was also noted in the COPS audit report.

**WE RECOMMEND** the Board of Trustees consult with the Department of Justice to resolve these costs and issues. In addition, the Board of Trustees should:

- A. Prepare accurate quarterly financial reports for the COPS grants.
- B. Ensure village officers are not being paid for COPS officers leave time with COPS monies.
- C. Ensure requested advances are limited to disbursements for one month.

### **AUDITEE'S RESPONSE**

- A. *The \$18,000 noted as "owed to the COPS program" is almost entirely accounted for by certain disallowed uses of grant money to pay officers with supervisory duties in 1996. This was brought to our attention during the COPS audit in 1997 and we have been paying this \$16,343.10 back in installments since mid-1998.*

*These accounting errors were noted and are being corrected.*

- B. *It had been our understanding that grant money could be used to pay officers sick leave and vacation. Use of grant money for these purposes will be discontinued.*
- C. *It should be noted that although requesting funds prior to actual payment has resulted in some monthly and annual imbalances, those imbalances have always been ultimately rectified. Our accounting practices will be modified to avoid monthly imbalances.*

<b>3.</b>	<b>Retirement Plan</b>
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During the year ended December 31, 1998, the village contributed \$3,653 to an Individual Retirement Account (IRA) for five police officers.

The village is prohibited by state law from establishing its own retirement plan. The Missouri Constitution, Article 6, Section 25 states that political subdivisions can only provide pensions for its employees when such authority is given to the political subdivisions by the General Assembly. No statutory authority has been given for villages to provide their own retirement plan. Section 70.600, RSMo, the statute creating the Missouri Local Government Employees' Retirement System (LAGERS), states its purpose as "providing for the retirement or pensioning of the officers and employees..of any political subdivision of the state.."

**WE RECOMMEND** the Board of Trustees review the legality of the village's retirement plan.

### **AUDITEE'S RESPONSE**

*We will review the legality of our current retirement plan and if necessary roll it over to the LAGERS plan.*



**4.****Budgets, Financial Reports and Minutes**

A. Our review of the village's budget noted the following concerns:

- 1) The village did not approve the budget for the year ended December 31, 1998, until October 1998. In addition, as of March 30, 1999, the budget for the year ending December 31, 1999, has not yet been approved. Section 67.080, RSMo, provides that no disbursement of public monies shall be made unless it is authorized in the budget.
- 2) A budget has only been prepared for the General Fund and not for the COPS Grant Fund and the Community Development Block Grant Fund. The budget did not include actual receipts and disbursements for the two previous years. In addition, the budget did not include actual and estimated cash and resources available at the beginning and end of the year, respectively, or a budget message.

Section 67.010, RSMo, sets specific guidelines for the format, of the annual operating budget. A complete budget for each fund should be prepared, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding fiscal years.

- 3) Budgeted disbursements exceeded budgeted receipts in 1998 by \$25,901. Section 67.010, RSMo prohibits municipalities to budget a deficit fund balance.
- 4) Actual disbursements exceeded budgeted disbursements in 1998 by \$8,912. Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursement from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the disbursements.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist informing the public about the village's operations and current finances.

B. The annual financial reports for the years ended December 31, 1997 and 1996, prepared by the village were submitted to the State Auditor's office in an untimely manner. The annual financial reports for the years ended December 31, 1997 and

1996 were received by the State Auditor's office on February 2, 1999, and December 4, 1997, respectively. The annual financial report for the year ended December 31, 1998 was received by the State Auditor's Office on April 12, 1999. Section 105.145, RSMo, requires financial reports be filed annually with the State Auditor's office.

- C. The board meeting minutes, including the list of bills for the month, are not signed by the chairman of the Board of Trustees nor any of the other board members.

The official board meeting minutes should be signed by the board members, or at least a designated member of the board, to provide an independent attestation that the minutes are a complete and correct record of the matters discussed and actions taken during the board's meetings. By signing the minutes the board also documents its approval of the list of bills for that month.

- D. During our review of closed meetings, we noted the following concerns:

- 1) Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Trustees. Formal written minutes for closed meetings result in a better record of village transactions, proceedings, and decisions. In addition, minutes help the village demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.
- 2) The board minutes and the meeting agendas do not consistently document the specific reasons for going into a closed session. The agendas and the minutes occasionally listed personnel issues as the reason to go into closed session. The board votes to go into closed session at each meeting.

Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subject, including litigation, real estate transactions, personnel issues, some competitive bidding issues, confidential or privileged communications with auditors, etc. Section 610.022 RSMo, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

**WE RECOMMEND** the Board of Trustees:

- A. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the village. Any increases in disbursements should be approved by ordinance.

- B. Ensure the annual financial reports are filed with the State Auditor's office in a timely manner.
- C. Document its review and approval of the board minutes and list of bills by signing, or designating a board member to sign, the official copy of the minutes which includes the list of bills maintained by the Village Clerk.
- D.1. Ensure minutes are prepared for all closed meetings.
- 2. Ensure minutes and agendas state the specific reasons for going into a closed session, as required by state law.

### **AUDITEE'S RESPONSE**

- A. *The suggestions for improved annual budget development are well taken and will be implemented. This finding indicates that we had insufficient focus on our budget on an annual basis; however, we were very aware of and managed our running surplus/deficit on a monthly basis at each meeting.*

*The difference in budgeted receipts and disbursements noted in A.3. above is due to "cash on hand" not being included in the calculations. This was essentially an accounting error and the calculation has been corrected.*

- B. *Future reports will be submitted on time.*
- C. *Meeting minutes will be signed.*
- D. *Minutes related to closed sessions will be documented as noted.*

<b>5. Accounting Records, Controls and Procedures</b>
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- A. The village has one person that serves as the Village Clerk and the Village Treasurer. The duties of this official include maintaining receipt and disbursement records, making bank deposits, and preparing financial reports. The village also contracts with a bookkeeper to do check preparation and bank reconciliations.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the Village Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be

incompatible. The statutes pertaining to villages are similar to those cited in this opinion and, thus, the opinion's conclusion appears applicable to villages.

Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. The board should implement procedures to ensure a proper segregation of duties including, but not limited to, requiring that receipts are reconciled to deposits by someone independent of the receipting function.

- B. The members of the board of trustees are authorized to sign checks; however, they are not bonded. Dual signatures are required on each check. Police officers receive fines and court costs monies during the day; however they are not bonded either. Failure to properly bond individuals who have access to funds exposes the village to risk of loss.
- C. Checks and money orders are not restrictively endorsed until the deposit is prepared. To reduce the potential for loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. The village does not have a formal policy regarding public access to village records. A formal policy regarding access to village records would establish guidelines for the village to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making village records available to the public.
- E. The Board of Trustees has not established a personnel policy on vacation and sick leave, and compensatory time. Currently, the police employees have been documenting when leave is taken on their time cards. The village does not document and monitor vacation and sick leave, and compensatory time earned, taken, paid, and accumulated.

A written personnel policy for all employees is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings. Adequate documentation of leave time earned and used is necessary to ensure that leave time is not abused.

**WE RECOMMEND** the Board of Trustees:

- A. Consider appointing separate individuals to the positions of Village Clerk and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

- B. Consider obtaining bond coverage for all individuals handling village monies.
- C. Restrictively endorse checks and money orders immediately upon receipt.
- D. Establish formal written policies and procedures regarding public access to village records.
- E. Establish a written policy regarding compensatory, vacation, and sick leave. In addition, the village clerk should maintain leave records for all employees of vacation and sick leave and compensatory time earned, taken, paid, and accumulated.

### **AUDITEE'S RESPONSE**

- A. *The village agrees that providing checks and balances in the handling of money is critical and it is important to note that no misuse of funds have been suggested by this audit. The village does employ an accountant for book keeping and account reconciliation. It is our proposal that in the absence of a volunteer to act as treasurer we could formalize the role of our accountant for an independent check and balance. This person would act independently from the Clerk/Treasurer and assist with other accounting tasks.*
- B. *We will comply with the request to obtain bond insurance for all board members and police officers.*
- C.&D. *Noted and will comply.*
- E. *The police department will develop a written policy regarding employee time keeping and make available to the board a time keeping database.*

<b>6.</b>	<b>Disbursements</b>
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- A. The village does not have formal written agreements with some companies or individuals providing services. During our review, we noted the following disbursements without contracts during the year ended December 31, 1998:

Village attorney	\$ 12,832
Accountant	2,053
Radio service maintenance	1,567

Section 432.070, RSMo, requires political subdivisions' contracts be in writing. Formal written agreements are necessary to document each party's duties and responsibilities.

- B. We noted several checks payable to cash totaling \$1,600. According to the City Clerk, the cash was used for gas for patrol cars. To reduce the risk of misuse of monies, the practice of writing checks payable to cash should be prohibited.

**WE RECOMMEND** the Board of Trustees:

- A. Enter into written agreements for all services.
- B. Prohibit the practice of making checks payable to cash.

**AUDITEE'S RESPONSE**

- A. *The village will develop written contracts for services such as our attorney, judge, and others where appropriate.*
- B. *In mid-1998 the village issued credit cards for gasoline purchases and the practice of using petty cash was discontinued. The cash noted was used as indicated in this finding.*

<b>7. Mileage Logs</b>
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The police department does not keep vehicle usage logs for the three patrol cars. The logs should document beginning and ending odometer readings, destination, and purpose of each trip to provide additional assurance that the vehicles are used only for village business.

**WE RECOMMEND** the Board of Trustees require the village police department to prepare and maintain mileage logs for each patrol car, including beginning and ending odometer readings, destination, and purpose of each trip.

**AUDITEE'S RESPONSE**

*We will add police car mileage records to our daily activity logs.*

<b>8. Restricted Revenues</b>
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The village receives monies that can only be used for specific purposes. Our review of the village's method of accounting for these monies disclosed the following concerns:

- A. During the year ended December 31, 1998, the village received approximately \$8,000 in motor vehicle-related revenues from the state. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The village has not established a

separate accounting for these receipts and the related disbursements to ensure compliance with the Constitutional obligation.

- B. During the year ended December 31, 1998, the village collected \$1,570 in law enforcement training fees. These fees are restricted for law enforcement training purposes as specified in Sections 590.100 through 590.180, RSMo. During 1998, the village paid \$125 for law enforcement training. To ensure compliance with the law, the village should account for these receipts and ensure these monies are used for training purposes only.
- C. During the year ended December 31, 1998, the village collected \$785 in judicial education fees. These fees are restricted for municipal judges and court administrators training purposes as specified in Section 479.260, RSMo. During 1998, the village did not spend any monies on training for the municipal judge or court clerk. To ensure compliance with the law, the village should account for these receipts and ensure these monies are used for training purposes only.

**WE RECOMMEND** the Board of Trustees establish a mechanism to tract and account for the restricted receipts to ensure funds are spent in accordance with applicable laws and regulations.

### **AUDITEE'S RESPONSE**

*We will develop the tracking and compliance tools as indicated.*

<b>9. Municipal Court Division Controls and Procedures</b>
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- A. The municipal court division issues rediform receipt slips for cash received but receipt slips are not issued for all monies received. The receipt slips are not specifically printed for the court and receipt books are not consecutively numbered. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received, reconciled to composition of monies received and bank deposits, and the numerical sequence accounted for properly.
- B. Monthly listings of open items (liabilities) are not regularly prepared and reconciled to the cash balance of the bond account. The Court Clerk prepared an open-items listing at our request as of March 6, 1999. The listing reconciled to the bond account balance of \$7,179. No reconciliations of this type had been prepared previously.

To ensure that receipts and disbursements are properly handled and monies held in trust by the municipal court division are sufficient to meet liabilities, open-items listings should be prepared monthly and reconciled to the cash balance.

- C. Although the Police Department maintains records of traffic ticket numbers assigned to officers and documents the ultimate disposition of each ticket, similar records are not maintained for municipal summonses. As a result, neither the Police Department nor the municipal court division can be assured that all summonses issued by the Police Department are properly turned in to the municipal court division for processing, or that all summonses on which a fine and court costs are due are collected and properly recorded by the court clerk.
- D. The duties of receiving, recording, disbursing, and depositing monies are not adequately segregated. Currently, the Court Clerk performs all these duties. There is little supervision or review of the work performed by the Court Clerk. The village has contracted with a bookkeeper to do bank reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. Any unusual items or discrepancies should be investigated.

**WE RECOMMEND** the village of New Melle Municipal Court Division:

- A. Issue official prenumbered receipt slips for the monies collected, reconcile monies collected to the bank deposit, reconcile the composition of monies collected to the receipt slips and account for their numerical sequence.
- B. Prepare and retain a monthly open-item listing and reconcile this listing to the cash balance.
- C. Account for all summonses assigned to police officers and document the ultimate disposition of each summons.
- D. Ensure the duties of recording transactions are adequately segregated from cash custody, and perform and document periodic reviews of the accounting records maintained and reconciliations prepared.

**AUDITEE'S RESPONSE**

- A. *We will issue prenumbered receipt slips as indicated.*
- B. *Better record keeping will be implemented.*
- C. *Summonses will be accounted for as indicated.*



*D. As noted in our response to MAR No.5.A. we propose that our accountant be used to provide segregation of cash and record keeping responsibilities.*

This report is intended for the information of the management of the village of New Melle and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.