



CITY OF URICH, MISSOURI  
YEAR ENDED SEPTEMBER 30, 1998

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

Report No. 99-67  
August 31, 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 petitioners from the City of Urich, Missouri.**

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The city does not have formal written bidding policies and procedures and we noted some purchases, totaling approximately \$20,000, for which no bid documentation was kept.

Some disbursements were not supported by paid receipts and/or complete invoices. In addition, the board did not document its review and approval of disbursements and the city did not enter into a written contract for legal services. A written contract signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid.

The Board of Aldermen held several closed meetings during 1997 and 1998; however, minutes of these meetings were not kept. Board minutes did not always include a record of votes taken. In addition, the city did not fill a vacant Alderman's position in accordance with state law.

The city did not publish semi-annual financial statements, submit annual financial reports to the State Auditor's Office, or obtain timely audits of the water and sewer system.

The City Clerk also serves as Treasurer for the city, resulting in duties which are not adequately segregated.

The Urich police department does not maintain adequate records to account for all traffic tickets issued. As a result, the city cannot be assured that all tickets issued were properly submitted to the court for processing.

YELLOW SHEET

CITY OF URICH, MISSOURI

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

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Urich  
Urich, Missouri 64788

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Urich, Missouri. Our audit of the city included, but was not limited to, the year ended September 30, 1998. The objectives of this audit were to:

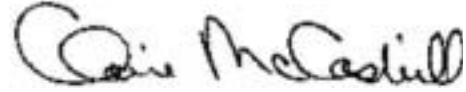
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which 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, city policies and ordinances, and various city 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 city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Urich, Missouri.

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

Claire McCaskill  
State Auditor

April 28, 1999 (fieldwork completion date)

## HISTORY AND ORGANIZATION

CITY OF URICH, MISSOURI  
HISTORY AND ORGANIZATION

The city of Urich is located in Henry County. The city was incorporated in 1885 as a fourth-class city. The population of the city in 1990 was 498.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two year term, presides over the Board of Aldermen meetings, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at September 30, 1998, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended September 30, 1998
William Grimes, Mayor (1)	April 2000	\$ 0
Ray Russell, Alderman (2)	April 1999	220
Harvey Bellis, Alderman	April 2000	40
Gary McRoberts, Alderman	April 2000	20
Melvin Stewart, Alderman (3)	April 1999	120
<u>Other Principal Officials</u>		
Deborah Adams, City Clerk (4)		4,085
Joyce Crump, Deputy City/Utility Clerk		9,289
Mike Klinefelter, Police Chief		18,000
Bill Adams, Police Sergeant		8,906
D. Michael Erwin, Fire Chief		140
Rodney Olson, Public Works Supervisor		21,180

(1) William Grimes resigned in April 1999. Ray Russell was appointed by the Board of Aldermen in April 1999.

(2) Re-elected in April 1999 but then resigned when appointed Mayor. Gary Crump was then appointed by the Board of Aldermen in April 1999.

(3) Ken Stanley resigned in May 1998 and received compensation of \$60. Melvin Stewart was appointed by the Board of Aldermen in July 1998. D. Michael Erwin was elected in April 1999.

(4) Replaced Connie Scott who resigned in June 1998.

The city employs approximately eight full and part time employees including those noted above. Assessed valuation and tax rate information for the tax year 1998 is as follows:

ASSESSED VALUATION

Real Estate	\$	1,626,885
Personal		<u>701,536</u>
Total	\$	<u><u>2,328,421</u></u>

TAX RATES PER \$100 ASSESSED VALUATION

General Revenue	\$	0.94
Parks and Recreation		<u>0.29</u>
Total	\$	<u><u>1.23</u></u>

The city had the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	\$ .010	None
Capital Improvements	.005	2009

A summary of the financial activity for the city of Urich for the year ended September 30, 1998 is presented on the next page.



Year Ended September 30, 1998

	General	Water	Sewer	Total
<b>RECEIPTS</b>				
Sales taxes	\$ 45,818	0	0	45,818
Motor fuel and motor vehicle fees	19,717	0	0	19,717
Fines	5,881	0	0	5,881
Interest income	12,780	0	0	12,780
Franchise taxes	7,926	0	0	7,926
Property taxes	29,741	0	0	29,741
Water and Sewer fees	0	73,963	39,612	113,575
Other	18,079	0	0	18,079
Total Receipts	<u>139,942</u>	<u>73,963</u>	<u>39,612</u>	<u>253,517</u>
<b>DISBURSEMENTS</b>				
Salaries and fringe benefits	42,201	31,586	21,654	95,441
Utilities	4,622	3,627	723	8,972
Insurance	9,780	2,794	886	13,460
Office supplies	2,240	5,937	1,117	9,294
Equipment	11,816	198	0	12,014
Fuel	4,057	0	0	4,057
Vehicle/equipment maintenance	5,342	0	0	5,342
Building/tower maintenance	6,908	980	210	8,098
Water purchases	0	15,436	0	15,436
Bond payments	0	14,995	14,995	29,990
Capital improvements	14,618	0	0	14,618
Other	14,762	2,973	746	18,481
Total Disbursements	<u>116,346</u>	<u>78,526</u>	<u>40,331</u>	<u>235,203</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	23,596	-4,563	-719	18,314
CASH AND CASH EQUIVALENTS, OCTOBER 1,	200,985	41,486	56,651	299,122
CASH AND CASH EQUIVALENTS, SEPTEMBER 30,	<u>\$ 224,581</u>	<u>36,923</u>	<u>55,932</u>	<u>317,436</u>

MANAGEMENT ADVISORY REPORT

CITY OF URICH, MISSOURI  
SUMMARY OF FINDINGS

1. Expenditures (pages 9-10)

The city does not have formal written bidding policies and procedures. Bids were not solicited or bid documentation retained for purchases totaling over \$20,000. Adequate documentation was not maintained to support some disbursements, the city did not have formal written agreements for its legal services, and an appraisal was not obtained for a land purchase.

2. Board Meetings and Related Matters (pages 10-12)

The board minutes were not signed by the Mayor and City Clerk, minutes were not prepared for closed meetings, and the minutes do not always include a record of votes taken. In addition, the minutes did not indicate changes made to the tentative agenda which had been posted. The city did not fill a vacant alderman's position in accordance with state law.

3. Financial Reporting (pages 12-13)

The city does not publish semi-annual financial statements, submit annual financial reports to the State Auditor's Office, or obtain annual audits.

4. Accounting Controls and Procedures (pages 13-14)

The Village Clerk also serves as Treasurer for the city resulting in duties which are not adequately segregated. The water and sewer accounts receivable ledger is not balanced monthly.

5. Traffic Violations (page 14)

Neither the police department nor the court maintains adequate records to account for all traffic tickets issued by the police department.

CITY OF URICH, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1.</b>	<b>Expenditures</b>
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- A. The city does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the city did solicit bids for many significant purchases, we noted the following purchases for which no bid documentation was retained:

Truck	\$13,000
Fire equipment (used)	1,770
Emergency equipment	3,778
Repair and paint ambulance	2,136

Formal bidding procedures for major purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

- B. Supporting documentation was not maintained for purchases of fire prevention training (\$400) and electronic police equipment (\$550).

All disbursements should be supported by paid receipts and/or complete vendor provided invoices to ensure the obligation was actually incurred and the disbursement was an appropriate use of public funds.

- C. Each month, the Board of Aldermen reviews a listing of unpaid bills. However, the board does not sign or initial this listing.

To adequately document the board's review and approval of disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

- D. The city has not entered into written contracts for legal services. The city spent \$1,035 and \$3,688 for legal services during the years ended September 30, 1998, and 1997, respectively without a formal written contract.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

- E. In March 1998 the city purchased a lot in town for \$6,500. The city did not obtain an independent appraisal on the purchase of the property. As a result, there is less assurance the price paid for the property was reasonable or represented the fair value of the property.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.
- B&C. Ensure supporting documentation is maintained to support all city disbursements, including documentation that all disbursements have been approved by the board.
- D. Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.
- E. Obtain an independent appraisal for any property being considered for purchase.

**AUDITEE'S RESPONSE**

*A-D. We will implement these recommendations.*

*E. We will take this recommendation under advisement in the future.*

**2.**

**Board Meetings and Related Matters**

- A. Board minutes are currently prepared and signed by the City Clerk; however, they are not signed by the Mayor. Prior to September 1998 the minutes were not signed by any city official. The board minutes should be signed by the city clerk and mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.
- B. The Board of Aldermen held several closed meetings during 1997 and 1998; however, minutes of these meetings were not retained.

Although minutes are not specifically required by law, minutes constitute the record of proceedings of the board. Failure to maintain minutes results in an inadequate record of city transactions, proceedings, and decisions. In addition, minutes help show that the closed discussions or business related to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo 1994.

- C. Board minutes do not always include a record of votes taken. In addition, the minutes of the May 1998 meeting indicate the Mayor distributed an agenda other than the tentative agenda which had been posted. However, the minutes did not document what had been changed from the posted agenda, or the reasons why the agenda needed to be changed.

Section 610.020, RSMo 1994, states that “the minutes shall include the date, time, place, members present, members absent, and a record of votes taken” and that tentative agendas be posted at least 24 hours in advance so that the public is apprised of that information. Complete and accurate minutes provide an official record of board actions and decisions.

- D. The Mayor did not accept a motion to nominate a person to fill a vacant alderman's position. The Mayor indicated that he had researched the issue and obtained a legal opinion which indicated that only the mayor could nominate a successor when a board member resigns.

Section 79.280, RSMo 1994, states only that "if a vacancy occurs in any elective office, the Mayor shall cause a special meeting of the Board of Alderman to convene where a successor to the vacant office shall be selected."

**WE RECOMMEND** the Board of Aldermen and Mayor:

- A. Ensure board minutes are signed by the City Clerk as preparer and the Mayor to attest to their completeness and accuracy.
- B. Ensure minutes are taken of all closed meetings.
- C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes. In addition, any changes to the tentative agenda, and the reason for such changes, should be documented in the minutes.
- D. Ensure future vacancies of elected officials are filled in accordance with state law.

**AUDITEE'S RESPONSE**

*A&B. We will implement these recommendations.*

- C. *The board minutes do document votes taken after September 1998. We will continue to document this information.*
- D. *We implemented this recommendation when we filled the vacancies in April 1999. In addition, we adopted an ordinance which is in compliance with state law.*

<b>3. Financial Reporting</b>
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- A. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the city treasurer cannot legally disburse funds until the financial statement is published.
- B. The city did not submit annual financial reports to the State Auditor's Office for fiscal years 1994, 1995, 1996, and 1997. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office. The city did submit an annual financial report for fiscal year 1998.
- C. The city has not ensured timely audits of its water and sewer system are performed. The last audit issued on the system covered the year ended September 30, 1995. Section 250.150, RSMo 1994, and the revenue bond covenant require the city to obtain annual audits of the water and sewer system, and the cost of the audits is to be paid from the revenues received from the system.

Besides being required by the bond covenant and state law, timely audits of the water and sewer system would better enable the city to:

1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.
2. Determine the propriety and accuracy of its financial transactions.
3. Ensure revenues of the sewer system are adequate to meet the expenses of providing this service.

**WE RECOMMEND** the Board of Aldermen:

- A. Require semi-annual financial statements be prepared and published.
- B. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.
- C. Ensure annual audits of the waterworks and sewer system are performed in a timely manner.

**AUDITEE'S RESPONSE**

- A. *We did prepare and publish a semi-annual financial statement in April 1999.*
- B. *We will continue to submit this annual report.*
- C. *We will implement this recommendation.*

<b>4. Accounting Controls and Procedures</b>
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- A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. Presently, the City Clerk also serves as the City Treasurer. Her duties include receiving, recording, and depositing receipts, preparing checks, recording disbursements, and reconciling bank accounts. The board periodically reviews the work performed by the city clerk, however, this review is not documented.

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.

Holding both the City Treasurer and City Clerk offices does not allow the segregation 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.

- B. The water and sewer accounts receivable ledger is not balanced monthly. Month-end water and sewer accounts receivable balances are not reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for that month. A reconciliation of receivables with billings, collections and other adjustments should be performed or reviewed by someone independent of the water and sewer accounting system every month to ensure all amounts have been accounted for appropriately.

The lack of reconciliations represents a weakness in the internal controls of the water and sewer billing and collection system. Reconciliations are needed to help ensure the accuracy of the billing, collection and reconciliation processes.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate,



documented independent review of the record keeping functions should be established.

- B. Ensure beginning and ending accounts receivable balances are reconciled on a monthly basis using the billing, collections and billing adjustments during that month. Any differences which cannot be accounted for should be immediately investigated.

**AUDITEE'S RESPONSE**

- A. *We will attempt to implement this recommendation.*
- B. *We believe this information is available from the computer system and will be provided to the board in the future.*

**5. Traffic Violations**

The City of Urich issues traffic tickets, and the court cases for the city are heard once a month at the Henry County Courthouse by the Associate Circuit Judge. The Henry County Associate Court receives the payment of fines and court costs and then remits the fines to the City of Urich.

The police department does not maintain adequate records to account for all traffic tickets issued by the police department. Although ticket books appear to be assigned in numerical order by the police department, the numerical sequence of tickets issued is not accounted for and compared to the listing of cases disposed of by the Associate Court.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

**WE RECOMMEND** the Board of Aldermen ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

**AUDITEE'S RESPONSE**

*We will implement this recommendation.*

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

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