



CITY OF HOLLAND, MISSOURI  
YEAR ENDED DECEMBER 31, 1999

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

Report No. 2000-26  
April 20, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

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

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The city had not prepared a budget for the year 2000 as of January 14, 2000. In addition, the budgets prepared by the city for the years ended December 31, 1999 and 1998, did not comply with Chapter 67 of the Missouri statutes (budget law). The city only prepares a budget for the general fund and the water and sewer fund. Neither of these budgets included projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message. In addition, the Board of Aldermen does not perform periodic comparisons between budgeted and actual expenditures. To better inform citizens and to ensure the city's budgets reflect the restrictions placed on the city funds, the city should prepare budgets for each fund and monitor actual expenditures compared to budgeted expenditures.

The city's most recent audit is for the year ended December 31, 1997. State law requires the city to obtain annual audits of the combined water and sewer system, and the cost of the audits is to be paid from the revenues received from the system. In addition, annual audits are required by the city's combined water and sewer system bond covenants.

The city has not published semi-annual financial statements as required by state law and has not submitted an annual financial report to the State Auditor's Office since 1997.

The City Clerk is more than a year behind in recording total billings and payments for the water and sewer system in the control ledger. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid cannot be performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

The City Clerk does not reconcile meter deposit records to the balance in the bank account. The city has failed to establish a reserve account as required by bond covenants. The city did not solicit proposals when selecting an engineering contractor for the city's water project. In addition, the city does not reconcile the total gallons of water billed to customers to the gallons of water pumped.

The City Clerk also serves as the City Treasurer and the City Collector contrary to an Attorney General Opinion. Controls over cash receipts and disbursements are not adequate. In addition, the city has not prepared or maintained property records.

(over)

YELLOW SHEET

The City Clerk's duties include collecting and depositing property tax receipts. The City Clerk did not make a detailed report to the Board of Aldermen summarizing the various property tax amounts collected during the year. In addition, a detailed monthly report of delinquent taxes should be submitted to the board by the City Clerk. State law requires reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. In addition, the City Clerk is not charging penalties on delinquent taxes.

The two city employees do not prepare time sheets or maintain records of vacation and sick leave. The city has not adopted ordinances to establish the compensation and duties of each employee. In addition, the Water Supervisor is also the elected City Marshall and he was paid \$23,400 for his duties as Water Supervisor. This arrangement is not in compliance with state law which states that an elected or appointed official is to be paid only for the position he was elected or appointed to serve. The city does not have written agreements with the City Attorney and City Judge.

The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for these receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

The city's ordinances are not complete and up-to-date. Board minutes are not signed by the Mayor.

In the City of Holland municipal court, receipts are not always deposited intact or timely and formal bank reconciliations are not performed. The numerical sequence and ultimate disposition of all traffic tickets is not accounted for properly and complaint forms used are not prenumbered.

CITY OF HOLLAND, MISSOURI

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

To the Honorable Mayor  
And  
Members of the Board of Aldermen  
City of Holland  
Holland, Missouri 63853

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Holland, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

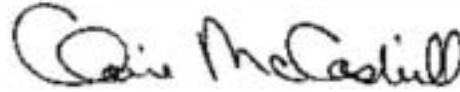
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which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

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

January 14, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Alice M. Fast, CPA, CIA
In-Charge Auditor:	Darrick A. Fulton
Audit Staff:	Scott Fontana

## HISTORY AND ORGANIZATION

# CITY OF HOLLAND, MISSOURI HISTORY AND ORGANIZATION

The city of Holland, incorporated in 1903 as a fourth-class city, is located in Pemiscot County. The population in 1990 was 234. The city government consists of a mayor, and a four-member Board of Aldermen. The four board members are elected from two wards for two-year terms. The mayor is elected for two years, presides over the Board of Aldermen, and votes only in the case of a tie. The mayor, Board of Aldermen, and other principal officials at December 31, 1999 were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Compensation Paid for the Year Ended December 31, 1999</u>	<u>Amount Of Bond</u>
Sondra Booker, Mayor	2000	\$ 0	\$ 0
Cooper Jones, Alderman, Ward One	2000	0	0
J. L. "Beau" Shepphard, Alderman, Ward Two	2000	0	0
Robert Drumright, Alderman, Ward One	2001	0	0
Frank Copeland, Alderman, Ward Two	2001	0	0
Mark Crocker, Water Superintendent/City Marshall	2001	23,400	5,000
<u>Other Principal Officials</u>			
Geneva Rollins, City Clerk		5,675	\$ 15,000
Tommy German, Municipal Judge		1,800	
Terry McVey, City Attorney		1,200	

Assessed valuation and tax rate information for 1999 is as follows:

<b>ASSESSED VALUATION</b>	
Real Estate	\$ 641,600
Personal Property	208,780
Railroad and Utility	<u>193,620</u>
Total	<u>\$1,044,000</u>

<b>TAX RATES PER \$100 ASSESSED VALUATION</b>	
General	\$ 0.49

A summary of the financial activity of the city of Holland for the year ended December 31, 1999 is presented on the next page.



Financial Activity for the Year Ended December 31, 1999

	General Fund	Water & Sewer Fund	Water Meter Fund	Water Project	Court Fund	Other * Funds	Total
<b>RECEIPTS</b>							
Gas and motor vehicle taxes	\$ 9,617	0	0	0	0	0	9,617
Property taxes	5,674	0	0	0	0	0	5,674
Franchise taxes	9,974	0	0	0	0	0	9,974
Interest	115	437	52	0	0	0	604
Water & sewer fees	0	57,924	0	0	0	0	57,924
Bond proceeds	0	0	0	283,000	0	0	283,000
Grant proceeds	0	0	0	56,200	0	0	56,200
Fines and court costs	0	0	0	0	2,152	0	2,152
Other	1,529	0	0	0	0	916	2,445
Meter deposits	0	0	1,900	0	0	0	1,900
Transfers in	1,950	1,880	0	0	0	2	3,832
Total Receipts	28,859	60,241	1,952	339,200	2,152	918	433,322
<b>DISBURSEMENTS</b>							
Salaries	15,615	19,185	0	0	0	0	34,800
Supplies	541	3,015	0	0	0	0	3,556
Utilities	4,967	3,805	0	0	0	0	8,772
Insurance	2,380	0	0	0	0	0	2,380
Sales tax	0	1,062	0	0	0	0	1,062
Newspaper advertising	454	0	0	0	0	0	454
Water project	0	0	0	329,107	0	0	329,107
Sewer treatment	0	8,809	0	0	0	0	8,809
Contract labor	0	700	0	0	0	0	700
Loan/bond payment	0	8,047	0	0	0	0	8,047
Other	4,138	3,476	0	0	6	226	7,846
Transfers out	0	0	1,880	0	1,952	0	3,832
Total Disbursements	28,095	48,099	1,880	329,107	1,958	226	409,365
RECEIPTS OVER (UNDER) DISBURSEMENTS	764	12,142	72	10,093	194	692	23,957
CASH, JANUARY 1,	6,208	21,413	3,228	0	1	909	31,759
CASH DECEMBER 31,	\$ 6,972	33,555	3,300	10,093	195	1,601	55,716

\* Includes the following funds: Holland Law Enforcement Fund, Holland Park Fund, Criminal Investigation Fund, and Holland Sanitary Sewer Improvements Fund.

## MANAGEMENT ADVISORY REPORT

CITY OF HOLLAND, MISSOURI  
SUMMARY OF FINDINGS

1. Water and Sewer System (pages 9-11)

The City Clerk has not kept up to date records of total charges and payments for the water and sewer system and, therefore, monthly reconciliations of total charges, payments received, and amounts remaining unpaid cannot be performed. The City Clerk does not reconcile meter deposit records to the balance in the bank account. The city has failed to establish a reserve account as required by bond covenants. The city did not solicit proposals when selecting an engineering contractor for the city's water project. In addition, the city does not reconcile the total gallons of water billed to customers to the gallons of water pumped.

2. Accounting Records and Procedures (pages 11-13)

The City Clerk also serves as the City Treasurer and the City Collector contrary to an Attorney General Opinion. Controls over cash receipts and disbursements are not adequate. In addition, the city has not prepared or maintained property records.

3. Property Tax Procedures (pages 13-14)

The City Collector does not prepare annual reports of tax collections and delinquent taxes, and penalties are not assessed on delinquent taxes.

4. Budgets and Financial Reporting (pages 14-15)

Budgets do not meet statutory requirements. The city does not publish financial statements, submit annual financial reports to the State Auditor's office, or obtain annual audits.

5. Payroll and Personnel Procedures (pages 15-16)

The two city employees do not prepare time sheets or maintain records of vacation and sick leave. The city has not adopted ordinances to establish the compensation and duties of each employee. In addition, the Water Supervisor is also the elected City Marshall and he was paid \$23,400 for his duties as Water Supervisor. This arrangement is not in compliance with state law which states that an elected or appointed official is to be paid only for the position he was elected or appointed to serve. The city does not have written agreements with the City Attorney and City Judge.

6. Ordinances and Minutes (pages 16-17)

The city's ordinances are not complete and up-to-date. Board minutes are not signed by the Mayor.

7. Street Monies (pages 17-18)

The city has not established a separate fund or accounting of the state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution. An annual maintenance plan for city streets has not been prepared.

8. Municipal Court Division (pages 18-19)

Formal bank reconciliations are not always performed. Receipts are not deposited intact or timely and receipt slips are not issued in numerical sequence. The numerical sequence and ultimate disposition of all traffic tickets is not accounted for properly and complaint forms used are not prenumbered.

CITY OF HOLLAND, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1.</b>	<b>Water and Sewer System</b>
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The city provides water and sewer services to its residents. Water meters are read on approximately the twentieth of each month and customers are billed on the last day of the month. Payments are due by the tenth of the following month. Our review of these billing practices and related procedures identified the following concerns:

- A. The City Clerk is more than a year behind in recording total billings and payments for the water and sewer system in the control ledger. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid cannot be performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

- B. The city collects refundable water meter deposits, which are deposited into the water meter account. The city clerk maintains a card file of meter deposits paid and records deposits refunded or applied to final bills. However, the city clerk does not reconcile the balances on these cards to the balance in the account. At December 31, 1999, meter deposits recorded on the meter cards plus interest earned on this account in 1999 and 1998 totaled \$2,892 while the bank account balances totaled \$3,300.

The meter deposit cards should be reconciled to the balance in the bank account monthly to ensure records are in balance and all meter deposits are accounted for properly.

- C. The city has not established the required reserve account for their water and sewer system bonds. The water and sewer system bond covenant for the bonds dated September 1, 1997, requires the city to establish a Bond Reserve Fund in which the city is to deposit \$700 yearly until the total balance equals \$7,000. At December 31, 1999, the balance should be \$1,400. Although at December 31, 1999, the city had not established the required fund, the cash balance of the water and sewer fund was \$33,555.

The failure of the city to establish and adequately fund the required account could allow the bondholders to take legal action to force compliance.

- D. During 1998 the city entered into a contract for engineering services related to the water project. The contract indicates fees for these services will be \$44,000. The city paid approximately \$36,000 for engineering fees during the year ended December 31, 1999 for this project. The city did not solicit proposals from other engineers. The Mayor indicated the engineering firm was selected because they had done a good job previously on the sewer project.

Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

- E. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. To help detect any significant water loss on a timely basis and to help ensure all water usage is properly charged, the city should monthly prepare and maintain records of the total gallons of water pumped and reconcile them to the gallons of water charged. Significant differences should be investigated.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Clerk to keep records of charges and payments up to date and perform monthly reconciliations of the amounts charged to amounts collected and delinquent accounts.
- B. Require the City Clerk to reconcile the meter deposits recorded on the customer cards to the balance in the account each month.
- C. Maintain the required reserve bank account.
- D. Solicit and document proposals for professional services.
- E. Compare the gallons of water pumped to the gallons billed on a monthly basis. Any differences should be investigated.

**AUDITEE'S RESPONSE**

- A. *We are working on getting these records up-to-date.*
- B. *We will implement.*
- C. *We will establish the required bond reserve account.*

- D. *We selected our engineering firm based on our past positive experience with the firm. We will clearly document our decisions in the future.*
- E. *We will implement.*

<b>2. Accounting Records and Procedures</b>
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- A. The same individual has been appointed as both the City Clerk and the City Collector. She also serves as the City Treasurer. She collects all receipts, maintains receipt and disbursement records, makes bank deposits, signs checks, and serves as secretary to the board. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the City 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. One person holding all 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.

- B. Receipts are not deposited, intact on a timely basis. Deposits are only made approximately twice a month. Varying amounts of cash are withheld from deposits to use as a change fund. In addition, the City Clerk cashes the employees' payroll checks from cash water receipts. While the City Clerk does indicate the method of payment on water bill stubs, no reconciliation is performed between the composition indicated on the water bills stubs and the bank deposits. To adequately safeguard receipts and reduce the risk of loss, or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100, the change fund should be maintained at a constant amount, checks should not be cashed from city receipts, and the composition of receipts per the water bill stubs should be reconciled to the amount deposited.
- C. The City Clerk maintains a balance for each account, but does not always perform and/or document a formal bank reconciliation. Monthly bank reconciliations are necessary to ensure that accounting records are in agreement with the bank and errors are detected on a timely basis. Without proper documentation, there is little assurance that these reconciliations have been performed.
- D. Supporting documentation was not available for a disbursement of \$57 paid to the City Clerk's son for cleaning the water tanks. In addition, no supporting documentation was maintained for disbursements of \$493 made to other contract employees for various work performed related to the water operation. All disbursements should be supported by paid receipts, contracts, or invoices to

ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- E. The city has not prepared or maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed.

Property records are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for fixed assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original value is not available. The city should properly record all fixed asset transactions and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk, City Collector, and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Ensure monies are deposited intact, daily or when accumulated receipts exceed \$100, the change fund is maintained at a constant amount and the practice of cashing employee payroll checks is discontinued. Detailed receipt records should be reconciled to bank deposits.
- C. Ensure monthly bank reconciliations are performed and documented.
- D. Ensure all disbursements are supported by paid receipts and/or invoices which contain an adequate description of the goods or services received.
- E. Establish property records for general fixed assets and the fixed assets of the water and sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

**AUDITEE'S RESPONSE**

- A. *The board will begin a formal review at the monthly meeting.*



- B. *We have started making deposits weekly. We will discuss maintaining our change fund at a constant amount. We have discontinued cashing personal checks. We will attempt to perform this reconciliation.*
- C. *We have implemented this procedure.*
- D. *We will implement this procedure.*
- E. *We will implement.*

3.	<b>Property Tax Procedures</b>
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- A. The City Clerk's duties include collecting and depositing property tax receipts. The City Clerk did not make a detailed report to the Board of Aldermen summarizing the various property tax amounts collected during the year. In addition, a detailed monthly report of delinquent taxes should be submitted to the board by the City Clerk.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, also provides that the board may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

- B. The City Clerk is not charging penalties on delinquent taxes. Section 140.100.1, RSMo 1994, provides a penalty of two percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Clerk prepare monthly and annual reports of property taxes collected and delinquent taxes in accordance with state law.
- B. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *We have implemented.*

B. *We will implement.*

<b>4. Budgets and Financial Reporting</b>
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- A. The city had not prepared a budget for the year 2000 as of January 14, 2000. In addition, the budgets prepared by the city for the years ended December 31, 1999 and 1998, did not comply with Chapter 67 of the Missouri statutes (budget law). The city only prepares a budget for the general fund and the water and sewer fund. Neither of these budgets included projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message. In addition, the Board of Aldermen does not perform periodic comparisons between budgeted and actual expenditures. To better inform citizens and to ensure the city's budgets reflect the restrictions placed on the city funds, the city should prepare budgets for each fund and monitor actual expenditures compared to budgeted expenditures.
- B. 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 cannot legally disburse funds until the financial statement is published.
- C. The city's most recent audit is for the year ended December 31, 1997. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined water and sewer system, and the cost of the audits is to be paid from the revenues received from the system. In addition, annual audits are required by the city's combined water and sewer system bond covenants.

In addition to being required by state law and the city's bond covenants, annual audits of city funds would help ensure city financial transactions have been properly recorded.

- D. The city has not submitted an annual financial report to the State Auditor's Office since 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.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in compliance with state law, make periodic comparisons between budgeted and actual expenditures, and prepare a separate budget for each fund.
- B. Require semi-annual financial statements be prepared and published.

- C. Obtain annual audits as required by state law and the city's bond covenants.
- D. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

**AUDITEE'S RESPONSE**

- A. *We are working on our year 2000 budget. We will review the statutes and try to comply with statutory provisions.*
- B. *We will implement.*
- C. *We will discuss this problem with our CPA firm or obtain a new firm that will perform our audit on a timely basis.*
- D. *Our CPA firm performs this task. We will ensure it is done on a timely basis.*

<b>5. Payroll and Personnel Procedures</b>
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- A. The city has one full-time and one part-time employee. City employees do not prepare time sheets. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures and the allocation of payroll expenditures to the various funds, and to provide the board with a method to monitor hours worked. To support payroll expenditures, the city should require all employees prepare detailed time sheets.
- B. Records of vacation and sick leave earned and used are not maintained. City ordinance 23.170 requires records of vacation leave allowance and use be kept. Adequate documentation of leave time earned and used is necessary to ensure that leave time is not abused.
- C. The city has not adopted ordinances to establish the compensation and duties of the Water Supervisor and the City Clerk. Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees to be set by ordinance.
- D. During the year ended December 31, 1999, the city paid the elected City Marshall \$23,400 in compensation for duties as the Water Supervisor. Section 105.454, RSMo 1994, states that no elected or appointed official of any political subdivision, serving in an executive capacity, shall perform any service for such political subdivision for any consideration other than the compensation provided for the performance of his official duties.

- E. Payments for services were made without current written agreements. For the year ended December 31, 1999, the city paid the Municipal Judge \$1,800 and the City Attorney \$1,200 without current written contracts.

Formal written contracts should clearly define the services to be rendered and compensation for these services to ensure that city expenditures are reasonable and proper.

**WE RECOMMEND** the Board of Aldermen:

- A. Require city employees to prepare detailed time sheets.
- B. Maintain records of vacation and sick leave.
- C. Establish the duties and compensation of all city officials and employees by ordinance as required by statute.
- D. Comply with state laws relating to compensation of city officials. The City Marshal should either quit his employment as water supervisor or resign from the position of City Marshal.
- E. Ensure all contracts are in writing and approved by the Board of Aldermen.

**AUDITEE'S RESPONSE**

- A&B. We will work on developing a time reporting system that will include sick leave and vacation time.*
- C. We will implement.*
- D. We will review this situation again and discuss with our legal counsel.*
- E. We will implement.*

<b>6. Ordinances and Minutes</b>
----------------------------------

- A. The city's ordinances are not complete and up-to-date. It appears some of the city's ordinances are missing while others are old and outdated. In addition, ordinances have not been adopted in some instances where required. For example, the city has not adopted ordinances to establish the compensation and duties of city officials, current meter deposit amounts, city stickers, and merchant licenses. In addition, the city has not prepared ordinances to document the approved tax levy for each year as required by Section 94.210, RSMo 1994.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner.

- B. The board minutes are prepared and signed by the City Clerk, but the minutes are not signed by the Mayor. The board minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- B. Ensure board minutes are signed by the Mayor to attest to their completeness and accuracy.

**AUDITEE'S RESPONSE**

- A. *The Board of Aldermen has discussed these issues in meetings which are documented in the board meeting minutes. However, we will pass formal ordinances in regard to these issues.*
- B. *We will do this.*

<b>7. Street Monies</b>
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- A. The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for these receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

During the year ended December 31, 1999, the city deposited \$9,617 in state motor vehicle-related receipts into the General Fund, and spent only \$3,301 for street lighting, policing, and signing.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution. The unspent balance of street revenues should be accounted for separately along with future receipts.

- B. An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish a separate fund or accounting of the state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution.
- B. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

**AUDITEE'S RESPONSE**

- A. *We have not been tracking these expenditures, but we will begin to properly account for these expenditures.*
- B. *We have no plans at this time for street maintenance.*

<b>8. Municipal Court Division</b>
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- A. We noted the following concerns relating to receipts:
- 1) Monthly formal bank reconciliations are not performed for the municipal division's bank account. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis.
  - 2) Receipts are not always deposited intact or timely and receipt slips are not always issued in numerical sequence. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100 and receipt slips should be issued in numerical sequence.

- B. Neither the police department nor the municipal court division adequately account for all traffic tickets and complaint forms issued and the ultimate disposition. In addition, complaint forms used are not prenumbered.

Without a proper accounting of the numerical sequence and ultimate disposition of complaint forms and traffic tickets, the police department and the municipal division cannot be assured all tickets and complaint forms issued are submitted to the court for processing.

Conditions similar to A. and B. were also noted in our prior report of the Holland Municipal Court Division for the two years ended December 31, 1997.

**WE RECOMMEND** the city of Holland Municipal Court Division:

- A.1. Prepare monthly bank reconciliations.
- 2. Deposit receipts intact daily or when accumulated receipts exceed \$100 and issue receipt slips in numerical sequence.
- B. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

**AUDITEE'S RESPONSE**

- A. *We will implement.*
- B. *We will maintain a complete ticket log and order prenumbered complaint forms.*

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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