



Claire McCaskill

Missouri State Auditor

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June 2006

City of Battlefield, Missouri

Year Ended June 30, 2005



Office Of  
Missouri State Auditor  
Claire McCaskill

June 2006

The following findings were included in our audit report on the City of Battlefield, Missouri.

Payments totaling \$4,429 were paid to former Mayor Heslep for administrative fees related to the Federal Emergency Management Agency (FEMA) grant received by the city after the May 2003 tornado. The Board of Alderman approved paying the administrative allowance to the Mayor in a June 2003 meeting. While the former mayor signed a certification indicating that documentation of the administrative expenditures was maintained, neither the former mayor nor the city maintained documentation required to show how the administrative allowance was expended for eligible purposes. Additionally, the payments were not reported by the city for payroll tax purposes, and handling the transaction in this manner may have violated state laws.

No documentation was available to indicate that the city solicited proposals for engineering (\$68,700), legal (\$25,000), and auditing (\$3,500) services for the year ending June 30, 2005. Additionally, the city has not updated their contract with the engineer since June 2001 and has been paying higher hourly rates for services than are specified in the most recent contract. Furthermore, invoices submitted by their city attorney reflected an hourly billing rate increase from \$100 to \$120 in August 2004; however, the ordinance establishing this increase was not approved by the Board until September 2005.

The city needs to improve the controls and procedures used to approve invoices for payment. Credit card receipts or other documentation of fuel purchased by each city employee is not always retained, and some monies were spent for items that do not appear to be a prudent use of public funds.

Serious weaknesses were identified in the city's accounting of sewer billings and receipts. The city implemented a new sewer software accounting program in November 2005 and has not obtained the proper training and expertise to adequately track and reconcile sewer accounts receivable activity. Reports generated from the program that were reviewed and approved by the Board of Alderman did not contain sufficient detail, and did not appear accurate. Additionally, reports of sewer collections, and delinquent sewer accounts did not agree with other reports generated for the same time period. Further, some information from the sewer accounting system has not been properly backed up resulting in some of the historical detailed information being lost. As a result of these serious weaknesses, the city has no assurance that amounts billed and collected have been accounted for properly.

Documentation is not maintained to support the allocation of expenses between the sewer, park, and general funds. In addition, the city has not established a separate accounting of

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some restricted revenues, such as motor vehicle-related revenues from the state and transportation sales tax revenues. Further, the city does not have procedures in place to ensure fees assessed to developers are collected prior to the Board of Alderman approving the development.

The June 30, 2005 ending balance reported in the published financial statement did not agree with the city's audited financial statements and the city's accounting records. The balance reported in the city's published financial statement was understated by approximately \$250,000. Also, the city does not effectively monitor the annual budget, and budget amendments are not prepared and approved timely.

The Municipal Division collected approximately \$50,000 during the year ended June 30, 2005. Monies collected by the municipal division are not deposited on a timely basis and deposit slips are not always properly itemized to indicate the amount of cash and checks being deposited. Additionally, the Court Clerk does not maintain a bond ledger and does not prepare monthly listing of liabilities. An accounts receivable ledger, balance due docket, or other summary listing is not maintained, and reviewed by the Municipal Judge on a periodic basis. Furthermore, monthly disbursements of Crime Victims Compensation (CVC) fees to the state were not always remitted on a timely basis.

Also included in the report are recommendations related to accounting controls, payroll and personnel matters, board meeting minutes, and city assets.

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CITY OF BATTLEFIELD, MISSOURI

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STATE AUDITOR'S REPORT



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

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Battlefield, Missouri. The city engaged Decker & DeGood, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2005. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2005. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

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



Claire McCaskill  
State Auditor

March 16, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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MANAGEMENT ADVISORY REPORT SECTION –  
STATE AUDITOR'S FINDINGS



CITY OF BATTLEFIELD, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Expenditures</b>
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Administrative fees totaling \$4,429 were paid to former Mayor Heslep which may have violated state law. The city has not solicited proposals for professional services such as engineer, auditor, and attorney. Additionally, controls over approving invoices for payment need to be improved, credit card receipts for fuel purchases are not retained, and some city funds were spent for items that do not appear to be a prudent use of public funds.

- A. Six payments totaling \$4,429 were paid between June 2003 and February 2004 to former Mayor Heslep for administrative fees related to the Federal Emergency Management Agency (FEMA) grant received by the city after the May 2003 tornado. The city received approximately \$133,000 in grant funds which included a total of \$4,429 authorized to be used for administrative purposes. The Board of Alderman approved paying the administrative allowance to the Mayor in a June 2003 meeting. While the former mayor signed a certification indicating that documentation of the administrative expenditures was maintained, neither the former mayor nor the city maintained documentation required by FEMA to show how the administrative allowance was expended for eligible purposes. FEMA requires that any of the administrative allowance for which the recipient cannot document proper expenditure be returned. In addition, the payments were not processed through the city's payroll system, and not reported for income tax purposes. The city should ensure it complies with all requirements related to federal assistance received, and report compensation as required.

Additionally, handling the transaction in this manner may have violated Section 105.454, RSMo, which prohibits an employee or official, serving in an executive or administrative capacity of any political subdivision, from performing any service for the city for more than \$500 per transaction or \$5,000 per year (\$1,500 per year prior to August 2005) unless the transaction is made by competitive bidding and the lowest bid is accepted. Further, Sections 79.270 and 79.290, RSMo, require the compensation of city officials to be set by ordinance.

- B. The city does not have adequate procedures regarding the procurement of professional services.
1. No documentation was available to indicate that the city solicited proposals for engineering services totaling \$68,700 for the year ending June 30, 2005. The city has used the same engineering company for several years for various capital projects and consulting services without soliciting proposals from other engineering firms. Further, the city has not

updated their contract with the engineer since June 2001, and has been paying for services at hourly rates ranging from \$36 to \$120 per hour when rates ranging from \$27 to \$85 per hour are specified in the most recent contract.

2. The city has not solicited proposals for various other professional services such as legal and auditing services for many years. The annual cost of legal and auditing services was approximately \$25,000 and \$3,500, respectively.

Additionally, according to invoices submitted to the city by their attorney, the hourly billing rate increased from \$100 to \$120 in August 2004; however, the ordinance establishing this increase was not approved by the Board of Alderman until September 2005.

While professional services, such as engineers, attorneys, and accountants, may not be subject to standard bidding procedures, the city should consider implementing a policy that requires proposals to be solicited for professional services to the extent practical. Soliciting proposals for professional services helps provide a range of possible choices and allows the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. Further, Section 8.289, RSMo, requires that political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo, further requires that when negotiating for a contract, the political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

Additionally, to ensure amounts paid for engineering and legal services are accurate, the city should ensure that rates billed for these services agree with contracted amounts and/or approved city ordinances. If rates for these services change the city should obtain revised contracts and update city ordinances as applicable.

- C. Improvement is needed in the controls and procedures used to approve invoices for payment by the city.
  1. The City Clerk prepares a listing of all disbursements that includes each vendor name and amount for the board to approve. While board minutes indicate bills were approved, these listings are not signed or initialed to document the board's approval.
  2. Invoices are not always noted as paid or otherwise canceled upon payment.

3. Receipt of goods or services is not always indicated on the invoices prior to payment.

To ensure all disbursements are properly approved, the Board of Alderman should document their review by signing or initialing the listing of disbursements approved. In addition, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled. Further, to ensure goods and services have been properly received, all invoices or other supporting documentation should be initialed or signed by a city employee indicating receipt of goods or services.

- D. Credit card receipts or other documentation of fuel purchased by each city employee is not always retained; as a result, the City Clerk cannot reconcile credit card receipts for fuel purchases to the monthly credit card statements prior to payment. Fuel purchases for the year ended June 30, 2005 totaled \$12,800. Fuel purchases should be supported by credit card receipts or other documentation. Such documentation is necessary to ensure purchases are valid and necessary expenditures of county funds. In addition, credit card receipts should be retained and reconciled to the monthly credit card statement prior to payment.
- E. The City expended monies for items that do not appear to be a prudent use of public funds. In December 2005, \$1,050 was spent on 11 gift cards, which were distributed to city employees. Board minutes indicate the gift cards were approved as year-end incentive payments for employees. Other smaller expenses for flowers, and an employee barbeque were also noted.

It is questionable whether these expenditures are a prudent use of public funds. Awarding additional pay to employees on a discretionary basis in the form of bonuses appears to represent additional compensation and violates Article III, Section 39 of the Missouri Constitution. The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The City should ensure funds are spent only on items which are necessary and beneficial to city residents.

**WE RECOMMEND** the Board of Alderman:

- A. Contact the grantor agency concerning the lack of documentation supporting the administrative fees paid to the former mayor with grant funds, and report compensation for income tax purposes as required. Further, the Board of Alderman should refrain from entering into business transactions with city officials unless steps are taken to ensure the city has complied with state law.
- B. Developing written policies and procedures for the selection and procurement of companies and individuals for various types of professional services, and solicit proposals for professional services to the extent practical. In addition, ensure

billing rates for professional services agree with approved contracts and/or ordinances.

- C. Ensure the Board's approval is reflected on the listing of disbursements, all invoices are canceled when payment is made, and receipt of goods or services is indicated on invoices prior to being approved for payment.
- D. Retain documentation of fuel purchases and reconcile the credit card receipts to the monthly statement prior to payment.
- E. Ensure all expenditures from city monies are a prudent use of public funds, and refrain from paying bonuses to city employees.

**AUDITEE'S RESPONSE**

*The Board of Alderman provided the following responses:*

- A. *We have made contact with the grantor agency and will continue to communicate with them to resolve this issue. We believed that we were acting in conjunction with instructions received from SEMA regarding the handling and use of the administrative fees. We will ensure any future transactions involving Board Members comply with state law.*
- B. *We will develop a policy for the procurement of professional services by the end of the fiscal year, and in the future, will ensure billing rates for professional services agree with approved contracts and/or ordinances.*
- C&D. *Steps have already been taken to implement all these recommendations.*
- E. *Given the minimal amount of funds spent, we believe these expenses were reasonable to reward city employees.*

<b>2. Sewer System</b>
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The city implemented a new sewer software accounting program in November 2005 and has not obtained the proper training and expertise to adequately track and reconcile sewer accounts receivable activity. Further, reports generated from the system and submitted to the Board of Alderman do not appear accurate and are not sufficiently itemized. The city collects approximately \$435,000 in sewer fees annually from approximately 1,800 users.

- The City Collector submits a monthly report generated from the sewer accounting system to the Board of Alderman for their approval of adjustments made to customer accounts. However, these reports do not itemize which sewer accounts were adjusted, they simply list a total amount of adjustments for the month. Without detail showing the individual adjustments made to each sewer customer's account, it

is unclear how the Board determined that the adjustments were proper. The Board approved adjustments totaling (\$384) and \$442 for November and December 2005, respectively.

- The reports submitted to the Board do not always appear to be accurate, and month-end sewer accounts receivable balances are not reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for that month. For example, the ending accounts receivable balance reflected on the November 2005 report did not agree with the beginning accounts receivable balance reflected on the report submitted in December 2005. The difference between these two balances was approximately \$9,400, and this difference went undetected by the Board.
- Reports printed and filed at month-end showing total amounts collected are not compared with total deposits made during the month, or with total amounts posted to the city's general ledger. While detailed reports are generated from the system each time a deposit is made and agreed to the individual deposit, summary reports printed at month end are not agreed to ensure all payments posted to customer accounts are properly deposited. For example, during December 2005 deposits totaling approximately \$41,000 were made into the sewer account; however, summary collection reports printed from the city's sewer accounting system reported collections of only approximately \$38,000 during this time period. City personnel could not explain the difference.
- The sewer accounting system will generate an arrears listing of the delinquent sewer bills; however, the list printed from the system does not appear to be accurate. For example, the December 16, 2005 arrears listing totaled \$9,013; however, the billing register for the same date only had an accounts receivable balance of \$4,486. The City Collector does not review these reports and the differences have gone undetected.
- Information from the sewer accounting system has not been properly backed up resulting in some of the historical detailed information being lost. As a result, the cause for the differences noted above, and the reasonableness of the adjustments made to customer accounts could not be determined.
- The city is unable to generate a list of sewer deposits being held by the city from their sewer accounting system. The city requires a refundable sewer deposit of \$25 for homeowners and \$75 for renters to ensure final sewer billings are paid. These monies are deposited into the city's sewer fund. The only record the city maintains of customer deposits is a copy of the sewer application, which is retained in a notebook. However, some of the deposits have been refunded and some deposits remain in the city's bank account. As a result, the city does not reconcile sewer deposits on hand to customer account information to ensure adequate funds are being reserved as customer deposits. The city's general ledger showed customer deposits of \$34,286 at June 30, 2005.

The lack of appropriate reconciliations within the sewer accounting system to ensure information is accurate represents a serious weakness in the internal controls over the sewer billing and collection system. As a result, the city has no assurance that amounts billed and collected have been accounted for properly.

In March 2006 the city received a letter from their software provider advising the city of numerous weaknesses they had identified in the city's management of the system. The city needs to continue to consult their software provider and establish procedures to properly print and reconcile the various reports generated from their sewer accounting system to ensure all amounts are accurately posted to the system. Additionally, the Board of Alderman should require reports with the appropriate level of detail prior to approving information such as adjustments to customer accounts.

**WE RECOMMEND** the Board of Alderman consult their software provider and obtain the necessary training for city personnel to ensure procedures are in place to properly print and reconcile the various reports generated from the sewer accounting system. Additionally, the Board should require detailed reports prior to approving information such as adjustments to customer accounts.

### **AUDITEE'S RESPONSE**

*The Board of Alderman provided the following response:*

*The Board is in the process of addressing the sewer billing inaccuracies and has voted to authorize the City Collector to actively pursue the collection of amounts due caused by previous billing errors. We are also providing detailed reports of adjustments to the aldermen for approval. Our new Collector has been in contact with the billing program software provider and has achieved a high level of competence with the software program to avoid future errors.*

**3.**

### **Restricted Revenues**

Documentation is not maintained to support the allocation of expenses to the various city funds. The city has not established a separate fund or accounting of some restricted revenues, and has not formally restricted some revenues by city ordinance. Additionally, procedures are not in place to ensure fees assessed to developers are collected prior to the Board of Alderman approving the final development.

A. The city allocates various expenses between the sewer, park, and general funds; however, documentation is not available to support the method of allocation used.

1. While preparing the annual budget, the City Clerk estimates the percentage of employee wages to be paid monthly from each fund based on how much time each employee estimates they will work in those areas. For example, the City Collector's salary is paid from the Sewer (75%), Parks (15%), and General (10%) funds; however, there is no supporting

documentation, such as a time study, or detailed time sheets to support the estimates.

2. In 2004 the city issued certificates of participation totaling \$1,175,000 of which \$670,000 (55%) was for expenses relating to the city park, and \$505,000 (45%) was for expenses relating to construction of City Hall. Principal and interest payments made by the city are allocated to the General (21%), Park (63%), and Sewer (16%) funds. While city officials believe one factor in computing the allocation was the various uses of the city hall building, there is no documentation to support how the percentages were calculated to determine if they are reasonable.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs. Documentation should be maintained to support the percentages used for allocating the various expenses.

- B. The city has not established a separate accounting of some restricted revenues, and has not formally restricted some revenues by city ordinance.

1. During the year ended June 30, 2005, the city received approximately \$99,000 in motor vehicle-related revenues from the state, \$17,000 in road funds from Greene County, and \$54,000 in transportation sales tax revenues. The city's annual audit report indicates approximately \$59,000 was spent for street repair and \$183,000 was spent for policing during the year ended June 30, 2005. The city deposits these monies into their General Fund, and while expenditures are separately tracked, the city has not maintained a balance of funds available.

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. Road funds from Greene County are also similarly restricted. Additionally, Section 94.700 RSMo and City Ordinance 97-011602 requires transportation sales tax funds to be used for the construction, reconstruction, repair, and maintenance of streets, roads, and bridges within the municipality. To ensure these revenues are expended appropriately, the city should establish procedures to compare street related expenditures to these restricted revenues and maintain a balance of funds available.

2. In accordance with Article VI, Section 6.8.3 of the City Code, the city assesses a fee of \$10 per linear foot to developers for the construction of city sidewalks in applicable subdivisions. While the City Code restricts the use of these funds, the city deposits the fees into the city's General

Fund and does not clearly track these revenues in their annual budgets or their published financial statements. According to billing records maintained by the City Clerk of fees charged to developers, the city has collected \$20,685 since the inception of these fees. The City Clerk indicated that no disbursements have been made from these fees.

3. City Ordinance 02-26 allows for the city to assess fees to developers for utilizing the city's sewer lift stations and force mains. While the city places these fees in the Sewer Replacement and Reserve Fund and restricts the use of these funds to expenses associated with maintaining and improving the city's sewer system, the city has not formally documented in their ordinances that the use of these fees is restricted. To ensure these funds are spent appropriately, the Board of Alderman should amend their current ordinance to formally establish restrictions on the use of these fees.
- C. The city does not have procedures in place to ensure fees assessed to developers are collected prior to the Board of Alderman approving the development. After a proposed development is approved by the city's Planning and Zoning Board, various fees, such as those noted in part B.2 and B.3 above, are assessed by the city. These fees are to be collected by the City Clerk prior to the Board of Alderman approving the final plans for the development. We reviewed four minor subdivisions within the city during 2004 and 2005 with assessed fees ranging from \$2,000 to \$6,000, and found that in two instances the Board approved the final development prior to collecting the fees. The city subsequently collected the fees on one of the subdivisions, but the other remains unpaid. To ensure all fees are properly paid to the city, procedures should be in place to collect fees prior to the Board approving the development.

**WE RECOMMEND** the Board of Alderman:

- A. Ensure all expenses allocated to the various funds are reasonable and are supported by adequate documentation.
- B. Establish a separate accounting for restricted revenues to ensure funds are spent in accordance with applicable laws and city code. In addition, formalize restrictions placed on revenues through city ordinance.
- C. Establish procedures to collect fees from developers prior to the Board of Alderman approving the final plans for development.

**AUDITEE'S RESPONSE**

*The Board of Alderman provided the following responses:*

- A. *We will follow up to ensure expenses allocated to the various funds are reasonable and are supported by adequate documentation.*



- B. *We are currently in the process of preparing the City's budget for the year ending June 30, 2007. We will more clearly reflect all restricted revenues in the new budget. The ordinance establishing the sewer lift station fees has been sent to the City Attorney for review.*
- C. *Procedures have now been established to ensure fees are collected prior to the Board's approval.*

<b>4. Accounting Controls and Procedures</b>
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Duties are not adequately segregated and several control weaknesses exist in the handling of cash receipts. Further, bond coverage for city officials is not adequate, and the City Clerk does not adequately follow up on old outstanding checks.

- A. Accounting duties are not adequately segregated. The City Clerk is responsible for all record keeping duties of the city, including duties which would normally be performed by a City Treasurer. The duties include receiving and depositing monies, maintaining payroll records, reviewing invoices, preparing and distributing checks, recording receipts and disbursements, and preparing monthly financial reports and bank reconciliations. No 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 offices, by the same person at the same time would be incompatible. 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. If segregating these offices is not possible, at a minimum, procedures for adequate independent review should be established.

- B. The receiving and depositing of city receipts need improvement as follows:
  - 1. Deposits are not made on a timely basis. Deposits are generally made twice a week and frequently exceed \$3,000. For example, in December 2005 the city made 8 deposits into the General Fund averaging approximately \$3,800 each, and 11 deposits into the Sewer Fund averaging approximately \$4,100 each. To adequately safeguard cash 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.
  - 2. Deposits are not made intact, and receipts are not always promptly posted to accounting records. The City Collector often withholds some receipts from deposits. For example, six sewer cash receipts totaling \$172

collected between November 15 and 21, 2005 were not deposited and posted to the sewer computer system until November 23, 2005. It is not clear why these receipts were held, as other sewer receipts were recorded and deposited during this time period.

3. The City Collector does not issue receipt slips for some monies received. While the city's policy is to issue a receipt slip for all monies, we noted one deposit containing five checks totaling \$187 that were not issued receipt slips. The checks were for business licenses and engineering fees. In addition, although the method of payment is documented on the receipt slips issued, the city does not reconcile the composition of receipt slips to the composition of deposits.

To account for all receipts and ensure all receipts are deposited, prenumbered receipt slips should be issued for all monies received and reconciled to the composition of monies deposited.

4. Checks and money orders are not restrictively endorsed immediately upon receipt. Instead, they are endorsed when the deposit is made. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
5. Receipt slips are not always properly voided and/or retained. The original copy of the voided receipt slip is thrown away and not retained. To ensure all receipts are properly accounted for, all copies of voided receipt slips should be properly defaced and maintained.

- C. Bond coverage for city officials is not adequate. Some employees and officials who collect monies or sign checks are not adequately bonded. The City Clerk, Mayor, City Collector, two Alderman, and the Court Clerk are authorized to sign city and/or court account checks, and are not bonded. Failure to properly bond all persons with access to monies exposes the city to risk of loss.

- D. The City Clerk does not follow up on old outstanding checks. As of November 2005, there were 10 outstanding checks over a year old totaling \$1,197 in the general fund and 17 outstanding checks over a year old totaling \$621 in the sewer fund. Some of these outstanding checks dated back to 2001, and some of these checks were to employees or vendors routinely used by the city.

These old outstanding checks create additional and unnecessary record keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time.

**WE RECOMMEND** the Board of Alderman:

- 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 independent review of the record keeping functions should be established.
- B. Ensure deposits are made daily or when accumulated receipts exceed \$100, receipts are promptly posted to the accounting records, receipts are issued for all monies received, and the composition of receipts are reconciled to the composition of deposits. Additionally, require all checks and money orders to be restrictively endorsed immediately upon receipt, and all copies of voided receipts slips to be properly defaced and retained.
- C. Obtain adequate bond coverage for all persons with access to city funds.
- D. Attempt to resolve the old outstanding checks, and establish routine procedures to investigate checks outstanding for a considerable time.

**AUDITEE'S RESPONSE**

*The Board of Alderman provided the following responses:*

- A. *To improve the segregation of duties the Board has begun reviewing bank reconciliations performed by the City Clerk. In the future, the Board will consider hiring a City Treasurer.*
- B. *Steps have been taken to implement these recommendations.*
- C. *Bond coverage has now been obtained.*
- D. *The old outstanding checks will routinely be reviewed by the City Clerk.*

<b>5. Financial Reporting</b>
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Improvement is needed in the preparation of the city's published financial statement and the monitoring of the city's annual budget.

- A. The city's semi-annual published financial statements do not accurately report the city's cash balance, and did not include sufficient information to inform readers of the financial condition of the city.
  - 1. The June 30, 2005 ending balance reported in the published financial statement did not agree with the city's audited financial statements and the city's accounting records. The balance reported in the city's published financial statement has been understated by approximately \$250,000. The

City Clerk indicated that the balance reported in the published financial statement has been carried forward each period without being reconciled to the accounting records, and some funds, such as the Sewer Reserve and Replacement fund, were not included in the reported balance. Additionally, revenues of the city's Tornado Fund were not included in published financial statements during 2004.

2. The published financial statements included only beginning and ending balances and total revenues and expenditures for three funds; General, Sewer, and General Obligation Bond funds. The published financial statements did not include detailed sources or categories for revenues and expenditures. For example, revenues could include sources such as sales tax, motor vehicle fees, grant proceeds, and franchise fees. Additionally, expenditures could include categories for the various city departments.

Section 79.160, RSMo, requires the Board of Alderman to publish semiannually a full and detailed account of the revenues, expenditures, and indebtedness of the city. The publication of such financial statements is intended to provide complete and accurate information to citizens regarding the financial activity and condition of the city.

- B. The city does not effectively monitor the annual budget, and budget amendments are not prepared and approved timely. The city waits until the end of the fiscal year to prepare budget amendments after budgeted expenditures are exceeded. For example, the city amended their general fund budget to increase expenditures by \$113,725 for the year ending June 30, 2004 on July 21, 2004. While the budget amendment for the year ending June 30, 2005 was approved on June 21, 2005, actual expenditures still exceeded budget estimates by \$133,329 for the General Fund.

Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The city should develop procedures to adequately monitor their annual budget, and formally amend the budget before the related expenditures are incurred.

**WE RECOMMEND** the Board of Alderman:

- A. Ensure the published financial statements provide the citizens an accurate and detailed account of the financial activity of the city.
- B. Adequately monitor the annual budget, and prepare budget amendments prior to incurring the related expenditures.

## **AUDITEE'S RESPONSE**

*The Board of Alderman provided the following responses:*

- A. This will be implemented with the next published financial statement.*
- B. We are currently amending the budget as unplanned expenditures arise.*

<b>6. Payroll and Personnel Matters</b>
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Payroll records are not reconciled to wage reports, time cards are not signed by employees and their supervisors, and additional compensation paid to the City Clerk for performing the duties of the Court Clerk were not formally approved by the Board of Alderman.

- A. The City Clerk does not properly reconcile payroll records with amounts reported on Forms W-2, W-3, and 941 quarterly wage reports. As a result, some employees' wages were incorrectly reported, and not identified and corrected until we brought the matter to the city's attention. For example, in 2005 salary amounts reported on Form W-2 for six employees were overstated by a total of approximately \$2,500. Corrected Forms W-2 were subsequently prepared by the city for 2005. Similar errors were also noted with the various forms filed in 2004. The failure to reconcile payroll records increases the risk that errors or irregularities will occur and not be detected on a timely basis.
- B. Time cards are not always signed by employees and their supervisors. Time cards are prepared by the employee, and while the City Clerk indicated they are reviewed for accuracy, this review is not documented. Without employee and supervisory review of time cards and a signature to indicate the review, there is no assurance that the time records are accurate. Time cards should be prepared by the employee, and approved by the applicable supervisor to provide additional assurance that all information recorded is accurate.
- C. City Ordinance 05-06 has established the City Clerk's compensation at \$14 per hour. During 2005 the City Clerk was often required to perform the duties of the Court Clerk for which she received an additional \$100 per week plus her hourly rate (or time and one half if applicable) for any additional time recorded on her time card.

While the Mayor and President of the Board indicated they remember approving the \$100 per week compensation, there is no documentation of this approval, and this compensation is not established by city ordinance. Additionally, the job duties of the City Clerk indicate she is to assist other departments as needed. As a result, it is unclear if the \$100 per week is reasonable considering she is being

compensated for additional time associated with performing the duties of court clerk.

**WE RECOMMEND** the Board of Alderman:

- A. Ensure payroll records are reconciled with amounts reported on Forms W-2, W-3, and 941, and payroll reporting errors are corrected.
- B. Ensure time cards are signed by all employees and approval of the time card documented.
- C. Review the compensation paid to the City Clerk for performing the duties of Court Clerk for reasonableness, and ensure the compensation is approved by the Board of Alderman and established by ordinance.

**AUDITEE'S RESPONSE**

*The Board of Alderman provided the following responses:*

- A. *Reconciliations are now being performed.*
- B. *This has been implemented.*
- C. *The City Clerk is no longer filling in as Court Clerk, and in the future we will ensure her compensation is established by ordinance.*

<b>7. Board Meeting Minutes</b>
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Improvement is needed in the city's procedures for documenting open and closed meetings:

- There were several instances during 2005 where the open meeting minutes indicated the Board of Alderman went into closed session; however minutes of a closed meeting were not maintained.
- Some minutes of closed session meetings were typed and maintained in a notebook labeled "closed meeting minutes" and included documentation of the Board's approval. Other minutes were hand written notes located in files with no indication that they were approved by the Board.
- Instances were noted where decisions made in closed meetings were not always recorded in the regular minutes or otherwise made public.
- One instance was noted where the open meeting minutes did not document the specific reason for closing the meeting.

- Open meeting minutes for July 6, 2004 indicate a special meeting was scheduled for July 13, 2004; however, no minutes of the special meeting could be located. The City Clerk indicated that the meeting must have been cancelled; however, there is no documentation of the cancellation.

Minutes serve as the only official permanent record of decisions made by the Board. Section 610.020, RSMo, requires minutes of open and closed meetings be taken and retained by all governmental bodies. Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to specified subjects, including litigation, real estate transactions, and personnel issues and requires certain matters discussed in closed meetings to be made public upon final disposition.

**WE RECOMMEND** the Board of Alderman ensure minutes are maintained of all meetings. In addition, open meeting minutes should state the reasons for going into closed session, and the final disposition of applicable matters discussed in closed meetings should be made public.

### **AUDITEE'S RESPONSE**

*The Board of Alderman provided the following response:*

*The Board believes that we have complied with the Sunshine Law relating to closed session meeting minutes in that not all closed session votes require immediate release to the public. We will continue to make compliance a priority regarding our Board Minutes as per your recommendation.*

**8.**

### **City Assets**

The city has not prepared and maintained permanent, detailed property records for capital assets. Instead, the city's independent auditor maintains these records, and determines changes made in the city's capital assets when conducting the city's annual audit. Additionally, annual physical inventories are not taken of city-owned property, and asset items owned by the city are not numbered, tagged, or otherwise identified as city property.

Property records for capital assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. 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 cost is not available. The city should properly record all fixed asset transactions, reconcile those purchases to additions, and periodically perform physical inventories and compare to the detailed records.

**WE RECOMMEND** the Board of Alderman maintain property records for capital assets 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 and capital asset additions should be reconciled to purchases.

**AUDITEE'S RESPONSE**

*The Board of Alderman provided the following response:*

*We will contact our independent auditor, and begin maintaining property records.*

<b>9. Municipal Division</b>
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The Municipal Division does not deposit monies intact and on a timely basis. A bond ledger is not maintained, an accounts receivable ledger is not prepared, and the portion of court costs allocated to the Department of Revenue is not disbursed timely. Additionally, the numerical sequence of tickets is not properly accounted for, and case dispositions are not always adequately documented in case files. The Municipal Division collected approximately \$50,000 during the year ended June 30, 2005.

- A. Improvement is needed over the procedures used to receive and deposit court money.
  - 1. Monies collected by the municipal division are not deposited on a timely basis. While deposits are generally made once a week, only three deposits were made during June 2005, and ranged from \$400 to \$1,500.
  - 2. A cash count performed on January 12, 2006 totaling \$3,086, identified that court monies are not deposited intact. The cash count included an \$85 check collected prior to receiving the ticket documentation from the police department. This check was withheld from the bank deposit until the ticket was received. In addition, a defendant was allowed to cash a bond refund check totaling \$135 with cash collected from other fines and costs.
  - 3. Deposit slips are not always properly itemized to indicate the amount of cash and checks being deposited. As a result, it is not clear if the composition of receipts agrees with the composition of the deposits.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be included, and deposits should be made intact daily or when accumulated receipts exceed \$100.

To ensure receipts are accounted for properly and deposited intact, checks should not be cashed from official court receipts. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, composition of court receipts should be reconciled to the composition of deposits.



- B. The Court Clerk does not maintain a bond ledger and does not prepare monthly listings of open items (liabilities). As a result, the municipal division cannot ensure the amounts held for open bonds is proper. On June 30, 2005, the reconciled cash balance of the bond account was \$3,693. At our request the Court Clerk reviewed case information and created a bond ledger which identified bonds totaling \$3,400 as of that date.

A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. A monthly listing of open items is necessary to ensure monies held in trust by the municipal court division are sufficient to meet liabilities.

- C. The municipal division allows defendants to make partial payments on fines and court costs. The Court Clerk does not maintain an accounts receivable ledger, balance due docket, or other summary listing which can be reviewed by the Municipal Judge on a periodic basis. When a payment plan is granted by the Judge, the file is placed in a separate file drawer; however, neither the Court Clerk or the City Clerk maintain a list of open cases with costs due. At our request a listing was prepared showing \$2,924 due to the court at March 31, 2006.

Periodic supervisory review of balances due and adequate documentation of partial payments received are necessary to ensure that all amounts due are collected or that appropriate follow up action is taken.

- D. The Court Clerk is responsible for monthly disbursements of Crime Victims compensation (CVC) fees to the state; however, there were several instances when the state's portion of CVC fees were not remitted on a timely basis. For instance, on August 4, 2005, CVC fees totaling \$1,780 for March through June 2005 were remitted.

Section 488.018.2 RSMo, requires that the court's administrator shall disburse CVC funds within 30 days to the Department of Revenue.

- E. The numerical sequence of traffic tickets issued is not adequately accounted for by the municipal division or the Battlefield Police Department. While the Police Chief indicated it was the procedure of the police department to keep a detailed log by ticket book, logs were not maintained for all ticket books assigned to officers. Additionally, the logs that were maintained did not include all relevant information, such as the date of the ticket. The municipal division made improvement in ticket accountability after July 2005.

Without proper accounting of the numerical sequence the Municipal Court cannot be assured that all tickets issued by the Battlefield Police Department are properly submitted to the court for processing. A log listing the ticket book, each ticket number, the date issued, offense, and the violator's name would enable the Municipal Division to ensure all tickets issued have been submitted to the court for processing, properly voided, or not prosecuted.

- F. The court did not indicate all case dispositions on the case file, and the Municipal Judge does not sign the individual case file sheets (court dockets) after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the Judge should review each case docket and sign the docket to indicate approval of the recorded disposition.

Conditions similar to Parts A.1, A.2, B, C, and D were noted in our prior report No. 2000-25 on the Municipal Division for the two years ended June 30, 1999.

**WE RECOMMEND** the Municipal Division:

- A. Deposit all receipts intact daily or when accumulated receipts exceed \$100, discontinue cashing checks with official receipts, and reconcile the composition of receipts to the composition of deposits.
- B. Prepare monthly listings of open items and reconcile the listing to the monies held in trust by the municipal division.
- C. Establish an accounts receivable ledger, a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis, to ensure adequate follow up on cases with fines and costs due to the city.
- D. Disburse CVC fees in accordance with state law.
- E. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic tickets issued.
- F. Document all case dispositions on the case file and ensure that the Judge signs the case file.

**AUDITEE'S RESPONSE**

*The Board of Alderman provided the following responses:*

*A-E. These recommendations have been implemented.*

*F. We will discuss implementation of this recommendation with the Municipal Judge.*

*The Municipal Judge indicated he accepted the recommendations included in the State Auditor's report for the Municipal Court of Battlefield.*

HISTORY, ORGANIZATION AND  
STATISTICAL INFORMATION

CITY OF BATTLEFIELD, MISSOURI  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The city of Battlefield is located in Greene County. The city was incorporated in 1971 and is currently a fourth-class city. The population of the city in 2000 was 2,385.

The city government consists of a mayor and six-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended June 30, 2005, are identified below. The Mayor and Board of Aldermen do not receive compensation.

<u>Mayor and Board of Aldermen</u>	<u>Dates of Service During the Year Ended June 30, 2005</u>	
Timothy Bair, Mayor (1)	June 2005	
Michelle Heslep, Mayor	July 2004 - May 2005	
Karl T. Severson, Ward One Alderman	July 2004 - June 2005	
Bob Peterson, Ward One Alderman (2)	July 2004 - August 2004	
Timothy Bair, Ward Two Alderman (3)	July 2004 - June 2005	
Helen Harber, Ward Two Alderwoman	July 2004 - April 2005	
Gary Doucey, Ward Two Alderman	May 2004 - June 2005	
Wagner Huttenlocher, Ward Three Alderman	July 2004	
Darrin Snodgrass, Ward Three Alderman	August 2004 - June 2005	
Judy Stainback, Ward Three Alderwoman (4)	July 2004 - June 2005	
		<u>Compensation Paid for the Year Ended June 30, 2005</u>
<u>Other Principal Officials</u>	<u>Dates of Service During the Year Ended June 30, 2005</u>	
Susan Diehl, City Clerk (5)	July 2004 - June 2005	\$ 34,657
Melody Lobban-Robison, Collector (6)	September 2004 - June 2005	13,239
Shelly Slavin, Collector	July 2004 - August 2004	4,124
Carrie Batson, Court Clerk (7)	February 2005 - June 2005	5,920
Gary McEndree, Building Inspector	July 2004 - June 2005	32,299
Mike Yeubanks, Public Works Director	July 2004 - June 2005	25,135
David Valley, Police Chief	June 2005	681
Joseph Robison, Police Chief	November 2004 - May 2005	17,961
Christopher Tauai, Police Chief	July 2004 - September 2004	8,520
Greg Dorshorst, Municipal Judge	July 2004 - June 2005	3,600

- (1) Judy Stainback became acting Mayor in August 2005.
- (2) Position vacant until Michelle Heslep appointed in November 2005.
- (3) Helen Harber appointed in June 2005.
- (4) Position vacant until Debra Hickey appointed in December 2005.
- (5) Also served as Court Clerk from July 2004 through March 2005, and July 2005 through January 2006. Compensation for the year ended June 30, 2005 includes \$4,100 for duties as Court Clerk.
- (6) Meghan Keller appointed City Collector in February 2006.
- (7) Marilyn Horn appointed Court Clerk in February 2006.

In addition to the officials identified above, the city employed 7 full-time employees.

Assessed valuations and tax rates for 2005 and 2004 were as follows:

ASSESSED VALUATIONS	2005	2004
Real estate	\$ 35,980,780	29,561,090
Personal property	8,598,860	6,706,520
Total	<u>\$ 44,579,640</u>	<u>36,267,610</u>

TAX RATES PER \$100 ASSESSED VALUATION

	Rate	Rate
General Fund	\$ 0.2889	0.3228
Debt service	0.3156	0.3018

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

TAX RATE(S) PER \$1 OF RETAIL SALES

	Rate
General	\$ .005
Transportation	.005