



Susan Montee, JD, CPA
Missouri State Auditor

City of Crystal City

October 2009
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Office of the
Missouri State Auditor
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The following findings were included in our audit report on the City of Crystal City.

The city does not solicit or retain bid documentation for the purchase of some goods and services. The city utilized an outside law firm, not the City Attorney, for legal matters surrounding several lawsuits brought against the city pertaining to real estate transactions and Sunshine Law violations without approval of the Council or soliciting proposals. The city paid approximately \$139,000 and \$94,000 to this law firm for the years ended March 31, 2009 and 2008, respectively. Payments totaling \$470 on credit cards and \$33,795 for asphalt material were paid from summary statements and individual charge tickets or receipts were not retained. Also, several invoices for legal services from January through June 2008, did not contain sufficient detail indicating the number of hours worked and amount charged per hour. Some disbursements do not appear to be prudent and necessary uses of city funds, such as: gift cards (\$9,300), Christmas party (\$1,950), and retirement parties (\$6,900), as well as various food, drinks and other supplies. The city hired a full-time mechanic in June 2008, to maintain and service all city vehicles and equipment without conducting a formal cost study. The City Council does not approve transfers between funds, such as the General Fund to the Road Tax Fund.

Written contracts were not obtained or retained for some services received. The city did not obtain a written agreement to document the payment plan for the demolition of a building and did not update the written agreement with the tenant of city property regarding providing grass and weed cutting services.

Improvements are needed to City Council meeting minutes and agendas to ensure compliance with state law. Meeting minutes are not signed to attest to their completeness and accuracy. Minutes are not prepared for most work sessions of City Council, committee meetings, and some closed meetings. In addition, Council meeting minutes do not adequately document all matters discussed or actions taken, and contained some errors. The city has not adopted ordinances to establish the compensation of its elected officials, including the Mayor, City Council members, and City Treasurer, as outlined by state statute. Several ordinances have not been updated or contain errors in wording.

The city has not established written policies for travel reimbursements, cellular telephones, uniforms, investments, Internet, email, or investments. The city appears to be in violation of its mandatory retirement age policy. The City Clerk utilized the city's phone system to accept personal collect calls from 2006 through 2008; however, there was no documentation of Council approval or pay back terms. The city has not established a policy documenting procedures for the purchase or sale of real estate and does not maintain a list detailing property owned. In addition, the City Council purchased an industrial site for \$260,000 above the appraised value.

YELLOW SHEET

The city's water and sewer rates do not appear to provide sufficient monies to fund daily operations. The city's water/sewer operating account has a negative cash balance and incurred an operating loss for the year ended March 31, 2008. The city has not prepared final bills and issued refunds or applied deposits totaling approximately \$9,278 for 66 inactive customer accounts. The city has not developed procedures to ensure all water meters are read, which can result in large amounts due from customers and possible loss of revenue. One customer's meter had not been read and a bill generated for approximately 2 years, resulting in an amount due of approximately \$1,500. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The city does not collect some past due amounts from landlords when renters leave without paying the final water and sewer bill.

Salaried employees are not required to prepare timesheets, and timesheets prepared by street employees are not approved and signed by the street superintendent.. In addition, the city does not have a formal policy for compensatory time. The city pays approximately 22 street and water and sewer employees a yearly boot allowance of \$135 per the labor contract; however, these payments are not properly reported as compensation for tax purposes.

Better controls are needed over bulk fuel purchases made by the city. Mileage/usage logs are not maintained for city-owned vehicles and equipment, and the city does not report taxable benefits associated with city vehicles used for commuting purposes that do not meet requirements to qualify as exempt vehicles per IRS guidelines.

Some business transactions within the city may give the appearance of a conflict of interest. The city paid the Park Board President \$5,182 for swimming pool maintenance work during the year ended March 31, 2009. In addition, the city did not report the payments as employee compensation or withhold payroll taxes on the amounts paid to the Park Board President. The Park Board did not bid out or enter into a contract for the maintenance work to be performed.

Also included in the report were recommendations related to purchases, budgets and financial reports, and capital assets.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF CRYSTAL CITY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Crystal City. The city engaged Thurman, Shinn and Company, Certified Public Accountants (CPA), to audit the city's financial statements for the years ended March 31, 2009 and 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended March 31, 2008, audit since the 2009 audit had not been completed. The scope of our audit included, but was not necessarily limited to, the 2 years ended March 31, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the city's internal controls over significant management and financial functions.
3. Evaluate the city's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

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 our audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Crystal City.

An additional report, No. 2009-36, *Twenty-Third Judicial Circuit, City of Crystal City Municipal Division*, was issued in April 2009.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF CRYSTAL CITY
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1. Disbursement Controls and Procedures

Controls and procedures for disbursements are in need of improvement. The city does not consistently follow its bidding policy. Supporting documentation was not obtained or retained for some disbursements, and a list of approved disbursements is not maintained with the minutes. In addition, the city has not established procedures to ensure Internal Revenue Service (IRS) Forms 1099 are filed as required, and did not perform a cost study prior to hiring a full-time mechanic. Also, transfers between funds are not formally approved by the City Council.

A. The city does not solicit or retain bid documentation for the purchase of some goods and services. The city established a formal bid policy on March 1, 2008, which requires city personnel to obtain at least three written or oral bids for purchases of goods or services costing from \$501 to \$4,999 and obtain competitive sealed bids for purchases of \$5,000 or more.

1) Bids were either not solicited, bid documentation was not retained, or sole source was not properly documented for the following items purchased from April 1, 2008, through March 31, 2009:

	Amount Paid
General liability insurance	\$ 140,847
Health insurance services	119,366
Fuel	108,491
Sewer lining	44,571
Water meters	43,504
Accounting services	35,447
Asphalt	33,795
Construction	18,516
Fire equipment	13,260
Electrical repairs	12,328
Concrete	11,659
Water supplies	7,864
Pool maintenance	5,182

The city's bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. The city should ensure it follows established purchasing policies, retains bid documentation, and clearly documents when sole source suppliers are used. Competitive

bidding helps ensure all parties are given equal opportunity to participate in the city's business.

- 2) The city utilized an outside law firm, not the City Attorney, for legal matters surrounding several lawsuits brought against the city pertaining to real estate transactions and Sunshine Law violations without approval of the Council. The Mayor indicated a contract and ordinance passed in March 1977, approved the use of this firm for real estate transactions; however, a review of the ordinance and subsequent contract indicated the firm was authorized to represent the city for legal matters regarding an annexation action for areas south of the city. This contract does not appear to cover all real estate transactions of the city. Also, the approved rates in 1977 were \$40 for law firm partners and \$35 for firm employees; however, rates charged were \$150 for partners and \$125 for associates. The city paid approximately \$139,000 and \$94,000 to this law firm for the years ended March 31, 2009 and 2008, respectively. The city has been reimbursed approximately \$127,000 from the developer to assist the city in defending lawsuits brought against the city pertaining to the proposed development.

Professional services, such as attorneys, may not be subject to the standard bidding procedures; however, the city should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the city from selecting the vendor or individual best suited to provide the services required. Such practices help provide a range of possible choices and allow 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. Also, to ensure monies are spent in accordance with city and state law, the City Council should authorize all professional services before they are obtained.

B. The following concerns were noted regarding disbursements:

- 1) Payments totaling \$470 on credit cards and \$33,795 for asphalt material were paid from summary statements and individual charge tickets or receipts were not retained. Also, several invoices for legal services from January through June 2008, did not contain sufficient detail indicating the number of hours worked and amount charged per hour. In addition, billing statements and invoices are not checked for accuracy and canceled upon payment to prevent duplicate payments.

All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. In addition, supporting documentation should be checked for accuracy and canceled upon payment to avoid duplicate payments.

- 2) Meeting minutes indicate the Council approves a list of bills to be paid; however, a copy of this list and amounts approved for payment are not included with the meeting minutes. In addition, the Council generally does not review and approve individual invoices for payment.

To adequately document the Council's review and approval of all disbursements, a complete and detailed list of checks written should be prepared, signed or initialed by the council members to denote their approval and review of the disbursements, and retained with the official minutes. In addition, the numerical sequence of checks written and supporting documentation should be reviewed by the Council or someone independent of the disbursement process before payment is made to ensure all disbursements can be accounted for properly and represent valid operating costs of the city.

- C. The city has not established procedures to ensure IRS Forms 1099 are filed when required. The City Clerk indicated the city does not issue Forms 1099 for vendors or independent contractors. The following amounts were paid in 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Electrical services	\$ 10,602	0
Construction	8,900	0
Pool maintenance	5,182	0
Catering services	0	3,150

Sections 6041 through 6051 of the Internal Revenue Code require payment of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) to be reported to the federal government on Forms 1099. The city should establish procedures to ensure Forms 1099 are filed as required.

- D. Some disbursements do not appear to be prudent and necessary uses of city funds:
- The city spent \$9,300 each year for gift cards for employees in December 2007 and 2006. The city discontinued the purchase of gift cards for employees in 2008.

- The city paid \$1,950 for a Christmas party for city employees and their families in December 2007. The city discontinued paying for Christmas parties in 2008.
- Our review of one month's (May 2008) charges to Walmart noted \$235 for food, drinks, and other supplies for various departments. Similar purchases were made throughout the year.
- The city paid a total of approximately \$6,900 for four retirement parties occurring from 2003 through 2007.

The city does not have any written policies indicating when food will be provided for meetings or imposing any limits on such purchases. Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city monies in a prudent and necessary manner.

- E. The city hired a full-time mechanic in June 2008, to maintain and service all city vehicles and equipment without conducting a formal cost study. The city paid approximately \$94,530 for parts and salary for the mechanic during the year ended March 31, 2009, and approximately \$61,600 for maintenance, repairs, and parts during the year ended March 31, 2008. Performing cost studies would provide documented information to assist the Council in determining the most cost effective method of providing such services.
- F. Authorization is not obtained from the Council for transfers between funds. For example, \$205,452 was transferred from the General Fund to the Road Tax Fund in 2007 to cover expenses incurred for a bridge project, without documentation of approval by the City Council. To ensure monies are spent in accordance with city and state law, transfers between funds should be adopted by resolution and approved by the Council.

WE RECOMMEND the City Council:

- A.1. Ensure the city's bid policy is followed and complete documentation of the bidding process is maintained, including bid specifications and bid forms, copies of all bids received, and documentation of the justification for selecting and rejecting bids. Also, the City Council should ensure reasons for making purchases without following the bid policy, such as sole source or emergency, are clearly documented.
2. Approve the use of all professionals prior to incurrence of any liabilities. In addition, the Council should periodically solicit proposals for professional services and maintain all related documentation, including reasons for decisions.

- B.1. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices and require all invoices be checked for accuracy and canceled upon payment.
- 2. Adequately document its approval by including a list of approved disbursements with the meeting minutes.
- C. Establish procedures to ensure Forms 1099 are issued in accordance with IRS regulations.
- D. Ensure all disbursements are necessary and prudent uses of public funds. In addition, the City Council should establish a policy regarding the purchase of food and beverages for meetings or functions.
- E. Ensure formal cost studies are performed and documented for all major cost-related changes to city policy or procedures. The City Council should also consider performing a cost study to ensure hiring a full-time mechanic to service city vehicles and equipment is an economical use of city funds.
- F. Ensure its authorization and approval of transfers between funds is obtained and clearly documented.

2.	Written Contracts
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Written contracts were not obtained or retained for some services received. In addition, a written agreement was not obtained for a payment plan and a lease purchase agreement was not updated to reflect current procedures.

- A. Written contracts were not obtained or retained for the following purchases of services for 2 years ended March 31, 2009:

Service	Amount Paid Year Ended March 31,	
	2009	2008
Processing health insurance claims	\$ 119,366	104,402
Sludge hauling	0	89,991
Sewer lining	44,571	88,823
Accounting services	35,447	23,440
Electrical repairs	12,328	19,352
Construction	0	8,550
Catering	0	3,150

The city obtained a written quote for electrical repairs; however, it was not signed by both parties and included only an hourly rate.

- B. The city did not enter into a written contract defining services to be rendered and amounts to be received in payment or update a lease purchase agreement:
- The city did not obtain a written agreement to document the payment plan for the demolition of a building. The city demolished a building that had become unsafe located on property adjacent to a church. The church later acquired the property and agreed to reimburse the city for any costs associated with the property. The city provided a copy of the invoice paid to the demolition company dated May 2, 2002, for \$3,200 for charges to demolish the building. The church made monthly payments of \$200 beginning in March 2007 until the amount was paid in full in July 2008.
 - The city did not update the written agreement with the tenant of city property regarding providing grass and weed cutting services. The street department cut the grass and weeds a total of five times from May through September 2008, charging \$200 per cutting for a total of \$1,000. The city did not adequately document the work performed and/or hours or dates worked to ensure the amount charged was sufficient to cover costs. The city could not provide an explanation of why the tenant did not maintain the property as required by the lease. The tenant paid the city in full in November 2008. The Council should have ensured the tenant complied with the lease agreement or updated the lease for any new arrangements agreed upon. In addition, the city should perform a cost analysis to ensure the charge for grass cutting is sufficient to cover all costs of the service.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained and update the agreements when changes are agreed upon. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Contracts should be sufficiently detailed to allow the Council a basis for adequately monitoring services received and determining whether the amount paid was reasonable compared to services rendered.

WE RECOMMEND the City Council enter into, update, and retain written agreements for all services obtained or rendered. In addition, the City Council should ensure the rate charged to mow grass adequately covers costs.

3.**Meetings, Minutes, and Ordinances**

Improvements are needed to City Council meeting minutes and agendas to ensure compliance with state law. Additionally, city ordinances are not current and contain some errors, and compensation for elected officials is not set by ordinance.

- A. Meeting minutes are not signed to attest to their completeness and accuracy. City Council meeting minutes (including minutes from closed meetings and work sessions) should be signed by the Mayor and City Clerk upon approval to provide an independent attestation the minutes are a correct record of matters discussed and action taken during the meetings. In addition, minutes from committee meetings should be signed by the chairman and preparer of the minutes.
- B. Minutes are not prepared for most work sessions of City Council, committee meetings, and some closed meetings. In addition, Council meeting minutes do not adequately document all matters discussed or actions taken, and contained some errors. Also, reasons for entering closed session, records of roll call votes to enter closed session, and the location and time of the meeting are not documented in some minutes. Meeting minutes for the April 7, 2007, Council meeting did not indicate the names of new officials sworn in and minutes for the August 27, 2007, meeting reflected the first and second motions made to pass bill 1553 were initiated by the same Council member. Minutes for closed sessions held on December 10, 2007, and April 28, 2008, could not be located.

Meeting minutes serve as the only official permanent record of decisions made by the City Council and other affiliated boards and committees. Section 610.010, RSMo, provides any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to provisions of the open meetings law, which includes the requirement to prepare minutes documenting any actions taken or decisions made. Section 610.020, RSMo, requires minutes be taken of closed and open meetings and include the date, time, place, members present, and members absent, and a record of votes taken. Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding a closed meeting and the reasons for the closed meeting shall be voted on at an open session. Discussions held in meetings should be included in minutes to document important facts considered in reaching significant decisions regarding city business.

- C. Although a tentative agenda is prepared and posted for each Council meeting, a standard format is used that does not disclose specific information pertaining to the upcoming meeting. The agenda for the September 10, 2007, meeting did not list specific ordinances planned for discussion and passage for the purchase and subsequent lease of an industrial property. Additionally, agendas are not prepared for committee meetings and are only occasionally prepared for work sessions held

by the City Council. Also, the date, time, and place the agenda was posted is not documented by the City Clerk and attached to the minutes.

To adequately inform residents of the business to be discussed during Council meetings and to ensure compliance with the Sunshine Law, Chapter 610, RSMo, the tentative agenda should summarize specific topics to be discussed during the meeting. In addition, the City Clerk should document the date, time, and location the notice was posted on the agenda and retain this information with the meeting minutes.

D The following concerns were noted regarding city ordinances:

- 1) The city has not adopted ordinances to establish the compensation of its elected officials, including the Mayor, City Council members, and City Treasurer. Section 77.440, RSMo, provides the compensation of officials and employees are to be set by ordinance, and the salary of an official shall not be changed during the term of election or appointment.

Compensation rates set by ordinance, in addition to meeting statutory requirements, document approved amounts to be paid and eliminate potential misunderstandings of the amount each city official and employee is to receive, and are necessary to ensure the compensation of an official is not changed during the term of office. Ordinance hearings provide for public input and information concerning the compensation paid.

- 2) Several ordinances have not been updated or contain errors in wording. The following concerns regarding ordinances were noted:
 - Ordinance 640, Section 28-68, establishes water rates at \$0.71 per 100 gallons; however, the current rate charged is \$0.768 per 100 gallons.
 - Ordinance 734, Section 28-165, establishes the sewer tap on fee at \$50 and sewer rates at \$0.20 per 100 gallons; however, customers are currently charged \$1,500 for tap on fees and \$0.292 per 100 gallons.
 - Ordinance 1470, establishes the fee charged for filing an appeal to the planning and zoning commission at \$50; however, the amount currently charged is \$100.
 - Ordinance 949, Section 15 ½-26 (6), establishes the Judicial Educational Fund incorrectly at \$100 per case; however, the court withholds \$1 per case from court costs, which complies with state law.

- Ordinance 355, requires the city attorney be elected every 2 years; however, the city attorney is appointed.

Ordinances represent laws established by the city and should be reviewed and updated to ensure accuracy and prevent conflicts.

- 3) The method used to determine various rates charged for copying city records is not documented to show compliance with state law. The city charges 10 cents per page and rates charged for researching and duplicating documents ranged from \$11.96 to \$15.57 per hour. The average hourly rate of clerical staff is \$11.72.

Section 610.023, RSMo, lists requirements for making city records available to the public. Section 610.026, RSMo, allows the city to charge a maximum of 10 cents per page plus an hourly fee for copying public records, not to exceed the average hourly rate of pay of clerical staff. In addition, research time for processing the request may be charged at the actual cost incurred. To document compliance with state law, the calculation of rates charged for Sunshine Law requests should be clearly documented.

WE RECOMMEND the City Council:

- A. Ensure Council meeting and work session minutes are signed by the Mayor and City Clerk to attest to the completeness and accuracy. In addition, the City Council should ensure committee minutes are signed by the committee chairman and the person preparing the minutes.
- B. Ensure minutes are prepared and maintained with the City Clerk for all regular and closed Council, committee, and work session meetings. In addition, the City Council should ensure minutes clearly document all business conducted and the vote and reason for going into closed session.
- C. Ensure tentative agendas are prepared for all meetings and the location, date, and time the agenda is posted is noted and filed with the minutes. Also, the City Council should ensure the tentative agenda summarizes specific information to be discussed for the upcoming meeting.
- D.1. Establish by ordinance the duties and compensation of all city officials and employees.
 2. Review ordinances to ensure accuracy.
 3. Establish procedures to document the calculation of fees charged for processing Sunshine Law requests.

4.**City Policies and Procedures**

The city has not established written policies for travel reimbursements, cellular telephones, uniforms, investments, Internet, or email. The city does not appear to be following its mandatory retirement policy. The City Clerk used city resources for personal use. In addition, the city does not have a policy establishing procedures for the purchase or sale of real estate.

A. The city has not established written policies for the following areas:

- 1) The city has not developed a formal policy on the reimbursement of travel expenses. City personnel indicated cash advances are not allowed and vendor receipts are required to be filed to document expenses before reimbursement is made. We reviewed several expense vouchers for September 2008, and noted although the total number of miles driven was documented, the destinations and dates were not. In addition, there was no signed vendor invoice to support hotel costs of \$677 charged to the city's credit card for one trip.

Formal written travel and meal policies are necessary to ensure only necessary and reasonable travel and meal expenses are incurred and paid by the city. Such policies should address the types of expenses that may be incurred, the extent of those expenses that will be paid by the city, and the types of documentation that must be submitted by the employee prior to receiving reimbursement.

- 2) The city does not have a formal policy regarding cellular telephone use or guidelines to determine whether cellular telephones are needed or of benefit to the city. During the years ended March 31, 2009 and 2008, cellular telephone expenses were approximately \$9,600 and \$9,840, respectively, for the city's 15 cellular telephones.

While cellular telephones can help increase employee productivity, they are also costly. A policy is needed to ensure cellular telephones are used only for business purposes. Such a policy should address which employees need a cellular telephone and proper use of the telephone. Effective procedures should be implemented to monitor cellular telephone use and review invoices for propriety.

- 3) The city has not established a formal uniform policy for clothing purchases provided to employees, except for union employees in the street, water, and sewer divisions. Prior to April 2008, employees were not required to submit invoices or itemized expense reports to support the \$500 clothing allowance paid to some employees, nor were the allowances reported on the employees' IRS W-2 forms. Beginning in April 2008, the

city discontinued the policy of paying the clothing allowance directly to employees and began paying vendors or reimbursing employees after detailed receipts documenting the purchase were provided. City personnel indicated the city currently purchases monogrammed shirts, sweaters, jackets, and hats for the clerical staff, water and street superintendents, building department employees, code enforcement officer, dispatching employees, and canine officer. In addition, the city purchases dress clothes for the police chief, police captain and the two detectives in the police department. The city paid approximately \$2,600 from April 2008 through January 2009, for clothing reimbursements or payments to vendors for dress clothes and monogrammed clothing and approximately \$6,500 for clothing allowances directly to employees from April 2007 through March 2008.

The city should review the practice of providing clothing allowances or purchasing clothes for employees not required to wear a uniform. Public funds should be spent only on items that are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner. In addition, IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure IRS regulations are followed. As a result, the city may be subject to penalties and/or fines for failure to report all taxable benefits. The city should issue corrected W-2 forms to employees receiving clothing allowances in prior years for which an adequate accounting cannot be provided.

- 4) The city has not adopted a written investment policy. Excess funds are currently invested in Certificates of Deposits (CDs). The balance of the city's CDs totaled \$1,737,701 as of March 31, 2009.

Monies should be maintained in the highest yielding investment legally possible, while still considering the liquidity needs of the city and security of the funds. The city should establish policies and procedures for the appropriate type of investments that meet its needs.

- 5) The city does not have a formal email or Internet policy. As a result, there are no restrictions regarding the personal use of city computers or oversight regarding the websites visited or email retention. In addition, the city is currently paying approximately \$2,300 per year to two providers for Internet and email service. The city should review the reasonableness and necessity of using two Internet and email providers and consider discontinuing one of the services. The city should also

consult with legal counsel regarding retaining official email documents and establishment of Internet and email policies.

- B. The city appears to be in violation of its mandatory retirement age policy. City policy establishes the mandatory retirement age for all city employees at 70 and does not note any exceptions. The City Clerk indicated the Assistant Fire Chief is 87 years old, receives a monthly salary, and is provided a city vehicle. The Mayor and City Clerk indicated the Assistant Fire Chief is regarded as a volunteer although he is paid a salary, and the city's retirement policy does not apply to volunteer fire fighters. Policies establish rules and set constraints to be enforced by city officials and should be followed to protect the city and avoid confusion and misunderstanding. The city should consult with legal counsel to determine whether salaried firefighters should be classified as volunteer and if volunteer fire fighters should be considered city employees and thus required to comply with city policy.
- C. The City Clerk utilized the city's phone system to accept personal collect calls totaling \$2,562 from 2006 through 2008; however, there was no documentation of Council approval or pay back terms. A review of repayments shows the City Clerk has paid back \$2,303 through February 2009. The Mayor stated he had given his approval to the City Clerk to use the city's phone system.

To ensure disbursements represent an appropriate use of city funds, the city should discontinue allowing collect personal phone calls.

- D. The city has not established a policy documenting procedures for the purchase or sale of real estate. The city does not document reasons for the purchase or sale of real estate and does not obtain Council approval for some real estate transactions. In addition, the city does not maintain a list detailing property owned. A list of property obtained from the Jefferson County Assessor's Office indicated the city owns 38 lots totaling approximately 268 acres. The following concerns were noted regarding real estate purchases:
- 1) The City Council purchased an industrial site for \$260,000 above the appraised value. The city purchased the property in September 2007, for \$2,200,000; however, an appraisal obtained by the city, dated September 26, 2006, valued the property at \$1,940,000. City personnel could not provide an explanation of why the amount paid was greater than the appraised value.
 - 2) The city purchased a lot from the county for the amount of delinquent real estate taxes, approximately \$130, without Council knowledge or approval. The City Clerk indicated she reviews the property list provided by the County Assessor and discusses properties that can be purchased for back taxes, which would be beneficial to the city, with the Mayor. The property purchased had been included in the county's inventory for several years

prior to its purchase by the city. The Mayor stated he approved the purchase of the property; however, his approval was not documented. In addition, there was no documentation in the minutes indicating the purchase was discussed or Council approval was obtained. Also, there was no documentation stating the reasons for purchasing the property and how it would be beneficial to the city. The city subsequently sold the property for \$400 to the adjacent property owner who had maintained it for several years.

To ensure the best value is received or paid for property sold or purchased and all interested parties are given equal opportunities to participate, the city should develop a written policy for all real estate property transactions. This policy should address how the city will handle real estate purchases or sales including obtaining Council approval, soliciting bids, requiring a professional appraisal, and retaining documentation of the sale. In addition, the city should maintain a list of all real estate property owned.

WE RECOMMEND the City Council:

- A. Develop written policies for travel expense reimbursements, cellular telephones, uniform and clothing allowances, investments, Internet and email use, and email retention. In addition, the Council should require corrected W-2 forms be issued for those employees receiving clothing allowances in prior years for which an adequate accounting cannot be provided, and review and select the most economical Internet provider.
- B. Consult with legal counsel regarding the classification of salaried employees as volunteers and the allowance of an exception to the city's mandatory retirement policy.
- C. Cease allowing personal use of city resources.
- D. Implement a written policy or procedure for handling real estate property transactions that includes obtaining Council approval, soliciting bids, requiring a professional appraisal, documenting benefits to the city and reasons for the purchase or sale price if different than the appraised value, retaining documentation of the transaction, and maintaining a complete list of property owned by the city.

5.

Water and Sewer Procedures

The city's water and sewer rates do not appear to provide sufficient monies to fund daily operations. Improvements to records and procedures are needed for water deposits, billings, reconciliations, and collections.

- A. The city's water and sewer rates do not appear to provide sufficient monies to fund daily operations. The city's audited financial statement for the year ended March 31, 2008, indicates the Water and Sewer Operating Fund had a negative cash balance of \$272,689 (reclassified at year end as due from the General Fund), and the fund incurred a net operating loss of \$245,236. In March 2009, the city transferred \$600,000 from the General Fund to the Water and Sewer Operating Fund to reduce the negative cash balance accumulated to \$61,853 at March 31, 2009. The city explained the negative cash balance at March 31, 2008, resulted from the city's portion of the cost and installation of an Ultra Violet purification (UV) system (\$489,000). The city increases water and sewer rates approximately 3 percent each year per city ordinance, but the negative cash balance in the Water and Sewer Operating Fund may indicate water and sewer rates are not sufficient to cover operating and maintenance costs. The city has not had a cost study prepared since 1998. Water and sewer fees are user charges that should cover the cost of providing related services. To ensure utility rates are adequate to cover the total cost of operations, the city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs.
- B. The city has not prepared final bills and issued refunds or applied deposits totaling approximately \$9,278 for 66 inactive customer accounts. In addition, water deposit monies are not accounted for separately, thus no reconciliation can be performed between the water deposit report and the general ledger balance. City residents are required to pay a refundable deposit for water and sewer service prior to establishing service. The city maintains a computerized detailed list of water deposits for each customer that are to be refunded or applied to final bills. The billing clerk stated several inactive accounts have not been processed for an extended time period. City personnel could not provide an explanation of why final bills have not been generated and water deposits refunded or applied to the accounts.

Deposits represent liabilities to the city for monies collected in advance. Upon termination of service, the city should generate a final bill, apply the deposit to any outstanding balance due and refund the balance to the customer. To ensure records are in balance and all water deposits are accounted for and refunded timely, the city should establish procedures to reconcile the monthly report of water deposits to the deposit and refund activity during the period and a general ledger account should be established and maintained for this liability.

- C. The city has not developed procedures to ensure all water meters are read, which can result in large amounts due from customers and possible loss of revenue. One customer's meter had not been read and a bill generated for approximately 2 years. Service was established in August 2005; however, the meter was not read until May 2007, which resulted in an amount due of approximately \$1,500. City personnel indicated the meter was mistakenly left off of the meter reader's list. A review of several other accounts indicated another meter had not been read from July 2008 through October 2008, resulting in a balance due of \$400.

The city should develop procedures to ensure all meters are read during each billing cycle. The timely reading of customer water meters is necessary to prevent loss of revenue, prevent confusion, and detect unauthorized use.

- D. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The city water clerk prints a monthly report showing the total gallons of water billed to city customers. The water department records the daily meter readings from the city's wells, and totals the number of gallons pumped for the month; however, the Water Supervisor does not compare the two reports nor does he investigate significant differences. The Water Supervisor indicated staff could not reconcile the two reports based on the varying cycles on which water meters are read. The city pumped 201,191,600 and 211,415,500 gallons and billed for 145,613,701 and 165,877,311 gallons for the years ended March 31, 2009 and 2008, respectively, which was more than a 20 percent difference between gallons billed and pumped each year.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.

- E. The city does not collect some past due amounts from landlords when renters leave without paying the final water and sewer bill. A tenant left the residence he was renting without paying his outstanding water and sewer bill of approximately \$400. The city has an informal agreement with the landlord not to pursue collection of the past due amount while he pursues legal action against the renter. The billing clerk stated landlords are responsible for delinquent bills; however, the city ordinance does not specifically state this policy.

City Ordinance 604, Section 28-64, permits the city to pursue civil action to recover all claims for delinquent water and sewer bills and fees. The city should amend the ordinance to indicate landlords are responsible for delinquent water bills on their property to prevent loss of revenue and prevent confusion.

- F. The city allows some customers, delinquent on water and sewer bills, to make payment arrangements; however, no written agreements are required to be signed. In addition, no formal policy has been developed documenting the process to determine the payment amount and approval process. This practice has resulted in customers paying different amounts each month with no approval by the Council. One customer agreed to make payments of \$200 per month; but reduced the amount to \$100 and then \$50 payments per month. A business has been allowed to make payments on its delinquent balances without establishing a monthly amount as long as the company paid the current monthly billing.

To ensure all customers are treated in a fair and equitable manner, a formal policy should be established documenting the process to determine when payment plans are allowed, how the payment amount is to be established, and the approval process for these plans. A written and signed payment agreement is necessary to indicate the intent of the customer to pay the outstanding balance and to aid in accounting for and collecting the amounts due to the city.

WE RECOMMEND the City Council:

- A. Conduct a cost study to determine the rate structure required to provide sufficient revenues to operate and maintain the water and sewer system.
- B. Ensure deposits are refunded to customers on a timely basis. In addition, a general ledger account should be established and reconciled to the list of water deposits monthly.
- C. Establish procedures to ensure all water meters are read monthly.
- D. Reconcile gallons of water pumped and purchased to the gallons billed on a monthly basis and investigate significant differences. In addition, the reconciliations should be documented.
- E. Update city ordinances to indicate landlords are responsible for all past due water and sewer billings.
- F. Establish a formal policy that documents procedures and requirements for customers to be allowed to pay outstanding water and sewer balances over a period of time and obtain signed written payment agreements.

6. Payroll and Personnel Policies and Procedures

Timesheets are not required for some employees and supervisor approval is not documented on street employee timesheets. The city does not have a formal compensatory time policy, and some compensation payments are not subject to payroll tax withholdings or W-2 reporting.

- A. Salaried employees (office clerical, court clerk, police, and supervisory personnel) are not required to prepare timesheets. In addition, timesheets prepared by street employees are not approved and signed by the street superintendent.

Submission of timesheets, which document starting and ending work times, signed by the employee and approved by supervisors would provide full support for payroll processed by the city. The city cannot adequately ensure compliance with the Fair Labor Standards Act (FLSA) or the legitimacy of payroll payments or compensatory time earned without adequate supporting documentation.

Employee timesheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

- B. The city does not have a formal policy for compensatory time. The City Clerk indicated employees earn compensatory time at a rate of time and a half for time worked in excess of 40 hours in a work week. Employees are required to complete a compensatory time report for time earned and used, which is reviewed and approved by their supervisor. However, the compensatory request for time earned is completed when an employee works more than the standard work day. It is unclear if compensatory time should be earned for work in excess of 40 hours a work week or for time worked in excess of a standard work day, or if compensatory time is approved before it is earned.

The FLSA requires the city to pay overtime or provide compensatory time at time and a half to any nonexempt employees who work more than 40 hours during a normal work week. To prevent misunderstandings from occurring, the city should have a written policy to ensure compliance with the FLSA, including provisions defining exempt and nonexempt employees, requiring formal approval of a supervisor before compensatory time is earned, clearly referencing whether compensatory time is earned for time worked in excess of a standard work day or week, and stating if other leave taken should be included as part of the hours used to determine compensatory time.

- C. Some payments to employees are not subject to payroll tax withholdings or W-2 reporting as required:

- 1) The city does not properly report wages, withhold taxes, or pay the employer's share of Social Security and Medicare or issue a IRS W-2 or 1099 form for compensation paid to the Municipal Judge or the Park Board President. The city paid the Municipal Judge \$7,310 and the Park Board President \$5,182 for the year ended December 31, 2008.

Payments made to the Municipal Judge and Park Board President represent compensation subject to IRS Form W-2 reporting and payroll taxes. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of Social Security on compensation paid to employees. Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security tax purposes.

- 2) The city pays approximately 22 street and water and sewer employees a yearly boot allowance of \$135 per the labor contract; however, these payments are not properly reported as compensation for tax purposes.

Employees are not required to submit invoices or itemized expense reports to support the allowance, nor are the allowances reported on the W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure IRS regulations are followed. As a result, the city may be subject to penalties and/or fines for failure to report all taxable benefits. The city should issue corrected W-2 forms to employees receiving clothing allowances in prior years for which an adequate accounting cannot be provided.

WE RECOMMEND the City Council:

- A. Require city employees to prepare timesheets reflecting actual time worked, signed by the employee, and approved by a supervisor.
- B. Establish a compensatory time policy in compliance with the FLSA.
- C.1. Ensure payroll taxes are properly withheld and remitted for wages or salaries paid.
- 2. Establish procedures to ensure IRS regulations are followed. These procedures should require the street, water, and sewer employees to submit itemized reports of boot purchases or the boot allowance payments to be reported as other income on the employees' W-2 forms. In addition, the prior years' W-2 forms should be amended for any payments for which an adequate accounting cannot be provided.

7.

Budgets and Financial Reports

Budgets are not complete, and monthly reports do not include cash balances. The city's financial statements are not published timely and do not include cash balances and several city funds.

- A. Several concerns were noted regarding the city's budgets:
 - 1) The city's budgets are not complete. The budgets prepared for the years ended March 31, 2010, 2009, and 2008, did not contain beginning and ending fund balances for any of the funds budgeted. In addition, the ordinance approving the budget for the year ended March 31, 2008, documented disbursements, but did not include an estimate of receipts or contain a budget message.

Section 67.010, RSMo, requires the preparation of an annual budget with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations by fund, and include beginning available resources and a reasonable estimate of ending available resources.

- 2) The City Council receives and reviews a detailed monthly financial report; however, beginning and ending cash balances are not included on this report. As a result, the Council is unaware and unable to monitor available cash for each fund or the financial condition of the funds. For example, the Water and Sewer Operating Fund had negative cash balances of \$61,853 and \$272,689 on March 31, 2009 and 2008, respectively (see MAR finding number 4).

The preparation of complete and detailed monthly financial reports for the Council's review helps ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. In addition, without accurate financial information, the City Council cannot make informed decisions about city operations.

B. Several concerns were noted regarding the city's published financial statements:

- The city does not publish financial statements for each 6 month time period on a timely basis. The city published financial statements for the 10 months ended January 31, 2009, instead of the 6 months ended September 30, 2008, as required, and financial statements for the year ended March 31, 2008, were not published until January 2009, after the city's audit was completed.
- The city's published financial statements for the year ended March 31, 2008, did not include the Water and Sewer Fund and Swimming Pool Fund. In addition, the Library Fund and Parks Fund were shown as one consolidated fund.
- Beginning and ending cash balances are not presented for each fund and city indebtedness is not included on published financial statements. Additionally, a detailed report of receipts and disbursements for each fund was not presented.

Section 77.110, RSMo, requires the City Council to publish financial statements at the end of each fiscal year and 6 months after the end of each fiscal year in a newspaper of general circulation in the city. These financial statements are to

include a detailed statement of the receipts, disbursements, and indebtedness of the city and shall be for the 6-month period preceding the date of the statement.

WE RECOMMEND the City Council:

- A.1. Ensure budgets comply with state law.
- 2. Ensure monthly financial reports include actual beginning and ending cash balances.
- B. Ensure the city's semi-annual financial statements include detailed statements of receipts and disbursements for all city funds for the 6 month time period and are published timely. In addition, the financial statements should include beginning and ending cash balances of each fund and indebtedness of the city.

8. Vehicle and Equipment Records

Procedures and controls over bulk fuel purchases and mileage logs are in need of improvement. Commuting mileage is not included as additional compensation for employees taking city vehicles home and city vehicles are used to transport non-city employees for non-work related business. The city currently owns approximately 63 vehicles and pieces of equipment and spent approximately \$108,000 and \$114,000 for fuel during the years ended March 31, 2009 and 2008, respectively.

- A. Better controls are needed over bulk fuel purchases made by the city. The city maintains three diesel and two regular gasoline fuel tanks at three different locations for use in vehicles and equipment by the police, fire, street, water and sewer, and park departments. Fuel logs are maintained for the fuel tanks; however, fuel use is not reconciled to fuel purchases, and fuel logs and records are incomplete. In May 2008, 29.8 gallons of fuel pumped at the First Street Landing tank location was not accounted for on the log. Also, a review of fuel tank logs for December 2008 and January 2009, noted fuel tank readings were missing or not accurate and odometer mileage or hours used were not recorded.

To ensure reasonableness of fuel disbursements and to ensure fuel is recorded on logs and accounted for properly, the city should reconcile gasoline pumped to gasoline purchased and remaining on hand. Any differences should be investigated. Failure to maintain complete fuel logs and account for fuel purchases could result in loss, theft, or misuse.

- B. Mileage/usage logs are not maintained for city-owned vehicles and equipment. The water department recently began recording the beginning and ending odometer readings on each vehicle daily and the mileage at the time of refueling; however, the number of gallons pumped is not documented, miles per gallon is

not calculated, and logs are not reviewed and compared to fuel tank logs to provide assurance fuel usage is for city business.

Without adequate mileage/usage logs, the city cannot effectively monitor vehicles and equipment to ensure it is used only for official business and fuel costs are reasonable. Vehicle mileage/usage logs should include trip information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and fuel usage. These logs should be reviewed by a supervisor to ensure vehicles are used only for city business and to evaluate fuel usage and costs.

- C. The city does not report taxable benefits associated with city vehicles used for commuting purposes that do not meet requirements to qualify as exempt vehicles per IRS guidelines. During the years ended March 31, 2009 and 2008, the Street Superintendent and Water and Sewer Treatment Plant Superintendent were assigned city vehicles used for commuting purposes. The vehicles (pick-up trucks) assigned to the superintendents do not meet IRS specifications to qualify as exempt vehicles. City officials indicated these employees are allowed to commute with city vehicles because they are on 24-hour call for emergency situations. The employees are not required to submit any documentation of business versus personal mileage for the vehicles.

IRS Code reporting guidelines (publication 15-B, 2009) indicate personal commuting mileage is a fringe benefit that should be reported on the individuals' W-2 forms. Clearly marked police and fire vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. Pick-up trucks with a gross weight of less than 14,000 pounds must be equipped with either a hydraulic lift gate, permanent tanks or drums, permanent side boards that materially raise the level of the sides of the truck bed, or heavy equipment to be exempt. The city's pick-up trucks are not equipped with this type of equipment. IRS guidelines require the full value of the provided nonexempt vehicle to be reported on the employees' W-2 forms if the employer does not require submission of detailed logs, which distinguish between business and personal usage.

The city should review the necessity of providing vehicles for commuting purposes. For those employees where commuting in city-owned vehicles is considered necessary, vehicle logs should be maintained which clearly distinguish between business and commuting use, and taxable compensation for commuting should be reported on applicable employees' W-2 forms.

- D. The city does not have a written policy regarding personal use of city vehicles and related equipment. City personnel indicated the Assistant Fire Chief was seen transporting non-city employees in his city vehicle at various times, and a police officer uses his city patrol vehicle to take his children to and from school on a daily basis.

Given the high cost of fuel and additional liability that could be incurred with non-city employees riding in a city vehicle, the city should discontinue allowing the use of city-owned vehicles for other than city business and transportation of non-city employees in city vehicles. The city is self-insured thus the additional liability of non-city employees could affect the financial status of the city.

WE RECOMMEND the City Council:

- A. Review and reconcile records of fuel use to fuel purchases and fuel on hand, and investigate any differences. The City Council should require complete fuel logs be maintained.
- B. Ensure mileage/usage logs are maintained for all city vehicles and motorized equipment. These records should be reviewed by appropriate supervisory employees to help ensure vehicles are used only for city business.
- C. Review the necessity of allowing employees to commute with city vehicles and if deemed necessary, comply with IRS guidelines for reporting compensation related to commuting with city-owned vehicles.
- D. Adopt formal policies regarding city vehicles, which restricts the use of city vehicles for non-city business and prohibits transportation of non-city employees in city vehicles.

9.

Capital Assets

City property records and procedures are in need of improvement. The city's accountant maintains overall city property records which list assets by fund including the acquisition date, cost, useful life, depreciation method, and current and accumulated depreciation. The city has proposed a capital asset policy, but has not finalized and formally adopted procedures for recording, maintaining, and disposing of capital assets. The following problems regarding city property records were noted:

- The city does not have procedures in place to record property purchased or disposed throughout the year to ensure capital asset records are accurate and updated on a timely basis. The City Clerk maintains and updates a list of all city-owned vehicles, which is provided to the insurance company; however, several vehicles on the list did not have a cost associated with them and several were marked as sold but had not been removed. At year end, the city accountant reviews capital purchases made during the year with the City Clerk, determines items to be capitalized, and updates the capital asset list. A review of disbursements noted a 2006 garbage truck purchased in November 2005 for \$91,212 on the City Clerk's vehicle list; however, it could not be traced to the capital asset list prepared by the accountant. Additionally, several descriptions recorded on the city accountant's capital asset list are generic, (i.e., 2 police cars,

furniture) and do not include a detailed description of the asset or a serial number, if applicable.

- City property is not tagged and properly identified.
- Annual physical inventories of property are not performed.
- Capital asset records prepared by the accountant are not reviewed by the city to ensure assets listed are still in possession of the city.
- Written authorization is not obtained from the Mayor or City Council for the disposition of city property. The City Clerk obtains a list of items for disposal from supervisors that are then advertised in a local paper for bid. The City Clerk reviews bids received and the highest bid is accepted. The City Clerk indicated the Council does not review and approve bid selections, and there is no documentation of bids received in the minutes for most purchases.
- The city has not established a minimum amount or equipment classification to be included on property records. The city includes many small dollar items such as tires, a storage case, signs, and a portable welder on the property list.

Adequate city property records and procedures are necessary to secure better internal control over city property, and provide a basis for determining proper insurance coverage. The city should properly record all capital asset transactions timely, reconcile purchases to additions, and periodically perform a physical inventory and compare it to detailed records. Inventories of property are necessary to ensure capital asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. In addition, property records should include information such as acquisition/disposition dates, description of property, purchase value, and serial number of the asset.

WE RECOMMEND the City Council ensure property records for capital assets are maintained and include all pertinent information for each asset, such as cost, acquisition date, and subsequent disposition, if applicable. Actual physical inventory of the various property items should be performed periodically. The City Council should also ensure dispositions of city property are properly authorized. Finally, the City Council should establish a minimum amount for items to be included on the list.

10.

Conflict of Interest

The President of the city Park Board is paid for maintaining the city's swimming pool. The city paid the Park Board President \$5,182 for swimming pool maintenance work during the year ended March 31, 2009. The city did not report the payments as employee compensation or withhold payroll taxes on the amounts paid to the Park Board President (see MAR finding number 6.C.1). The Park Board did not bid out or enter into a contract

for the maintenance work to be performed (see MAR finding numbers 1 and 2). Compensating the Park Board President to perform pool maintenance while serving as the Park Board President appears to be incompatible and constitutes a potential conflict of interest.

Section 105.458, RSMo, states, "no member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency or the political subdivision for any consideration other than the compensation provided for the performance of his or her official duties"

WE RECOMMEND the City Council comply with state statutes relating to the compensation of city officials.

AUDITEE'S OVERALL RESPONSE

The Mayor and City Administrator provided the following written response:

As the City of Crystal City, we plan to address and implement what needs to be done from the Missouri State Audit within one calendar year of receiving the final audit. We will make due diligence to make sure that all processes are documented and comply with the audit, city and state statutes.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF CRYSTAL CITY
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Crystal City is located in Jefferson County. The city was incorporated in 1911 and is currently a third-class city. The population of the city in 2000 was 4,508.

The city government consists of a mayor and eight member council. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the council, and votes only in the case of a tie. The Mayor and Board of Aldermen, and other officials during the 2 years ended March 31, 2009, are identified below. The Mayor is paid \$4,200 annually and City Council members are paid \$1,200 annually. The compensation of these officials is not established by ordinance.

Mayor and City Council	Dates of Service During the 2 Years Ended March 31, 2009
Tom Schilly, Mayor	April 2007 – March 2009
Della Selmon, Council member	April 2007 – March 2009
Pam Portell, Council member (1)	April 2007 – March 2009
Dan Portell, Council member	April 2008 – March 2009
Peggy Brown-Lemme, Council member	April 2007 – March 2008
Ben DeClue, Council member (2)	April 2007 – March 2009
Jason Eisenbeis, Council member	June 2008 – March 2009
Bill Usher, Council member	April 2007 – June 2008
Debbie McKenna, Council member	April 2008 – May 2008
Jason Eisenbeis, Council member	February 2008 - March 2008
W. Richard Perry, Council member	April 2007 – February 2008
David Picarella, Council member (3)	April 2007 – March 2009
Terry Laburay, Council member	April 2008 – March 2009
Rick Mead, Council member	April 2007 – March 2008

Other Officials	Dates of Service During the 2 Years Ended March 31, 2009	Compensation Paid for the Year Ended March 31,	
		2009	2008
Debbie Johns, City Clerk	April 2007 – March 2009	\$ 59,751	59,751
Thomas Tucker, Treasurer * (3)	April 2007 – March 2009	1,200	1,200
Douglas Ruess, Police Chief	April 2007 – March 2009	57,122	57,122
Tony Bova, Fire Chief	April 2007 – March 2009	2,622	2,622
Tony Picarella, Assistant Fire Chief	April 2007 – March 2009	3,000	3,000
Karry Friedmeyer, Street Supervisor	April 2007 – March 2009	52,700	52,700
Timothy Whaley, Water Supervisor	April 2007 – March 2009	47,645	47,645
David Senkel, City Attorney	December 2007 – March 2009	139,000	94,749
Breeze, Roberts, Ponder-Bates & Zimmer, City Attorney	April 2007 – December 2007	N/A	9,607

* Elected position

- (1) Kim Friedmeyer was elected to this position in April 2009. Eric Downs was elected in June 2009 following a special election ordered by the Jefferson County Court, Judge Robert Wilkins, Division I. The special election resulted from "irregularities" discovered by the Jefferson County Clerk during the April 2009 election.
- (2) Charlie Deboor was elected to this position in April 2009.
- (3) Reelected to this position in April 2009.

Andy Hixson was hired as the city administrator in April 2009.

In addition to the officials identified above, the city employed 52 full-time employees and 7 part-time employees on March 31, 2009.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

ASSESSED VALUATIONS	2008	2007
Real estate	\$ 58,049,633	57,076,824
Personal property	16,952,579	17,408,462
Commercial	75,002,212	74,485,286
Total	<u>\$ 150,004,424</u>	<u>148,970,572</u>

TAX RATE PER \$100 ASSESSED VALUATION

	Rate	
	2008	2007
General	\$.4916	.4891
Library	.1298	.1291
Parks and recreation	.1298	.1291

TAX RATES PER \$1 OF RETAIL SALES

	Rate	
	2008	2007
General	\$ 1.0000	1.0000
Storm water	.0225	.0225
Capital improvement **	.0225	.0225

** The city increased the capital improvement sales tax to 1/2-cent in April 2009.