



Susan Montee, JD, CPA  
Missouri State Auditor

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# City of Niangua



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September 2009  
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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

September 2009

The following findings were included in our audit report of the City of Niangua.

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Between January 1, 2006, and February 29, 2008, at least \$25,606 was received but not deposited into city accounts. Cash is missing from city accounts in several different ways. Some cash payments of water and sewer bills were received and recorded by the former City Clerk but not deposited. Checks received were sometimes not recorded and substituted into deposits for recorded cash receipts that were not deposited. Late fees and reconnect fees paid by customers were not always recorded as charged or received, and remain unaccounted for. Additionally, instances were noted where cash receipts were posted as an adjustment to reduce the customer's water and sewer bill, but the cash receipt was not recorded or deposited. Other credit adjustments during this time period also appear questionable and some receipt records were not retained; therefore, additional funds may be missing.

Six checks totaling \$3,246 were issued to the former City Clerk's mother during 2007 with no documentation to support the purpose of these checks. Five checks totaling \$2,583, issued to the former City Clerk, appear to be unauthorized payroll checks written outside the normal payroll period. Additionally, checks totaling at least \$3,113 were issued to petty cash without supporting documentation. After an investigation by law enforcement, the former City Clerk pled guilty to four counts of forgery. No charges have been filed relating to the missing cash receipts.

The lack of adequate controls and the absence of proper oversight by the Board of Aldermen allowed missing funds to go undetected. Controls, such as adequately segregating the duties of the City Clerk or providing adequate supervision, are not in place. Additionally, controls over the recording of city receipts are poor, and adjustments posted to customer's water and sewer accounts are not always properly authorized or adequately documented.

Controls over city disbursements are also not adequate. Supporting documentation was not retained for most disbursements prior to February 2008, and the Board does not adequately document its review and approval of city disbursements. A facsimile stamp of the Mayor's signature was not adequately controlled and was used as a signature on some checks. The city does not have bond coverage for the two Board members authorized to sign checks. The city failed to pay some invoices timely resulting in interest and late charges assessed against the city. Additionally, the city has not established formal bidding or purchasing policies, and does not adequately track fuel purchases and mileage. Further, the city could not provide documentation of compliance with grant requirements related to the purchase of a police car.

YELLOW SHEET

City payroll transactions were not adequately reviewed by the Board of Aldermen. Federal payroll taxes totaling \$15,481 were not paid by the city during 2007 and 2006. As a result, the IRS froze the city's bank accounts in February 2008 until the taxes, plus \$1,404 in interest, were paid. Payroll tax reports and city payroll records were not properly reconciled to Forms W-2 and W-3 resulting in some wages not being reported for 2008. Additionally, the city does not maintain personnel files and should consult with legal counsel on the proper method of compensating reserve officers.

Monies received and disbursed by the city are not properly allocated to city funds. The method of allocating wages and benefits paid to city employees is not reasonable, and a number of restricted accounts appear to have been used for improper purposes.

The city's water deposit bank account is at least \$7,800 short when compared to the computer list of customers with paid water deposits on hand. Additionally, there is no documentation the Board of Aldermen investigated and resolved significant differences between total gallons of water billed to customers and total gallons of water pumped. Further, water and sewer rate increases are not supported by documentation of how the increases are calculated, some fees charged are not set by ordinance, and some customers are not properly charged some fees.

The audit identified several weaknesses regarding financial reporting and budgetary practices. In addition, the city maintains an excessive number of bank accounts and should consider reducing the number of accounts to simplify recordkeeping.

Improvement is needed in the procedures and documentation related to closed meetings. Additionally, board meeting minutes are not signed, and open board meeting minutes for 6 months during 2007 could not be located.

Other findings in the state audit report relate to capital assets and traffic ticket accountability.

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CITY OF NIANGUA

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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 Niangua, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Niangua. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. 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, grant agreement, 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 Niangua.



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  
Audit Manager: Donna Christian, CPA, CGFM  
In-Charge Auditor: Terese Summers, MSAS, CPA

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

CITY OF NIANGUA  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Missing Funds</b>
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Between January 1, 2006, and February 29, 2008, at least \$25,606 was received but not deposited into city accounts and is missing. Additionally, checks totaling \$3,246 were written to the former City Clerk's mother, five checks written to the former City Clerk totaling \$2,583 appear to be unauthorized, and checks written to petty cash totaling at least \$3,113 were not supported by documentation.

In February 2008, the Board of Aldermen was informed by the Internal Revenue Service (IRS) that the city's bank accounts had been frozen for failing to pay \$16,885 in payroll taxes and interest for 2007 and 2006. The Board indicated it was not previously aware of the payroll tax liability and this notification from the IRS caused the Board to be concerned about possible improprieties by the former City Clerk. The city hired a bookkeeper to review receipt and deposit records and became aware that some differences existed between amounts received and amounts deposited. After an investigation by the Niangua Police Department and the Missouri State Highway Patrol, the Webster County Prosecuting Attorney charged the former City Clerk with forgery. The former City Clerk pled guilty to four counts of forgery, and in January 2009 was sentenced to 5 years of probation, 15 days in the county jail, and 200 hours of community service, and was ordered to pay \$7,600 in restitution. No charges have been filed relating to the missing cash receipts.

A breakdown of the missing funds follows:

- A. Cash totaling at least \$25,606 for payment of water and sewer bills was received by the former City Clerk between January 1, 2006, and February 29, 2008, but not deposited. As shown in the Documentation of Missing Funds section of this report, cash totaling \$31,891 was recorded but only \$5,635 in cash was deposited, resulting in a total cash shortage of \$26,256. However, unidentified checks totaling \$650 were deposited into the city's account resulting in a net shortage of \$25,606.

Cash is missing from city accounts in several different ways.

- Deposits into the city's bank account were sometimes simply short cash receipts. For example, during October, November, and December 2007, cash receipts of \$4,404 were recorded in the city's computerized water and sewer accounting system or on manual receipt slips, but no cash was deposited into the city's water and sewer accounts during these 3 months.

- Checks received were not recorded and were substituted into deposits for recorded cash receipts that were not deposited and remain missing. For example, check number A2841291 from the Treasurer of the State of Missouri for \$4,769 representing grant funds from the Missouri State Emergency Management Agency was partially deposited in the city's sewer account (\$2,694) and in the city's general account (\$2,075) in July 2007. This check was not recorded as received in the city's accounting records, and a portion of the monies appear to have been placed into the sewer account to help conceal missing cash receipts. A total of at least \$13,180 in unrecorded checks were identified.
  - Numerous instances were noted where customers paid their water and sewer bill in cash, a billing stub was marked paid or a manual receipt slip was written by the former City Clerk, but instead of posting the cash receipt to the city's computerized water and sewer system, a credit adjustment was posted to reduce the customer's water and sewer bill by the amount of the cash receipt. The cash receipt was not deposited and is missing. Between January 1, 2006, and February 29, 2008, approximately \$1,500 was received in cash, not deposited, and a credit adjustment was posted to the customers' accounts to conceal the undeposited cash. Additionally, our review identified other credit adjustments totaling approximately \$3,700 during this time period that appear questionable, and manual receipt slips issued between April 20, 2006, and October 24, 2006, cannot be located. As a result, additional funds may be missing.
  - We identified one instance where a customer moved out of the city owing \$574 in delinquent water and sewer charges, but continued to make periodic payments to the city. The former City Clerk removed the account from the city's computerized water and sewer system and maintained a manual file that indicated \$210 was received. Manual receipt slips were written indicating the payments were made in cash. There is no evidence these cash payments were deposited.
  - There were numerous instances where late fees (\$5) and reconnect fees (\$30) were paid by customers but not recorded as charges and receipts in the city's computerized water and sewer system. These unrecorded fees remain missing.
- B. Six checks totaling \$3,246 were issued to the former City Clerk's mother during 2007. The memo line on the checks indicated "equipment reimbursement." There is no documentation to support the purpose of these checks, and these checks were among the checks turned over to the Webster County Prosecuting Attorney with forged signatures.
- C. Five checks totaling \$2,583 issued to the former City Clerk between December 2006 and December 2007, appear to be payroll checks written outside the normal

payroll period without documentation of additional work performed for the city. City employees are paid every 2 weeks; however, in one instance two payroll checks to the City Clerk were written within 3 days of each other with the same payroll period noted in the memo line of the checks. City officials questioned the legitimacy of these payroll checks and the signatures on the checks, and turned the checks over to the Webster County Prosecuting Attorney.

- D. Numerous checks were issued to petty cash with no documentation to support the amounts of the checks. Additionally, the number of checks issued to petty cash increased significantly. During 2006, 17 checks totaling \$675, and during 2007, 38 checks totaling \$2,182 were issued to petty cash. In addition, four checks totaling \$256 were issued to petty cash in January 2008 before the former City Clerk terminated employment. The city does not have any documentation to support disbursements to petty cash and city officials believe these funds are missing and some signatures were forged. These checks were also included in the unauthorized checks the city turned over to the Webster County Prosecuting Attorney.

Our review of city accounting records did not include periods prior to January 1, 2006, and additional funds may be missing that are not reflected in this report.

The city had \$25,000 in bond coverage on the former City Clerk and has received payment from the bonding company for the entire bond amount.

The lack of adequate controls and the absence of proper oversight by the Board of Aldermen, as further discussed in the remainder of this report, allowed these missing funds to go undetected. Given the varying methods in which funds are missing from the city, it is apparent no one adequately monitored the city's financial activity.

**WE RECOMMEND** the Board of Aldermen work with law enforcement officials regarding any criminal prosecution related to the missing cash receipts and take necessary actions to recover missing funds.

### **AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following response:*

*We have worked with law enforcement officials and will continue to do so in the future. Upon the findings of missing cash receipts by the State Auditor's office, we encourage additional charges to be filed by the Prosecuting Attorney.*

<b>2. Lack of Adequate Controls</b>
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The Board of Aldermen has not established adequate segregation of duties or supervisory procedures over the position of City Clerk, and several significant internal control

weaknesses exist that have resulted in missing city receipts. While some changes have been made since the Board of Aldermen learned about the missing funds, many of the weaknesses have not been adequately addressed by the Board. During 2008, the city received and disbursed approximately \$175,000 and \$197,000, respectively.

- A. The duties of the City Clerk are not adequately segregated, and the Board of Aldermen does not provide adequate supervision or review of the work performed by the former and current City Clerks. The City Clerk is responsible for all record keeping duties of the city, including duties which would normally be performed by a City Treasurer and a City Collector. These duties include receiving, recording, and depositing monies; preparing utility bills; preparing invoices for payment; preparing checks; performing bank reconciliations; and preparing financial reports.

Had adequate controls and oversight procedures been in place, some of the missing funds noted in this report may have been prevented. Although the Board of Aldermen began reviewing city disbursements more closely after the former City Clerk terminated employment, no personnel independent of the cash custody and record keeping functions provide adequate supervision or review of the cash receipting and depositing duties.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. 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. 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. Controls over the recording of city receipts are poor and allowed the missing funds noted in Management Advisory Report (MAR) finding number 1 to go undetected.

The city collects receipts for water and sewer services, water deposits, business licenses, dog licenses and fees, court fines and property taxes from Webster County, and franchise fees from the local electric company. Utility billing stubs and computerized batch receipt reports are used to document monies received for payment of water and sewer services. The former City Clerk occasionally issued manual receipt slips for water and sewer payments if billing stubs were not retained. The current City Clerk began issuing manual receipt slips for all water and sewer payments. Manual receipt books are used to document receipt of water deposits, business licenses, and dog licenses and fees. The city deposits receipts into five main bank accounts (general, water, sewer, water deposit, and street).

1) Receipt slips are not issued for some monies received. Receipt slips are not issued for grant monies, court fines, property taxes, and franchise fees received by check. Additionally, receipt slips were not always issued for amounts received for water deposits. As noted in MAR finding number 1, several instances were noted where unrecorded monies were substituted into deposits and cash receipts are missing. To adequately account for all monies received and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received.

2) Receipt records are not reconciled to deposits. Our comparison of water and sewer batch reports prepared by the former City Clerk identified numerous instances where it was obvious all monies received were not deposited.

The current City Clerk began issuing manual receipt slips for all water and sewer payments as well as posting these payments to the computerized receipt batch reports. Our review of these new procedures identified some instances where monies were received and deposited several days before a receipt slip was issued and before the receipt was posted to the computer. To ensure all receipts are properly accounted for, monies should be recorded immediately upon receipt, and receipt records should be reconciled to deposits.

3) The method of payment (cash, check, or money order) is not reconciled to the composition of deposits. As noted in MAR finding number 1, we noted instances where checks for grant funds received by the former City Clerk were substituted into deposits of water and sewer collections and cash receipts were not deposited.

Additionally, some receipt slips written by the current City Clerk did not indicate the method of payment. To ensure all receipts are deposited, the method of payment should be indicated for all receipts, and the composition of receipt slips should be reconciled to deposits.

4) Deposits are not made timely and monies are not always held in a secure location until deposited. Receipts are deposited approximately weekly, and are kept in an unlocked cash drawer or desk drawer until deposited.

Monies should be held in a secure location and deposits should be made more frequently if significant amounts of cash are collected to ensure cash assets are protected from theft, fraud, or misuse of funds.

5) The current City Clerk uses cash receipts to make petty cash purchases. Items such as office supplies and small equipment or hardware for water and sewer repairs are purchased from cash receipts. Although a log of cash purchases is maintained, a petty cash fund (if considered necessary)

maintained on an imprest basis should be established by the city to provide better accountability over petty cash purchases and allow all receipts to be deposited intact.

Establishing a petty cash fund on an imprest basis means the cash and the invoices to support the purchases should always total the established balance. Checks issued to replenish the fund should equal the amount of the invoices. In addition, the city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are accounted for properly, to detect errors, and to prevent misuse.

- C. Some city records were not properly retained. Manual receipt books containing receipt slips issued between April 20, 2006, and October 24, 2006, cannot be located by the city, and some copies of voided receipt slips were not properly defaced and retained. Additionally, the city's computer crashed and the city's general ledger accounting software program could not be accessed for periods prior to 2008. City officials should ensure all city records are retained, all copies of voided receipt slips are kept in the receipt book, and back up disks are maintained of computerized accounting records to provide accountability of all city transactions.
- D. Adjustments made to customer water and sewer accounts are not always properly authorized or adequately documented. The former City Clerk had and current City Clerk has the ability to record adjustments to water and sewer accounts without any independent review or approval of the adjustment.

At our request, the current City Clerk provided reports of all adjustments made during 2008, 2007, and 2006. Most of the adjustments posted during 2007 and 2006 did not indicate the reason for making the adjustment even though the computer system has the capability of tracking the reason. As noted in MAR finding number 1, many of the credit adjustments posted during 2007 and 2006 appear to have been made to help conceal undeposited cash receipts.

Proper approval/authorization and adequate documentation, which fully explains the reason for the adjustments, are necessary to ensure only the proper account and amounts are adjusted and to reduce the risk of theft, fraud, or misuse of funds.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer and/or segregate the duties of the City Clerk's office to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, there should be documented independent reviews of the cash custody and record keeping functions, including reconciliations of receipts to deposits and checks

issued to disbursement records, and reviews of bank statements and bank reconciliations.

- B. Establish controls over city receipts to ensure all receipts are recorded and deposited. The Board should ensure official prenumbered receipt slips are issued for all monies received, receipt slips indicate method of payment, and receipt records (including the composition of receipts) are reconciled to deposits. Additionally, the Board should take steps to ensure monies are stored in a secure location and deposited timely, and a petty cash fund (if considered necessary) is established on an imprest basis.
- C. Ensure city records are properly retained, including back up disks of computer records.
- D. Require independent approval of all credit adjustments and monitor the adjustments made to customer accounts. Additionally, the Board should utilize the computer system's capability to track reasons for making adjustments to customer accounts.

### **AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following response:*

*We agree with the State Auditor's recommendations. While the city is not in a position to hire additional personnel, the Board is taking a more active role in reviewing and approving various financial records.*

<b>3. City Disbursements</b>
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Controls over city disbursements are not adequate. Documentation was not maintained for some disbursements, Board approval of city disbursements is not always documented, the Mayor's signature stamp is not adequately secured, and Board members authorized to sign checks are not bonded. Additionally, the city incurred late fees for not paying some bills on time, does not have formal bidding or purchasing policies, does not have adequate controls over city vehicles and fuel purchases, and did not comply with grant requirements.

- A. Supporting documentation was not retained for most disbursements prior to February 2008. Additionally, the Board does not adequately document its review and approval of all city disbursements, and acknowledgment of receipt of goods or services is not always documented on invoices. The lack of proper oversight or independent reviews over disbursements allowed the questionable disbursements noted in MAR finding number 1 to go undetected.

There was no supporting documentation or evidence of Board approval for disbursements for insurance (\$1,909) and professional license consultants (\$325). As noted in MAR finding number 1, numerous checks were issued to petty cash during the period of January 2006 through February 2008 without documentation to support the disbursement.

In addition, documentation was inadequate to support most purchases made on the city's Wal-Mart credit card during this time period, and some purchases appeared questionable, such as over-the-counter medication and a computer software program for income taxes. Further, city officials indicated some office supplies, such as printer cartridges, purchased with the credit card were not for city use. The total credit card purchases from this vender were approximately \$2,271 and \$2,719 in 2008 and 2007, respectively.

A supplemental list of bills to be paid is included in each month's Board meeting minutes; however, the list is not signed by a Board member to document approval, and some disbursements are not included on the list. The numerical sequence of check numbers is not accounted for on the list of bills to be paid.

All disbursements should be supported by detailed invoices, paid receipts, or contracts to ensure the obligations were actually incurred and the disbursements represent an appropriate use of public funds. To adequately document the Board's review and approval of all disbursements, a complete list of all bills to be paid should be prepared and reviewed, signed or initialed by the Board to denote its approval, and retained along with the official meeting minutes. The numerical sequence of the checks should be accounted for. In addition, invoices should have acknowledgment of receipt of goods or services to ensure all disbursements represent valid operating costs of the city.

- B. A facsimile stamp of the Mayor's signature was not adequately controlled. According to city officials, this stamp was used as a signature on some of the checks noted in MAR finding number 1. Access to signature stamps should be limited to authorized persons to ensure proper supervisory review and approval of all disbursements actually occurs.
- C. The city does not have bond coverage for the two Board members authorized to sign checks. Failure to properly bond all persons with access to assets exposes the city to risk of loss.
- D. The city failed to pay some invoices timely resulting in interest and late charges assessed against the city. The city periodically paid the electric and credit card bills late. Approximately \$255 in late fees were applied to the city's electric bill during 2008 because the city neglected to make two payments timely. Additionally, smaller amounts of finance charges were incurred on credit card purchases during 2008 because the statement was not paid in full each month.

Procedures should be in place to ensure bills are paid timely to avoid late charges and interest.

- E. The city has not established formal bidding or purchasing policies. Although the city makes mostly small or routine purchases, formal bidding and purchasing policies would help ensure the city obtains goods and services at a reasonable price.

For example, during 2008 and 2007, the city purchased property and liability insurance (\$9,276 and \$9,665, respectively), radios (\$1,718), a used dump truck (\$3,200), and a golf cart (\$1,200) without obtaining bids or maintaining documentation of bids obtained. City personnel indicated the dump truck and golf cart were purchases from private individuals and the cost appeared reasonable; however, documentation, such as price quotes, was not maintained to support the conclusion that the price paid was reasonable.

Additionally, items, such as parts for the city's water and sewer system (\$4,520 in 2008), are purchased mainly from one vendor without soliciting bids or maintaining documentation of price comparisons. City personnel indicated these items are specialized parts from a sole source vendor; however, this information was not documented in the Board minutes or the city vendor files.

While the city normally purchases only a few capital items each year, formal bidding and purchasing procedures would provide the framework for economical management of city resources and help ensure the city receives fair value for all purchases. For purchases in which soliciting bids may not be practical, price quotes or other documentation of the fair market value of the item should be obtained to ensure a reasonable price is paid. Additionally, if sole source procurement is necessary, the circumstances should be thoroughly documented.

- F. Fuel purchases are not adequately tracked and monitored, and mileage logs are not maintained for city vehicles. The city purchased over \$3,200 in fuel during 2008 for the city's five vehicles and gas powered golf cart. Fuel is purchased at the local gas station and charged to the city. Some of the fuel receipts did not indicate which city vehicle the fuel was for, and mileage logs are not maintained to determine if fuel costs are reasonable and city vehicles are used appropriately.

Mileage logs for city-owned vehicles are necessary to document the appropriate use of vehicles and to support fuel charges. Information on the logs should be periodically reconciled to fuel purchases, and fuel receipts should document which city-owned vehicle received the fuel.

- G. The city received a grant of \$11,000 from the United States Department of Agriculture in 2007 to aid the city in purchasing a police car and equipment for the car. According to the grant agreement, the total cost was estimated at \$20,500 with the city committing \$9,500 (46 percent) in local funding. The city could

only provide documentation that \$16,465 was spent on the vehicle and equipment. As a result, the city did not spend the amount required by the grant agreement and needs to contact the grantor agency to determine if some grant funds should be returned.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure supporting documentation is maintained for all disbursements, and acknowledgment of receipt of goods or services is documented on invoices. Additionally, the Board should review and approve all disbursements of city funds and document the process by signing the list of bills included in the meeting minutes.
- B. Control access to the signature stamp.
- C. Obtain bond coverage for all persons with access to city funds.
- D. Implement procedures to ensure bills are paid timely.
- E. Establish formal bidding and purchasing policies and maintain documentation to ensure the city receives fair value for all major purchases.
- F. Require mileage logs be maintained for city-owned vehicles, and periodically reconcile information on the logs to fuel purchases. Additionally, the Board should ensure fuel receipts adequately document which city-owned vehicle received fuel.
- G. Contact the grantor agency to determine if a portion of the grant funds should be returned.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following responses:*

- A. *All documentation for all disbursements is now retained with acknowledgement that goods were received. In addition, the Board will begin signing the list of bills approved.*
- B. *The facsimile stamp has been destroyed.*
- C. *We plan to ensure adequate bond coverage for those who have access to city funds.*
- D. *This recommendation has been implemented.*
- E. *We are in the process of establishing a bidding and purchasing policy.*

- F. *We are now requiring mileage logs be maintained on city vehicles and will implement controls over fuel purchases.*
- G. *We will review grant information and will resolve this issue.*

<b>4. Payroll and Related Matters</b>
---------------------------------------

The Board of Aldermen does not adequately monitor city payroll activity resulting in delinquent payroll tax payments, unauthorized payroll checks, and inaccurate payroll reporting. Additionally, the city does not have a contract with reserve officers paid as independent contractors and personnel files are not maintained for city employees.

- A. City payroll transactions are not adequately reviewed by the Board resulting in delinquent payroll tax reporting and payments, unauthorized payroll checks written to the former City Clerk, and inaccurate payroll amounts reported to taxing authorities.
  - 1) Federal payroll taxes totaling \$15,481 were not paid by the city during 2007 and 2006. As a result, the IRS froze the city's bank accounts in February 2008 until the taxes, plus \$1,404 in interest, were paid and payroll tax reports were properly prepared and filed.
  - 2) As noted in MAR finding number 1, between December 8, 2006, and December 7, 2007, five unauthorized payroll checks totaling \$2,583 were issued to the former City Clerk. The Mayor and former Alderwoman Vasher provided signed statements that the signatures on these checks were not their own.
  - 3) Payroll tax reports and city payroll records were not properly reconciled to Forms W-2 and W-3 resulting in some wages not being reported for 2008. Employee wages reported on payroll tax reports and recorded in the city's payroll records exceeded wages reported on Forms W-2 and W-3 by approximately \$3,200. The current City Clerk indicated she failed to include wages paid in January and February 2008 (prior to her employment), when determining total earnings for employees' 2008 Forms W-2.

To adequately monitor payroll activity, the Board of Aldermen should review and approve all payroll disbursements, and ensure payroll tax reports are prepared, taxes are paid, and payroll records are properly reconciled to the various payroll reporting forms. In addition, the city should file amended W-2 forms for payments of wages not reported.

- B. It is questionable whether the city should be compensating the Police Chief and reserve officers as independent contractors or as city employees. During 2008

and 2007, the city paid the Police Chief and reserve officers as independent contractors without a written contract outlining each party's rights and responsibilities. The Police Chief was also provided leave benefits similar to an employee. After our inquiry, the city began paying the Police Chief as an employee and withholding payroll taxes from his salary. The city continues to pay reserve officers as independent contractors for a maximum of 16 hours per month and any hours worked over the 16 hours are considered to be uncompensated volunteer hours.

The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. In addition, the failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act.

- C. Personnel files are not maintained for city employees. Personnel files should be maintained for each employee to provide documentation of personnel actions and to provide readily accessible work histories. In addition, personnel files should contain documentation of the Board's authorization for the hiring of the employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate.

**WE RECOMMEND** the Board of Aldermen:

- A. Monitor all payroll activity to ensure payroll taxes are paid, employee payroll checks are authorized, and city payroll records and payroll reports are reconciled to Forms W-2 and W-3. The Board should file amended W-2 forms for the underreported wages.
- B. Consult with legal counsel concerning the proper method of compensating reserve officers.
- C. Ensure personnel files are maintained for all city employees, which include authorization for the employee's hiring, the initial pay rate and any subsequent increases, and any other personnel actions.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following responses:*

- A. *We are now reviewing payroll and ensuring the payroll and payroll taxes are accurate. Amended W-2 forms will be filed as necessary.*
- B. *We will consult with our legal counsel concerning the method of compensating reserve officers.*
- C. *This recommendation has been implemented.*

**5.****Restricted Funds**

The city has not established procedures to ensure receipts and disbursements are properly allocated to the various city funds. In addition, it is unclear if funds in some city accounts were used appropriately.

A. Monies received and disbursed by the city are not properly allocated to city funds.

- The method of allocating wages and benefits paid to city employees is not reasonable and is not supported by documentation. During 2008, the current City Clerk's wages were paid from the General Fund even though she performs water and sewer billings and collection activities. Payroll disbursements for the city's maintenance employees during 2008 were paid from the Water and Sewer Funds and not allocated to the Street Fund. Further, payroll taxes for Social Security and Medicare are sometimes paid from the General Fund and sometimes allocated to the other funds. During 2007 and 2006, city employee wages were allocated to all of the city's major funds (General, Water, Sewer, and Street); however, there is no documentation to show how the allocations were calculated.

As a result of the varying allocations, salary expenses from the city's funds are not consistent from year to year. For example, during 2007 and 2006 the city disbursed more than \$14,000 from the Street Fund annually for payroll related expenses; however, only \$1,800 was disbursed in 2008.

- Amounts paid for insurance coverage on all city assets is not allocated to the various city funds. In 2008, the city paid \$9,276 for property and liability insurance coverage. While some of the coverage related to assets owned by the city's Water, Sewer, and Street Funds, all but \$100 was paid from the city's General Fund. In 2007, insurance costs of \$9,665 were divided almost evenly between the city's General, Water, Sewer, and Street Funds.
- Beginning in March 2008, the current City Clerk began dividing collections for water and sewer charges equally between the Water and Sewer Funds without consideration of the actual receipts associated with water sales or sewer use. Sales taxes charged on water sales are also split equally between the Water and Sewer Funds even though the entire tax is applicable to water sales.

To ensure restricted funds are used for the intended purpose, monies received should be credited to the appropriate fund, and disbursements, such as wages and benefits, should be allocated to the appropriate city funds using a reasonable basis.

B. A number of restricted accounts appear to have been used for improper purposes.

- A certificate of deposit (CD) the city refers to as the Repainting and Sanitation CD, totaling \$8,255, was cashed in and deposited into the Street Fund in May 2008, to help pay for costs of street repairs. The City Clerk and Mayor were unsure of the original purpose for which the CD was established; however, based upon the account's title, it does not appear these funds were originally intended for street related expenses.
- A bank account entitled Pipe and Sanitation Account, with a balance of \$7,915, was closed and deposited into the General Fund in March 2008. This account was originally opened in June 2000 with \$100 of Water Fund monies transferred to this account monthly. City personnel are unsure of the purpose of this account, but it appears to have been an account required under the city's bond covenant related to a 1978 bond issue. Revenues from the Water Fund should only be used for costs associated with the city's water system.
- CDs for the Water Fund (\$10,177) and General Fund (\$6,785) were cashed in and used to help pay the city's delinquent payroll taxes, interest, and penalties discussed in MAR finding number 4. There was no documentation to indicate how much of the liability was associated with these two funds.
- When the city received payment for the bond coverage of the former City Clerk, \$10,000 was placed in the General Fund and two CDs totaling \$15,000 were purchased with the balance. The city has not indicated what funds the two CDs belong to or whether the balance is restricted. Neither the current City Clerk or the Mayor could tell us exactly what funds these monies belong to.

The city should maintain documentation to clearly identify the purpose of each bank account/fund established and ensure the balance is used appropriately.

The funds of the city are established as separate accounting entities to account for specific activities. Reflecting receipts and disbursements 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. Additionally, documentation should be maintained to support any expenses allocated to more than one fund, such as payroll related expenses.

**WE RECOMMEND** the Board of Aldermen properly allocate disbursements to the appropriate fund and maintain documentation to support the method of allocation. Additionally, the Board of Aldermen should ensure receipts and disbursements are reflected in the proper fund, and maintain documentation to clearly identify the purpose of each bank account/fund established.

## **AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following response:*

*We agree with the recommendations and will take steps to implement them.*

<b>6. Water and Sewer System</b>
----------------------------------

The city does not maintain adequate records of customer water deposits and does not adequately monitor the amount of water billed each month. Additionally, a cost study has not been performed to justify water and sewer rates, and some water and sewer related fees are not established by city ordinance or consistently charged to customers.

- A. The city's water deposit bank account is at least \$7,800 short when compared to the computer list of customers with paid water deposits. The city does not reconcile refundable water deposits posted to customer accounts in the city's computer system to the water deposit bank account. At our request, the current City Clerk went through the computerized water deposit list at December 31, 2008, and determined there should be approximately \$9,900 in refundable water deposits from customers in the city's water deposit bank account. However, in June 2006, the former City Clerk incorrectly deposited approximately \$500 of water and sewer bill payments into the account, resulting in an adjusted account balance of only \$2,100 and a shortage of \$7,800.

Between January 1, 2006, and February 29, 2008, the average monthly deposit into the city's water deposit bank account was approximately \$120. After the former City Clerk terminated employment the average monthly deposit into this account between March 1 and December 31, 2008 increased to approximately \$210. Additionally, the Board of Aldermen became aware of a customer that paid a \$300 deposit in December 2007, but the amount was not posted to the city's computer system. The customer provided a canceled check as evidence of payment and the city refunded the deposit in April 2009. As a result, there may be other customer deposits that were not posted to the computer and the shortage in this account may be more.

The city should prepare a detailed list of all water deposits received and disbursed, and reconcile the deposits on hand to the water deposit bank account balance. The city should deposit adequate funds into the water deposit account to make up for the shortage.

- B. Although reconciliations are prepared by the current City Clerk comparing the total gallons of water billed to customers to the total gallons of water pumped, there is no documentation the Board investigated and resolved significant differences calculated in this comparison. During 2008, there were unexplained water losses and unbilled water services, which ranged between 9 to 48 percent of

total gallons pumped in a given month. For example, the city billed or used an average of approximately 900,000 gallons monthly during 2008, but had an average of approximately 400,000 gallons of water pumped each month that was unbilled and lost.

To help detect significant water loss on a timely basis and ensure all water usage is properly billed, the city should reconcile gallons of water pumped to the gallons of water billed on a monthly basis. The Board of Aldermen should document its review of the differences and efforts to resolve the differences.

- C. Water and sewer rate increases are not supported by documentation of how the increases are calculated, some fees charged are not set by ordinance, and some customers are not properly charged some fees.

In September 2006, the Board of Aldermen approved increasing water and sewer rates. There is no documentation to support or justify the increased rate amounts. Additionally, delinquent customers are assessed a \$5 late fee; however, the city's ordinance has not been updated and still reflects a late fee of \$3. The \$2 meter rental fee charged to customers is not set by ordinance. Further, some customers were not charged some fees. As a result of our review, the City Clerk corrected approximately 30 customer accounts.

Water and sewer fees are user charges which should cover the cost of providing the related services. Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of the service. Without a cost study to support the rates charged for water and sewer services, it is unclear whether the rates assessed for these services are set at an appropriate level. To do this, the city needs to properly account for the receipts and disbursements associated with the water and sewer funds (see MAR finding number 5). In addition, the city should establish formal ordinances for all fees and ensure customers are properly charged in accordance with the fee structure.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete list of water deposits is prepared and reconciled to the balance in the water deposit bank account monthly. Further, the Board should deposit adequate funds into the account to make up for any shortage computed.
- B. Review the monthly reconciliation of the total gallons of water billed and the total gallons of water pumped, and document the investigation and resolution of significant differences.
- C. Periodically perform and document a cost study of water and sewer services to ensure rates are sufficient to cover all costs of providing these services and to support any rate increases. Additionally, the Board of Aldermen should ensure all

fees are set by ordinance and all customers are charged in accordance with the fee structure.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following responses:*

- A. *A complete list of water deposits has been prepared and deposits are now properly tracked. We have funds available in other accounts if we need them; however, we plan to begin reimbursing this account gradually.*
- B. *This recommendation has been implemented. We are currently reviewing and reconciling water usage.*
- C. *Documentation will be retained for any future rate increases, and we will update city ordinances accordingly.*

<b>7. Financial Reporting, Bank Accounts, and Budgets</b>
---

The city did not comply with state law regarding financial statement reporting and water and sewer system audit requirements. Additionally, the city should consider reducing the number of bank accounts maintained. Further, the city's budgets are not complete and actual disbursements exceeded budgeted amounts.

- A. The city did not maintain evidence to demonstrate compliance with state law regarding the preparation and posting of semi-annual financial statements. While city officials believe the former City Clerk posted financial statements, there is no documentation of the postings. The current City Clerk has not posted or published financial statements for 2008.

Section 79.160, RSMo, requires the city prepare semi-annual financial statements and publish them in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the city. The financial statements are to include a statement of receipts and disbursements and indebtedness of the city for the preceding 6-month period, and be published within 1 month of the end of the period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

- B. The city has not submitted annual financial reports to the State Auditor's office since 2003. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's office.

- C. The city does not obtain annual audits of its water and sewer system. The city's bond covenant and Section 250.150, RSMo, require the city to obtain annual audits of the water and sewer system. In addition to being required by state law, annual audits of city funds would help ensure city financial transactions have been properly recorded.
- D. The city maintains an excessive number of bank accounts and does not have a depository agreement or solicit bids for banking services. At December 31, 2008, the city maintained 8 checking accounts and 2 CDs at one bank, and at December 31, 2007, the city had 13 bank accounts and 3 CDs. Separate bank accounts are used to track each city fund. The current City Clerk did not maintain a list of all city accounts and we had to obtain information for 2 CDs from the bank. Additionally, during 2008 and 2007, the city incurred over \$600 in bank service charges because required minimum balances were not maintained in several of the city's bank accounts. In April 2006, a \$50 overdraft fee was charged to the city because adequate funds were not in the sewer account to pay checks written.

A large number of bank accounts requires additional record keeping and increases the likelihood that errors will occur in the handling of funds. Except for separate accounts required by bond covenants, the remaining bank accounts and CDs could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. Additionally, to ensure the quality of banking services, maximize interest revenue, and reduce bank charges the city should procure its banking services through a competitive bid process. Further, the city should enter into a written agreement with its depository bank to ensure both the city and the bank understand and comply with the requirements of any banking arrangement.

- E. The city's procedures for preparing and monitoring the annual budget need improvement.
- The annual budget lacked some information required by state law and budgets were not prepared for all funds. Budgets for 2009 did not include a budget message, a comparative statements of receipts and disbursements for the two preceding years, the beginning cash balance, or an estimated ending cash balance. The city's 2008 budget also did not include cash balance information and a comparison statement of receipts and disbursements was not included for some of the smaller city funds. Additionally, budgets were not prepared for some of the small city funds and grant funds, such as the Police Training Fund and the Storm Siren Fund, for 2008 and 2009.
  - Budgets approved by the Board of Aldermen for some funds in 2009 reflected deficit budgeting, which is prohibited by Section 67.010, RSMo. Budgeted disbursements from the city's General Fund exceeded budgeted receipts and the beginning cash balance by approximately \$35,000. Both the city's Water

and Sewer Funds also anticipated an accumulated deficit of approximately \$36,000.

- Actual disbursements exceeded budgeted amounts for some city funds during 2008. For example, approximately \$25,000 more was disbursed from the city's General Fund than budgeted during 2008. Actual disbursements from the city's Sewer and Street Funds also exceeded budgeted amounts by approximately \$2,300 and \$7,500, respectively. While the Board of Aldermen receive monthly financial reports, budgetary monitoring procedures are not adequate.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and funding expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues. Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget, and prohibit deficit budgeting.

**WE RECOMMEND** the Board of Aldermen:

- A. Publish or post semi-annual financial statements as required by state law.
- B. Prepare and submit annual financial reports to the State Auditor's office as required by state law.
- C. Obtain annual audits of the combined water and sewer system as required by state law and the city's bond covenant.
- D. Review the number of bank accounts and consider consolidation of accounts. The Board should competitively procure banking services and obtain an agreement with the depository bank.
- E. Prepare annual budgets for all city funds which include all information required by state law and discontinue the practice of preparing budgets that reflect a deficit. In addition, the Board should monitor budgeted and actual receipts and disbursements, and ensure disbursements for individual funds do not exceed the amount approved in the budget, unless proper and timely amendments are made and approved.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following responses:*

- A. *This recommendation has been implemented.*
- B. *We will submit annual financial reports in the future.*

- C. *We will solicit bids for annual audits.*
- D. *We will implement these recommendations and we have reduced checking accounts from 13 to 8 and plan on reducing further.*
- E. *We will implement these recommendations.*

<b>8. Board Meeting Minutes</b>
---------------------------------

Improvement is needed in the procedures and documentation related to closed meetings. The meeting minutes are not signed by the Mayor to attest to their accuracy, and some meeting minutes were not retained.

- A. Open meeting minutes did not always document all items required by the Sunshine Law, including the related vote to close the meeting and the specific reasons for closing the meeting. Additionally, the city did not document how some items discussed in closed session complied with state law. For example, during closed session, the Board discussed such items as employee appreciation certificates, unpaid payroll taxes, and paying the Mayor's wife for filling in as City Clerk.

Additionally, the city uses a standard agenda for all meetings. The agenda indicates a closed session meeting will be held to discuss potential employee discipline and potential litigation matters regardless of whether a closed session is planned for the current meeting. As a result, it is not clear from the city's agenda whether or not the board will be meeting in closed session.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session. In addition, Section 610.022, RSMo, requires the board to vote in open session to close a meeting and to announce publicly the reasons for going into closed session. Further, to better inform the public, the tentative meeting agendas should more accurately reflect the matters to be discussed by the board.

- B. Board meeting minutes are not signed. Board meeting minutes should be signed by the preparer and Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings.
- C. Open meeting minutes for 6 months during 2007 could not be located. Minutes for the months of January and March through July 2007 were not retained and available for our review.

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.

**WE RECOMMEND** the Board of Aldermen:

- A. Refrain from discussing items in closed session which should otherwise be discussed during an open session, and ensure open meeting minutes include the specific reason for closing the meeting and a record of the related votes taken. Additionally, the Board of Aldermen should ensure the tentative meeting agendas more accurately reflect the matters to be discussed by the Board.
- B. Ensure meeting minutes are signed by the preparer and the Mayor to attest to the completeness and accuracy.
- C. Ensure a formal and complete record of all meetings is retained to show compliance with statutory provisions of the Sunshine Law.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following responses:*

- A&C. These recommendations have been implemented.*
- B. We will ensure minutes are reviewed for accuracy and signed.*

**9. Capital Asset Records**

The city does not maintain adequate property records to account for capital assets, a physical inventory has not been conducted since 2005, and property is not tagged to identify it as owned by the city. Additionally, periodic reviews of the city insurance coverage is not conducted to ensure all city assets are adequately insured.

The city's only property record is a list documenting the assets counted during the physical inventory performed in 2005. The list documents a description of the item, a serial number, if applicable, and how many of a particular item the city owns.

Properly maintained capital asset records are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. A detailed capital asset list should include all pertinent information for each asset, including description, cost, acquisition date, identification number, and location; date and method of disposition; and accumulated depreciation, if applicable. In addition, the city needs to maintain the property records on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and tag all assets as belonging to the

city. Periodically, the city should conduct physical inventories and compare to the capital asset records and to the city's insurance policies.

**WE RECOMMEND** the Board of Aldermen ensure adequate capital asset records are maintained, city assets are tagged as owned by the city, annual physical inventories are performed, and insurance coverage is periodically reviewed to ensure all assets are adequately insured.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following response:*

*We are in the process of implementing these recommendations. Currently, we are conducting a physical inventory of city assets.*

**10.**

**Ticket Accountability**

Neither the police department nor the City Clerk account for the numerical sequence and ultimate disposition of traffic tickets issued. The current City Clerk began maintaining a log of tickets submitted to the Webster County Associate Circuit Court in 2008; however, no record is maintained to account for the numerical sequence of all tickets. Additionally, voided tickets are not retained. Without a proper accounting for the numerical sequence and ultimate disposition of all tickets, the police department and the city cannot be assured all tickets are properly submitted for processing.

**WE RECOMMEND** the Board of Aldermen ensure the numerical sequence and ultimate disposition of all tickets are accounted for properly and voided tickets are retained.

**AUDITEE'S RESPONSE**

*The Board of Aldermen provided the following response:*

*This recommendation has been implemented.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

CITY OF NIANGUA  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The City of Niangua is located in Webster County. The city was incorporated in 1964 and is currently a fourth-class city. The population of the city in 2000 was 445.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen do not receive compensation. The Mayor, Board of Aldermen, and other officials during the year ended 2008, are identified below.

Board of Aldermen	Dates of Service During the Year Ended December 31, 2008	
Roger Mephram, Mayor	January 2008–December 2008	
Leonard Hart, West Ward Alderman	April 2008–December 2008	
Ray Root, West Ward Alderman	January 2008–March 2008	
Tim Petty, West Ward Alderman	January 2008–December 2008	
Brandon Cantrell, East Ward Alderman	June 2008–December 2008	
Cindy Vasher, East Ward Alderman (1)	January 2008–May 2008	
Mitch Sitton, East Ward Alderman	April 2008–December 2008	
Cecil Tannehill, East Ward Alderman	January 2008–March 2008	
	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Other Officials		
Kylee Dudley, City Clerk	March 2008–December 2008	\$ 14,726
Joyce Thornhill, City Clerk (2)	January 2008–February 2008	2,214
Scott Quinn, Chief of Police (3)	October 2008–December 2008	1,184
Mark Blevins, Chief of Police (3)	January 2008–September 2008	6,512

- (1) Resigned, replaced by Brandon Cantrell.
- (2) The last day Ms. Thornhill worked was February 13, 2008, and her employment was terminated on March 10, 2008.
- (3) Paid as an independent contractor.

In addition to the officials identified above, as of December 31, 2008, the city had two part-time employees and two reserve officers were paid as independent contractors.

Assessed valuations and tax rates for 2008 were as follows:

ASSESSED VALUATIONS

Real estate	\$	1,196,080
Personal property		397,570
Railroad and utility		208,564
Total	\$	<u>1,802,214</u>

TAX RATE PER \$100 ASSESSED VALUATION

		<u>Rate</u>
General	\$	.2532

TAX RATES PER \$1 OF RETAIL SALES

		<u>Rate</u>
General	\$	0.0100
Street		0.0050

A summary of the city's financial activity for the year ended December 31, 2008, is presented on the next page:

CITY OF NIANGUA  
YEAR END DECEMBER 31, 2008

	General Fund	Water Fund	Sewer Funds	Street Fund	Pipe & Sanitation Fund	Repainting & Sanitation Fund	Police Funds	Meter Deposit Fund	Invested Funds	Payroll Funds	Total
<b>RECEIPTS</b>											
Property tax	\$ 4,061	0	0	0	0	0	0	0	0	0	4,061
Sales tax	13,941	0	0	6,921	0	0	0	0	0	0	20,862
Franchise tax	5,170	0	0	0	0	0	0	0	0	0	5,170
Motor fuel and vehicle fees	0	0	0	17,186	0	0	0	0	0	0	17,186
Water and sewer fees	0	37,346	41,312	0	0	0	0	2,190	0	0	80,848
Bond proceeds	10,000	0	0	0	0	0	0	0	15,000	0	25,000
Interest	81	110	248	29	0	194	4	0	120	1	787
Fines, fees, and other	15,412	0	253	2,686	0	0	3,037	0	0	0	21,388
Transfers in	20,894	0	0	8,255	200	0	0	0	0	24,762	54,111
<b>Total Receipts</b>	<b>69,559</b>	<b>37,456</b>	<b>41,813</b>	<b>35,077</b>	<b>200</b>	<b>194</b>	<b>3,041</b>	<b>2,190</b>	<b>15,120</b>	<b>24,763</b>	<b>229,413</b>
<b>DISBURSEMENTS</b>											
Wages and payroll taxes	32,179	11,642	10,432	0	0	0	0	0	0	25,913	80,166
Insurance	9,176	0	100	0	0	0	0	0	0	0	9,276
Professional services	5,040	126	126	0	0	0	0	0	0	0	5,292
Street repairs	0	0	0	25,973	0	0	0	0	0	0	25,973
Materials and supplies	582	7,083	10,267	972	0	0	0	0	0	0	18,904
Law enforcement	3,152	0	0	0	0	0	3,215	0	0	0	6,367
Fuel	1,528	1,359	1,359	359	0	0	0	0	0	0	4,605
Debt service	4,519	0	2,260	0	0	0	0	0	0	0	6,779
Refunds	0	0	0	0	0	0	0	2,255	0	0	2,255
Training	0	0	0	0	0	0	1,204	0	0	0	1,204
Utilities	2,348	3,373	9,032	4,770	0	0	0	0	0	0	19,523
Other	5,490	4,553	5,996	555	0	0	273	0	0	0	16,867
Transfers out	7,685	16,177	10,319	1,800	7,916	8,255	447	0	0	1,512	54,111
<b>Total Disbursements</b>	<b>71,699</b>	<b>44,313</b>	<b>49,891</b>	<b>34,429</b>	<b>7,916</b>	<b>8,255</b>	<b>5,139</b>	<b>2,255</b>	<b>0</b>	<b>27,425</b>	<b>251,322</b>
<b>RECEIPTS OVER (UNDER)</b>											
DISBURSEMENTS	(2,140)	(6,857)	(8,078)	648	(7,716)	(8,061)	(2,098)	(65)	15,120	(2,662)	(21,909)
CASH, JANUARY 1, 2008	7,057	15,137	23,446	7,318	7,716	8,061	2,683	2,659	0	2,662	76,739
CASH, DECEMBER 31, 2008	\$ 4,917	\$ 8,280	\$ 15,368	\$ 7,966	\$ 0	\$ 0	\$ 585	\$ 2,594	\$ 15,120	\$ 0	\$ 54,830

Note: The Sewer Funds includes the Sewer, Replacement and Extension, and Grant bank accounts. The Police Funds include the Police Training, Police General, Police Grant, and Storm Siren bank accounts. The Storm Siren bank account was used for police grant funds during 2008. The Invested Funds include two certificates of deposit account that are not titled as associated with any specific city fund.

DOCUMENTATION OF MISSING FUNDS  
AND UNAUTHORIZED DISBURSEMENTS

CITY OF NIANGUA  
DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS

The following tables provide supporting information for the missing funds and unauthorized disbursements discussed in MAR finding number 1.

Missing Cash Receipts

		Recorded Cash Receipts*	Recorded Check Receipts*	Unrecorded Check Receipts**	Total Receipts	Cash Deposited	Checks Deposited	Total Deposited	Cash Received Over (Under) Cash Deposited	Checks Received Over (Under) Checks Deposited	Total Difference
2008											
January	\$	1,575	4,574	523	6,672	231	5,296	5,527	(1,344)	199	(1,145)
February		1,261	4,910	1,973	8,144	1,262	6,787	8,049	1	(96)	(95)
Total 2008		2,836	9,484	2,496	14,816	1,493	12,083	13,576	(1,343)	103	(1,240)
2007											
January		817	4,476	251	5,544	48	4,928	4,976	(769)	201	(568)
February		1,340	5,326	1,224	7,890	0	6,640	6,640	(1,340)	90	(1,250)
March		1,359	5,085	0	6,444	62	4,866	4,928	(1,297)	(219)	(1,516)
April		1,467	4,501	0	5,968	50	4,704	4,754	(1,417)	203	(1,214)
May		1,473	4,561	26	6,060	140	4,539	4,679	(1,333)	(48)	(1,381)
June		1,142	4,813	0	5,955	0	4,803	4,803	(1,142)	(10)	(1,152)
July		1,380	5,117	2,694	9,191	19	7,806	7,825	(1,361)	(5)	(1,366)
August		1,429	5,373	1,456	8,258	130	6,962	7,092	(1,299)	133	(1,166)
September		1,548	5,457	0	7,005	859	5,397	6,256	(689)	(60)	(749)
October		1,419	4,783	37	6,239	0	4,746	4,746	(1,419)	(74)	(1,493)
November		1,531	4,741	550	6,822	0	5,347	5,347	(1,531)	56	(1,475)
December		1,454	4,501	0	5,955	0	4,501	4,501	(1,454)	0	(1,454)
Total 2007		16,359	58,734	6,238	81,331	1,308	65,239	66,547	(15,051)	267	(14,784)
2006											
January		993	4,579	0	5,572	587	4,504	5,091	(406)	(75)	(481)
February		887	4,096	0	4,983	459	4,190	4,649	(428)	94	(334)
March		860	3,771	550	5,181	400	4,313	4,713	(460)	(8)	(468)
April		936	4,143	364	5,443	301	4,759	5,060	(635)	252	(383)
May		808	3,930	2,440	7,178	317	6,392	6,709	(491)	22	(469)
June ***		881	4,135	0	5,016	117	4,164	4,281	(764)	29	(735)
July		962	5,583	1,015	7,560	207	6,632	6,839	(755)	34	(721)
August		1,237	4,604	0	5,841	288	4,661	4,949	(949)	57	(892)
September		1,365	4,123	0	5,488	65	4,275	4,340	(1,300)	152	(1,148)
October		1,341	5,132	0	6,473	61	5,303	5,364	(1,280)	171	(1,109)
November		1,214	4,887	0	6,101	32	4,863	4,895	(1,182)	(24)	(1,206)
December		1,212	5,101	77	6,390	0	4,754	4,754	(1,212)	(424)	(1,636)
Total 2006		12,696	54,084	4,446	71,226	2,834	58,810	61,644	(9,862)	280	(9,582)
Totals	\$	31,891	122,302	13,180	167,373	5,635	136,132	141,767	(26,256)	650	(25,606)

\* Recorded cash and check receipts include amounts recorded on computerized receipt records, manual receipt slips, and paid utility stubs. Adjustments were made for cash receipts recorded on more than one type of receipt record.

\*\* Unrecorded check receipts for 2008 include \$523 franchise fees received in January, \$1,873 state grant funds, and \$100 water deposit in February. In addition, February cash and check receipts were adjusted for collections recorded twice. Unrecorded check receipts for 2007 include \$251 water and sewer receipts in January, \$1,224 franchise fees in March; \$26 water and sewer receipt in May; \$2,694 State Emergency Management Assistance payment in July; \$1,429 franchise fees, and \$27 water and sewer receipts in August; \$37 water and sewer receipt in October; and \$250 sewer tap receipt and \$300 water deposit in December. Unrecorded receipts for 2006 include \$550 tap fees in March; \$364 railroad and utility taxes from Webster County in April; \$300 tap fees, \$2,061 insurance check, and \$79 water and sewer payments in May; \$1,015 franchise fees in July; and \$77 water and sewer payments in December.

\*\*\*June 2006 deposits include \$518 erroneously deposited in the city's water meter deposit account.

CITY OF NIANGUA  
DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS

Checks written to former City Clerk's mother

<u>Check Date</u>	<u>Check Number</u>	<u>Fund</u>	<u>Amount</u>
May 4, 2007	3970	Sewer	\$ 250
May 4, 2007	1279	Street	450
May 8, 2007	3290	Water	200
August 2, 2007	3880	General	782
August 2, 2007	3314	Water	782
August 2, 2007	4018	Sewer	782
	Total		\$ <u>3,246</u>

Questionable Payroll Checks written to former City Clerk

<u>Check Date</u>	<u>Check Number</u>	<u>Fund</u>	<u>Amount</u>
December 6, 2006	1619	Payroll	\$ 831
April 4, 2007	1651	Payroll	252
July 31, 2007	1686	Payroll	427
November 8, 2007	1714	Payroll	361
December 7, 2007	1722	Payroll	712
	Total		\$ <u>2,583</u>

Questionable Checks Written to Petty Cash

<u>Check Date</u>	<u>Check Number</u>	<u>Fund</u>	<u>Amount</u>
February 2, 2006	3730	Sewer	\$ 52
February 2, 2006	3600	General	45
February 2, 2006	1143	Street	5
February 2, 2006	3152	Water	24
March 7, 2006	3613	General	51
March 7, 2006	1153	Street	17
April 6, 2006	3627	General	79
April 6, 2006	3175	Water	39
May 2, 2006	1170	Street	21
May 3, 2006	3644	General	59
May 22, 2006	3183	Water	24
October 16, 2006	3877	Sewer	43
October 16, 2006	3721	General	55
October 16, 2006	3230	Water	44
December 11, 2006	3903	Sewer	24
December 11, 2006	3753	General	69
December 11, 2006	3249	Water	24
	2006 Total		\$ <u>675</u>

CITY OF NIANGUA  
DOCUMENTATION OF MISSING FUNDS AND UNAUTHORIZED DISBURSEMENTS

Questionable Checks Written to Petty Cash (Continued)

<u>Check Date</u>	<u>Check Number</u>	<u>Fund</u>	<u>Amount</u>
January 11, 2007	3756	General	90
January 24, 2007	3258	Water	24
January 29, 2007	3772	General	69
February 12, 2007	3932	Sewer	24
February 12, 2007	3267	Water	24
February 15, 2007	1261	Street	97
February 20, 2007	3786	General	52
February 20, 2007	1261	Street	97
March 7, 2007	3795	General	99
March 21, 2007	3955	Sewer	48
March 21, 2007	3279	Water	48
March 23, 2007	3810	General	100
April 18, 2007	3963	Sewer	24
April 18, 2007	3281	Water	24
April 20, 2007	3828	General	69
April 25, 2007	3289	Water	48
April 26, 2007	3969	Sewer	48
April 28, 2007	1278	Street	156
June 11, 2007	3996	Sewer	87
June 11, 2007	3301	Water	47
June 13, 2007	3854	General	90
July 31, 2007	3312	Water	39
July 31, 2007	4016	Sewer	39
August 1, 2007	3879	General	77
September 10, 2007	3332	Water	26
September 17, 2007	3903	General	53
September 17, 2007	4045	Sewer	26
October 5, 2007	3912	General	98
October 8, 2007	3347	Water	26
October 18, 2007	3919	General	55
October 18, 2007	4059	Sewer	26
December 3, 2007	3353	Water	41
December 3, 2007	4074	Sewer	26
December 4, 2007	3942	General	32
December 10, 2007	4083	Sewer	26
December 10, 2007	3358	Water	26
December 12, 2007	1351	Street	156
December 20, 2007	3952	General	45
2007 Total			<u>2,182</u>
January 4, 2008	3956	General	66
January 30, 2008	4102	Sewer	52
January 31, 2008	3975	General	86
January 31, 2008	3371	Water	52
2008 Total			<u>256</u>
Grand Total Checks to Petty Cash			<u>\$ 3,113</u>