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Missouri State Auditor

City of Marionville



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Missouri State Auditor

YELLOW SHEET

Findings in the audit of the City of Marionville

Unsupported Transactions	<p>This audit identified numerous unsupported and questionable transactions of at least \$17,107. On June 25, 2009, the city learned the former City Clerk/Treasurer had not paid her sewer bill since 2004, and had cashed a \$60 personal check from city cash receipts without later depositing the personal check. Unsupported payroll checks totaling \$13,326 were written to, and prepared by, the former City Clerk/Treasurer from the city's general account. The former City Clerk/Treasurer entered incorrect usage information into the utility system and made unauthorized adjustments to her utility account to conceal the lack of payment of personal utility bills totaling \$2,464. The former City Clerk/Treasurer wrote numerous personal checks to the city; and, subsequent to her termination, the city found 18 personal checks totaling \$1,257, which were held and not deposited.</p>
Oversight and Segregation of Duties	<p>The Board of Aldermen has not established adequate segregation of duties or supervisory review over the city's various financial accounting functions. With the exception of the property tax function, the former City Clerk/Treasurer was responsible for most record keeping duties of the city. Despite becoming aware in 2009 of numerous unsupported transactions and manipulation of city records involving the former City Clerk/Treasurer, the Board has not yet taken sufficient steps to properly segregate accounting duties. The lack of adequate controls and the absence of proper oversight by the Board allowed unsupported and unnecessary payments, manipulation of city records, noncompliance with city policy and state law, and other questionable transactions. There is little assurance city monies have been handled and accounted for properly.</p>
Payroll Controls and Procedures	<p>An adequate review of employee time records, computerized payroll reports, and payroll checks was apparently not performed by supervisors and the Board. The Board approved actions which are not in compliance with city personnel policies, and recently established leave balances may be incorrect. The former City Clerk/Treasurer failed to file federal payroll tax returns and deposit federal payroll taxes in a timely manner. As a result, penalties and interest totaling \$28,957 were assessed and paid by the city. Two members of the Board of Aldermen elected to forgo the \$60 per month salary authorized by city ordinance.</p>
Utility System Controls and Procedures	<p>Significant weaknesses were identified in control procedures related to the utility system. The city does not compare water usage reports provided by the local utility company to the amount of sewer usage billed each month, and as result, the city failed to detect that several customers were not billed for sewer services for significant periods of time. Numerous instances were identified where the former City Clerk/Treasurer did not properly bill customers and manipulated customer account status. These unbilled sewer services totaled \$6,570. Delinquent sewer reports were not always prepared and provided to the Board of Aldermen for review. In addition, penalties are</p>



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not assessed and sewer service is not always shut off in accordance with city ordinances. The official responsible for all utility billing, receipting, and recording functions, has the ability to post adjustments to the computer system without obtaining independent approval. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for utility services including sewer and trash. The city does not properly account for refundable sewer deposits. The city has not performed a review of trash rates for several years, and a sewer rate increase was based on questionable collections data.

Property Tax System Controls and Procedures

Monthly and annual reports were not prepared and presented to the Board of Aldermen summarizing the amount of property taxes collected as well as those which remain delinquent. An account book to record property tax charges, collections, and remaining delinquent taxes is not maintained by the City Clerk/Treasurer. The City Collector makes all changes to the tax book without review or approval of the Board or City Clerk/Treasurer. A list of delinquent taxes is not prepared and approved by the Board of Aldermen. The city does not adequately monitor or pursue collection of delinquent taxes, and penalties are not always charged on delinquent taxes paid. The Board of Aldermen waived 5 years of property taxes and penalties for a city resident in violation of state law.

Accounting Controls and Procedures

Procedures for receipting and securing monies are not adequate and reconciliations of receipts to deposits are not performed. Twenty-two checks totaling \$2,740 received by the city from various residents or companies were found at city hall after the former City Clerk/Treasurer's termination. The checks had not been posted or deposited. City receipts are typically not deposited timely and intact and are not always posted to the computerized accounting system timely. The city does not adequately follow up on outstanding checks and numerous un-negotiated checks, made payable to various vendors were found at city hall after the former City Clerk/Treasurer's termination.

Other findings in the audit report relate to disbursements, restricted receipts, financial statements and budgets, meeting minutes and ordinances, and capital asset procedures.

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Marionville. The city engaged Decker and DeGood, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2009. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended December 31, 2008, audit, since the year ended December 31, 2009, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 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 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 Marionville.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Pamela Allison Tillery, CPA
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City of Marionville

Management Advisory Report

State Auditor's Findings

1. Unsupported Transactions

This audit identified numerous unsupported and questionable transactions of at least \$17,107. While the majority of these transactions occurred between June 2004 and June 2009, additional similar transactions were identified prior to this period and dating back to October 2000.

On June 25, 2009, the city learned the former City Clerk/Treasurer had not paid her sewer bill since 2004, and had cashed a personal check from city cash receipts without later depositing the personal check. The former City Clerk/Treasurer was hired in December 1993, and was terminated on June 29, 2009. The former City Clerk/Treasurer's aunt paid the city \$2,434 on June 29, 2009, for the unpaid sewer fees (\$2,374) and personal check (\$60). After an investigation by the Missouri State Highway Patrol (MSHP) the former City Clerk/Treasurer, Claudia White, was charged with felony stealing on September 21, 2009, for appropriating services without city consent.

The lack of adequate controls and the absence of proper oversight by the Board of Aldermen, as further discussed throughout this report, resulted in the untimely detection of unsupported payroll checks, incorrect utility account information and unauthorized utility account adjustments, and numerous personal checks on hand.

The Documentation of Unsupported Transactions section at the end of this report provides details regarding the former City Clerk/Treasurer's unsupported payroll checks, unauthorized utility account adjustments, and personal checks not deposited. It also provides details regarding various customer accounts with unbilled sewer services. The information relating to the unsupported payroll checks and utility account concerns is reported from June 2004 to June 29, 2009, because the city implemented a new computerized accounting system in 2004, thus making this information readily available.

1.1 Unsupported payroll checks

Unsupported payroll checks totaling \$13,326 were written to the former City Clerk/Treasurer from the city's general account from July 20, 2004, to May 15, 2009. These unsupported payroll checks were prepared by the former City Clerk/Treasurer. Although city payroll records show the payments relate to additional hours worked including holidays and unused vacation leave, there are no timesheets to support the hours or holidays worked, and city policy does not provide for unused vacation leave payments. Also, some of these checks were written on Saturdays or a few days prior to regular payroll checks. Regular payroll checks were typically supported by timesheets prepared by the former City Clerk/Treasurer. City payroll checks require two signatures and these unsupported checks were signed by the former City Clerk/Treasurer and Mayor. Considering the unusual nature and timing of the transactions, and lack of supporting documentation, a proper review should have identified concerns. However,



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monitoring of payroll disbursements for propriety and compliance with city policy was inadequate (see MAR finding numbers 2 and 3).

1.2 Utility account usage and adjustments

The former City Clerk/Treasurer entered incorrect usage information into the utility system and made unauthorized adjustments to her utility account to conceal the lack of payment of her personal utility bills, and to circumvent the city's billing, delinquent reporting, and shut off processes. The former City Clerk/Treasurer did not pay her utility bills from at least June 2004 through June 2009. The amount of unpaid sewer fees and penalties totaled \$2,355 and \$109, respectively.

The former City Clerk/Treasurer reported her account as inactive from August 2007 to May 2008, resulting in unassessed sewer fees of \$390. She also made adjustments of \$1,485 on June 5, 2008, and \$103 on June 6, 2008, to reduce her utility account balance to zero. Additionally, the former City Clerk/Treasurer recorded her usage incorrectly in the utility system for the periods of May 2005, June 2006 to May 2007, and June 2008 to May 2009, resulting in additional unassessed sewer fees of \$90. While sewer services were assessed correctly in other months, the bills were never paid. Further, the former City Clerk/Treasurer did not properly assess penalties to her account as required by city ordinance. The city calculated penalties due on the former City Clerk/Treasurer's account as of June 29, 2009, totaling \$225,686, based upon its policy. However, under normal circumstances, and if city policy had been followed, the city would have shut off sewer services for failure to pay and such a large amount of penalties would not have been incurred.

In addition, instances were identified where the former City Clerk/Treasurer did not properly bill other customers, manipulated the status of customer accounts, and did not assess penalties or ensure services were disconnected for significant delinquent account balances. See MAR finding number 4 for a more detailed discussion of these unbilled services and other utility system control weaknesses.

1.3 Personal checks

The former City Clerk/Treasurer wrote numerous personal checks to the city. Subsequent to her termination, the city found 18 personal checks totaling \$1,257, which were held and not deposited. These checks were found in various locations within city hall including the former City Clerk/Treasurer's desk, the safe, and bank bags. Although instances were identified where the former City Clerk/Treasurer had apparently cashed personal checks from city monies on hand (see MAR finding number 6), the purpose of these 18 undeposited personal checks is unknown. There is no assurance all such checks have been located.

Recommendation

The City of Marionville Board of Aldermen work with law enforcement officials regarding criminal prosecution of the unsupported payroll checks, erroneous utility system information and unauthorized utility account



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adjustments, and undeposited personal checks; and take the necessary actions to recover any amounts due.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written response:

We will work with the Lawrence County Prosecutor's Office and other law enforcement officials regarding prosecution.

2. Oversight and Segregation of Duties

The Board of Aldermen has not established adequate segregation of duties or supervisory review over the various financial accounting functions performed by the City Clerk/Treasurer and the Deputy City Clerk/Collector. Weaknesses identified in the payroll, utility, and property tax systems, and overall receipting and disbursing procedures (see MAR finding numbers 3, 4, 5, 6, and 7) are significant and demonstrate a lack of segregation and proper oversight by the Board. There is little assurance city monies have been handled and accounted for properly.

With the exception of the property tax function, the former City Clerk/Treasurer was responsible for most record keeping duties of the city, including receiving, recording, and depositing monies; preparing invoices for payment; maintaining payroll records; preparing and distributing payroll and accounts payable checks; preparing and distributing monthly utility billings; assessing penalties and generating utility reports; and preparing monthly bank reconciliations. The Deputy City Clerk/Collector is responsible for billing property taxes, collecting and depositing property tax receipts, and posting property tax payments to city records. After the former City Clerk/Treasurer's termination, primary responsibilities for utility functions were shifted to the Deputy City Clerk/Collector and the current City Clerk/Treasurer became primarily responsible for the disbursement functions (payroll and accounts payable) and reconciliations of the bank accounts.

Despite becoming aware in 2009 of numerous unsupported transactions and manipulation of city records involving the former City Clerk/Treasurer, the Board has not yet taken sufficient steps to properly segregate accounting duties performed by the City Clerk/Treasurer or the Deputy City Clerk/Collector or implement effective supervisory reviews and monitoring procedures. Areas of responsibility (utilities, payroll, and accounts payable) were segregated rather than properly segregating accounting duties. For example, the current City Clerk/Treasurer and Deputy City Clerk/Collector continue to have the ability to receipt and deposit all types of monies received. In situations where there are limited personnel and individuals become responsible for virtually all aspects of a financial function, it is imperative that supervisory reviews and adequate monitoring procedures be implemented.



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Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances is necessary. Good management practices require extensive and detailed oversight by the Board.

The lack of adequate controls and the absence of proper oversight by the Board allowed unsupported and unnecessary payments, manipulation of city records, noncompliance with city policy and state law, and other questionable transactions. Had proper controls and oversight procedures been in place, it is likely some of the problems noted in this report may have been detected more timely and/or prevented.

Recommendation

The City of Marionville Board of Aldermen segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written response:

We concur and cross-training is in process. More monthly reports are and will be going to the Board. We will look into a third party to help with accounting needs as our budget allows.

3. Payroll Controls and Procedures

Review of various payroll records is not adequate and some actions taken were contrary to city policy. Significant federal payroll penalties and interest charges were incurred.

3.1 Lack of review

An adequate review of employee time records, computerized payroll reports, and payroll checks was apparently not performed by supervisors and the Board.

Time records were not signed by some employees and were not always reviewed or signed by supervisors to ensure their accuracy; some time records were not accurate or complete; and time records were not always prepared or retained. For example, the former City Clerk/Treasurer did not sign 9 of 11 of her time records during the period January 2009 to June 29, 2009, and none of the time records during this same time period were reviewed and signed by her supervisor, the former Mayor. Leave balances recorded on the former City Clerk/Treasurer's time records were not always accurate. For example, the former City Clerk/Treasurer paid herself for 18 hours of vacation on February 6, 2009; however, her time record still reported the 18 hours of vacation in her leave balance on February 13, 2009. Time records could not be located for the former City Clerk/Treasurer for



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two pay periods during 2009. In addition, payroll reports are not reviewed and approved by the Board each month.

The lack of adequate review procedures increases the potential for errors to go undetected. Time records are necessary to document hours worked, substantiate payroll disbursements, and provide the city with a method to monitor hours worked and leave taken, and are beneficial in demonstrating compliance with Fair Labor Standards Act of 1938 (FLSA) requirements. In addition, timesheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month and to ensure the accuracy of time worked and leave taken.

3.2 Leave policies and balances

The Board approved actions which are not in compliance with city personnel policies, and recently established leave balances may be incorrect.

- The Board approved vacation leave for two city employees in violation of its personnel policy. A week of vacation was approved in July 2009 for the Street/Maintenance Supervisor, after he was hired in January 2009. The Police Chief was approved for 2 weeks of vacation in November 2009, after he was hired in May 2009. The city personnel policy provides for 1 week of vacation after 1 year of employment and 2 weeks of vacation after 2 years of employment.
- In June 2010, the Board approved a \$1,340 payment to a former employee for 110 hours of unused sick leave at the time of his termination. The city personnel policy states unused sick leave will not be compensated at the time of the employee's resignation or dismissal.
- Records of vacation leave and sick leave were not maintained for several employees until the end of 2009. The current City Clerk/Treasurer established accrued leave balances at the end of 2009 for each employee. However, the City Clerk/Treasurer relied on informal communications with employees to determine these balances rather than utilizing timesheets/cards information. As a result, the accrued leave balances may not be accurate. Also, the newly established leave balances were not approved by the Board.

Strict compliance with leave policies is necessary to ensure employees are treated equitably and are properly compensated. Accrued leave represents a potential liability to the city, and balances should be established and approved by the Board only after a review of supporting time records.

3.3 Payroll tax returns and payment of payroll taxes

The former City Clerk/Treasurer failed to file federal payroll tax returns and deposit federal payroll taxes in a timely manner from October 2002 to December 2008. As a result, penalties and interest totaling \$28,957 were assessed and paid by the city. Timely filing of federal payroll tax returns



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and deposits of tax withholdings prevents unnecessary penalty and interest charges.

3.4 Board of Aldermen compensation

Two members of the Board of Aldermen elected to forgo the \$60 per month salary authorized by city Ordinance No. 2.0408 during the year ended December 31, 2009, and as a result, the city has underpaid these officials. In *Reed v. Jackson County*, 142 S.W.2d 862, 865 (Mo 1940) the Missouri Supreme Court stated, "To permit public officers elected or appointed to receive by agreement or otherwise, a less compensation for their services than fixed by law, would be contrary to public policy of the state."

Recommendations

The City of Marionville Board of Aldermen:

- 3.1 Ensure adequate reviews of time records, payroll reports, and paychecks are performed. The Board should also ensure time records are prepared, properly signed and approved, and retained for all employees.
- 3.2 Ensure compliance with city leave policies and verify and approve the current accrued leave balances.
- 3.3 Ensure payroll taxes are deposited and payroll tax returns are filed timely.
- 3.4 Review this situation with legal counsel and consider paying the aldermen.

Auditee's Response

The Marionville Board of Aldermen provided the following written responses:

- 3.1 *We will be installing time clocks at all locations. Timecards are being signed by department heads and Mayor.*
- 3.2 *This has been implemented. Leave time is being recorded in the computer through the payroll module which was not being used before.*
- 3.3 *A copy of the payment confirmation page will be with paychecks to be signed. It will also be in Board meeting packets.*
- 3.4 *We will review further with legal counsel.*

4. Utility System Controls and Procedures

Significant weaknesses were identified in control procedures related to the utility system. As a result of these weaknesses, there is less assurance all utility monies have been accounted for properly, utility services have been billed properly, and utility user charges are set at the appropriate level to cover the cost of providing the related services.



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The city provides sewer and trash services to its citizens and maintains approximately 800 utility accounts. Utility receipts totaled approximately \$365,000 during the year ended December 31, 2009.

4.1 Unbilled sewer services

The city does not compare water usage reports provided by the local utility company to the amount of sewer usage billed each month, and as a result, the city failed to detect that several customers were not billed for sewer services for significant periods of time. Numerous instances were identified where the former City Clerk/Treasurer did not properly bill customers and manipulated customer account status.

During a review of sewer customer accounts, we identified 10 customers who had not been billed for sewer services totaling \$6,570. Four customers had not been billed for sewer services from 2004 to 2009, totaling \$4,957, and another six customers had not been billed for sewer services for 7 to 17 months during the period 2008 to January 2010, totaling \$1,613. The former City Clerk/Treasurer apparently adjusted these accounts to an inactive status in the utility system. See the Documentation of Unsupported Transactions section for details regarding these unbilled amounts.

A monthly comparison of water usage reports to related sewer billings by someone independent of the utility billing process is necessary to ensure all usage is billed and customers are treated equitably, and improves the possibility of identifying incorrect customer account status.

4.2 Delinquent sewer accounts

Delinquent sewer reports were not always prepared and provided to the Board of Aldermen for review. In addition, penalties are not assessed and sewer service is not always shut off in accordance with city ordinances.

City Ordinance No. 710.070 states any payment not received within 30 days of the date of sewer billing is delinquent. A late payment penalty of 10 percent of the bill is to be added to each delinquent bill for each 30 days of delinquency. This city ordinance also indicates sewer service will be shut off when an account becomes delinquent.

We noted numerous instances where penalties were not assessed and sewer service was not disconnected when customers accumulated significant delinquent balances. For example, a utility customer had not made regular payments from 2004 to 2010, and according to city records owed \$570 for sewer and trash service on June 23, 2009. This utility customer subsequently paid off this balance in July 2009, after the termination of the former City Clerk/Treasurer. This customer's utility bills were found in the former City Clerk/City Treasurer's desk.

While the computerized utility system has the capability to identify delinquent accounts and assess penalties as provided by city ordinance, the former City Clerk/Treasurer was allowed to decide when to assess penalties



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to each customer's sewer account, and as a result, penalties were not consistently assessed on customer accounts, including the abovementioned customer's utility account. The city calculated the amount of penalties due on this account as of June 23, 2009, totaling \$116,672. As previously noted, penalties would not accumulate to such a significant amount if city policies were followed. The capabilities of the system are still not utilized and the current Deputy City Clerk/Collector is able to assess penalties at her discretion.

Allowing customers to receive service without paying reduces the incentive to make payments, potentially reduces city receipts, and could impact the sewer rates for other paying customers. The Board should establish procedures and/or utilize the capabilities of the system to ensure penalties are properly assessed to all customers and sewer service is shut off in accordance with city ordinances. Any variance from city policy should occur only upon proper approval of the Board.

4.3 Adjustments

The official (former City Clerk/Treasurer and current Deputy City Clerk/Collector) responsible for all utility billing, receipting, and recording functions, has the ability to post adjustments to the computer system without obtaining independent approval. In addition, adequate documentation of such adjustments was not retained. During 2009, 992 adjustments were made resulting in an overall \$11,822 reduction to account balances. Some of these adjustments were for double billings and appeared legitimate. However, this lax process allowed the former City Clerk/Treasurer to adjust her \$1,588 sewer account balance to zero in June 2008 (see MAR finding number 1).

Requiring someone independent of receipting and recording functions to review and approve adjustments, and requiring proper supporting documentation be maintained for such adjustments would help ensure all adjustments are valid.

4.4 Reconciliations

The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for utility services including sewer and trash. Monthly reconciliations are necessary to ensure all accounting records balance, transactions are properly recorded, and any errors or discrepancies are detected on a timely basis. Had this procedure been in place, the unauthorized utility account adjustments and the lack of payment of the former City Clerk/Treasurer's utility account may have been prevented/detected.

4.5 Sewer deposits

The city does not reconcile refundable sewer deposits posted to customer accounts in the utility system to the general ledger sewer deposit payable balance. Additionally, some utility deposits are not posted properly to the city's computer system.



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New customers are required by Ordinance No. 2008-8 to pay a \$50 refundable deposit before receiving sewer service. At our request, the City Clerk/Treasurer printed a list of sewer deposits posted to customer accounts and the general ledger sewer deposit payable balance as of April 6, 2010. The list of sewer deposits totaled \$4,844 and the sewer deposit payable balance totaled \$4,167, resulting in a difference of \$677. In addition, errors made in recording sewer deposits were not detected. For example, a \$50 sewer deposit received on July 17, 2009, was not posted to the customer's account or the sewer deposit payable balance, but was instead recorded as miscellaneous city revenue.

Monthly reconciliations of the list of sewer deposits to the sewer deposit payable balance are necessary to ensure sewer deposits are properly recorded in both the customer accounts and the general ledger. Any discrepancies should be promptly investigated and resolved.

4.6 Trash and sewer rates

The city has not performed a review of trash rates for several years, and a sewer rate increase was based on questionable collections data.

The Board of Aldermen approved a trash rate increase on July 9, 2009. The base trash fee and poly cart fee was increased to \$12 and \$3 per month, respectively. However, on August 13, 2009, the Board approved decreasing the base trash fee and poly cart fee to \$11 and \$2 per month, respectively. Rate studies were not documented to support the trash rate increases/decreases.

The Board performed a review of sewer rates in July 2009, based upon past utility collections and approved a rate increase in August 2009. However, due to significant problems with unbilled (inactive) accounts and accounts potentially billed with incorrect usage amounts, it is likely the city's calculations were not accurate. Once the city has resolved these concerns and believes customer accounts and receipts are accurate, sewer rates should be reevaluated.

Sewer and trash fees are user charges which should cover the cost of providing the related services, but not be set at a level which results in excessive fund balances. Periodic rate studies are necessary to ensure user charges are set at appropriate levels.

Recommendations

The City of Marionville Board of Aldermen:

- 4.1 Ensure someone independent of the billing process reviews water usage reports provided by the local utility company and the related sewer billings to ensure all usage is billed. The Board should review inactive customer accounts, and consider billing for past legitimate but unbilled sewer services.



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- 4.2 Require delinquent utility reports be prepared monthly and document its review of the reports. The Board should ensure penalties are assessed and sewer service is shut off in accordance with city ordinances. The Board should also review past delinquent customer accounts and consider billing for the correct amount of penalties, if appropriate.
- 4.3 Require someone independent of the utility system review and approve all adjustments, and ensure adequate documentation is retained of such adjustments.
- 4.4 Ensure monthly reconciliations of the amounts billed to amounts collected and delinquent accounts are performed. In addition, the Board should ensure adequate documentation to support reconciliations is retained.
- 4.5 Ensure a complete list of utility deposits is prepared monthly and reconciled to the sewer deposit payable balance. Any discrepancies should be investigated and resolved.
- 4.6 Review trash rates periodically and continue to review and monitor sewer rates to ensure receipts are sufficient to cover all costs of providing these services, but are not set at a level which results in excessive fund balances. Such reviews should be documented.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

- 4.1 *We concur and the office is now getting weekly reports from Empire to check turnarounds (who moves in and out). The Board will review those inactive customer accounts and consider billing for past unbilled sewer services.*
- 4.2 *We will be getting monthly delinquent and penalty reports to review. The Board will review and consider billing for past penalties not applied correctly.*
- 4.3 *This has been implemented. The Board now gets an adjustment report each month.*
- 4.4 *We are working on a utility control spreadsheet.*
- 4.5 *A monthly utility deposit report will be prepared and reconciled with the sewer deposit payable account.*
- 4.6 *We will comply.*



5. Property Tax System Controls and Procedures

Numerous concerns were noted with reporting and monitoring procedures for the property tax system. As a result, the Board has little assurance property taxes which the Deputy City Clerk/Collector (City Collector) has been charged to collect have been properly handled.

Property tax collections totaled approximately \$82,000 during the year ended December 31, 2009.

5.1 Monthly and annual reports

Monthly and annual reports were not prepared and presented to the Board of Aldermen summarizing the amount of property taxes collected as well as those which remain delinquent.

Section 79.310, RSMo, requires the City Collector to make a detailed report to the Board of Aldermen, stating the monies collected, the amounts uncollected, and the names of the persons from which amounts are uncollected. Detailed reports, which comply with state law and classified by type of tax, would provide greater assurance taxes have been properly collected, abated, or determined delinquent. Such reports should summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. Monthly and annual reports, examined by the Board of Aldermen, would help detect any errors or irregularities that might occur.

5.2 Account book

An account book to record property tax charges, collections, and remaining delinquent taxes is not maintained by the City Clerk/Treasurer. A properly maintained account book, including the property taxes charged to the City Collector at the beginning of the year, collections each month, and balances uncollected, would help the city ensure the amount of taxes charged and credited to the City Collector each year is complete and accurate and could also be used by the Board to verify the City Collector's annual reports.

5.3 Additions and abatements

The City Collector makes all additions and abatements to the tax books without review or approval by the Board of Aldermen or City Clerk/Treasurer. As a result, additions and abatements, which constitute changes to the amount of taxes the City Collector is charged with collecting, are not properly monitored and errors and irregularities could go undetected. Any changes to the tax books (additions and abatements) should be prepared by the City Clerk/Treasurer, approved by the Board of Aldermen, and charged to the City Collector.

5.4 Delinquent tax list

A list of delinquent taxes is not prepared and approved by the Board of Aldermen. Upon our request, a list of delinquent taxes was prepared by the City Collector as of April 2010; however, the list was not accurate. Some of the delinquent accounts included on the list had been paid or the related property did not belong to the taxpayer listed.



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Section 94.320, RSMo, provides the Board of Aldermen shall require the City Collector, at the first meeting of the board in April each year, to prepare lists of delinquent taxes. The Board of Aldermen shall examine and approve the lists and charge the City Collector with the amount of taxes due.

5.5 Delinquent tax collection procedures and penalties The city does not adequately monitor or pursue collection of delinquent taxes, and penalties are not always charged on delinquent taxes paid.

The city has not conducted sales of real property to collect delinquent taxes on such property as allowed by state law. Some delinquent accounts included on the April 2010 list date back to 2004.

Section 140.150, RSMo, provides all land on which there are delinquent taxes may be offered for sale at public auction, and Section 140.160, RSMo, provides the sale shall not be valid unless initial proceedings are commenced within 3 years after the delinquency of such taxes. In addition, Section 140.100.1, RSMo, provides a penalty of 2 percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

5.6 Delinquent tax waiver The Board of Aldermen waived 5 years of property taxes and penalties for a city resident in violation of state law. During the July 13, 2010, meeting, the Board of Aldermen waived property taxes of \$577 and penalties of \$275 for taxes due from 2005 to 2009. This action could potentially result in additional lost receipts to the city.

Section 94.240, RSMo, indicates the mayor and board of aldermen have no authority to waive taxes. The Board should consult legal counsel and reconsider the actions taken regarding these waived taxes.

Recommendations

The City of Marionville Board of Aldermen:

- 5.1 Require the City Collector to prepare detailed monthly and annual reports as required by state law. The Board should examine the reports for propriety and accuracy.
- 5.2 Require the City Clerk/Treasurer to maintain an account book.
- 5.3 Ensure the City Clerk/Treasurer prepares and the Board approves all tax book additions and abatements.
- 5.4 Require the City Collector to submit a list of all taxes remaining due and uncollected at the first meeting of the Board in April. The Board should review the April 2010 delinquent tax list for accuracy and approve any additions or abatements needed to correct errors.



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- 5.5 Adopt policies for the collection of delinquent taxes, including tax sales. The Board should ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.
- 5.6 Discontinue the practice of waiving property taxes and reconsider the actions taken regarding these waived taxes.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

5.1-5.3

&5.5 We will comply.

5.4 We will comply in a timely manner.

5.6 This action has been reversed.

6. Accounting Controls and Procedures

Procedures for receipting and securing monies are not adequate and reconciliations of receipts to deposits are not performed. Also, checks issued are not accounted for properly. As a result of these numerous control weaknesses, there is no assurance all monies are handled and accounted for properly. Approximately \$1.3 million in receipts and disbursements were processed during 2009.

6.1 Receipting procedures

A review of January 2009 collections identified numerous weaknesses.

- Receipt slips are not issued for some monies received.
- Manually issued receipt slips and utility stubs do not always indicate the composition of receipts, and the city does not reconcile the method of payment recorded on the receipt slips and utility stubs to the composition of receipts recorded in the computerized accounting system or to the deposit.
- Receipt slips are not issued in numerical sequence for monies received by the city; the city could not locate all receipt books used; and 13 of 40 receipt slips in a receipt book (retained and used) were torn from the book and not accounted for properly.

To properly account for all receipts and ensure monies are properly deposited, official prenumbered receipt slips should be issued in numerical order for all monies received, the method of payment should be recorded on each receipt slip or utility stub and reconciled to the composition of receipts recorded in the computerized accounting system and deposits, and all receipt slips should be retained.



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6.2 Physical controls

Physical controls over receipts are in need of improvement. Monies received are maintained in a basket on the City Clerk's desk until deposited, and various city employees, the Mayor, and members of the Board have access to monies on hand and are allowed to collect receipts at city hall. In addition, checks and money orders received are not restrictively endorsed until the receipts are recorded in the computerized accounting system.

To safeguard against possible loss or misuse of funds and to ensure receipts are properly handled, receipts should be maintained in a secure location until deposit, the collection of city receipts should be restricted, and checks should be restrictively endorsed immediately upon receipt.

6.3 Posting and depositing procedures

Several concerns were noted regarding posting and depositing procedures.

- Twenty-two checks totaling \$2,740 (18 of which dated back to 2002 and 2003) received by the city from various residents or companies were found at city hall after the former City Clerk/Treasurer's termination. The checks had not been posted or deposited.
- City receipts are typically not deposited timely and intact and are not always posted to the computerized accounting system timely. For example, property taxes of \$308 received on December 12, 2008, were not deposited until May 26, 2009. The property tax receipt was not posted to the computerized system until May 21, 2009. Numerous other instances were noted where other types of city receipts, such as utility and business license receipts, were not deposited intact and timely. The Deputy City Clerk/City Collector indicated receipts are recorded and deposited only when time permits.

The failure to deposit intact and timely increases the risk of theft or misuse of funds. To ensure city receipts are accounted for properly, all receipts should be posted to the city's computerized accounting system when received and deposited intact in a timely manner.

6.4 Cashing checks and change fund

The city cashed personal checks of two former employees, and applied city payroll and fire call checks (issued to employees and members of the Board of Aldermen) to utility and property tax account balances with the remaining balance of the checks provided in cash from the city's change fund and cash receipts on hand. In addition, the city did not maintain its change fund on an imprest basis (at a set amount). These practices inhibit the city's ability to reconcile overall receipts and the composition of receipts to deposits. In addition, to ensure change funds are accounted for properly, the change fund should be maintained on an imprest basis.

6.5 Business licenses and building permits

Business licenses and building permits are not prenumbered, and there is no procedure to reconcile business licenses and building permits issued and fees collected to amounts deposited. A review of 2009 business licenses



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showed three licenses were posted to the city's accounting system twice. In addition, two business licenses reviewed were recorded as paid on a manual log of business licenses; however, the city could not find where these receipts were posted to the city's accounting system or deposited. Another business license received was incorrectly applied to the customer's utility account. No log of permits is maintained by the city to track building permits and receipts. To ensure fees for all licenses and permits are properly collected, recorded, and deposited, the licenses and permits issued should be prenumbered and periodically compared to amounts recorded and deposited and the numerical sequence accounted for properly.

6.6 Outstanding checks

The city does not adequately follow up on outstanding checks. At December 31, 2009, the city's general account had 25 outstanding checks totaling \$2,474, and the court bond account maintained by the city had 2 outstanding checks totaling \$140 which had been outstanding for over a year. One of the outstanding checks for the court bond account was written to the City of Marionville.

In addition, 24 un-negotiated checks totaling \$2,177 (17 of which dated back to 2002 and 2003), made payable to various vendors were found at city hall after the former City Clerk/Treasurer's termination. While some of these checks were reflected on the city's bank reconciliation as outstanding, others were not and it is unclear if adjustments have been made to the records to account for these old amounts or if there is some plausible explanation for these checks to be on hand.

To properly monitor disbursements, procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be paid out in accordance with applicable state laws. The city should also investigate un-negotiated checks and if legitimate, reissue or void as needed.

6.7 Numerical sequence of checks

The city often skipped checks; however, these check numbers were not always accounted for properly and the checks were not voided. For example, the city skipped check numbers 23936 through 24117 and did not void them. To account for all disbursements, the numerical sequence of checks issued should be accounted for properly and any skipped checks should be voided.

Recommendations

The City of Marionville Board of Aldermen:

- 6.1 Require receipt slips be issued for all monies received with the method of payment indicated on the receipt slip or utility stub and reconciled to the composition of the amounts recorded in the computerized accounting system and deposits. The Board should



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require receipt slips be issued in numerical sequence and the numerical sequence of receipt slips be accounted for properly. Also, all receipts slips should be retained.

- 6.2 Maintain monies collected in a secure location, limit collection duties, and restrictively endorse checks and money orders immediately upon receipt.
- 6.3 Contact all the payees on the old checks found and request these checks be reissued, and deposit all monies intact and in a timely manner. The Board should also ensure receipts are posted to the city's computerized accounting system when received.
- 6.4 Discontinue the practice of cashing checks and applying payroll/fire call checks to account balances. The Board should also ensure the change fund is maintained on an imprest basis.
- 6.5 Issue prenumbered licenses and permits and account for the numerical sequence, and reconcile licenses and permits issued to amounts recorded and deposited.
- 6.6 Establish procedures to follow up and resolve outstanding checks in a timely manner. The Board should also investigate un-negotiated checks and dispose of or void as appropriate.
- 6.7 Account for the numerical sequence of checks and properly void any skipped checks.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

- 6.1 *This has been implemented.*
- 6.2 *We will do our best to comply within our budgetary constraints.*
- 6.3 *We will check into this and correct.*
- 6.4 *The practice of cashing personal checks and applying checks to accounts has been discontinued.*
- 6.5 *This is being implemented.*
- 6.6&
6.7 *We will comply.*



7. Disbursements

Controls and procedures over city disbursements need improvement.

7.1 Bidding

Although the city has a procurement policy (Ordinance No. 130.090) which requires city officials to solicit bids for items or services costing more than \$500 and advertise for bids for items or services costing more than \$5,000, the city did not solicit bids, advertise for bids, retain sufficient bid documentation, or document sole source procurement and reasons for selecting other than the low bid for numerous purchases made during 2009 and 2010, including:

Item or Service	Cost
Fire truck	\$ 109,000
Trash services (2009 annual)	85,374
Storm siren	19,291
Sewer system maintenance (2009 annual)	19,235
Sand (2009 annual)	6,990
Fireworks	4,800
Scoreboard	3,499
Cleaning services (2009 annual)	3,180
Skid unit	3,000
Global Position Systems (GPS)	2,790
Park fencing supplies	2,740
Park concrete (2009 annual)	2,648
Park coolers	2,552

While the city obtained bids for metal roofing supplies (\$1,230) for the city pound and for a court computer (\$1,025), it failed to document reasons for accepting other than the low bid.

In addition to complying with the city ordinance, competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected.

7.2 Approval process

The city's approval process for disbursements is not adequate. The list of bills approved by the Board each month is not complete, and a comparison of this list to approved invoices and the actual checks written is not performed. The list of bills approved by the Board each month does not include payroll disbursements. In addition, 4 of 40 non-payroll disbursements reviewed were not on a list of bills approved by the Board.

While city Ordinance No. 130.090 requires all purchases greater than \$500 be approved by the Mayor and all purchases less than \$500 be approved by department heads, the former Mayor and department heads failed to document their approval and review on most supporting documentation.



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To ensure disbursements are an appropriate use of city funds, the Mayor and department heads should review and approve purchases in accordance with city ordinances and the Board should ensure an adequate review of the list of bills approved, invoices, and checks written is performed.

7.3 Conflict of interest

During 2009, Alderman Dickenson (who is a volunteer fire fighter and receives payment for fire calls) did not always abstain from the approval of payments made to his sons for responding to fire calls or for several disbursements made for the operation of the fire department. For example, he did not abstain from voting in December 2008, to approve the purchase of a fire truck costing \$109,000 and in January 2009, to approve the purchase of real estate for the fire department's use.

The Board members serve in a fiduciary capacity and approving disbursements to relatives and/or to a department for which they work, could create the appearance of a conflict of interest. In addition, the city obtained a legal opinion regarding the above mentioned situations in March 2010, and adopted Ordinance No. 01-2010R in April 2010, which states no elected official also serving in a volunteer position shall vote pertaining to the department for which they, or their spouse, volunteer.

7.4 Adequate supporting documentation

Adequate supporting documentation was not maintained for some city disbursements. For example, problems were noted with documentation retained to support amounts paid to fire fighters. A list of firefighters (with hash marks denoting the number of fire calls responded to) is used to calculate amounts paid; however, the list did not always agree to the number of fire calls actually paid or to the number of city fire calls dispatched by Lawrence County. As a result, it is uncertain amounts paid to various fire fighters are correct. Instances were also noted where itemized invoices were not retained to support disbursements. All disbursements should be supported by paid receipts, itemized vendor invoices, or other detailed documentation to ensure the obligation was actually incurred and the amount paid is proper.

7.5 Late payments

The former City Clerk failed to pay several invoices timely. For example, April and May 2009 trash services totaling \$12,482 were not paid until July 2009. In addition, the city was originally billed in 2004 for services provided by the local electric company totaling \$5,218; however, the former City Clerk had only made small payments from 2004 to June 2009 toward the balance due, and the city paid the remaining balance due of \$2,039 in September 2009.

Procedures should be in place to ensure bills are paid timely to avoid late charges and interest. Also, the city should monitor liabilities to properly plan and budget expenses.



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7.6 Cellular phones

The city has not established adequate monitoring procedures to determine whether cellular phones are needed or of benefit to the city and if phone use is appropriate. The city was charged for five cellular phone packages, with only three of the five phones and two of five phones having air time used on the June to July 2009, and August to September 2009 bills, respectively. Cellular phone plans utilized by the city do not provide for text messaging, and as a result, additional charges are incurred when text messaging is used. The city was charged \$82 for text messaging on the June to July 2009 bill. Personal use of a city cellular phone by an employee during 2008 and 2009 was identified by the city after a complaint was filed. The employee subsequently reimbursed the city \$302 for personal phone calls made. While the city properly investigated and resolved this concern, it has not strengthened its controls and procedures over cellular phones. The city disbursed approximately \$4,600 during the year ended December 31, 2009, for use of cellular phones.

Adequate monitoring procedures are needed to determine which employees need a cellular telephone and to ensure cellular phones are properly used for business purposes.

7.7 Fuel and usage logs

Fuel and usage logs are not maintained for the city's equipment and 14 vehicles, and fuel usage is not reconciled to fuel purchases. The city purchased approximately \$17,000 of fuel from several local stations during the year ended December 31, 2009.

Mileage and fuel usage logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases.

Recommendations

The City of Marionville Board of Aldermen:

- 7.1 Ensure bids are solicited for all applicable purchases in accordance with city ordinances and ensure sufficient documentation is maintained.
- 7.2 Ensure complete lists of bills are prepared, the Board's approval is reflected on the list, and the list is retained. The Mayor and department heads should document their review and approval in accordance with city ordinance, and approved lists of bills should be compared to invoices and checks written.
- 7.3 Closely examine city transactions to identify and avoid apparent and actual conflicts of interest and ensure the recently adopted ordinance is followed.
- 7.4 Require adequate supporting documentation for all disbursements.



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- 7.5 Implement procedures to ensure bills are paid timely.
- 7.6 Improve monitoring procedures over cellular phone assignments and use.
- 7.7 Require fuel use logs be maintained for all city-owned vehicles and equipment, and these logs be reviewed and reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

- 7.1 *We will comply and do better.*
- 7.2,
7.4&
7.5 *This has been implemented.*
- 7.3 *This has been implemented and we will comply.*
- 7.6 *A detailed billing will be provided to the Board.*
- 7.7 *We will implement.*

8. Restricted Receipts

The city has not established adequate procedures to ensure restricted monies are disbursed only for the intended purpose and salaries are properly allocated among funds.

8.1 Tracking of restricted receipts

The city does not properly track various restricted receipts. Neither state motor vehicle-related receipts nor street and police sales taxes are accounted for properly. These monies are deposited into the city's General Fund and while receipts and disbursements are tracked, the balance of these monies is not monitored. Similarly, Police Officer Standards Training (POST) and Law Enforcement Training (LET) fees are deposited in the city's General Fund with other non-restricted monies and the related transactions and balances are not tracked. As a result, the city cannot determine at a point in time what portion of the General Fund balance represents restricted monies, or demonstrate compliance with state law and city ordinance.

Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be disbursed for street related purposes only.

Sections 94.645 and 94.577, RSMo, specify how sales tax monies are to be used and indicate these monies should be deposited into separate funds. City ordinance also requires these monies be used for specific purposes.



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Section 488.5336.2, RSMo, requires POST and LET fees be used only for the training of law enforcement officers.

8.2 Allocation of salaries

Salaries of some employees performing multiple functions are not allocated among funds and time records do not detail hours spent on specific areas or projects. Although the City Clerk/City Treasurer, Deputy City Clerk/City Collector, and Street Maintenance Supervisor perform utility related duties, a portion of their salaries is not allocated to the Sewer Fund, and their time records do not specify the hours worked for each city service. The City Clerk/City Treasurer, Deputy City Clerk/City Collector, and the Street Maintenance Supervisor are paid entirely from the General Fund. The Street Maintenance Supervisor is primarily paid from street funds within the General Fund, but also serves as fire chief and animal control officer.

To ensure restricted funds are used for the intended purposes, the city should properly allocate payroll disbursements to city funds based upon specific criteria, such as the number of hours worked by each employee on specific areas or projects. In addition, allocating salary expenses to the applicable funds will assist in determining the total costs of services, which is necessary to properly evaluate and set rates at appropriate levels.

Recommendations

The City of Marionville Board of Aldermen:

- 8.1 Determine the amount of restricted monies in the city's General Fund and establish separate funds or a separate accounting of these monies as required by state law and city ordinance.
- 8.2 Ensure salaries are properly allocated to the applicable city funds and allocations are supported by adequate documentation.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

- 8.1 *We will work with the city's CPA to comply.*
- 8.2 *We will review.*

9. Financial Statements and Budgets

Controls and procedures over published financial statements and budgets are in need of improvement.

9.1 Financial statements

The published semi-annual financial statements for the 6 months ended December 31, 2009, were incomplete and inaccurate. The published financial statements reported beginning cash balances as of July 1, 2009,



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and annual receipts and disbursements for the city's General Fund and Sewer Fund instead of semi-annual receipts and disbursements. As a result, ending cash balances of the General Fund and Sewer Fund were understated by approximately \$100,000 and \$26,000, respectively.

Further, the published financial statements did not include the indebtedness of the city. As of December 31, 2009, the city had debt totaling approximately \$2.4 million.

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

9.2 Budgets

The 2009 budget was not accurate and complete.

- The budget did not include actual receipts and disbursements for the 2 preceding years.
- The budget did not include the beginning and estimated ending cash balances.
- The budget did not include indebtedness.

Sections 67.010 to 67.040, RSMo, establish specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provides a means to effectively monitor actual costs and receipts.

9.3 Budget amendments

Budget amendments for the General Fund and Sewer Fund were not completed in a timely manner. Budget amendments were not approved until December 10, 2009. Prior to the amendments, disbursements had exceeded the original budgeted amounts in the General Fund and Sewer Fund by \$175,356 and \$57,277, respectively.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted and allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides no expenditure of public monies should be made unless it is authorized in the budget.



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Recommendations

The City of Marionville Board of Aldermen:

- 9.1 Ensure published financial statements are accurate and contain the appropriate level of detail.
- 9.2 Prepare complete and accurate budget documents.
- 9.3 Ensure budget amendments are made prior to incurring related disbursements.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

- 9.1 *We will comply and detail has been implemented.*
- 9.2&
- 9.3 *We will comply.*

10. Meeting Minutes and Ordinances

The city did not always ensure compliance with the Sunshine Law and improvement is needed in the city's ordinances.

10.1 Meeting minutes

Meeting minutes were not sufficient to demonstrate how some issues discussed in closed meetings were allowable under the Sunshine Law. These issues included an employee's compensation, an employee's vacation benefits, and advertising for a new Chief of Police.

To ensure compliance with state law, the Board should restrict discussion in closed sessions to the specific topics listed in the Sunshine Law, Chapter 610, RSMo.

10.2 Ordinances

Improvement is needed in city ordinances.

- During the August 13, 2009, meeting, the Board discussed charging owners of vacant houses the minimum sewer fee each month, and the city started charging minimum sewer fees to owners of vacant houses in late 2009. However, the Board did not formally approve this fee and the city ordinances do not specifically address this issue.
- City ordinances were not updated for several board actions. During the August 13, 2009, meeting, the Board approved decreasing the base trash rate and poly cart fee, charging a \$100 fee for shutting off sewer services, and charging a \$8 fee to each delinquent utility customer for being included on the shut off list (regardless of whether sewer service was shut off); however, the city ordinances were not updated for these approved changes.



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- The city building Ordinance No. 105.5 states construction must begin within 180 days after the issuance of a building permit; however, the city's application for building permits requires construction to begin within 60 days after the issuance of the building permit. In addition, the city's building ordinance does not address procedures and requirements for building inspections.

Since ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important the ordinances be maintained in an up-to-date manner. A list of all ordinances passed and repealed by the city could help keep track of additions and changes made to city ordinances.

10.3 Compensation ordinances

The city has not adopted ordinances to establish the compensation of some city officials and employees. While the city has adopted Ordinance No. 2.0408 addressing specific compensation for the Board of Aldermen, Board President, and Mayor, ordinances have not been adopted for other officials and employees.

Sections 79.270 and 79.290, RSMo, require the Board of Aldermen to fix the salaries of all city officials and employees by ordinance.

Recommendations

The City of Marionville Board of Aldermen:

- 10.1 Ensure only allowable topics are discussed in closed meetings.
- 10.2 Ensure ordinances are updated for any Board decisions and city procedures are consistent with ordinance guidelines.
- 10.3 Establish the compensation of all city officials and employees by ordinance.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written responses:

10.1 We will comply.

10.2&

10.3 We will review and implement.

11. Capital Asset Procedures

The city did not maintain records for its capital assets including land, buildings, equipment, and other property. The city's insurance policy values this property at approximately \$3.4 million. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.



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Adequate capital asset records and procedures are necessary to secure better internal controls and safeguard city assets that are susceptible to loss, theft, or misuse; and to provide a basis for determining proper insurance coverage.

Recommendation

The City of Marionville Board of Aldermen ensure property records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location and subsequent disposition. Property records should be compared to the city's insurance coverage. The Board should also properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

Auditee's Response

The City of Marionville Board of Aldermen provided the following written response:

We will keep better and accurate records of assets.

City of Marionville

Organization and Statistical Information

The City of Marionville is located in Lawrence County. The city was incorporated in 1885 and is currently a fourth-class city.

Mayor and Board of Aldermen

The city government consists of a mayor and six-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2009, are identified below. The Mayor is paid \$200 per month, the Mayor Pro Tem is paid \$125 per month, and the Board of Aldermen members are paid \$60 per month. The compensation of these officials is established by ordinance.

Name and Title	Dates of Service During the Year Ended December 31, 2009
Doris Rapp, Mayor (1)	January-December
Jim Dickenson, Alderman (2)	January-December
Daniel Clevenger, Alderman	January-December
Derek Eckles, Alderman	April-December
Todd Steinman, Alderman	January-April
Max McBride, Alderman	January-December
Kay Leffingwell, Alderwoman (2)(3)	January-December
Bob Duda Jr., Alderman (1)	April-December
T.C. Corning, Alderman	January-April

- (1) Bob Duda was elected Mayor in April 2010. Jeff Schatz was appointed in April 2010 to fill the Alderman's seat vacated by Bob Duda.
- (2) Jim Dickenson served as Mayor Pro Tem from May through December 2010. Kay Leffingwell served as Mayor Pro Tem from January through April 2010.
- (3) Gena Valente was elected Alderwoman in April 2010.

Other Officials

Name and Title	Dates of Service During the Year Ended December 31, 2009	Compensation Paid for the Year Ended December 31, 2009
Debra Bateman, City Clerk/City Treasurer	July-December	\$12,751
Claudia White, City Clerk/City Treasurer	January-June 29	17,978
Kathy Urshel, Deputy City Clerk/City Collector	January-December	27,720
Seth Forester, Street/Maintenance Supervisor (1)	January-December	35,627
Mark Webb, Chief of Police (2)	May-December	17,016
Ronald Hutcheson, Chief of Police (2)	May-November	21,061
Larry Jones, Chief of Police	January-April	13,361

- (1) Seth Forester also served as Fire Chief and the Animal Control Officer.
- (2) Mark Webb was hired in May 2009 and appointed as Chief of Police on November 18, 2009. Compensation reported is from the start of his employment. Ronald Hutcheson resigned on November 17, 2009.

In addition to the officials identified above, the city employed three full-time employees and five part-time employees on December 31, 2009.

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Documentation of Unsupported Transactions

The following table provides supporting documentation of unsupported payroll checks written to the former City Clerk/Treasurer as discussed in MAR finding number 1. This information was obtained from payroll history reports prepared by the city.

Unsupported Payroll Checks

Date of check	Check number	Number of hours compensated	Purpose of hours paid	Amount
July 20, 2004	18848	20	Regular	\$ 241
September 10, 2004	19325	40	Regular	481
October 8, 2004	19361	20	Vacation	241
December 15, 2004	19666	54	Vacation	650
January 14, 2005	19896	16	Vacation	192
February 8, 2005	19987	12	Vacation	144
March 11, 2005	20115	12	Vacation	147
May 6, 2005	20321	24	Vacation	295
June 20, 2005	20454	22	Vacation	270
July 27, 2005	20697	10	Vacation	123
August 2, 2005	20731	10	Regular	123
September 12, 2005	20943	10	Regular	125
October 7, 2005	21005	20	Regular	250
October 21, 2005	21102	20	Regular	250
November 18, 2005	21244	15	Regular	188
December 2, 2005	21269	24	Regular	300
January 27, 2006	21515	25	Regular	319
April 5, 2006	21786	38	Regular	485
May 5, 2006	21915	18	Regular	230
June 6, 2006	22049	12	Regular	153
July 12, 2006	22196	12	Regular	153
July 28, 2006	22299	18	Regular	230
August 25, 2006	22445	18	Regular	230
September 11, 2006	22395	12	Regular	153
October 24, 2006	22691	30	Regular	383
December 23, 2006	22958	28	Regular	358
February 9, 2007	23163	24	Regular	335
April 20, 2007	23471	15	Regular	209
May 4, 2007	23515	21	Holiday	293
July 3, 2007	23771	25	Holiday	349
September 7, 2007	24053	20	Regular	279
December 20, 2007	24478	67	Regular	935
May 2, 2008	25009	30	Holiday	431
June 17, 2008	25235	18	Holiday	258
August 8, 2008	25423	25	Regular	359
October 3, 2008	25707	25	Regular	359
October 31, 2008	25846	20	Regular	287
December 12, 2008	26021	62	Holiday	890
February 6, 2009	26281	18	Vacation	271
April 7, 2009	26576	20	Regular	302
May 1, 2009	26716	30	Regular	452
May 15, 2009	26814	40	Holiday	603
		Total		\$ <u>13,326</u>



City of Marionville
Documentation of Unsupported Transactions

The following table provides supporting documentation of incorrect usage information and unauthorized adjustments identified in the former City Clerk/Treasurer's utility account as discussed in MAR finding number 1. The table provides a comparison of sewer fees that should have been billed to sewer fees actually billed.

Utility Account Adjustments

Transaction date	Amount of sewer fees that should have been billed	Account balance due per audit	Amount of sewer fees billed according to city records	Penalties assessed according to city records (1)
Beginning Balance	\$ 345	345	345	0
June 18, 2004	30	375	30	0
July 18, 2004	30	405	30	0
August 18, 2004	30	435	30	3
September 20, 2004	30	465	30	4
October 20, 2004	30	495	30	4
November 20, 2004	30	525	30	4
December 20, 2004	30	555	30	5
January 20, 2005	30	585	30	5
February 20, 2005	30	615	30	5
March 20, 2005	30	645	30	5
April 20, 2005	30	675	30	0
May 20, 2005	(2) 30	705	12	6
June 20, 2005	30	735	30	0
July 20, 2005	30	765	30	0
August 20, 2005	30	795	30	7
September 20, 2005	30	825	30	7
October 20, 2005	30	855	30	7
November 20, 2005	30	885	30	7
December 20, 2005	30	915	30	8
January 20, 2006	30	945	30	8
February 20, 2006	30	975	30	8
March 20, 2006	30	1,005	30	0
April 20, 2006	30	1,035	30	0
May 26, 2006	30	1,065	30	0
June 20, 2006	(2) 33	1,098	30	0
July 20, 2006	(2) 33	1,131	30	0
August 20, 2006	(2) 33	1,164	30	10
September 20, 2006	(2) 33	1,197	30	0
October 20, 2006	(2) 33	1,230	30	0
November 20, 2006	(2) 33	1,263	30	0
December 28, 2006	(2) 33	1,296	30	0
January 31, 2007	(2) 33	1,329	30	0
February 20, 2007	(2) 33	1,362	30	0
March 20, 2007	(2) 33	1,395	30	0



City of Marionville
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Transaction date		Amount of sewer fees that should have been billed	Account balance due per audit	Amount of sewer fees billed according to city records	Penalties assessed according to city records (1)
April 30, 2007	(2)	33	1,428	30	0
May 23, 2007	(2)	33	1,461	30	0
June 25, 2007		39	1,500	39	0
July 20, 2007		39	1,539	39	0
August 20, 2007	(3)	39	1,578	Inactive	0
September 20, 2007	(3)	39	1,617	Inactive	0
October 20, 2007	(3)	39	1,656	Inactive	0
November 20, 2007	(3)	39	1,695	Inactive	0
December 20, 2007	(3)	39	1,734	Inactive	0
January 20, 2008	(3)	39	1,773	Inactive	0
February 20, 2008	(3)	39	1,812	Inactive	0
March 20, 2008	(3)	39	1,851	Inactive	0
April 20, 2008	(3)	39	1,890	Inactive	0
May 20, 2008	(3)	39	1,929	Inactive	0
June 20, 2008	(2)	33	1,962	30	0
July 20, 2008	(2)	33	1,995	30	0
August 20, 2008	(2)	33	2,028	30	0
September 20, 2008	(2)	33	2,061	30	0
October 20, 2008	(2)	33	2,094	30	0
November 20, 2008	(2)	33	2,127	30	0
December 20, 2008	(2)	33	2,160	30	0
January 22, 2009	(2)	33	2,193	30	0
February 24, 2009	(2)	33	2,226	30	0
March 24, 2009	(2)	33	2,259	30	0
April 21, 2009	(2)	33	2,292	30	0
May 27, 2009	(2)	33	2,325	30	3
June 23, 2009		30	2,355	30	3
		<u>\$ 2,355</u>		<u>1,875</u>	<u>109</u>
		(4)			(5)

Utility amounts due	Amount
Sewer fees that should have been billed	\$ 2,355 (4)
Penalties charged	109 (5)
Payments made on June 29, 2009	<u>(2,374)</u>
Remaining charges due	<u>\$ 90</u>

(1) Represents the amount of penalties billed but unpaid. The city calculated the total amount due for penalties based on city policy as discussed in MAR finding number 1.2.

(2) Usage recorded incorrectly in the utility system resulting in erroneous, reduced sewer fees.

(3) Manipulated sewer system account status to inactive.



City of Marionville
Documentation of Unsupported Transactions

The following table provides supporting documentation of personal checks written to the city by the former City Clerk/Treasurer as discussed in MAR finding number 1.

Personal Checks Undeposited

Date written	Check number	Amount
October 18, 2000	1165	\$ 40
October 26, 2000	1179	60
June 22, 2001	1446	75
August 26, 2002 *	2059	207
December 20, 2004	3267	80
January 11, 2005	3279	30
January 14, 2005	3284	100
January 28, 2005	3294	100
February 1, 2005	3298	25
March 11, 2005	3336	60
May 26, 2005	3422	20
August 18, 2006	3956	80
August 25, 2006	3962	80
September 1, 2006	3969	40
September 21, 2006	3986	60
July 11, 2008	4693	60
July 24, 2008	4701	60
September 27, 2008	4768	80
	Total	\$ <u>1,257</u>

* This personal check was written to Empire Electric. The city served as a collection agent for this utility.



City of Marionville
Documentation of Unsupported Transactions

The following table provides supporting documentation of various city customers that were not properly billed for utility services as discussed in MAR finding number 4.1.

Unbilled Sewer Service

Month and Year of Sewer Billing	Accounts with Unbilled Service										Total Unbilled
	11490009 and					101001 and					
	327001	895001	11490011	606001	101002	536001	819002	11490010	159002	955003	
July 2004	\$ N/A	21	33	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54
August 2004	N/A	21	33	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54
September 2004	N/A	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	78
October 2004	N/A	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	78
November 2004	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
December 2004	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
January 2005	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
February 2005	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
March 2005	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
April 2005	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
May 2005	15	21	33	24	N/A	N/A	N/A	N/A	N/A	N/A	93
June 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
July 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
August 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
September 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
October 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
November 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
December 2005	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
January 2006	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
February 2006	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
March 2006	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
April 2006	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
May 2006	15	18	27	21	N/A	N/A	N/A	N/A	N/A	N/A	81
June 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
July 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
August 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
September 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
October 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
November 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
December 2006	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
January 2007	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
February 2007	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
March 2007	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
April 2007	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
May 2007	18	15	21	12	N/A	N/A	N/A	N/A	N/A	N/A	66
June 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
July 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
August 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
September 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
October 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
November 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
December 2007	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66



City of Marionville
Documentation of Unsupported Transactions

Month and Year of Sewer Billing	Accounts with Unbilled Service										Total Unbilled
	11490009 and					101001 and					
	327001	895001	11490011	606001	101002	536001	819002	11490010	159002	955003	
January 2008	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
February 2008	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
March 2008	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
April 2008	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
May 2008	15	15	18	18	N/A	N/A	N/A	N/A	N/A	N/A	66
June 2008	18	27	21	12	N/A	N/A	N/A	N/A	N/A	N/A	78
July 2008	18	27	21	12	30	N/A	N/A	N/A	N/A	N/A	108
August 2008	18	27	21	12	12	N/A	N/A	N/A	N/A	N/A	90
September 2008	18	27	21	12	12	N/A	12	21	N/A	15	138
October 2008	18	27	21	12	42	N/A	12	12	36	15	195
November 2008	18	27	21	12	15	N/A	12	15	16	15	151
December 2008	18	27	21	12	18	N/A	12	12	14	15	149
January 2009	18	27	21	12	15	N/A	12	12	18	15	150
February 2009	18	27	21	12	N/A	27	12	15	16	15	163
March 2009	18	27	21	12	N/A	27	12	12	14	15	158
April 2009	18	27	21	12	N/A	27	12	12	15	15	159
May 2009	18	27	21	12	N/A	27	12	12	16	15	160
June 2009	15	18	30	12	N/A	24	12	12	38	15	176
July 2009	15	18	30	12	N/A	24	12	15	51	15	192
August 2009	15	18	30	12	N/A	24	12	15	61	15	202
September 2009	15	18	30	12	N/A	24	12	15	62	15	203
October 2009	15	18	30	12	N/A	24	12	12	60	15	198
November 2009	17	21	36	13	N/A	29	13	13	109	17	269
December 2009	17	21	36	13	N/A	N/A	13	13	N/A	17	131
January 2010	N/A	N/A	N/A	N/A	N/A	N/A	13	N/A	N/A	17	30
Total	\$ 1,006	1,263	1,630	1,058	144	257	207	218	526	261	6,570