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Missouri State Auditor

City of Curryville



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YELLOW SHEET

Findings in the audit of the City of Curryville

Financial Controls and Procedures

Proper segregation of duties is not possible because the City Clerk is the City Treasurer's mother and there is no independent or supervisory oversight of their work. The Law Enforcement Training (LET) Fund has accumulated a balance in excess of \$8,600 as of December 1, 2009. State law provides LET monies in excess of \$1,500 per officer should be transmitted to the city's General Fund.

Minutes, Ordinances, and Financial Reporting

Reasons for closing meetings and the corresponding vote to close the meeting are sometimes not documented. The Board held numerous closed meetings during 2008 and 2009. Furthermore, the city was unable to demonstrate how some topics discussed in closed meeting sessions complied with state law.

Alderman Dennis Dixon voted to appoint his sister as the City Clerk and his niece as the City Treasurer in August 2008, instead of abstaining from voting. The Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

The city does not maintain a summary list of ordinances passed, rescinded, or superseded by a subsequent ordinance. As a result, it is not clear which city ordinances are currently in effect. The current City Treasurer resided in the city when appointed to this position, but has since moved outside the city. City Ordinance 21.815 states the city treasurer shall reside in the city. The city did not submit an annual financial report to the State Auditor's office for the year ended December 31, 2008, as required by state law.

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City of Curryville

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Curryville. The city engaged Tompkins & Willing, Certified Public Accountants (CPAs), LC, to audit the city's financial statements for the years ended December 31, 2008 and 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report for the year ended December 31, 2007, since the 2008 audit had not been completed. 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 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 Curryville.



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State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Chris Vetter, CPA

City of Curryville

Management Advisory Report

State Auditor's Findings

1. Financial Controls and Procedures

Duties are not adequately segregated and there is no supervisory oversight. In addition, the Law Enforcement Training Fund has accumulated a balance in excess of amounts allowed by state law, and property tags are not affixed to city assets.

1.1 Segregation of duties

Proper segregation of duties is not possible because the City Clerk is the City Treasurer's mother and there is no independent or supervisory oversight of their work. The City Clerk prepares warrants and the list of disbursements to be approved by the Board. The City Treasurer writes checks from the warrants, and performs the bank reconciliations.

To safeguard against the possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by having someone independent of the City Clerk and City Treasurer document their review of the city's disbursement records.

1.2 Law Enforcement Training Fund

The Law Enforcement Training (LET) Fund has accumulated a balance in excess of \$8,600 as of December 1, 2009. Section 488.5336, RSMo, provides that no municipality shall retain more than \$1,500 of such funds per certified law enforcement officer, candidate for certification, or a coroner and the coroner's deputies and requires any excess be transmitted quarterly to the city's General Fund. As of December 2009, there was one law enforcement officer in the city.

1.3 Property tags

Property tags are not affixed to city assets. Property control tags should be affixed to all capital asset items to help improve accountability and to ensure assets are properly identified as belonging to the city.

Recommendations

The Board of Aldermen:

- 1.1 Ensure there is a documented comparison of city disbursement records by someone independent of the City Clerk and City Treasurer. Any unusual items or discrepancies should be investigated.
- 1.2 Transfer the LET Fund balance in excess of \$1,500 to the General Fund.
- 1.3 Ensure property control tags are affixed to all capital assets immediately upon purchase.

Auditee's Response

The Board of Aldermen provided the following responses:

1.1 We will review disbursements more closely.

1.2&3 We will implement these recommendations.



2. Minutes, Ordinances, and Financial Reporting

Problems were found with closed meetings, voting procedures, and city ordinances. Also, the Board has not filed a financial statement with the State Auditor's office as required.

2.1 Closed meetings

Reasons for closing meetings and the corresponding vote to close the meeting are sometimes not documented. The Board held numerous closed meetings during 2008 and 2009. Open meeting minutes typically indicate the meeting is going into closed session, but the specific reason and the vote to close the meeting are not always documented.

Furthermore, the city was unable to demonstrate how some topics discussed in closed meeting sessions complied with state law. For example, the Board approved the purchase of office equipment in a closed meeting and did not subsequently disclose the decision in an open meeting. In addition, the Board discussed city cellular phone usage and the city's solid waste contract in closed meetings. By discussing and voting on unallowable topics such as cellular phone usage, the solid waste contract, and the purchase of office equipment in closed meetings, the public is denied the right to provide input on those decisions.

The Sunshine Law, Chapter 610, RSMo, requires the question of holding the closed meeting and the reason for the closed meeting be voted on at an open meeting. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, limits what types of topics can be discussed in closed meetings, and requires votes taken in closed session to be disclosed in open session. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions.

2.2 Voting for relatives

Alderman Dennis Dixon voted to appoint his sister as the City Clerk and his niece as the City Treasurer in August 2008, instead of abstaining from voting.

Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Because of the serious consequences which result by hiring a relative, the Board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the meeting minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so the public has assurance no city official has benefitted improperly.



City of Curryville
Management Advisory Report - State Auditor's Findings

2.3 Ordinances

The city does not maintain a summary list of ordinances passed, rescinded, or superseded by a subsequent ordinance. As a result, it is not clear which city ordinances are currently in effect. Many city ordinances appear old and outdated, and at least one ordinance book contains original ordinances in addition to subsequent ordinances that rescinded the previous version.

Since the ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important the city maintain ordinances in a complete, well-organized, and up-to-date manner. A record of all ordinances passed and repealed by the city could help keep track of additions and changes made to city ordinances.

2.4 Treasurer Ordinance

The current City Treasurer resided in the city when appointed to this position, but has since moved outside the city. City Ordinance 21.815 states the city treasurer shall reside in the city. The Board should review this situation with legal counsel to ensure the current City Treasurer is qualified to serve in the position.

2.5 Financial reporting

The city did not submit an annual financial report to the State Auditor's office for the year ended December 31, 2008. The last filing occurred on April 30, 2007, for the year ended December 31, 2006. Section 105.145, RSMo, requires each political subdivision to file an annual report of its financial transactions with the State Auditor's office.

Recommendations

The Board of Aldermen:

- 2.1 Ensure meeting minutes document the vote to go into closed meetings, state the reasons for going into closed meetings, and publicly disclose the final disposition of applicable matters discussed in closed meetings. In addition, only allowable topics should be discussed in closed meetings.
- 2.2 Ensure board members abstain from voting when a relative's employment or appointment is involved. The Board should discuss the situation noted above with legal counsel to determine if any action should be taken.
- 2.3 Require a summary list of ordinances passed, rescinded, or superseded be prepared and maintained. In addition, the Board should ensure a complete and up-to-date set of ordinances is created and maintained.
- 2.4 Review City Ordinance 21.815 with legal counsel.
- 2.5 Submit an annual financial report to the State Auditor's office as required by state law.



City of Curryville
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Board of Aldermen provided the following responses:

- 2.1 *We will ensure we only discuss the indicated topic in closed sessions in the future.*
- 2.2 *We will implement this recommendation.*
- 2.3 *We will look into this to determine an economical method to organize the city ordinances.*
- 2.4 *We will evaluate whether the ordinance should be updated.*
- 2.5 *We will implement this recommendation.*

City of Curryville

Organization and Statistical Information

The city of Curryville is located in Pike County. The city was incorporated in 1874 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, 2008, are identified below. The Mayor and Board of Aldermen members are paid \$10 for each meeting attended. The compensation of these officials is established by ordinance.

Name and Title	Dates of Service During the Year Ended December 31, 2008
Roy Crane, Mayor (1)	April - December
Walter Haddock, Alderman (2)	July - December
Irvine Kerr, Jr., Alderman (1)	January - June
Alex (Bill) Gibson, Alderman (3)	January - December
Dennis Dixon, Alderman (4)	April - December
Roy Crane, Alderman	January - March
Jackie Grimmett, Alderman (5)	January - December
Richard Cox, Alderman (6)	May - December
Mike Flanagan, Alderman	January - April
Phyllis Sisson, Alderman	January - December

- (1) Upon the resignation of Mayor Charles McGlasson in January 2007, Irvine Kerr, Jr. served as Mayor pro tem until Roy Crane was elected in April 2008.
- (2) Walter Haddock was appointed by the Board of Aldermen to fill the remainder of Irvine Kerr, Jr.'s term after he passed away in June 2008. Marcin Jacyna was elected to this position in April 2009.
- (3) Alex (Bill) Gibson passed away in September 2009. His position has not been filled.
- (4) Dennis Dixon was appointed by the Board of Aldermen to fill the remainder of Roy Crane's term after he was elected Mayor.
- (5) Jackie Grimmett resigned from this position in February 2009. Randall Dalton was appointed by the Board of Aldermen to fill the vacant seat after the April 2009 election for the seat ended in a tie.
- (6) Richard Cox was appointed by the Board of Aldermen to fill the remainder of Mike Flanagan's term after he resigned from the Board in April 2008.



City of Curryville
Organization and Statistical Information

Other Officials

Name and Title	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Dorothy Chilson, Collector* (1)	January - December	\$6,938
Deanna Feldmann, Treasurer	January - December	7,800
Sandra Parrott, City Clerk/Court Clerk	January - December	16,192
Jerry Sutton, Police Chief (2)	January - December	26,044
Jeff Miller, Municipal Judge (3)	September - December	677
David Ferman, Municipal Judge (3)	January - August	2,032
Philip G. Smith, City Attorney (4)	July - December	2,950
Bruce McGuire, City Attorney (4)	January - June	3,000

- (1) Includes \$4,238 as a part-time employee of the city.
- (2) Employment was terminated in March 2009. Ethel Lain was hired and resigned as Police Chief in October 2009. Jerry Sutton was rehired in October 2009.
- (3) Jeff Miller was appointed to this position when David Ferman's term ended.
- (4) Robert Rapp was appointed as the City Attorney in February 2009, upon the resignation of Philip G. Smith. Philip G. Smith was appointed to this position in July 2009, upon the resignation of Bruce McGuire.
- * Elected position

In addition to the officials identified above, the city employed 3 part-time employees on December 31, 2008.