



Thomas A. Schweich

Missouri State Auditor

Village of Rayville



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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Village of Rayville

Accounting Controls and Procedures

The village has not set up separate funds for the cleanliness user (trash) fees or the motor vehicle-related monies. Separate funds would help determine if fees charged are sufficient without being excessive and ensure restricted funds are spent only on allowable expenses. Also, monthly receipt and disbursements ledgers are prepared from the monthly bank statement rather than actual receipts and disbursements made during the month.

Monthly bank reconciliations are inadequate; the village does not keep a running cash balance, so it does not know what balance to reconcile to when preparing the bank reconciliation.

The duties of the Village Collector are not adequately segregated, and the Board of Trustees does not provide adequate supervision or review, making it difficult to ensure all transactions are accounted for properly and assets are protected.

The Board does not always approve payments before they are made. During October, November, and December 2010, the village disbursed \$4,682 (21 percent of its annual disbursements), but the Board did not meet during this time, so Board approval was not obtained.

Village officials are not bonded. State law requires at least \$1,000 in bond coverage for the village collector, and all personnel with access to village assets should be bonded to protect the village from losses.

Meetings, Minutes, and Ordinances

Formal meeting minutes were not maintained for the July, August, and September 2010 Board meetings. The Chairman indicated the July 2010 meeting was null and void due to an error in voting; however, such action would not make a meeting null and void. State law requires complete and accurate meeting minutes be maintained.

In April 2009, August 2010, and January 2011, closed meetings were held, but there is no documentation a vote to go into a closed meeting was taken, as required by state law. Also, it appears topics beyond those allowed by the Sunshine Law were discussed during closed meetings.

Village ordinances are not complete, well-organized, and up-to-date. For example, one ordinance says the fiscal year ends on August 31, but financial statements and budgets are prepared on a calendar year; the ordinance granting the Chairman powers to act as Chief of Police was not in the ordinance book; and several ordinances refer to the "city" and "Mayor" rather than the "village" and "Chairman."

Trustee Campbell voted to appoint his wife Village Clerk in April 2011. Although this is an unpaid position, the Missouri Constitution requires any public official who names or appoints to public office or employment any relative within four degrees of consanguinity to forfeit his office.

Police Vehicle	The village needs to decide whether or not to keep its police vehicle. The vehicle was purchased in November 2007, with plans to hire a police officer but a police officer was not hired. The vehicle has a flat tire, it has not been started since 2009, its keys are missing, and the village could not determine how many miles it had been driven.
Budgets	Budgets did not contain all elements required by state law, and meeting minutes did not document approval of the budget. A complete and well-planned budget is a useful tool for setting funding expectations, monitoring costs, and keeping the public informed about village operations and current finances.
Contracts	The village did not have current formal written agreements with its trash collection vendor or the Richmond Rural Fire Protection Association, which provides fire protection services to the village. State law requires all contracts of political subdivisions be in writing.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Village of Rayville did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Village of Rayville

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Chairman and Members of the Board of Trustees
Village of Rayville, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Rayville. We have audited certain operations of the village in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, 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. We also 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.

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 village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Rayville.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: Alice M. Fast, CPA, CGFM, CIA
Audit Manager: Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor: Rex Murdock, M.S.Acct.

Village of Rayville

Management Advisory Report

State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures utilized by the village need improvement.

1.1 Fund accounting

The village does not have an adequate and complete financial accounting system. The following concerns were noted:

- Monthly receipt and disbursement ledgers are prepared from the monthly bank statement rather than actual receipts and disbursements made during the month.

Fund ledgers and summary reports showing receipt sources and disbursement types should be prepared for each fund on a monthly basis and should be used for comparison to budgeted amounts and overall review of village operations. Complete, organized, and timely accounting records are necessary to provide accurate and timely financial information to village officials upon which effective management decisions may be made.

- The village has not established a separate fund or separate accounting for its cleanliness user (trash) fees. In addition, the village does not have documentation to justify the trash fee assessed to ensure the fee is sufficient to cover the costs of the trash operations, but is not excessive. A fund ledger is not maintained to track the operations of the village's cleanliness financial activities. All cleanliness user fees are accounted for in the General Revenue Fund ledgers and presented in the General Revenue Fund on the financial statements. During the year ended December 31, 2010, the village received \$10,995 and disbursed \$8,866 in cleanliness user fees.

A Cleanliness User Fees Fund would help the village track the cost of providing trash services to the residents and help ensure a fee could be developed to recoup all costs of operation, without being excessive. Without proper allocations of expenses and recognition of all receipts and disbursements, operations cannot be properly measured and evaluated to ensure funding levels are met.

- The village has not established a separate fund or separate accounting for motor vehicle-related monies received from the state, and does not monitor the use of these funds to ensure compliance with state law. During the year ended December 31, 2010, the village received motor-vehicle monies of \$7,805, and made motor-vehicle disbursements of \$3,466.



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Management Advisory Report - State Auditor's Findings

Article IV, Section 30, Missouri Constitution, requires motor-vehicle related revenues apportioned by the state of Missouri be expended on street-related purposes including construction, maintenance, repair, policing, signing, lighting, and cleaning of roads and streets.

1.2 Bank reconciliations

Monthly bank reconciliations are not adequate. The village does not maintain a running cash balance, so the village does not know the applicable balance to reconcile to when preparing the reconciliation. The village bank reconciliation only includes a list of outstanding checks in the monthly fund ledgers. However, this was not always properly indicated and our review of 2 months identified outstanding checks that were not indicated on the fund ledger. Also, deposits in transit were identified that were not indicated on the fund ledger.

Preparation of monthly bank reconciliations and maintaining records of cash balances is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors.

1.3 Segregation of duties

The duties of the Village Collector are not adequately segregated, and the Board of Trustees does not provide adequate supervision or review of the work performed by the Village Collector. The Village Collector is responsible for receipting and disbursing monies, performing bank reconciliations, and preparing financial reports. The bank statements are provided to the Board for review; however there is no documentation of Board review.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

1.4 Disbursements

Disbursements are not always approved by the Board before payment is made. Board meetings were not held during October, November, or December 2010. The village disbursed \$4,682 during those 3 months or approximately 21 percent of the disbursements made during the year ended December 31, 2010, without the approval of the Board. During this period, some checks were signed by the Collector or the Village Clerk, and approved by only one board member.

Disbursements should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs. To adequately document Board review and approval, a complete list of all bills (including each check number) to be paid should be prepared and included with the meeting minutes. The list should be signed after review by the Collector and the Chairman of the Board of Trustees to



Village of Rayville
Management Advisory Report - State Auditor's Findings

provide an independent attestation that the disbursements are a correct record of the village's financial obligations.

1.5 Bonds

Village officials are not bonded. Section 80.250, RSMo, requires bond coverage of at least \$1,000 for the village collector. Failure to properly bond all persons with access to assets exposes the village to risk of loss.

Recommendations

The Board of Trustees:

- 1.1 Ensure a complete financial accounting system is established. Funds should be established for the village's cleanliness user fees and motor vehicle receipts. Summaries should be prepared documenting monthly receipts sources and disbursements types. In addition, the Board of Trustees should document how village cleanliness user fees were determined and ensure the fees are sufficient to cover costs without being excessive.
- 1.2 Ensure complete bank reconciliations are performed, and account balances are maintained in the check book register.
- 1.3 Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
- 1.4 Review and approve all disbursements, and ensure the review and approval is documented.
- 1.5 Obtain bond coverage for all officials with access to village assets.

Auditee's Response

The Board of Trustees provided the following written responses:

- 1.1 *It was recommended that the Village establish accounting procedures that ensure the monies received are maintained in separate accounts. The Village hired a new Collector to establish a separate fund accounting system and keep track of the separate funds. The Board will review the funds and accounts at regular meetings. The Board will also determine the appropriate amount of fees charged for trash service when the next budget is approved.*
- 1.2 *It was recommended that the Village ensure that proper bank reconciliations are completed. The Village Collector will ensure that the bank reconciliation will be prepared using Quickbooks, and upon completion the bank reconciliation will be presented to the Board.*



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Management Advisory Report - State Auditor's Findings

- 1.3 *It was recommended that an independent review of the reconciliations be done. The Village will have a Board Trustee or someone else review the bank reconciliation to ensure accuracy.*
- 1.4 *It was recommended that all disbursements of Village funds be approved. The Board will document approval of all disbursements.*
- 1.5 *It was recommended that the Village obtain bond coverage for all officials. The Village has contacted an Insurance Company to provide bond coverage.*

2. Meetings, Minutes, and Ordinances

Procedures for conducting and documenting meetings need improvement, village ordinances are not up to date, and an issue of nepotism occurred.

2.1 Minutes

Formal minutes were not maintained for the July, August, and September 2010 meetings. We determined meetings were held during these months as financial records indicate payments were made to trustees for attending meetings. The Chairman indicated the July 2010 meeting was null and void because during the meeting he believed he could only vote in case of a tie, which was later determined to be incorrect. However, such action would not make a meeting null and void, and minutes of the meeting should have been prepared and maintained. Notes from the August meeting were obtained from a Board Trustee, and no minutes were kept for the September meeting, although a former Board Trustee indicated a meeting was held.

Section 610.020, RSMo, requires complete and accurate meeting minutes be maintained to retain a record of business conducted and to provide an official record of board actions and decisions.

2.2 Closed meetings

Three closed meetings were held without a vote to close the meeting. These closed meetings were held in April 2009, August 2010, and January 2011. Additionally, minutes maintained for the closed meetings indicated topics discussed (for example, having an opening prayer at each future meeting) did not appear to be allowable by state law.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting, including reference to a specific section of the law, shall be voted on at an open session. In addition, this law provides that the board shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo, list the topics which may be discussed in closed session.

2.3 Ordinances

Ordinances of the village are not complete, well organized, and up to date. In addition, the following concerns were noted:



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- Ordinance number 22.010 refers to the village fiscal year as ending on August 31, however financial statements and budgets are prepared for a calendar year.
- Ordinance Number 707 which grants the Chairman powers to act as the Chief of Police if a police officer is not on the payroll was not contained in the village ordinance book.
- Numerous ordinances indicate city and Mayor instead of indicating village and Chairman.

Since ordinances represent legislation which has been passed by the Board of Trustees to govern the village and its residents, it is important that village ordinances be maintained in a complete and up-to-date manner.

2.4 Nepotism

According to Board minutes, in April 2011, Trustee Campbell voted to appoint his wife as the Village Clerk. Although the Village Clerk is currently an unpaid position, the appointment is nepotism.

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 appointing a relative, the Board should ensure its members abstain from any decision to appoint 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 village official has benefited improperly.

Recommendations

The Board of Trustees:

- 2.1 Ensure meeting minutes are maintained as required by state law.
- 2.2 Ensure the vote to close a session is documented in open minutes, along with the reason for closing the session. In addition, the Board of Trustees should ensure only allowable subjects are discussed in closed sessions.
- 2.3 Ensure ordinances are maintained in a complete, and up to date manner.
- 2.4 Ensure Board trustees abstain from voting when a relative's appointment is involved, and consult legal counsel regarding the nepotism issue.



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Auditee's Response

The Board of Trustees provided the following written responses:

- 2.1 *It was recommended that the Village strive to ensure better public meeting records are maintained. The Village hired a Collector to maintain better record keeping and minutes.*
- 2.2 *It was recommended that the Village strictly adhere to the legal requirements of the closed session meetings and that only allowable subjects are discussed in those closed meetings. The Village agreed and retained an Attorney to ensure compliance with closed minutes.*
- 2.3 *It was recommended that the Village ensure that all ordinances are maintained up to date and complete. The Village has updated the ordinance correcting the fiscal year end, and is working on updating all other ordinances which are found to be out of date or no longer necessary.*
- 2.4 *It was recommended that the Village ensure that the State Constitutional mandates concerning nepotism are known and followed by members of the Board of Aldermen. While the Board understands the inherent consequences that nepotism and its related distrust of governmental bodies for insider dealings, it also is faced with being a small community where a majority of its citizens are interrelated to one another. In order to ensure public confidence with future appointments to vacancies, the board will ensure that all discussions concerning situations where potential nepotism or conflicts of interest exist will be completely documented to establish that no public office holder has improperly benefited from an appointment.*

3. Police Vehicle

The village has not determined a plan for the use of a police vehicle. In November 2007, the village purchased a police vehicle and equipment for the vehicle for approximately \$7,000. At the time of purchase, the village planned to hire a police officer to enforce village ordinances; however, a police officer was not hired. The police vehicle is currently located outside the village hall, with a flat tire, and according to the current Chairman, has not been started since early 2009. Village officials were not able to locate the keys to the police vehicle. The village did not maintain vehicle logs and could not determine the number of miles the police vehicle had been driven. Discussions have been held about potentially selling the police vehicle, or placing the police vehicle in operation; however, no decision has been made.

A decision needs to be made regarding the police vehicle. Items to consider include the costs to maintain and operate the vehicle, cost/benefit of a police officer, and financial condition of the village.



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Recommendation

The Board of Trustees should make a decision regarding the police vehicle.

Auditee's Response

The Board of Trustees provided the following written response:

It was recommended that the Village determine the future use of the police car that is not currently being used. The Board will take this recommendation into consideration.

4. Budgets

While budgets are prepared, they do not contain all elements required by state law, and the adoption of budgets is not documented. The following concerns were noted for the 2011, 2010, and the 2009 budgets:

- Budgets did not contain a budget message.
- Budgets did not contain the actual receipts and disbursements for the 2 preceding budget years.
- Budgets did not separate the General Revenue Fund and the Fire Fund.
- Budgets did not include a summary which included the beginning available cash balance, and estimated ending cash balance by fund.
- The meeting minutes did not document the approval of the budget. The Village Collector indicated she prepared the 2011 budget once she learned of our audit, which occurred after the beginning of the year. The Board did not review and approve the 2011 budget, and minutes do not indicate the approval of the 2010 budget.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual budget. A complete budget should include separate receipt and disbursement estimations by fund, the beginning available resources, and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the 2 preceding years. In addition, Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific funding expectations for the village's operations, and a means to effectively monitor actual costs by periodically comparing budgeted to



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actual disbursements. It will also assist in informing the public about the village's operations and current finances.

Recommendation

The Board of Trustees prepare annual budgets which contain all information required by state law, and approve and document its approval of budgets prior to the beginning of the fiscal year.

Auditee's Response

The Board of Trustees provided the following written response:

It was recommended that the Village maintain proper annual budgets in order to ensure adequate funding of Village projects. The Village will ensure final budgets are in compliance with state law, and will be approved before the beginning of the new year.

5. Contracts

The village does not have current formal written agreements with the company providing trash collection services and the Richmond Rural Fire Protection Association for fire protection services. During the year ended December 31, 2010, the village disbursed \$8,866 to the trash collection vendor. During the year ended December 31, 2010, the village disbursed \$2,690 for fire protection services.

Section 432.070, RSMo, required contracts of political subdivisions be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

Recommendation

The Board of Trustees obtain formal written agreements that specify the services to be rendered and the manner and amount of compensation to be paid.

Auditee's Response

The Board of Trustees provided the following written response:

It was recommended that the Village obtain and retain formal agreements that will specify the services to be rendered and the compensation to be paid. The Village will work to obtain a contract with the trash company and consider a new contract for fire protection.

Village of Rayville

Organization and Statistical Information

The Village of Rayville is located in Ray County. The village was incorporated in 1903. The village had two part-time volunteers on December 31, 2010.

Village operations include trash collection, providing street lights, maintenance of the village park, and fire protection.

Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The Chairman is appointed by the board from the members. The Board of Trustees at December 31, 2010 are identified below. The Chairman is paid \$10 per meeting and other trustees are paid \$5 per meeting.

Robert Campbell, Chairman
Art Morrill
Betty Mitchell
James Ketchum
Richard Wyse

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Village of Rayville did not receive any federal stimulus monies during the year ended December 31, 2010.

Financial Activity

A summary of the village's financial activity for the year ended December 31, 2010, follows:

Village of Rayville
Year Ended December 31, 2010

	General Revenue Fund	Fire Fund	Total
RECEIPTS			
Property tax	\$ 4,907	524	5,431
Motor fuel and vehicle fees	7,805	0	7,805
Franchise tax	4,779	0	4,779
Cleanliness user fees	10,995	0	10,995
Charges for services	95	0	95
Interest	26	0	26
Other	30	0	30
Total Receipts	28,637	524	29,161
DISBURSEMENTS			
General government	7,125	0	7,125
Fire protection	0	2,690	2,690
Streets and roads	3,466	0	3,466
Trash collection	8,866	0	8,866
Total Disbursements	19,457	2,690	22,147
			0
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,180	(2,166)	7,014
CASH, JANUARY 1, 2010	(1,918)	7,932	6,014
CASH, DECEMBER 31, 2010	\$ 7,262	5,766	13,028