



Claire McCaskill

Missouri State Auditor

February 2005

Southwest City, Missouri

Year Ended December 31, 2003



Office Of
Missouri State Auditor
Claire McCaskill

February 2005

The following problems were discovered as a result of an audit conducted by our office of the City of Southwest City, Missouri.

The former City Clerk/Collector was paid approximately \$42,600 between January 2003 and March 2004; however, approximately \$9,400 of the payments appeared to be questionable or not supported and were sometimes recorded incorrectly. The former City Clerk/Collector overpaid herself by at least \$838 and \$4,649 for tax commissions during the 2003 and 2002 tax years, respectively. In addition, two tax commission payments were recorded incorrectly by the former City Clerk/Collector in the city's accounting records, further concealing the overpayments. The former City Clerk/Collector also received a two percent increase in tax commission during her term of office, and as a result, was overpaid an additional \$2,203. Additionally, the former City Clerk was apparently overpaid \$1,185 in salary because recorded hours in the city's computerized payroll system exceeded those reported on her timecards and numerous errors in the calculation of total hours worked were made on her timecards. Further, the former City Clerk apparently overpaid herself \$500 for attending and recording board meeting minutes.

Unauthorized purchases totaling \$1,270 appear to have been made by the former City Clerk with a city credit card during December 2002. These purchases included toys, electronics, children and men's clothing, candy, holiday dinner supplies, and a sewing machine.

The city does not have a formal bidding policy. As a result, bids were either not solicited or bid documentation was not retained for items including: fire department equipment, \$54,090; water tower maintenance, \$19,513; insurance, \$15,052; and fuel, \$7,305. Additionally, adequate supporting documentation of expenditures was not always retained, payroll taxes were underpaid and reported incorrectly to the IRS, and the city entered into a verbal agreement to pay expenses of a local business in exchange for future services. The Board of Aldermen also does not consistently receive a detailed monthly financial report, Forms 1099 are not always filed with the Internal Revenue Service (IRS), and the city does not maintain mileage or maintenance logs for any of the city owned vehicles and equipment.

The former and current City Collectors did not prepare monthly or annual reports of taxes collected, and the delinquent tax report prepared by the former City Collector was incomplete. In addition, the city has not adequately monitored or pursued collection of delinquent taxes, and the former City Collector did not charge penalties on delinquent taxes.

(over)

YELLOW SHEET

An adequate review of city employees' timecards, computerized payroll reports, and payroll checks was apparently not performed by the board which allowed inaccuracies to go undetected. In addition, timecards prepared by city employees were not always signed by the employee, and the city does not maintain records of vacation, sick leave, and compensatory time earned, taken or accumulated for each employee.

The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid for its utility system. In addition, there is no independent approval of adjustments posted to the utility system, and the city does not monitor its water usage on a monthly basis.

The city does not issue receipt slips for some monies received and monies are not always deposited intact and timely. Controls over petty cash funds need to be established, and the city needs to evaluate the need for excessive accounts, including eight certificates of deposit and nine bank accounts, eight of which are non-interest bearing.

Also included in the report are recommendations related to other accounting controls and procedures, budgetary procedures, restricted revenues, board meetings, records, and ordinances, property records, and municipal court and police department controls and procedures.

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

SOUTHWEST CITY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-28
<u>Number</u>	<u>Description</u>
1.	Questionable Transactions5
2.	Expenditures7
3.	Property Tax Procedures11
4.	Personnel Policies and Procedures.....13
5.	Utility System Controls and Procedures14
6.	Accounting Controls and Procedures.....17
7.	Budgetary Procedures20
8.	Restricted Revenues.....21
9.	Board Meetings, Records, and Ordinances23
10.	Property Records.....24
11.	Municipal Court and Police Department Controls and Procedures25
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	29-32

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit Southwest City. The city engaged The CPA Group, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2003. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for 2002, as the 2003 audit had not been completed. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2003. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and

violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the 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.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

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



Claire McCaskill
State Auditor

September 24, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Pamela Allison Tillery, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SOUTHWEST CITY, MISSOURI
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1.	Questionable Transactions
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The former City Clerk/Collector was paid approximately \$42,600 between January 2003 and March 2004; however, some of the payments appeared to be questionable or not supported and were sometimes recorded incorrectly. The former City Clerk/Collector was paid tax commissions of seven and five percent based on taxes collected during the 2003 and 2002 tax years ending October 31, 2004 and 2003, respectively. In addition, the former City Clerk/Collector was paid a salary and for attending and recording board meeting minutes. The former City Clerk/Collector also served as the Utility Clerk and the Municipal Court Clerk until her resignation on March 8, 2004. Due to various internal control weaknesses including little or no review by someone independent of the former City Clerk/Collector, numerous errors, omissions, and questionable transactions were allowed to go undetected.

Payments to the former City Clerk/Collector are noted in the table below:

	November 2003 through March 8, 2004 (7% commission)	January through October, 2003 (5% commission)
Tax Commissions	\$ 8,549	9,826
	January through March 8, 2004	January through December, 2003
Salary	4,468	18,672
Board Meetings (\$20 per meeting)	125	935
Total	\$ 4,593	19,607

We noted the following concerns with payments made to the former City Clerk/Collector:

- A. The McDonald County Assessor printed the city's current property tax books for the 2003 and 2002 tax years which totaled to \$115,615 and \$105,935, respectively. The delinquent tax list prepared by the former City Clerk/Collector for the 2003 and 2002 tax years totaled to \$5,458 and \$2,388, respectively. Based on these reports, the maximum commission received would have been \$7,711 (7% of \$110,157) and \$5,177 (5% of \$103,547), resulting in overpayments of at least \$838 and \$4,649, respectively.

Two tax commission payments were recorded incorrectly by the former City Clerk/Collector in the city's accounting records, further concealing the overpayments. For example, one payment for \$2,143 was recorded as a payment to a local utility company and another payment for \$696 was recorded as a

payment to a chemical company. The former City Clerk had no explanation for why these tax commission payments were recorded in this manner.

In addition, the former City Clerk/Collector was not entitled to receive the two percent increase in tax commission during the 2003 tax year, and as a result, was overpaid an additional \$2,203. The former City Collector was elected in April 2003 to a two year term, and the Board of Alderman approved an increase in tax commissions to seven percent in June 2003. Section 79.270, RSMo 2000, requires the salary of an officer shall not be changed during the time for which he was elected or appointed.

Further, the former City Clerk/Collector did not report the tax commissions on her W-2 forms for the years ended December 31, 2003 and 2002. The IRS regulations require employers to report wages on W-2 forms and withhold federal income taxes.

- B. The former City Clerk was apparently overpaid \$1,185 in salary during the period January 2003 through March 2004, because recorded hours in the city's computerized payroll system exceeded those reported on her timecards. For example, for the week ending June 12, 2003, the former City Clerk's time card reported 40 hours worked; however, the former City Clerk recorded 44 hours on the city's computerized payroll system which was used to prepare the payroll checks. The former City Clerk indicated that normal procedure was to record the hours worked in the computerized payroll system from the city's timecards and she had no explanation why the two records would not agree. In addition, the timecards prepared by the former City Clerk contained numerous errors in the calculations of total hours worked. For example, the former City Clerk calculated total hours worked on her time card for the week ending January 16, 2003 to be 45 hours; however, we recalculated the time worked to be 43.5 hours. Additional payments to the former City Clerk for vacation also appear questionable (See MAR No. 4).
- C. The City Clerk is paid a \$20 fee for attending board meetings and recording the meeting minutes. Between January 2003 and March 2004, the former City Clerk attended approximately 28 board meetings, according to board minutes, and should have been paid approximately \$560. However, the former City Clerk paid herself \$1,060, resulting in apparent overpayments of \$500.

These apparent overpayments were allowed to occur and not be detected due to a lack of control procedures being in place as noted in MAR Nos. 2-4.

WE RECOMMEND the Board of Aldermen request repayment of the apparent overpayments from the former City Clerk/Collector. In addition, the city should file amended W-2 forms for the unreported income of the former City Clerk/Collector.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

A-C. We will work with the City Attorney and County Prosecutor to obtain repayment of these overpayments. We will also amend the former City Clerk's W-2 Forms with the IRS.

2. Expenditures

Controls and procedures over city expenditures are in need of improvement. Unauthorized purchases appear to have been made by the former City Clerk with a city credit card. Also the city does not have a formal bidding policy, did not retain adequate supporting documentation of expenditures, and the former City Clerk underpaid the amount of Social Security and Medicaid liability due and reported these liabilities incorrectly on the city's quarterly federal tax return. In addition, detailed financial reports are not prepared for the board's review, and the city did not always file Forms 1099 with the Internal Revenue Service (IRS) when required. The city also did not maintain mileage or maintenance logs for vehicles and equipment.

A. Unauthorized purchases totaling \$1,270 appear to have been made by the former City Clerk with a city credit card during December 2002. These purchases included toys, electronics, children and men's clothing, candy, holiday dinner supplies, and a sewing machine. The city had no explanation how such items were used by or on behalf of the city.

The former City Clerk provided the board with a payment authorization form on the November credit card statement totaling \$816 which was due to a retailer on November 17, 2002. The payment authorization form appears to have been subsequently altered and a check was issued by the former City Clerk on December 9, 2004 to the retailer for \$2,000. Additional purchases of \$336 and late fees of \$5 were charged to the card on November 19, 2002. As a result of the December purchases, the January credit card statement showed a balance due of \$427. The city did not retain documentation to support the \$1,270 of purchases made in December. At our request, the city obtained these invoices from the retailer and found the above noted purchases.

The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The city should review the information and take appropriate action.

B. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past year, bids were either not solicited or bid documentation was not retained in some instances. Examples of items purchased or services rendered for which bid documentation could not be located are as follows:

<u>Item or Service</u>	<u>Cost</u>
Fire department equipment (90 day period)	\$54,090
Water tower maintenance	19,513
Insurance (annually)	15,052
Fuel (annually)	7,305
Repairs to city streets (annually)	5,478
Street equipment repairs	3,700
Office supplies (annually)	3,502
Trash service (city-wide clean up)	2,053

In addition, the city paid \$350 on June 11, 2003 to a city employee for a used patrol car light bar. No documentation of informal price quotations was retained.

Formal bidding procedures for purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- C. Adequate supporting documentation was not available for 5 of 30 expenditures reviewed. Although the board reviewed a summary bill of monthly expenditures for four of these bills, including unauthorized purchases noted above in Part A., (\$1,270), office supplies (\$787), fuel (\$743), and Christmas turkeys and hams (\$223), documentation of each purchase was not always retained. In addition, an invoice or receipt for the purchase of a used patrol car light bar (\$350) was either not obtained or retained by the city. All expenditures should be supported by a vendor invoice to ensure the obligation was actually incurred and the expenditure represents an appropriate use of public funds.
- D. The former City Clerk underpaid the amount of Social Security and Medicaid liability due for October, November, and December 2002, and reported these liabilities incorrectly on the city's quarterly federal tax return to make it agree to the monthly payroll tax deposits made. As a result, the former City Clerk failed to pay the IRS \$2,023 of payroll taxes due for the 4th quarter of 2002. The error was subsequently identified and billed by the IRS, and the city paid the bill in March 2003. Good business practices require accurate and timely payments of payroll taxes. Failure to reconcile amounts due and make timely payments could result in unnecessary penalties and interest.
- E. In December 2003, the city entered into a verbal agreement with a local business owner to share the cost of a paving project which totaled to \$1,845. The city paid

the entire amount of the paving invoice and recorded a balance due of \$923 from the local business owner on the city's copy of the invoice. In February 2004, the business owner paid the city \$100 and submitted invoices totaling \$287 for auto repairs performed on city vehicles in exchange for a portion of the paving costs. The business owner submitted additional invoices to the city in December 2004 totaling \$536.

It is not prudent for a city to pay expenses of a local business in exchange for future services. Doing so could result in the city paying for services not performed.

- F. The Board of Aldermen does not consistently receive a detailed monthly financial report, and as a result, numerous recording errors made by the former City Clerk in the city's accounting records went undetected. For example, in January 2003, the Board of Aldermen authorized a \$2,650 utility bill to be paid from the General Fund (\$750), the Water Fund (\$1,000), and the Street Fund (\$900); however, the former City Clerk recorded the entire amount in the General Fund. (See MAR No. 1.A. for an additional example.)

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

- G. In December 2003, the board approved the purchase of a turkey or a ham for each city employee from a local store as a Christmas bonus. Each employee was allowed to select the turkey or ham of their choice and charge it to the city. Eight purchases totaling \$223 were made ranging from \$12 to \$48 each.

Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- H. The city has no procedures in place to ensure Forms 1099 are always filed with the Internal Revenue Service (IRS) when required. As a result, the city did not file 1099s with the IRS for payments to a contractor for street repairs totaling \$3,535.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- I. The city does not maintain mileage or maintenance logs for any of the vehicles and equipment owned by the city. The city maintains seventeen vehicles and equipment, and expended approximately \$7,305 in fuel costs during the year ending December 31, 2003. Mileage logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The mileage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by the Board of Aldermen to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

WE RECOMMEND the Board of Aldermen:

- A. Review the unauthorized purchases and take the appropriate action. In addition, ensure all expenditures from city monies are a prudent use of public funds.
- B. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- C. Require adequate supporting documentation prior to approving expenditures for payment.
- D. Ensure the correct amount of payroll taxes due are paid in a timely manner.
- E. Discontinue the practice of exchanging the payment of expenses for future services.
- F. Ensure monthly financial reports are prepared and reviewed.
- G. Discontinue the practice of giving bonuses to employees.
- H. Ensure IRS Forms 1099 are prepared and submitted as required by the Internal Revenue Code.
- I. Maintain mileage and maintenance logs for all city vehicles and equipment.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We will work with the City Attorney and County Prosecutor to request repayment of items purchased.*
- B. *We will establish and implement a bid policy and retain documentation of bids received.*

- C. *We will retain and review all documentation of expenditures in the future.*
- D. *We will ensure payments made to the IRS are correct and timely.*
- E. *This will be implemented immediately.*
- F. *We will require detailed monthly financial statements be prepared for our review.*
- G. *This has been implemented.*
- H. *We will ensure 1099 Forms are issued when appropriate.*
- I. *We have implemented mileage logs and will require them to be used.*

3. Property Tax Procedures

Significant problems were identified in the control procedures used by the city related to the property tax system. The former and current City Collector did not prepare monthly or annual reports of taxes collected, and the city has not adequately monitored or pursued collection of delinquent taxes. In addition, the former City Collector did not charge penalties on delinquent taxes. As a result of these weaknesses, there is less assurance that all property tax monies have been properly accounted for.

The City Clerk also serves as the City Collector and is responsible for billing, collecting, and posting property tax payments to city records. The former City Clerk served as City Collector from February 2000 until her resignation on April 15, 2004 and the new City Clerk was appointed on April 26, 2004. City taxes assessed to city residents totaled approximately \$115,000 and \$106,000 during the tax years ending February 28 (29), 2004 and 2003.

- A. Neither of the City Collectors prepared monthly or annual reports of taxes collected. Although the City Collectors prepared a report of taxes collected periodically to receive payment for commissions, neither collector prepared monthly or annual reports, and the Board of Aldermen did not review and approve the reports prepared. Documentation of the collection reports prepared by the former City Collector was not always retained. In addition, the former City Collector's 2002 delinquent tax listing only included a total of delinquent taxes due from each tax payer and did not list taxes due by each tax year.

Sections 79.310, 94.320, and 94.330, RSMo 2000, require the City Collector to prepare monthly and annual reports to the Board of Aldermen of the amount of taxes collected and to prepare annual lists of delinquent taxes including a detailed list of persons who have not paid. The board is to examine and approve the reports and charge the City Collector to collect the amount of delinquent taxes due.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. Without such a report examined by the board, any errors or irregularities that might occur are likely to go undetected.

- B. The city does not adequately monitor or pursue collection of delinquent taxes. The city has not mailed delinquent tax statements for amounts due, and the city has not conducted sales of real property to collect delinquent taxes on such property, as allowed by state law. Delinquent taxes were approximately \$6,898 and \$2,388 for the tax years ending February 28 (29), 2004 and 2003, respectively. The delinquent tax report noted above for the year ending February 28, 2004 includes delinquent taxes assessed for the tax years 2003, 2002, 2001, and 2000.

Section 94.330, RSMo 2000, provides that the Board of Aldermen may declare worthless and abate any and all personal delinquent taxes which they deem uncollectible. Section 140.150, RSMo 2000, provides that all land on which there are delinquent taxes may be offered for sale at public auction, and Section 140.160, RSMo 2000, provides the sale shall not be valid unless initial proceedings are commenced within three years after the delinquency of such taxes.

- C. The former City Collector did not charge interest and penalties on delinquent taxes collected, and as a result, interest and penalties were not paid. For example, delinquent taxes of \$104 were due in December 2002, but were not paid until October 2003, which should have resulted in interest and penalties of \$19 being assessed and paid by the tax payer. City ordinance number 130.100 and Section 140.100.1, RSMo 2000, currently provide for a penalty of two percent per month up to a maximum of eighteen percent per year for each delinquent tax bill.

WE RECOMMEND the Board of Aldermen:

- A. Require the City Collector to prepare and maintain detailed monthly and annual reports of taxes collected and delinquent taxes. In addition, the reports should be reviewed and approved by the Board of Aldermen.
- B. Adopt policies for the collection of delinquent taxes, including tax sales, and abating uncollectible personal property taxes.
- C. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with city and state law.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. We will require monthly and annual reports of taxes collected to be prepared and will establish procedures to review these reports.*
- B. We will implement procedures to collect delinquent taxes.*
- C. We are currently charging penalties on delinquent taxes.*

4. Personnel Policies and Procedures

An adequate review of city employees' timecards, computerized payroll reports, and payroll checks was apparently not performed by the board which allowed inaccuracies to go undetected. Also, timecards prepared by city employees were not always signed by the employee. In addition, the city does not maintain records of vacation, sick leave, and compensatory time earned, taken, or accumulated for each employee.

City employees are required to prepare timecards and submit them to the City Clerk for processing weekly. Each time card is then approved by the Mayor, and the City Clerk records the information from the timecards into the city's computerized payroll system. The City Clerk manually prepares the payroll checks, which are signed by both the City Clerk and Mayor.

- A. An adequate review of city employees' timecards, computerized payroll reports, and payroll checks was apparently not performed which allowed inaccuracies to go undetected (See MAR No. 1). For example, the timecards prepared by the former City Clerk contained numerous errors in the calculations of total hours worked. In addition, numerous errors were noted between the former City Clerk's timecards and the computerized payroll reports used to prepare the actual payroll checks. Although the Mayor signed the former City Clerk's timecards and payroll checks; the timecards, computerized payroll reports, and paychecks prepared by the former City Clerk were not properly reviewed by the Mayor or Board of Aldermen to ensure their accuracy. Also, weekly timecards prepared by city employees were not always signed by the employee.

The lack of adequate review procedures allows the potential for errors and misstatements which may not be detected. In addition, timecards should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month.

- B. The city does not maintain records of vacation, sick leave, and compensatory time earned, taken, or accumulated for each employee. The city's personnel policy provided for full time city employees to receive 5 days of vacation after their first

anniversary date of employment, 10 days of vacation after their third anniversary date, and 15 days of vacation after their 4 year anniversary date. The policy also provided for 5 unused vacation days to be carried over into the next year and all other unused vacation time to be paid out in the final paycheck for that year.

As a result of the lack of leave records, it appears questionable whether payments to the former City Clerk for vacation were appropriate. For example, the former City Clerk paid herself \$638 for 80 hours of vacation on December 4, 2003 and another \$957 for 120 hours of vacation on March 4, 2004, and then resigned her position on March 8, 2004.

Adequate documentation of vacation and sick leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated. Leave records will also aid the city in determining unused vacation leave upon termination of employment.

WE RECOMMEND the Board of Aldermen:

- A. Ensure to perform an adequate review of timecards, computerized payroll reports, and pay checks for accuracy. In addition, ensure all timecards have been signed by both the employee and the employee's supervisor.
- B. Maintain accurate records of vacation, sick leave, and compensatory time in a manner that provides a complete record of the amount of time earned, taken, and any accumulated balances.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *Timesheets and payroll records will be properly reviewed and we will require all employees and supervisors to sign the timecards.*
- B. *We are currently tracking leave for all city employees.*

5. Utility System Controls and Procedures
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Many significant problems were identified in the control procedures used by the city related to the utility system. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid. In addition, there is no independent approval of adjustments posted to the utility system, and the city does not monitor its water usage on a monthly basis. Further, adequate efforts have not been made to pursue collection of delinquent utility accounts. As a result of these weaknesses, there

is less assurance that all utility monies have been accounted for properly, and water usage has been properly monitored.

The City Clerk is responsible for billing, collecting, and posting utility payments to the city's accounting software as well as generating monthly activity reports, making credit adjustments, and reconciling the water and sewer bank accounts. The Utility Supervisor and his staff are responsible for reading customer meters and the meters at the city's wells and monitoring the city's water usage.

- A. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid for utility services including water, sewer, and trash. The City Clerk utilizes a computerized system to prepare bills and record payments of utility fees. Meter readings are recorded monthly by the maintenance department workers. The City Clerk then generates and mails the monthly utility bills, generates meter reading and billing reports, receives payments, records the payments on the system, and generates a delinquent listing. The utility system operating revenues were in excess of \$83,000 for the year ended December 31, 2002 according to the city's independent audit report.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis.

- B. There is no independent approval of adjustments posted to the utility system. The City Clerk has the ability and authority to post adjustments to the computer system without obtaining independent approval. The city made twenty seven adjustments to sixteen different utility accounts totaling \$23,581 for the month of December 2003. The City Clerk indicated \$22,000 of these adjustments were made because the city agreed to receive services valued at approximately \$11,000 from a citizen in exchange for adjusting his utility account for future utility bills and then the city rescinded their decision. The city also made forty three adjustments to twenty one different utility accounts totaling \$48,425 for the month of April 2003. The Utility Supervisor indicated \$48,000 of the adjustments were made because twenty seven meters had to be replaced.

To ensure that all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained of such adjustments.

- C. Accounting duties were not adequately segregated, and there was no independent review of the water and sewer bank reconciliations, or monthly activity reports. To ensure monies are properly recorded and handled, the duties of depositing need to be segregated from reconciling the accounts and preparing monthly activity reports. At a minimum, there should be a reconciliation of receipts to deposits as well as an independent review of bank reconciliations and monthly reports.

- D. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped on a monthly basis. The City Clerk prepares a monthly billing report showing the number of gallons billed, and the Utility Supervisor records meter readings of the city's water wells each month, so information is available to perform such reconciliations.

During November 2003, the gallons of water pumped exceeded the total gallons billed by 663,710 gallons, or 27 percent. The city's Utility Supervisor indicated that he believed the loss was due to the local fire department filling fire trucks, water used at the city park and city hall, and water leaks.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

- E. Adequate efforts have not been made to pursue the collection of delinquent accounts. At December 31, 2003 and 2002, the city had \$4,479 and \$2,235 in utility accounts receivable, respectively. Several of these accounts have remained on the delinquent accounts receivable listing for several months.

To help maximize utility revenues, the city should develop adequate procedures for the handling of delinquent utility accounts. This should include a periodic review of delinquent accounts and appropriate action being taken to pursue amounts owed. In addition, the city should consider writing off those accounts that are considered uncollectible, after proper review and approval.

WE RECOMMEND the Board of Aldermen:

- A. Ensure that monthly reconciliations of the amounts billed to amounts collected and delinquent accounts are performed.
- B. Require someone independent of the utility system review and approve all adjustments and ensure adequate documentation is retained of such adjustments.
- C. Provide for an adequate segregation of duties or the performance of independent reviews of the utility accounting records.
- D. Ensure the gallons of water pumped is compared to the gallons billed on a monthly basis and investigate any significant differences.
- E. Ensure adequate procedures are established for the handling of delinquent utility accounts. This should include a periodic review of delinquent accounts and appropriate action being taken to pursue amounts owed.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. We will require monthly reconciliations to be performed.*
- B. We are currently approving all adjustments and will request the City Clerk to prepare a summary report of adjustments made for each month.*
- C. We will consider establishing procedures to review the utility accounting records.*
- D. We will require the Utility Supervisor to reconcile water usage monthly and investigate any significant water losses.*
- E. We will work with the City Attorney to establish ordinances and policies to pursue amounts owed or write off uncollectible accounts.*

6. Accounting Controls and Procedures
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The City Clerk is responsible for the maintenance of the city's financial records. The former City Clerk resigned and a new City Clerk was appointed in March 2004. Many significant problems were identified in the control procedures used by the prior and new City Clerk to account for city transactions, including not issuing receipt slips for monies received, and not depositing all monies intact and on a timely basis. In addition, controls over the city's petty cash funds need improvement, the city maintains nine bank accounts and eight certificates of deposit (CDs), eight of the nine bank accounts are non-interest bearing accounts, and the city has not currently designated an employee to serve as City Treasurer or City Collector. As a result of these weaknesses, there is less assurance that all city monies have been accounted for properly.

- A. The city does not issue receipts slips for some monies received. For example, during cash counts conducted on July 20, 2004, \$186 of cash receipts received for copy, fax, notary, and garage sale permit fees had not been issued receipt slips. In addition, although the method of payment is documented on the receipt slips issued, the city does not reconcile the composition of receipt slips to the composition of deposits.

To account for all receipts and ensure all receipts are deposited, prenumbered receipt slips should be issued for all monies received and reconciled to the composition of monies deposited.

- B. Receipts were not always deposited intact and on a timely basis. For example, a cash receipt received on July 12, 2004 and included in our cash count on July 20, 2004 was held and not deposited until August 4, 2004.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100.

- C. The city maintains two change funds which also serve as petty cash funds for small disbursements. The balance of the two petty cash funds at July 20, 2004 totaled to \$164. In addition, invoices, dating between October 2002 and July 2004, were maintained in the petty cash boxes and totaled to \$348. We noted the following concerns with the city's petty cash procedures:
1. The city does not maintain either of the petty cash funds on an imprest basis and both funds appear to be used by the city for the same purpose. The City Clerk indicated miscellaneous cash receipts collected from copies, faxes, and notary fees are placed in the petty cash fund and are not deposited into the city's bank accounts.
 2. The city does not maintain an adequate petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund.
 3. Some expenditures of the petty cash fund do not appear to be a prudent use of taxpayer monies. For example, clothing was purchased for \$70 on November 24, 2003 from a local store, and pizzas and drinks totaling \$38 were apparently purchased for city employees on November 26, 2003.

To ensure all receipts are appropriately handled and recorded, and disbursements are proper, the city should consolidate the two petty cash funds and maintain the remaining petty cash fund on an imprest basis, meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of all paid invoices should always equal the predetermined balance. The fund should only be reimbursed by city checks equal to the amount of paid invoices, and other city receipts should not be added to the fund. In addition, the city should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund. Further, the city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner.

- D. The city maintains nine bank accounts and eight CDs. Except for separate accounts for the Water and Sewer Fund and the General Obligation Bond Fund, it appears that the remaining bank accounts and CDs could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled.

In addition, of the nine bank accounts noted above, eight are non-interest bearing accounts and totaled \$63,259 at December 31, 2003. The failure to have funds in

interest-bearing accounts results in the loss of revenues. To maximize interest earnings, all funds should be placed in interest-bearing accounts.

- E. The city has not currently designated an employee to serve as City Treasurer or City Tax Collector; however, the City Clerk primarily fulfills the duties of both these positions which include the responsibility for maintenance of the city's financial records and collecting all of the city's property tax revenues.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not feasible, the Board of Aldermen, at a minimum, should require an independent review of the accounting records to be performed.

WE RECOMMEND to the Board of Aldermen:

- A. Require receipt slips be issued for all monies received, and reconcile the composition of monies collected to receipt slips and bank deposits.
- B. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100.
- C. Maintain the petty cash fund on an imprest basis and retain adequate documentation for all petty cash disbursements. The city should also ensure that a petty cash ledger is adequately maintained. In addition, the city should ensure that all expenditures from the petty cash fund are a prudent use of taxpayer monies.
- D. Consider consolidating the city's bank accounts and CDs. In addition, maintain all funds to the extent possible in interest-bearing accounts.
- E. Provide for an adequate segregation of duties or the performance of independent reviews of the accounting records.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. We will issue receipt slips for all monies received and reconcile them to the deposits.*
- B. We will deposit all monies received intact and on a timely basis.*
- C. We will establish one petty cash fund and maintain it on an imprest basis and retain all documentation of expenditures.*
- D. We will review the bank accounts and CD's and implement this recommendation as applicable.*
- E. We will consider establishing separate positions for the City Clerk, City Collector, and City Treasurer.*

7. Budgetary Procedures

The Board of Aldermen is responsible for preparing and approving a city budget which serves as a complete financial plan for the city. The city did not prepare a budget for the years ending December 31, 2003 and 2002, and the budget prepared for the year ending December 31, 2004 was not complete. In addition, an annual maintenance plan for city streets has not been prepared.

- A. A city budget was not prepared for the years ending December 31, 2003 and 2002. Although a city budget was prepared for the year ending December 31, 2004, it did not include a budget message, accurate actual (or estimated for the years not yet ended) revenues and expenditures for the two preceding budget years, or the beginning and the estimated ending available resources.

Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include 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 revenues and expenditures for the two preceding years.

- B. An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be

performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We have already implemented this for the 2005 year.*
- B. *We will consider implementing a city street maintenance plan.*

8. Restricted Revenues

Procedures have not been established to ensure expenditures are properly allocated among the various funds and to ensure restricted revenues are expended only for their intended purposes. In addition, property tax revenues are not allocated to the various funds appropriately.

- A. Some law enforcement training monies were not spent for law enforcement training. The city expended \$600 from the Law Enforcement Training Fund in July 2003 for crime lab services. Section 488.5336 RSMo 2000, requires law enforcement training fees to be used only for the training of law enforcement officers.
- B. The city levies a property tax to pay the principal and interest on its general obligation bonds. The former City Collector collected \$2,185 of property taxes related to debt service during the period January 30, 2003 through October 30, 2003 and deposited it into the city's General Fund rather than the General

Obligation Bond Fund. State law requires debt service taxes be used only to pay bond principal, interest, and related fees.

- C. Documentation does not exist to support the allocation of some expenditures to the city's funds. For example, in April 2003 the city paid a fuel company \$743 and allocated \$443 to the General Fund and \$100 each to the Water Fund, the Street Fund, and the Fire Department Fund; however, there was no documentation to support this allocation. Fuel is used for city owned vehicles maintained by the police, water, sewer, street, and fire departments. See MAR No. 2D. for additional examples of recording errors.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Generally accepted accounting principles and various legal restrictions require revenues and expenses associated with specific activities be reflected in the fund established to account for those activities. Reflecting revenues and expenses in the proper fund is also necessary to accurately determine the results of operations of specific activities, thus, enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. User rates should be set to cover costs of producing and delivering the service and not to generate profits to subsidize other services provided by city government.

WE RECOMMEND the Board of Aldermen:

- A. Ensure law enforcement training fees are used solely for their intended purpose and repay the Law Enforcement Training Fund for any monies spent for other purposes.
- B. Transfer \$2,185 from the General Fund to the General Obligation Bond Fund, and ensure that all debt service related revenues are accounted for in the General Obligation Bond Fund.
- C. Ensure all revenues and expenditures are properly allocated to the applicable city funds to ensure compliance with the Missouri Constitution and develop and implement a reasonable method for allocating common costs between the city's funds.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We will transfer \$600 from the General Fund to the LET Fund and ensure restricted revenues are spent only for their intended use.*
- B. *We will review this and implement as applicable.*
- C. *This will be implemented.*

Open meeting minutes of the Board of Aldermen did not always disclose the final disposition of applicable matters discussed in closed session, and it is questionable whether the city complied with the provisions of the Sunshine Law when discussing some items in closed session. In addition, some board minutes were not signed by the City Clerk and Mayor. Also, city ordinances are not complete and up-to-date, and the city does not have a formal policy regarding public access to city records.

- A. The Board of Aldermen frequently held closed meetings. The open meeting minutes did not always publicly disclose the final disposition of applicable matters discussed in closed session.

Section 610.021, RSMo 2000, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transaction, personnel matters, and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. The board minutes are prepared by the City Clerk, but some minutes were not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

- C. The city's ordinances are not complete and up-to-date. Our review noted the following:

1. The city maintains a table of contents documenting ordinances passed by the city; however, several ordinances and the date each ordinance was passed was not always included.
2. The city has not adopted ordinances to establish the compensation of the City Clerk and other city employees. Sections 79.270 and 79.290, RSMo 2000, require the compensation and duties of city officials and employees to be set by ordinance.

Since the ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city ordinances be maintained in a complete, well organized, and up-to-date manner.

- D. The city does not have a formal policy regarding public access to city records. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo 2000, lists requirements for making city records available to the public. Section 610.026, RSMo 2000, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

WE RECOMMEND the Board of Aldermen:

- A. Ensure minutes publicly disclose the final disposition of applicable matters discussed in closed session. In addition, the board should ensure closed meetings are conducted according to state law.
- B. Ensure minutes are signed by the City Clerk and the Mayor or another board member.
- C. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- D. Develop written policies regarding procedures to obtain public access to, or copies of, public city records.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

A&D. These will be implemented in the future.

B. We will ensure all minutes are approved and signed by the Mayor and City Clerk.

C.1. We will ensure ordinances are correct and up to date.

2. We will establish ordinances for all city officials and employees.

10. Property Records

The city has not established records to account for all property owned by the city. Although the financial statements presented in the most recent CPA audit report for the year ended December 31, 2002, showed \$629,206 in city assets, the city does not maintain adequate asset records of their own. The CPA firm updates its asset listing each year to include any assets purchased or disposed of by the city during the year.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of

disposition of the assets. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

WE RECOMMEND the Board of Aldermen ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, the city should properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

We will implement procedures to track all city property and perform periodic inventories.

11. Municipal Court and Police Department Controls and Procedures
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Many significant problems were identified in the control procedures used by the municipal court to account for court receipts, including the lack of proper segregation of duties or an independent review of accounting records. In addition, receipt slips were not issued for some monies received, receipts were not always deposited intact on a timely basis, and receipt slips were not always retained. In addition, monthly listings of open items (liabilities) were also not prepared, and the court did not disburse the correct amount of fees to the state and city in September 2003. The City Clerk also serves as the Court Clerk. Given the court processes approximately \$32,400 annually, overall controls need improvement.

A. The duties of receiving, recording, and depositing monies collected by the municipal court are not adequately segregated. The Court Clerk performs all of these duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of the composition of receipt slips issued to composition of amounts deposited. Any unusual items or discrepancies should be investigated.

B. The court's cash receipt procedures need improvement.

1. Receipt slips were not issued for some monies received. For example, during a cash count conducted on July 20, 2004, \$50 in cash was counted that had not been issued a receipt slip and could not be identified by the Court Clerk. In addition, although the method of payment is documented

on the receipt slips that are issued, the Court Clerk does not reconcile the composition of the receipt slips to the composition of the deposits. To account for all receipts and ensure all receipts are deposited, prenumbered receipt slips should be issued for all monies received and reconciled to the composition of monies deposited.

2. Receipts are not always deposited intact or on a timely basis. For example, the court received a \$350 check on September 15, 2003 and did not deposit it until October 7, 2003. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made intact daily or when accumulated receipts exceed \$100.
 3. The city could not locate receipt books containing 125 receipt slips which appeared to have been used during the period June 2003 through January 2004. In addition, court receipts totaled \$22,483 during the time period January through June 2003 and then decreased to \$9,993 during July 2003 through December 2003. The Municipal Court Judge indicated there was a large volume of turnover in police department staff during this time period and fewer tickets might have been issued. As a result, there is no assurance court receipts were handled properly during this time period. To properly account for all receipts, all receipt slips should be retained.
- C. Monthly listings of open items (liabilities) had not been prepared. As a result, the municipal court could not ensure the amounts for open court bonds, fines, and costs were sufficient to cover the liabilities. At December 31, 2003, the police departments reconciled bank balance was \$349. We requested an open items listing be prepared by the current Court Clerk; however, a listing had not been prepared and reconciled with cash balances as of September 24, 2004. A monthly listing of open items is necessary to ensure accountability over open cases and to ensure monies held by the municipal court are sufficient to meet liabilities.
- D. The court did not disburse the correct amount of Crime Victims Compensation (CVC) fees to the state for cases heard during the year ending December 31, 2003. The city only remitted \$4.75 instead of \$7.13 (95% of \$7.50) for each of the 253 cases heard. As a result, the city underpaid the state \$602 during the year ending December 31, 2003. Section 595.045, RSMo 2000, requires 95% of CVC fees to be disbursed to the state.

In addition, although the city maintains two separate funds for Law Enforcement Training (LET) and Judicial Education (JE) fees collected by the court, the city retained the LET and JE fees collected on cases heard in September 2003 in the city's Police Department Fund. The city collected \$16 of LET fees and \$8 of JE fees during September 2003. Section 488.5336, RSMo 2000, requires LET fees to be deposited into a fund to be used for law enforcement training purposes. Section 479.260.1, RSMo 2000, requires JE fees to be deposited into a fund to be

used for judicial education and training of the Municipal Judge, Court Administrator, or Court Clerk.

Given these errors, the city should review court records to determine additional amounts owed to the state and the city's Law Enforcement Training Fund and Judicial Education Fund.

- E. The court does not file a monthly report of all cases heard with the city. Section 479.080.3, RSMo 2000, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the Clerk or Municipal Judge and filed with the City.
- F. Neither the police department nor the court maintains adequate records to account for the numerical sequence and ultimate disposition of all traffic tickets and summonses issued. The city ordered 500 and 2,000 traffic tickets from the Missouri State Highway Patrol during the years ending December 31, 2004 and 2002, respectively to be used by the police department.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets and summonses, the police department and the municipal division cannot be assured all tickets and summonses issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets and summonses as well as the ultimate disposition of each document.

- G. A control log of evidence and seized property is not maintained nor is an inventory periodically conducted by the police department of evidence and seized property in its custody. In addition, evidence and seized property items are not always tagged to identify the property to a specific case.

A complete log of evidence and seized property should be maintained to ensure the property is adequately safeguarded. The log should include information such as date of seizure, description, persons involved, current location of the property, case name and number, and date and method of release or disposition of the property. In addition, to ensure that seized property is properly accounted for, periodic physical inventories should be performed and the results reconciled to the log, and evidence and seized property items should be tagged to identify it to a specific case.

WE RECOMMEND the Board of Aldermen work with the municipal court to:

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, establish a documented periodic review of municipal court records by an independent person which includes reconciling the composition of court receipts to the composition of deposits to the city.
- B.1. Require receipt slips be issued for all monies received, and reconcile the composition of monies collected to the receipt slips and bank deposits.

2. Deposit receipts intact daily or when accumulated receipts exceed \$100.
 3. Retain copies of all receipt slips issued.
- C. Prepare monthly listings of open items and reconcile the listing to the monies held by the municipal court.
 - D. Ensure CVC fees collected are disbursed to the state in accordance with state law. In addition, ensure LET and JE fees collected by the court are deposited into city funds in accordance with state law.
 - E. Prepare monthly reports of cases heard in court and file these with the city in accordance with state law.
 - F. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.
 - G. Work with the police department to ensure a complete log of all seized property is maintained. In addition, a periodic inventory should be taken and reconciled to the log, and all seized property should be properly tagged.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We will consider establishing procedures to ensure an independent review is performed on a monthly basis.*
- B.1. *We will ensure receipt slips are issued for all monies received.*
 2. *We will ensure all monies are deposited intact and on a timely basis.*
 3. *We will retain all receipt slips.*
- C. *We have implemented a listing of all bonds held by the court.*
- D. *We will review and implement as applicable.*
- E. *Currently a court docket is prepared for the Board to review, and we will require a report of the monthly financial activity of the court be prepared for our review.*
- F. *This has been implemented. We are maintaining a log and retaining all tickets.*
- G. *This will be implemented in the future.*

The Municipal Judge concurred with the board's responses to A.-E.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF SOUTHWEST CITY, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Southwest City is located in McDonald County. The city was incorporated in 1886 and is currently a fourth class city. The population of the city in 2000 was 855.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2003, are identified below. The compensation of these officials is established by ordinance. The Mayor and each member of the Board of Aldermen are paid \$25 and \$20, respectively, for attendance at each regular board meeting.

Elected Officials	Dates of Service During the Year Ended December 31, 2003
Alfred Dixon, Mayor (1)	April 2003 to December 2003
George Frye, Mayor	January 2003 to April 2003
Ryan McKee, Alderman (2)	July 2003 to December 2003
Edward Soltow, Alderman	January 2003 to July 2003
Mildred Warner, Alderwoman (1)	June 2003 to December 2003
Darrell Longdon, Alderman	January 2003 to June 2003
Leonard Ford, Alderman (1) (3)	July 2003 to December 2003
Edward Drake, Alderman	April 2003 to July 2003
Sandra Marrs, Alderwoman	January 2003 to April 2003
Trinidad Serna, Alderwoman (4)	January 2003 to December 2003

Other Principal Officials	Dates of Service During the Year Ended December 31, 2003	Compensation Paid for the Year Ended December 31, 2003
Dehonna Shields, City Clerk/Court Clerk (5)	January 2003 to December 2003	\$ 19,607
Dehonna Shields, City Collector (6)	January 2003 to December 2003	11,336
Christopher J. Starr, Utility Supervisor	October 2003 to December 2003	4,845
James Boston, Utility Supervisor	January 2003 to October 2003	28,476
Ronald Beaudry, Chief of Police (7)	July 2003 to December 2003	10,243
Robert C. Knight, Chief of Police	June 2003 to July 2003	1,680
Christopher G. Owens, Chief of Police	January 2003 to June 2003	12,338
Greg Bridges, City Attorney/Prosecutor	January 2003 to December 2003	7,344
Ray Gordon, Municipal Judge	January 2003 to December 2003	1,737

- (1) Elected not to receive any compensation.
- (2) Resigned in April 2004 and was replaced by Judith Pendergaff in November 2004.
- (3) Farley Martin was elected in April 2004 to fill this seat.
- (4) Resigned and was replaced by Betty Coyle in July 2004.
- (5) Resigned and was replaced by Sandra Marrs in March 2004.
- (6) Resigned and was replaced by Sandra Marrs in April 2004.
- (7) Terminated in May 2004 and was replaced by Toi Cannada in August 2004.

In addition to the officials identified above, the city employed 4 full-time employees and 1 part-time employee on December 31, 2003.

Assessed valuations and tax rates for 2003 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 5,496,957
Personal property	<u>7,034,945</u>
Total	<u>\$ 12,531,902</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General Fund	\$.6180
Debt service	.3055

The Debt Service tax rate will expire in 2016.

TAX RATE(S) PER \$1 OF RETAIL SALES

	<u>Rate</u>
General	\$.0100
Transportation	.0050
Fire Department	.0025