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CITIZENS SUMMARY

Findings in the audit of the City of Waverly

Accounting Controls and Procedures

The Board of Aldermen has not adequately segregated accounting duties or ensured a documented supervisory or independent review over various financial accounting functions is performed. Several city employees perform tasks related to multiple city functions, but the city has no documentation to justify the allocation of salaries and fringe benefit expenses to various funds, totaling approximately \$230,000, during the year ended June 30, 2022.

Utility System Controls and Procedures

Non-monetary adjustments posted to the utility system for inaccurate meter readings or to reduce a balance due to water leaks are not reviewed and approved by an independent person and documentation of reasons for adjustments is not always retained. During the year ended June 30, 2022, a total of 32 non-monetary adjustments, totaling approximately \$8,000, were posted to the utility system. The City Clerk does not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for utility services. Late penalties are not always charged and utility services are not shut off in accordance with ordinances. A review of 25 accounts between July 2021 and June 2022 found late fees were not charged appropriately for 10 of the 15 accounts that made payments more than 20 days after the close of the billing period, and disconnections were not performed for 5 of the 5 accounts that made payments more than 30 days after the close of the billing period. Utility rates and fees charged to city employees were not consistent with city ordinances. City employees are not billed the base rate (first 1,000 gallons) for water or sewer usage (a combined value of \$49.54 per month for each employee), and several city employees were also not billed a trash fee, primacy fee, or franchise fee (combined value of \$9.92 per month for each applicable employee, but increased to \$16.09 in June 2022). The total amount employees were not charged during the year ended June 30, 2022, was \$3,059. The city does not maintain a listing of refundable customer water deposits or records of the deposit amounts being held in the Water Fund.

Sunshine Law

Open meeting minutes did not document the specific reasons or section of law allowing the meetings to be closed or document the Board's votes to go into closed meetings for any of the 17 closed meetings held from July 1, 2021, to August 8, 2023. Some topics discussed in closed meetings were not allowable under the Sunshine Law. Some topics discussed that were not allowed included which city fund should pay for the police department utility costs, personnel policies regarding employee leave, and the city's social media page.

Budgeting Procedures

The city's budgets for the years ended June 30, 2022, and 2023, did not include all statutorily-required information. The budgets did not include a budget message, budget summary, or actual and estimated amounts for the 2 preceding years. In addition, the amended budget for the year ended June 30, 2022, did not include the actual beginning and estimated ending cash balances. The Board does not adequately monitor budget-to-actual receipts and disbursements. Actual disbursements exceeded budgeted amounts for the General Fund by \$61,770 and the Street Fund by \$11,046 for the year ended June 30, 2022. Budget amendments were not prepared and approved until near or after the end of the fiscal year.

Compensation Ordinance, Employee Handbook, and Bonuses	The Board does not have a compensation ordinance establishing the amount of compensation of city officials and employees. In addition, documentation was not provided to support the Board's approval of the pay raises given to employees on January 1, 2022. The Board did not follow the employee handbook regarding vacation leave usage and payout of unused vacation leave. In addition, the Board did not update the employee handbook to reflect changes in the city's procedures. The Board approved year-end bonus payments to all full-time employees in violation of the Missouri Constitution. The city paid a total of \$3,050 in year-end bonus payments to the 4 full-time and 2 part-time employees in November 2021, with employees receiving bonuses ranging from \$250 to \$750. The city paid \$15,650 in year-end bonus payments between December 2013 and November 2021.
Electronic Data Security	The city has not established adequate user identification and password controls to reduce the risk of unauthorized access to city computers and data. The city does not store data backup files at an off-site location. Instead, the city maintains backup files in city hall.
Electronic Communication Policy	The city has not developed a records management and retention policy that includes electronic communication in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

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

*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.



Recommendations in the audit of the City of Waverly

Accounting Controls and Procedures

The Board of Aldermen:

- 1.1 Segregate the accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 1.2 Allocate expenses to city funds based on specific criteria and retain documentation to support the allocations.

Utility System Controls and Procedures

The Board of Aldermen:

- 2.1 Ensure all non-monetary adjustments are properly approved and compared to actual changes posted to the computer system, and documentation of reasons for all the adjustments is retained.
- 2.2 Ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts and investigate any differences.
- 2.3 Ensure late penalties are charged and utility service is shut off in accordance with city ordinance.
- 2.4 Ensure utility rates are billed in accordance with city ordinance. If employee discounts are continued, the value of any such discounts should be included on the employees' W-2 forms as taxable wages.
- 2.5 Determine the amount of customer deposits held in the Water Fund bank account and develop procedures to track the balance of those funds. Ensure a list of customer deposits is prepared and reconciled to the balance of deposits held monthly and differences are promptly investigated.

Sunshine Law

The Board of Aldermen ensure specific reasons for closing a meeting are documented in the open minutes, a vote is taken to go into a closed meeting, and only topics allowed by state law are discussed in the closed meetings.

Budgeting Procedures

The Board of Aldermen:

- 4.1 Prepare annual budgets that contain all information required by state law.
- 4.2 Monitor disbursements to ensure they do not exceed budgeted amounts and prepare any necessary budget amendments timely.

Compensation Ordinance, Employee Handbook, and Bonuses

The Board of Aldermen:

- 5.1 Establish the compensation of all city officials and employees by ordinance, and ensure documentation for employee pay increases is maintained.

- 5.2 Review and update policies in the employee handbook, as necessary, and ensure compliance with the policies.
- 5.3 Discontinue paying employee bonuses.

Electronic Data Security

The Board of Aldermen:

- 6.1 Require employees to have unique user identifications and passwords and change passwords periodically.
- 6.2 Ensure backup files are stored at a secure, off-site location.

Electronic Communication Policy

The Board of Aldermen develop a written records management and retention policy to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.