



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Excelsior Estates

Misappropriated and Missing Money, and Conflicts of Interest

From January 1, 2014, through April 30, 2021, the former Mayor/City Administrator improperly transferred money and issued checks from city funds to himself and his two businesses, totaling at least \$37,496. In addition, \$798 in city receipts collected by the former Mayor/City Administrator were not deposited and are missing. During this time, he also paid himself and his two businesses approximately \$306,000 and supporting documentation was not available for approximately \$202,000 of those payments. Many of the payments made to the former Mayor/City Administrator and his two businesses were questionable due to their timing and/or the likelihood they were for personal use. The Board does not adequately monitor its activities for conflicts of interest.

Improper Sewer Service Stipends

Board members improperly received stipends for sewer services as compensation when either compensation was not allowed by statute or the Board was not active. The city failed to submit its financial statement for the year ended December 31, 2021, until January 11, 2023, and failed to submit its financial statement for the year ended December 31, 2022, until October 27, 2023. Section 105.145.5, RSMo, prohibits payment of compensation to members of governing bodies that have not submitted their annual financial report to the SAO as required. Additionally, Board members improperly received \$880 in free sewer service prior to passing the ordinance allowing the stipend, \$320 while the Board was inactive during the COVID-19 pandemic (May and June 2020), and various other occasions when aldermen did not attend meetings as required. The former City Clerk improperly received free sewer services from May 2017 to December 2019 totaling \$1,392.

Oversight and Annual Audits

The former Board did not establish adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the former Mayor/City Administrator, which led to the misappropriations, unsupported and questionable payments, and missing money. The Board did not review a list of bills or bank statements and Board members signed checks without reviewing supporting documentation. The former Mayor/City Administrator and Board also failed to monitor the city's cash balances, causing the city to incur overdraft and maintenance charges. The city did not obtain an annual audit of its sewer system for 2018, 2019, 2021, or 2022, as required by state law.

Contracted Workers

The Board did not document the basis for classifying the former City Administrator, former city clerks, and former Billing Clerk/City Clerk as independent contractors rather than employees, and these employees were misclassified. Even if this classification was appropriate, the Board did not enter into a written contract with these individuals and did not prepare and file 1099 forms for payments made during 2015 through 2021. The current City Clerk is also classified as an independent contractor, and the city does not have documentation to support this decision. The former City Administrator, former City Clerk, and City Clerk/Billing Clerk did not submit timesheets or other documentation to support work performed. The former Mayor/City Administrator issued checks in advance of the end of the pay period to the part-time Billing Clerk. The advance payments are loans of city funds and the city has no statutory authority to make loans. The Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

Accounting Controls and Procedures	The city's procedures for receipting, recording, and depositing money are poor. As a result, money collected was not properly receipted, recorded, and deposited. The former Mayor/City Administrator frequently commingled city funds with personal funds. The former Mayor/City Administrator also made excessive and unauthorized transfers of restricted funds between various bank accounts, which further allowed improper disbursements to occur and not be detected. The city did not properly store or retain numerous financial records. City officials could not locate manual receipt slips, bank statements, and supporting documentation for disbursements, including payments to the former Mayor/City Administrator and his two businesses. The city stored some city records in disarray in a trailer made from the bed of a pickup truck with a camper shell on it.
Sewer System Controls and Procedures	The city's sewer system controls and procedures need improvement. The former Mayor/City Administrator made adjustments to customer sewer statements without obtaining independent approval or maintaining adequate documentation to support the reasons for the adjustments. The city repeatedly violated the Missouri Clean Water Law and the former Mayor/City Administrator did not take sufficient corrective action to address the sewer treatment facility issues despite his company billing the city approximately \$269,000 for sewer services.
Financial Reporting	The city did not file annual financial reports timely or publish semiannual financial statements in compliance with state law. The Board failed to submit to the State Auditor's Office the financial statement for the year ended December 31, 2021, until January 11, 2023, and the financial statement for the year ended December 31, 2022, until October 27, 2023. The city has not published semiannual financial statements for the years ended December 31, 2014, through 2023.
Sunshine Law	The city did not always comply with the requirements of the Sunshine Law. A review of meeting minutes found minutes for 24 meetings were either missing or in an unreadable format, and 17 of 69 meeting minutes reviewed were not signed and did not indicate who prepared them. The minutes for an additional 36 of the 69 meetings reviewed, indicated they were prepared by the former Mayor/City Administrator, but not signed. These minutes included discussions and approval of payments to his two private businesses and himself. Additionally, the Board did not adopt a written policy regarding public access to city records as required by state law.

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

*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 Excelsior Estates

Misappropriated and Missing Money, and Conflicts of Interest

The Board of Aldermen:

- 1.1-1.3 Work with law enforcement officials regarding criminal prosecution of the improper transfers and payments, unsupported and questionable payments, and missing money and take the necessary actions to obtain restitution.
- 1.4 Closely examine city transactions to identify conflicts of interest.

Improper Sewer Service Stipends

The Board of Aldermen ensure sewer stipends are only paid when allowed.

Oversight and Annual Audits

The Board of Aldermen:

- 3.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 3.2 Ensure an accurate and complete monthly list of bills is prepared and compared to invoices and checks written. In addition, the Board should ensure invoices are marked paid and adequately reviewed, and require documentation of receipt of goods and/or services prior to payment of invoices. The Board should also document its review of monthly bank statements and properly monitor bank account balances to avoid bank charges.
- 3.3 Obtain annual audits of the sewer system as required by state law.

Contracted Workers

The Board of Aldermen:

- 4.1 Determine the proper classification for city workers to ensure compliance with state and federal laws and regulations.
- 4.2 Ensure timesheets or other records of work performed are prepared, retained, signed, and approved.
- 4.3 Execute and retain written contracts for services that specify the services to be rendered and the manner and amount of payments to be made. The Board and the current City Clerk should prepare the applicable tax forms for the former City Administrator and City Clerks/Billing Clerk for compensation provided as appropriate.
- 4.4 Discontinue the practice of providing pay advances.

Accounting Controls and Procedures

The Board of Aldermen:

- 5.1 Issue official prenumbered receipt slips for all payments received, indicate the method of payment on all receipt slips, reconcile the composition of receipts to the composition of deposits, properly

secure all receipts prior to deposit, and deposit all payments received intact and timely.

- 5.2 Discontinue the practice of commingling city money with personal funds.
- 5.3 Monitor and reduce the number of transfers made between bank accounts, and ensure transfers are authorized and allowable. The Board should also determine the amount of restricted funds in the city's accounts and establish separate funds or a separate accounting of this money.
- 5.4 Retain all records in accordance with state law.

Sewer System Controls and Procedures

The Board of Aldermen:

- 6.1 Prepare a list of adjustments and ensure all adjustments to sewer accounts are properly approved and compared to actual changes and documentation of all adjustments is retained.
- 6.2 Continue to ensure compliance with the operating permit and the Missouri Clean Water Law.

Financial Reporting

The Board of Aldermen:

- 7.1 Timely submit annual financial reports to the State Auditor's Office as required by state law.
- 7.2 Publish financial statements as required by state law.

Sunshine Law

The Board of Aldermen:

- 8.1 Maintain complete and accurate meeting minutes for all meetings and ensure meeting minutes are signed by the preparer and approved by the Board.
- 8.2 Develop a written public access policy.