



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Pevely

Financial Issues	The city inappropriately transferred \$200,000 from the Water and Sewer Fund to finance general operations and does not have a formal plan in place to repay the funds. The Board does not receive and review detailed financial information, which would assist in effectively monitoring cash balances and the financial condition of city funds. Audit staff noted several concerns related to bond issues and tax collections. The city became responsible in 2013 for covering a portion of the general obligation bond payments related to a Neighborhood Improvement District (NID) when the revenue collected from special assessments was not enough to cover the bond payments. The city improperly used monies from the NID bond reserve account to make bond payments, and did not properly enforce several taxes, resulting in lost revenues. The city was not collecting two sales taxes on residential customer utility bills (one to fund road improvements and the other to fund construction of city hall) and was not properly collecting a telecommunications tax.
Budgets and Financial Statements	Annual budgets do not contain all elements required by state law, and the city did not submit an annual financial report to the State Auditor's office as required by law for the year ended December 31, 2012, and, as of July 8, 2014, had not submitted an annual financial report for the year ended December 31, 2013.
Bidding and Professional Services	The city did not solicit bids for all purchases over \$3,000, including \$24,674 for sewer pumps, \$22,400 for a pickup truck, \$18,235 for playground equipment, and \$13,199 for another pickup truck. The city only provided documentation of the winning bid for one project and did not maintain invoices related to the project. The city has used the same city attorney and Certified Public Accountant for approximately 20 years without periodically soliciting proposals for services.
Mayor's Cellular Phone	For more than 10 years, the city did not require former Mayor Knobloch to submit detailed supporting documentation for his cellular phone bill reimbursements. These payments ranged from \$61 to \$279 per month.
Accounting Controls and Procedures	The city does not timely perform bank account reconciliations and does not routinely follow up on outstanding checks. The city had 35 checks totaling \$4,475 that had been outstanding for more than one year. The City Clerk and two utility clerks are able to make adjustments to customer accounts without independent approval. The city does not reconcile customer utility deposits held to the amounts reported in the city's accounting records. As of June 30, 2013, the city held deposits totaling \$142,000, but the city's accounting system indicated \$120,000 was being held. The city does not have a centralized list of all city property, and assets are not tagged for specific identification. The city allows users to pay monthly utility bills, court costs, fees, and various fines by credit or debit card, but it does not charge users a sufficient convenience fee to offset card service costs and transaction fees assessed.

Employee Compensation	The city does not report the value of personal (commuting) mileage for using a city-owned vehicle on W-2 forms as required by the Internal Revenue Service. The city paid approximately \$12,200 in perfect attendance payments, which violates the Missouri Constitution.
Sunshine Law Violations	The Board did not record roll call votes to go into closed session for 11 of 21 closed sessions reviewed and some issues discussed in closed sessions were not allowable under the Sunshine 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.

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