



CITIZENS SUMMARY

Findings in the audit of the City of Dixon

Undeposited Receipts and Unsupported Transactions	In October 2012, receipts totaling \$1,847 issued/posted to the computerized utility system were not deposited. In addition, a former City Collector entered incorrect usage information, or made unauthorized adjustments, to her parents' utility account. We estimated the amount not billed to be approximately \$1,140. Also, various unsupported reimbursements and disbursements were made.
Accounting Controls and Procedures	The Board of Aldermen has not adequately segregated accounting duties and does not have adequate review and approval procedures. The city does not have adequate procedures for receipting, recording, and depositing monies. The city has not maintained accurate accounting records and significant unexplained differences existed in the records. For example, the Sewer Fund cash balance on August 31, 2013, was \$1,150,000 and the September 1, 2013, balance was \$292,303, a difference of \$857,697. Also, monies received were not maintained in a secure location, and various city employees had access to money on hand and were allowed to collect receipts at city hall. Additionally, the city has not established procedures to routinely follow up on outstanding checks, and voided checks were not properly defaced.
Disbursements	The city does not have a formal bidding policy, did not solicit bids for several significant purchases of goods and services, and did not retain documentation of some bids obtained. The city does not use a competitive selection process to obtain professional services, has not entered into a written agreement for legal services, and did not document its evaluation and selection of engineering services. In addition, the Board of Aldermen's approval process for disbursements is not adequate. The City Clerk did not issue 1099-MISC forms and file them with the IRS. Also, the vendor list had 21 duplicate vendors listed and included 393 vendors not used in 2013.
Payroll Taxes	The former and current City Clerks failed to timely file 941 forms and remit payroll taxes due to the IRS from January 2012 to June 2014, resulting in a at least \$26,980 in interest and penalties.
Restricted Revenues	The City Clerk comingles Police Officer Standards Training fees and Law Enforcement Training fees with general purpose monies. Also, the former City Clerk paid \$16,803 for legal services from the General Fund in fiscal year 2013, even though a portion of these costs could be allocated to other funds. Additionally, there is no documentation to support the allocation of the costs of audit services among city funds.
Utility System Controls and Procedures	The Board of Aldermen has not performed a formal review of water and sewer rates. The maintenance supervisor did not investigate significant differences in the monthly reconciliations of gallons of water billed to gallons of water pumped; and water usage is not tracked for city buildings, a fire district, and one privately owned property. The City Collector posts adjustments to the computerized utility system without obtaining

independent approval or maintaining adequate documentation. Also, the former City Collectors did not prepare a monthly list of utility deposits held and reconcile it to the deposit payable balance in the general ledger.

Budgetary Procedures and Financial Reporting	The Board of Aldermen did not hold a budget hearing to establish and approve a budget for the year ending September 30, 2013, and on October 1, 2012, approved operating under the prior year's budget for the upcoming year. A formal budget document was never prepared for fiscal year 2013. Additionally, the annual budget for the 2012 fiscal year did not contain all elements required by state law. The former City Clerk did not prepare and the Board did not approve budget amendments for the 2013 fiscal year, and the city overspent the General Fund and the Library Fund. Also, Board did not comply with state law regarding publishing financial statements, and the city did not calculate the percent of annual general operating revenue from fines and court costs related to traffic violations or file annual financial reports with the State Auditor's office. In addition, the city does not schedule annual financial statement audits timely.
Meeting Minutes, Qualifications of Aldermen, and Ordinances	Open meeting minutes did not document the specific section of law allowing a closed meeting for any closed meetings held during fiscal year 2013. Some issues discussed in closed meetings were not allowable under the Sunshine Law. Some Aldermen did not meet the qualifications for holding office, and city ordinances need improvement.
Computer Controls	The city has not established adequate password controls to reduce the risk of unauthorized access to computer systems and data. City hall employees share one user identification and password for each of 3 computers, passwords are not required to be changed on a regular basis, and security controls are not in place to shut down or lock a computer after a period of inactivity or a specified number of incorrect logon attempts.
Capital Assets	The City Clerk does not maintain records for the city's capital assets. Additionally, assets are not tagged for specific identification, and the city does not perform an annual physical inventory.

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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