



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Sparta

Financial Condition	The Police, Park, and General Funds are in poor financial condition. The Board of Aldermen (Board) has failed to adequately monitor the city's budget, cash balances, and other transactions of the city, and as a result, was not fully aware of the severity of the financial condition in each fund. In addition, the city's financial records are not complete and accurate, making it difficult to effectively monitor the condition of each fund.
Financial Activity	The city has not established adequate accounting records or procedures and has failed to implement audit recommendations. The city does not account for funds in a consistent manner and maintains more bank accounts than required, resulting in cumbersome and sometimes inaccurate record keeping. The city has not established procedures to properly track and record various statutorily restricted monies. Many of the weaknesses identified in the city's financial statement audits are similar to those documented in our report.
Budgets and Financial Statements	City budgets do not include all elements required by state law and budget amendments were not properly documented or filed timely. In addition, published financial statements were inaccurate and untimely.
Accounting Controls and Procedures	The city's procedures for receipting, recording, transmitting, and depositing are poor. As a result, there is no assurance all monies collected are properly receipted, recorded, transmitted, or deposited. Bank reconciliations were not always completed timely or accurately. At the time of our review in July 2015, the last completed bank reconciliation for any of the city's 17 checking accounts was for the month of April 2015. Officials that sign checks and had access to bank accounts were not covered by a bond.
Payroll Controls and Procedures	Payroll functions are not segregated and there is not a sufficient review of time records and payroll functions. Auditors noted errors with time and leave records, and documentation to support payroll transactions was not always adequate. The city did not have ordinances to address some significant personnel issues and did not always comply with established ordinances. The city also had not adopted a personnel manual or other needed policies. The city did not document the reasons for classifying one Board member and two temporary employees as independent contractors rather than employees.
Utility Controls and Procedures	Significant weaknesses in utility operations were noted. The Board did not segregate duties or perform adequate reviews of the work performed by the former Utility Clerk. The city does not periodically reconcile customer utility deposit balances reported in the utility system to the General Fund available cash balance or the city accounting records. The city allowed some customers to avoid utility shut off by signing a promise to pay agreement without the Board's approval. City procedures do not comply with ordinances when assessing late penalties and discontinuing utility services.
Capital Projects	The city's monitoring and tracking of capital projects, procurement of engineering services, and review of prevailing wage documentation need improvement. The city did not monitor or track project costs to ensure funds

were used for restricted purposes. The city did not solicit statements of qualifications from at least three engineering firms as required by statute. The Board did not receive documentation from a contractor to demonstrate compliance with prevailing wage provisions as required by the contract.

Disbursements

City disbursement controls and procedures need improvement. The oversight and approval process for disbursements and transfers between bank accounts is not adequate. The city's procurement procedures do not always comply with the City Code and the city did not require the Park Board President to abstain from evaluating bids when the appearance of a conflict of interest existed. Professional services are obtained without benefit of a competitive selection process. The city did not obtain adequate documentation to support some disbursements, and some disbursements were not paid timely. Disbursements to the city's trash collection service vendor did not comply with contract requirements, resulting in a potential liability of \$7,647.

Electronic Data Security

Controls over city computer systems are not sufficient. As a result, city records are not adequately protected and are susceptible to unauthorized access or loss of data. Various city personnel and a contracted CPA share the user identification and password for administrative access to the accounting system, and the password is not required to be changed on a regular basis. Security controls are not in place to lock computers after a specified number of failed logon attempts or after a certain period of inactivity. The city has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations.

Ordinances and Sunshine Law Issues

Improvement is needed in ordinances and public record requests. City ordinances are not complete or organized. The Board has not adopted a formal policy regarding public access to city records and the city does not maintain a log of public record requests.

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.

All reports are available on our Web site: auditor.mo.gov