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# CITIZENS SUMMARY

## Findings in the audit of the City of Silex

Financial Condition	The General Fund is in poor financial condition. This problem is not expected to improve significantly in the immediate future.
Budgets and Financial Reporting	The Board does not have adequate procedures to prepare or monitor budgets. The financial statements have not been published for the year ended December 31, 2018. City officials did not file timely annual financial reports with the State Auditor's Office as required by state law. The city has not obtained annual audits of its sewer system as required by state law.
Restricted Funds and Recording Financial Transactions	The city uses restricted monies to finance general operations of the city. The city does not have controls and procedures to ensure revenues and disbursements are accurately and consistently recorded.
Disbursements	Significant improvement is needed in the city's disbursement documentation and review procedures. The city reimbursed unreasonable and/or unnecessary purchases made by city personnel while attending a training seminar. The city does not have procedures to adequately monitor fuel card accounts and fuel use to detect unauthorized use. City officials did not always solicit bids or proposals as required by city policy. The city did not prepare and file 1099-MISC forms with the Internal Revenue Service, as required, for legal services received for the year ended December 31, 2017.
Accounting Controls and Procedures	The Board has not adequately segregated accounting duties or ensured a documented supervisory or independent review over various financial accounting functions is performed. Controls and procedures over bank accounts and reconciliations need improvement. The city does not maintain adequate records of spring and fall event monies received, and as a result, the city cannot ensure all monies collected are accounted for and deposited.
City Procedures	The Board did not swear in the mayoral candidate elected on April 3, 2018, or comply with a subsequent Prosecuting Attorney's order for the appointed mayor to resign. The combination of the positions of City Administrator and Police Chief violates state law and creates a potential conflict of interest.
Payroll and Related Issues	City officials did not ensure payroll taxes were paid as required and some compensation was reported on employee W-2 forms. The city's personnel policy does not adequately address overtime and established policies are not always followed. Employment records for employees are not complete.
Utility System	City officials do not reconcile the total gallons of water billed to the gallons of water pumped, and as a result, significant differences are not investigated. City water deposits charged do not comply with city ordinance. City procedures for discontinuing services and receiving partial payments do not comply with city ordinance.
Ordinances	City ordinances are not codified or complete.

Police Department	The Police Chief has not established adequate controls and procedures over seized property. The police department has not developed adequate procedures to account for the numerical sequence of tickets and the ultimate disposition of manual tickets issued.
Street Maintenance Plan	City officials have not developed a formal annual maintenance plan for city streets.
Capital Assets	Controls and procedures over city property need improvement.

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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**Recommendations in the audit of City of Silex**

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Financial Condition	The Board of Aldermen ensure it receives detailed financial data monthly, perform long-term planning, and closely monitor and take necessary steps to improve the city's financial condition.
Budgets and Financial Reporting	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"><li>2.1 Prepare accurate annual budgets that contain all information required by state law, and ensure the budgets are adequately monitored.</li><li>2.2 Ensure publication of the city's semiannual financial statements as required by state law.</li><li>2.3 Submit annual financial reports to the State Auditor's Office as required by state law.</li><li>2.4 Obtain annual audits of the sewer system as required by state law and bond covenants.</li></ol>
Restricted Funds and Recording Financial Transactions	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"><li>3.1 Establish a process to ensure transfers between funds are proper, approved, and timely. In addition, the Board should ensure monies received are deposited in the appropriate bank accounts and restricted monies are spent for allowable purposes only. The Board should also develop plans to repay the amounts owed to the Water and Sewer Funds.</li><li>3.2 Allocate disbursements to city funds based on specific criteria and retain documentation to support the allocation. In addition, ensure revenues and disbursements are properly recorded.</li></ol>
Disbursements	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"><li>4.1 Maintain adequate supporting documentation for all disbursements and ensure all disbursements are recorded in the accounting system. The Board should ensure invoices are adequately reviewed and approved and require documentation of receipt of goods and/or services prior to payment of invoices.</li><li>4.2 Ensure all disbursements are necessary and prudent uses of public funds.</li><li>4.3 Ensure all credit card accounts are properly monitored and credit cards are turned in by employees when their employment has been terminated or suspended. The Board should also establish adequate records and procedures to effectively monitor vehicle and fuel use. Fuel tickets should be submitted to the City Clerk and reconciled to fuel invoices. Usage/mileage logs should be maintained for all vehicles and compared to fuel use.</li></ol>

- 4.4 Ensure formal bidding policies and procedures are followed, periodically solicit proposals for professional services, and enter into clearly written agreements for those services.
- 4.5 Ensure payments totaling greater than \$600 to non-employees and businesses are properly reported to the IRS. The city should file amended 1099-MISC forms for past years.

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#### Accounting Controls and Procedures

The Board of Aldermen:

- 5.1 Segregate the accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 5.2 Ensure monthly bank reconciliations are prepared and reconciled timely, and any differences are promptly investigated and resolved. In addition, the Board should also properly monitor bank account balances to avoid unnecessary bank fees.
- 5.3 Ensure receipt records are maintained and reconciled to the composition of the deposits. In addition, the Board should develop procedures to track and reconcile admission fees and booth sales to monies collected.

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#### City Procedures

The Board of Aldermen:

- 6.1 Consult legal counsel before any future votes on candidate qualifications or to decline to swear in an elected candidate.
- 6.2 Ensure the City Administrator does not serve in other city offices or positions.

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#### Payroll and Related Issues

The Board of Aldermen:

- 7.1 Ensure payroll tax returns are filed timely and delinquent payroll taxes are remitted. In addition, the Board of Aldermen should ensure previous years' W-2 forms are amended, as appropriate, and compensation is properly reported and subjected to proper withholdings.
- 7.2 Review and update the personnel policy, as necessary, and ensure compliance with the policy.
- 7.3 Ensure employment records are maintained and complete for all employees.

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#### Utility System

The Board of Aldermen:

- 8.1 Ensure water use is properly metered, gallons of water pumped is reconciled to gallons billed monthly, and significant differences are promptly investigated.
- 8.2 Ensure compliance with the water deposit ordinance. In addition, the Board should account for all customer utility deposits previously paid, prepare an accurate list of utility deposits and reconcile to

monies in the Water Deposit Fund bank account monthly, and resolve any discrepancies.

- 8.3 Ensure compliance with utility ordinances. The Board should also ensure utility service is shut off in accordance with city ordinance. In addition, the Board should review all adjustments made to customer accounts and require reports of delinquent utility accounts be prepared and reviewed monthly.

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Ordinances

The Board of Aldermen ensure ordinances are maintained in a complete and well-organized manner and an index of all ordinances passed and rescinded is established. The Board should establish, by ordinance, the terms and compensation of all city officials and employees; trash rates; procedures for fuel credit card use, travel and conflict of interest policies; and the fees charged for bad checks, community center rental, towing, and vehicle lockouts. The Board should also ensure ordinances comply with state law.

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Police Department

The Board of Aldermen:

- 10.1 Maintain a complete and accurate seized property evidence log, and ensure a periodic inventory is conducted and reconciled to the seized property evidence log, and investigate any differences.
- 10.2 Ensure tickets are reconciled to the ticket book inventory. In addition, the Board of Aldermen should ensure the numerical sequence and ultimate disposition of all tickets issued or voided are accounted for properly.

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Street Maintenance Plan

The Board of Aldermen establish a formal annual street maintenance plan.

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Capital Assets

The Board of Aldermen ensure complete and detailed capital asset records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location and subsequent disposition. The Board should also ensure city personnel properly tag, number, or otherwise identify all applicable city property and conduct and document an annual inventory.