



CITIZENS SUMMARY

Findings in the audit of City of Otterville

Oversight, Segregation of Duties, and Annual Audits	The Board of Aldermen has not established adequate oversight or adequate segregation of duties over the various financial accounting functions performed by the City Clerk. The city does not obtain annual audits of its waterworks and sewerage systems as required.
Accounting Controls and Procedures	The city officials did not prepare and maintain accurate financial statements or publish financial statements as required. The city budget prepared for the year ended December 31, 2018, did not contain all required elements. The City Clerk did not timely prepare, and the Board did not timely approve, budget amendments for the year ended December 31, 2018. The city's procedures for receipting, recording, and depositing monies need improvement. The city's procurement procedures do not always comply with city code, and professional services are obtained without the benefit of a competitive selection process. The city does not maintain fuel logs to reconcile fuel used to fuel purchased. The City Clerk did not prepare and file 1099-MISC forms with the Internal Revenue Service, as required. The city does not have a written policy regarding proper and improper use of city credit cards.
Payroll and Related Matters	Timesheets were not prepared for the Police Chief and were not signed by the Police Chief or a supervisor documenting approval of time worked and leave used. Overtime hours are not consistently documented on timesheets for employees. Leave records maintained are inaccurate and do not adequately track the number of hours of vacation, sick, or compensatory time earned and used, and any remaining balances. The city does not have written personnel policies that address compensatory time and overtime. The City Clerk did not properly monitor employee health insurance incentives and failed to report employee income.
Ordinances	Ordinances are not comprehensive or maintained in an organized manner, and the city has not always established ordinances as appropriate.
Capital Assets	The city does not maintain adequate records of capital assets, including buildings, vehicles, equipment, and other property. Additionally, city personnel do not tag, number, or otherwise identify assets or perform adequate annual physical inventories.

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

*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 City of Otterville

Oversight, Segregation of Duties, and Annual Audits

The Board of Aldermen:

- 1.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures. In addition, the Board should require dual signatures on all checks.
- 1.2 Ensure statutorily-required annual audits of the waterworks and sewerage system are obtained timely.

Accounting Controls and Procedures

The Board of Aldermen:

- 2.1 Ensure financial statements include all activities of the city and are published semiannually.
- 2.2 Prepare annual budgets that contain all information as required by state law.
- 2.3 Prepare and approve budget amendments prior to incurring the related disbursements.
- 2.4 Require issuance of receipt slips for all monies received, record the composition of receipts in the city's accounting system, and reconcile the composition of receipts to the composition of deposits. In addition, documented reviews of deposits should be performed prior to depositing.
- 2.5 Follow formal bidding policies and procedures, periodically solicit proposals for professional services, and enter into written contracts for such services.
- 2.6 Ensure a documented periodic reconciliation of fuel purchased to fuel used is performed with any significant differences investigated.
- 2.7 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.
- 2.8 Establish a written policy regarding proper and improper use of city credit cards and ensure compliance with the policy.

Payroll and Related Matters

The Board of Aldermen:

- 3.1 Ensure timesheets are adequately prepared, and properly signed and approved; employee leave balances are properly tracked and monitored; and reviews of timesheets are performed to ensure the propriety of payroll payments.
- 3.2 Establish a written personnel policy and ensure compliance with the policy.

- 3.3 Ensure health insurance incentives are properly documented and reported and subjected to proper withholdings. In addition, the Board should ensure previous years' W-2 forms are amended, as appropriate.

Ordinances	The Board of Aldermen ensure ordinances are maintained in a complete and well-organized manner, establish an index of all ordinances passed and rescinded, and ensure an ordinance for commercial water fees is established.
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 adequate annual inventory that documents all capital assets with the pertinent information.