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# CITIZENS SUMMARY

## Findings in the audit of the City of Monroe City

Water and Sewer Systems Contract	The city did not perform a cost-benefit analysis to determine if any cost savings would result prior to contracting with a private company in June 2018 to operate and maintain the water and sewer systems. City officials also did not solicit competitive proposals for these services. The cost for this 5-year contract will be at least \$3.2 million.
Restricted Assets	The city has not established adequate procedures to ensure restricted monies are expended only for intended purposes. City officials also used restricted utility money in the Electric and Gas Funds to make 2 loans totaling \$788,000 to the Industrial Development Fund.
Utilities	City personnel could not provide documentation that a formal review of electric, water, and sewer rates has ever been performed. In addition, the last formal review of natural gas rates occurred in 2000. Controls over non-monetary adjustments posted to customer utility accounts and utility billings need improvement. The City Administrator does not review and investigate significant utility losses identified in the monthly report on electric, gas, water, and sewer operating statistics. The city policies and procedures for utility customers with delinquent utility bills who have requested payment extensions and payment plans does not include procedures to determine how the payment amount is established and the approval process for these arrangements. The Board needs to determine proper disclosures in the city's financial statements regarding its relationship with the Missouri Joint Municipal Electric Utility Commission (MJMEUC), including the Missouri Public Energy Pool, a power pool managed by the MJMEUC.
Written Contracts	The city's contracts with some entities have not been updated in many years and do not adequately define each party's responsibilities. The city does not have written contracts with some service providers and certain outside parties.
Real Estate Transactions and Economic Incentives	The city does not have a long-range plan for the sale or development of its real estate holdings. City officials have not documented reasons for the purchase of real estate and have not generally obtained appraisals prior to purchasing or selling real estate. The city provides financial incentives to some businesses, but does not have an ordinance for offering or approving such incentives for new or existing businesses.
Accounting Controls and Procedures	The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work completed by city administrative office personnel are performed. City officials do not maintain records of all capital assets owned by the city.
Procurement Procedures	City personnel do not always solicit competitive bids or proposals for goods or services as required by the city code, and some professional services are obtained without benefit of a competitive selection process.

Fire Service Billing and Collection Procedures	The fee schedule used by the city for membership and service call billings has not been revised by the city and the Monroe City Area Fire Protection District's (FPD) Board in many years. The city and the FPD's Board do not have documentation supporting the basis for the fees charged. The city does not prepare or send bills for all billable calls.
Payroll Controls and Procedures	The Board approves year-end bonus payments to all full-time employees in violation of the Missouri Constitution. Employees are not required to sign timesheets.
Closed Meetings	The Board did not ensure compliance with the Sunshine Law for closed meetings.
Budgets and Ordinances	The city budgets prepared for the years ended September 30, 2017, 2018, and 2019, did not include all required elements. The city does not maintain an up-to-date official ordinance book.
Electronic Data Security	The Board has not established sufficient controls to reduce the risk of unauthorized access to computer systems and electronic data. Some employees share the user identification and password for 2 shared computers used for issuing receipt slips from the accounting system. Security controls are not in place to lock some computers after a certain period of inactivity.

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 Monroe City**

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Water and Sewer Systems Contract	The Board of Aldermen ensure a cost-benefit analysis is prepared when making significant management decisions.
Restricted Assets	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"><li>2.1 Ensure any future payments from the Electric, Gas, Water, and Sewer Funds to the General Fund represent reimbursement of actual costs of operations. In addition, determine the value of government services being offset by the utility transfers, maintain documentation to support the amounts transferred, and evaluate the effect on the General Fund.</li><li>2.2 Repay the amounts due to the Gas Fund from the Industrial Development Fund and ensure restricted electric, gas, water, and sewer funds are only used for their intended purposes.</li></ol>
Utilities	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"><li>3.1 Ensure a statement of costs is prepared to support changes in utility rates and document formal reviews of utility rates periodically to ensure revenues are sufficient to cover all costs of providing these services.</li><li>3.2 Ensure all non-monetary adjustments are properly approved and compared to actual changes posted to the utility system, and documentation of reasons for all non-monetary adjustments is retained. In addition, ensure utility billings are reviewed for accuracy prior to mailing.</li><li>3.3 Review and investigate significant utility losses.</li><li>3.4 Amend the utility collection policy to include procedures and requirements for payment arrangements. In addition, signed written agreements should be retained to support all payment arrangements.</li><li>3.5 Consult with the city's independent auditor to evaluate the relationship with the MJMEUC/MoPEP and determine the proper and necessary disclosures for the financial statements.</li></ol>
Written Contracts	The Board of Aldermen enter into clearly written contracts defining services provided and benefits received that are updated periodically.
Real Estate Transactions and Economic Incentives	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"><li>5.1 Develop plans, including a cost-benefit analysis, for the use of city-owned property, and ensure independent appraisals are obtained prior to the purchase or sale of real estate.</li></ol>

- 5.2 Adopt an ordinance detailing economic incentives offered to businesses located in or relocating to the city.

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Accounting Controls and Procedures

The Board of Aldermen:

- 6.1 Segregate the accounting duties. If proper segregation cannot be achieved, ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 6.2 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 an annual inventory.

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Procurement Procedures

The Board of Aldermen ensure city officials competitively procure major purchases in accordance with the city code and maintain documentation of decisions made and require the Mosswood Golf and Recreation Association to comply with the city's procurement rules for items the city will be reimbursing the association for. In addition, establish a policy to address the procurement of professional services.

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Fire Service Billing and Collection Procedures

The Board of Aldermen:

- 8.1 Work with the Monroe City Area Fire Protection District Board to establish procedures to adequately track costs for providing fire services, monitor and analyze these costs on a periodic basis, and revise the fee schedule if necessary.
- 8.2 Prepare and send bills for all billable calls, and work with the Monroe City Area Fire Protection District Board to develop written policies and procedures outlining specific steps and criteria to be followed for billing and collection activities.

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Payroll Controls and Procedures

The Board of Aldermen:

- 9.1 Discontinue paying employee bonuses.
- 9.2 Ensure timesheets are properly signed and approved.

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Closed Meetings

The Board of Aldermen ensure only topics allowed by state law are discussed in closed Board meetings, the specific section of law allowing the closure is announced publicly and recorded in the minutes, and discussions in closed meetings are limited to only those specific reasons cited for closing the meeting.

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Budgets and Ordinances

The Board of Aldermen:

- 11.1 Prepare annual budgets that contain all information required by state law.
- 11.2 Ensure the city's official ordinance book is complete and updated timely.

- 12.1 Require each employee to have his/her own user identification and password with a minimum number of characters, that is periodically changed. In addition, stop allowing employees to share access credentials on certain computers.
- 12.2 Require city computers have security controls in place to lock each computer after a certain period of inactivity and a specified number of incorrect logon attempts.