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# CITIZENS SUMMARY

## Findings in the audit of the City of Homestead Village

Missing Money	The audit identified at least \$4,348 recorded sewer receipts not deposited from January 1, 2018, to December 31, 2020. In addition, the former City Clerk falsified her 2019 customer ledger by indicating payments occurred on her account when they had not.
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. Receipt slips are not issued for all money received and a receipt ledger is not maintained. Sewer receipts are not deposited intact or timely. Sewer payments were not accurately recorded in customer ledgers and the method and date of payment was not always indicated. The composition of receipts is not reconciled to the composition of deposits, and checks and money orders received are not restrictively endorsed upon receipt. The former City Clerk did not perform bank reconciliations for the city's 3 bank accounts.
Sewer System Controls and Procedures	Late penalties are not always charged in accordance with city ordinance and water services were not disconnected (shut off) in accordance with city ordinance and provisions of a contract with the Public Water Supply District providing water to the city's residents. The city does not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for sewer services, and a summary of delinquent accounts is not prepared and provided to the Board of Aldermen for review. The city does not have an ordinance regarding partial payments by customers and while a formal policy addressing this topic was adopted by the Board, it is not always followed. Partial payments were made by customers without entering into a written pay agreement and without Board approval. The city has not obtained annual audits of its sewer system as required by state law.
Budgets, Published Financial Statements, and Financial Reporting	City officials did not prepare annual budgets for city funds for the years ended December 31, 2020, 2019, and 2018, as required by state law. City officials do not publish semiannual financial statements and do not file timely annual financial reports with the State Auditor's Office as required by state law.
Disbursements	The Board's review and approval of disbursements was not adequately documented. Most disbursements were not specifically approved by the Board and invoices were not signed or initialed by the Board. The city does not have contracts with the company that maintains the sewer system or City Attorney and did not document the reasons for classifying the City Clerk as an independent contractor rather than an employee. The city did not prepare and file 1099 forms with the Internal Revenue Service (IRS) for amounts paid to the City Attorney or former City Clerk in 2019.

Sunshine Law	The Board did not always comply with the Sunshine Law regarding closed meetings. Open meeting minutes did not document the specific reasons or section of law allowing the meeting to be closed and meeting notices and agendas either did not include a statement that a closed meeting would be held or did not include the specific section of law allowing the closed meeting. Some topics discussed and voted on in closed meetings were not allowable under the Sunshine Law. The city provided no basis for the estimated fees for a record request and it is not clear if the cost estimate reflected a reasonable cost. The Board has not adopted a written policy regarding public access to city records as required by state law.
Ordinances	City ordinances are not organized, complete, or codified.

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

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\*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 the City of Homestead Village

Missing Money	The Board of Aldermen work with law enforcement officials regarding prosecution of the missing money and take the necessary actions to seek restitution for amounts missing.
Accounting Controls and Procedures	<p>The Board of Aldermen:</p> <ul style="list-style-type: none"><li>2.1 Segregate the accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.</li><li>2.2 Ensure receipt slips are issued for all payments received and are posted to a receipt ledger, the method of payment is indicated for all payments received, deposits are made timely and intact, and payments received are posted to customer ledgers accurately. In addition, ensure the composition of receipts is reconciled to the composition of deposits and checks and money orders are restrictively endorsed immediately upon receipt.</li><li>2.3 Ensure monthly bank reconciliations are prepared for all bank accounts and book balances are maintained and accurate.</li></ul>
Sewer System Controls and Procedures	<p>The Board of Aldermen:</p> <ul style="list-style-type: none"><li>3.1 Ensure late penalties are charged in accordance with city ordinance and update the delinquent date reported on utility statements to agree with city ordinance and ensure it is consistently enforced. In addition, a record of shut offs should be maintained, along with any relevant documentation.</li><li>3.2 Require monthly reconciliations be performed of the amounts billed to amounts collected and delinquent accounts, and review a listing of delinquent accounts periodically. In addition, ensure records of customer account activity and delinquent balances are complete, mathematically accurate, and reviewed by an independent person periodically.</li><li>3.3 Establish an ordinance formalizing the policy and procedures allowing customers to make partial payments, and include obtaining a written payment agreement.</li><li>3.4 Obtain annual audits of the sewer system as required by state law.</li></ul>
Budgets, Published Financial Statements, and Financial Reporting	<p>The Board of Aldermen:</p> <ul style="list-style-type: none"><li>4.1 Prepare annual budgets for all funds that contain all information required by state law.</li><li>4.2 Publish semiannual financial statements as required by state law.</li></ul>

- 4.3 Submit annual financial reports (including the addendum) to the State Auditor's Office as required by state law.

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## Disbursements

The Board of Aldermen:

- 5.1 Review and document approval of all disbursements and supporting documentation.
- 5.2 Obtain and retain written contracts for services that specify the services to be rendered and the manner and amount of compensation to be paid and ensure 1099 forms are issued in accordance with IRS regulations. The Board should also ensure all persons hired by the city are properly classified as employees or contract employees in compliance with state and federal laws and regulations, and all compensation paid is subject to income and payroll taxes and properly reported.

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## Sunshine Law

The Board of Aldermen:

- 6.1 Ensure proper notification and agendas for public meetings are posted, specific reasons for closing a meeting are documented in the open minutes, and only topics allowed by state law are discussed in closed meetings.
- 6.2 Ensure charges for record requests are in compliance with the Sunshine law, properly reflected on record request forms, and consistently applied to all requestors.
- 6.3 Develop a written public access policy for city records.

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## Ordinances

The Board of Aldermen ensure ordinances are maintained in a complete and well-organized manner, and establish an index of all ordinances passed and rescinded. The Board should establish by ordinance, the terms and compensation for all city officials and employees, procedures for credit card usage, and procedures for pay agreements with sewer customers.