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Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Fairview

Overpayments, Improper Use of City Funds, and Conflicts of Interest	The former City Clerk was overpaid \$3,351, and the Board improperly spent \$120,252 of restricted funds from a city trust fund. The city paid \$17,325 to a business that a former Mayor managed and owned in violation of city code related to conflicts of interest, and some of the checks issued to the former Mayor's business were dated prior to the date of the related invoice.
Payroll Controls and Procedures	Timecards were not always signed by the employee or supervisor to document approval and review of time worked, and leave records maintained did not always adequately track the hours of vacation leave earned and used, and any remaining balances. The former City Clerk did not always follow city code regarding vacation leave, compensation, and related employees. The Board also does not have ordinances establishing the amount of compensation of any city officials and employees. The city had no documentation to justify the allocation of the City Clerk's compensation to the various city funds.
Accounting Controls and Procedures	The Board has not established adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk. The former City Clerk and former City Treasurer did not always deposit receipts intact and timely, and rental deposits for the John Q. Hammons Community Center were not always receipted or deposited. The city maintains an excessive number of bank accounts.
Disbursements	City officials did not always solicit bids or proposals as required by city code, and did not always enter into written contracts. The former Mayor entered into a contract for asphalt services after work had already began, and the contract amount was altered without Board approval. The city does not monitor credit card limits, adequate supporting documentation was not retained for some credit card purchases, and some disbursements made were not a necessary and prudent use of public funds. The former City Clerk and former City Treasurer signed their own payroll checks, and former Mayor Oliver signed checks issued to a company he managed and owned on numerous occasions, and the former City Clerk typically signed the payroll checks of the Meter Reader (her grandson). In addition, several instances were noted in which the former City Clerk was the only signer on other city checks, when two signatures are required.
Utility System Controls and Procedures	City personnel do not prepare proper reconciliations related to utility services. The former City Clerk made adjustments to customer accounts, including writing off charges caused by water leaks or incorrect meter readings, without obtaining independent approval or maintaining adequate documentation to support the reason for the adjustment, and the Board does not review and approve all adjustments. Late penalties are not always charged and utility services are not shut off in accordance with city ordinances. The City Clerk does not reconcile the list of customer utility deposits held to the related money held in the Water/Sewer Fund bank account. The city does not have an ordinance or written policies authorizing partial payments, partial payments were not approved by someone independent of the utility's accounting functions, and written payment agreements for partial payments did not exist.

Budgeting, Planning, and Financial Reporting	City officials did not include all the statutorily required elements in the budgets prepared for the years ending December 31, 2021, and 2020. The Board does not adequately monitor budget-to-actual receipts and disbursements. City officials have not developed a formal annual maintenance plan for city streets. City officials did not file an accurate financial report with the State Auditor's Office, and did not publish semiannual financial statements for the year ended December 31, 2020, as required by state law.
Sunshine Law	The Board did not comply with the Sunshine Law for 7 out of 8 closed meetings held during the year ended December 31, 2020, and the Board did not always comply with the Sunshine Law regarding open meetings.
Electronic Communication Policy	The city has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.
Capital Assets	City officials do not maintain records of all capital assets owned by the city and do not tag, number, or otherwise identify assets as property of the city, or perform an annual physical inventory of city property.

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 the City of Fairview

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#### Overpayments, Improper Use of City Funds, and Conflicts of Interest

The Board of Aldermen:

- 1.1 Work with law enforcement officials regarding possible criminal prosecution of the overpayments and take the necessary actions to obtain restitution.
- 1.2 Ensure trust funds are used in compliance with the terms of the trust, appraisals are performed for any property considered to be purchased in the future, and detailed written rental agreements are prepared and signed for all rental properties.
- 1.3 Closely examine city transactions to identify conflicts of interest, and ensure disbursements are not made until after the invoices are received and properly approved.

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#### Payroll Controls and Procedures

The Board of Aldermen:

- 2.1 Ensure timecards are properly signed and approved, employee leave balances are properly tracked and monitored, and reviews of timecards are performed to ensure the propriety of payroll payments.
- 2.2 Follow city code and establish the compensation of all city officials and employees by ordinance as authorized by statute.
- 2.3 Allocate disbursements to city funds based on specific criteria and retain documentation to support the allocation.

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#### Accounting Controls and Procedures

The Board of Aldermen:

- 3.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 3.2 Ensure all money received is deposited intact and timely, and receipt slips are issued for all money received. In addition, determine the status of the rental deposits on hand and deposit or return them to the payer.
- 3.3 Evaluate and reduce the number of bank accounts.

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#### Disbursements

The Board of Aldermen:

- 4.1 Follow formal bidding policies and procedures as required by city code, enter into written contracts prior to beginning work as required by state law, and ensure 1099 forms are issued in accordance with Internal Revenue Service (IRS) regulations.

- 4.2 Review and adjust credit card limits, require adequate, detailed supporting documentation be retained for all disbursements, and ensure all disbursements are necessary and a prudent use of public funds.
- 4.3 Require dual independent signatures on all checks.

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#### Utility System Controls and Procedures

The Board of Aldermen:

- 5.1 Ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and significant differences between gallons of water billed to gallons pumped should be investigated and resolved.
- 5.2 Require the City Clerk to prepare a report of adjustments and ensure an independent and/or supervisory review and approval of all adjustments made in the utility system is performed.
- 5.3 Ensure late penalties are charged and utility service is shut off in accordance with city ordinance, and maintain a record of shut offs, along with any relevant documentation.
- 5.4 Periodically reconcile customer utility deposits in the utility system to accounting records and cash balances, and promptly investigate any differences. In addition, any unidentified money should be disbursed in accordance with state law.
- 5.5 Establish an ordinance for partial payments and create policies and procedures governing the process that should include at least (1) a written payment plan for each partial payer, and (2) approval of each plan by someone independent of the utility's accounting functions.

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#### Budgeting, Planning, and Financial Reporting

The Board of Aldermen:

- 6.1 Prepare annual budgets that contain all information required by state law, ensure disbursements do not exceed budgeted amounts, and prepare any necessary budget amendments timely.
- 6.2 Establish a formal annual street maintenance plan.
- 6.3 Submit accurate annual financial reports to the State Auditor's Office.
- 6.4 Publish semiannual financial statements as required by state law and city code.

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#### Sunshine Law

The Board of Aldermen:

- 7.1 Ensure specific reasons for closing a meeting are documented in the open minutes and discussions are limited to the specific reasons cited for closing the meeting.

- 7.2 Ensure all Board meetings are held at a place and in a manner to accommodate and allow the public access to the meetings, proper notification and agendas for public meetings are given, and the reasons for holding emergency meetings are documented.

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Electronic Communication  
Policy

The Board of Aldermen develop a written records management and retention policy to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.

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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, conduct an annual physical inventory, and compare this inventory to detailed records.