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CITIZENS SUMMARY

Findings in the audit of the City of Holland

Background	Jessica Roach served as Acting Mayor from at least December 2017 until April 19, 2021, when a new Mayor was elected and took office. Prior to becoming the Acting Mayor, Ms. Roach served as the City Clerk. However, upon becoming Acting Mayor she did not appoint aldermen to fill vacant Board positions or cause a special election in accordance with city code. This allowed her, and the part-time City Clerks during her tenure, to manage the city without Board oversight.
Missing Money, Misappropriated Money and Services, and Nepotism	From January 1, 2018, through April 19, 2021, at least \$69,029 of money and utility services was not deposited and/or was misappropriated from the city. The Acting Mayor did not deposit city receipts totaling at least \$66,480, and she did not pay for her utility services totaling \$2,036 and city property taxes totaling \$213. She also improperly paid herself \$300. A review of the Acting Mayor's personal bank accounts noted large cash deposits totaling \$66,194 that could indicate missing city cash receipts were deposited into her personal account. The Acting Mayor indicated the cash deposits were a result of vaping device, t-shirt, and fireworks cash sales. However, a comparison of the timing of those transactions and the deposits into her personal account show the cash deposits cannot be fully attributed to these transactions and remain unexplained. In addition, the Acting Mayor hired and paid her daughter \$800 to serve as the City Clerk from February 2021 through April 2021 in violation of the Missouri Constitution. The current Mayor hired his sister on July 22, 2021, to be the City Clerk after the former City Clerk resigned.
Oversight, Annual Audits, Bonding, and City Ordinances	A Board of Aldermen was not established to provide oversight; annual audits of the city's utility system were not obtained as required by state law; city officials with access to city money were not bonded; and city codes and ordinances were incomplete, not indexed, not enforced as written, and not up to date.
Accounting Controls and Procedures	City receipting, recording, transmitting, and depositing procedures were poor. The Acting Mayor and former City Clerks did not prepare bank reconciliations for any of the city's bank accounts, maintain checkbook registers or book balances, account for all checks and issue checks in numerical order, or monitor the city's cash balances. Numerous financial records were not retained, including supporting documentation for more than \$150,000 in disbursements, which were payments for utilities, insurance, postage, etc.
Utility System Controls and Procedures	The Acting Mayor and former City Clerks made adjustments to customer utility statements without obtaining independent approval or maintaining adequate documentation to support the reasons for the adjustments. City personnel did not prepare reconciliations related to utility services. Neither the Acting Mayor nor the former City Clerks prepared a list of customer utility deposits to periodically reconcile to balances in the city's meter bank account. The city did not file or remit sales tax collected related to the utility services for several periods, and as a result, still owes sales taxes to the Department of Revenue.

Contracted Workers	The Acting Mayor did not document the basis for classifying former City Clerks, maintenance workers, and the water/sewer operator as independent contractors rather than employees, and these employees were misclassified as independent contractors. Former City Clerks, maintenance workers, and the water/sewer operator did not prepare timesheets or other documentation of work performed, and text messages documenting hours worked by a former City Clerk were not retained.
Budgets and Financial Reporting	City officials did not prepare a budget for the years ended December 31, 2021, 2020, 2019, and 2018. City officials did not file timely annual financial reports with the State Auditor's Office as required by state law. The city did not publish financial statements for the years ended December 31, 2020, 2019, and 2018. As a result, information regarding the city's financial activity and condition was not available to citizens.
Electronic Communication Policy	The city has not developed a records management and retention policy that includes electronic communication in compliance with the Missouri Secretary of State Records Service Division guidance.

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 Holland

Missing Money,
Misappropriated Money and
Services, and Nepotism

The Board of Aldermen:

- 1.1 Work with law enforcement officials regarding criminal prosecution of the undeposited receipts, utility services and property taxes not paid, and the improper payment; and take the necessary actions to obtain restitution.
- 1.2 Ensure compliance with the Missouri Constitution related to the hiring or appointment of relatives and approve and document hiring decisions.

Oversight, Annual Audits,
Bonding, and City Ordinances

The Board of Aldermen:

- 2.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 2.2 Obtain annual audits of the utility system as required by state law.
- 2.3 Obtain and maintain bond coverage for all city personnel with access to city money and other assets.
- 2.4 Establish the compensation of all city officials and employees by ordinance, ensure city codes and ordinances are maintained in a complete and well-organized manner, establish an index of all city codes and ordinances passed and rescinded, and update city codes and ordinances for amounts charged related to utility services.

Accounting Controls and
Procedures

The Board of Aldermen:

- 3.1 Ensure prenumbered receipt slips are issued for all payments received; the method of payment is indicated on all receipt slips; the transmittal of receipts is documented and reviewed; the composition of receipts is reconciled to the composition of deposits; all payments received are deposited intact and timely; and the change fund is maintained at a constant amount. The Board should also discontinue paying city expenses from city cash receipts.
- 3.2 Ensure monthly bank reconciliations are prepared for all bank accounts; checkbook registers, book balances, and lists of disbursements are maintained; and checks are issued in numerical sequence with the sequence properly accounted for.
- 3.3 Ensure adequate supporting documentation is maintained for all disbursements, and all records are retained in accordance with state law.

Utility System Controls and Procedures	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"> 4.1 Prepare a list of adjustments and ensure all adjustments to utility accounts are properly approved and compared to actual changes, and documentation of all adjustments is retained. 4.2 Ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and of gallons of water billed to gallons pumped, and investigate significant differences. 4.3 Periodically reconcile a list of customer utility deposits to the meter bank account balance, and promptly investigate any differences. 4.4 Ensure sales taxes collected are reported and remitted.
Contracted Workers	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"> 5.1 Determine the proper classification for the City Clerk, maintenance workers, and water/sewer operator to ensure compliance with state and federal laws and regulations. 5.2 Ensure timesheets or other records of work performed are prepared, retained, signed, and approved. 5.3 Execute and retain written contracts for services that specify the services to be rendered and the manner and amount of payments to be paid. The Board and the current City Clerk should prepare the applicable tax forms for the former City Clerks, maintenance workers, and water/sewer operator for compensation provided as appropriate.
Budgets and Financial Reporting	<p>The Board of Aldermen:</p> <ol style="list-style-type: none"> 6.1 Prepare annual budgets that contain all information required by state law and ensure the budgets are adequately monitored. 6.2 Submit annual financial reports timely to the State Auditor's Office as required by state law. 6.3 Ensure publication of the city's semiannual financial statements as required by state law.
Electronic Communication Policy	<p>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.</p>