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Missouri State Auditor

Village of Deerfield



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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Village of Deerfield

Oversight and Management	<p>Village trustees do not regularly attend meetings; a quorum was present for only 3 of 12 monthly meetings during 2012. According to meeting minutes, Board Trustees Smith and Prickett attended most meetings, Board Chairman Wayne Sissick attended 3 meetings, and Board Trustee Kris Sissick attended 2 meetings, while Board Trustee Otter did not attend any meetings. The village does not prepare and post notices of meetings and related agendas, as required by state law, and Board minutes do not document a record of votes taken and contain limited documentation of decisions made regarding street repair and maintenance or purchases. It appears village business is conducted outside of regular open meetings, and there is no evidence that a public hearing was held on the village's proposed property tax rate in 2012 or that the tax rate was formally approved by the Board. The village has not adopted a formal policy regarding public access to village records, annual budgets are not prepared for village funds, and semiannual financial statements have not been published or posted, all of which are required by state law. Board review and approval of village disbursements is not adequate, and village ordinances are not complete, well-organized, or up-to-date. In addition, the village did not properly monitor the lease agreement with the United States Postal Service, and the village was underpaid \$413 in 2012.</p>
Sales Tax Exemption	<p>In August 2012, the Board Chairman used the village sales tax exemption letter to purchase a skid-steer loader in the village's name but had the loader delivered to his personal address. The Board Chairman said he did this to get a better price for a friend, but doing so is a violation of the terms of the village's sales tax exemption letter. No village funds were used for this transaction.</p>
Internal Controls, Records, and Procedures	<p>One person serves as both village clerk and village collector, which does not allow the segregation of duties necessary for the proper safeguarding of village assets. The village does not maintain a current fund ledger showing the beginning balance, monthly receipts by source and disbursements by type, and ending balance, and has not established a separate fund or separate accounting for motor vehicle-related revenues received from the state, and does not ensure these funds are used in compliance with state law. The Village Clerk/Collector does not prepare a receipt log and/or issue receipt slips for monies received, does not restrictively endorse checks immediately upon receipt, does not deposit receipts timely, does not perform bank reconciliations, and does not maintain a current balance in the checkbook. The village does not properly report as wages, and withhold employee payroll taxes from or pay the employer share of taxes on compensation paid to the Village Clerk/Collector.</p>
Property Tax	<p>The Village Clerk/Collector does not record the method of payment (cash, check, etc.) on the list of taxes due, and does not timely deposit tax collections. Tax statements sent to village residents do not contain sufficient</p>

information, the Village Clerk/Collector does not maintain an account book and does not prepare and submit to the Board a list of delinquent taxes each year, and the Village Clerk/Collector is not bonded, as required by state law, which exposes the village to risk of loss.

Disbursements

The village lacks a bid policy and typically does not bid purchases, and there is no evidence in minutes or other village records indicating any attempt to check prices before purchasing, giving the village little assurance it is getting the best value. Some disbursements lack adequate supporting documentation, including \$1,493 in concrete purchases, \$8,750 for a used dump truck, and \$738 for dump truck insurance premiums. The Board Chairman's daughter provided mowing services, but it is not clear whether the Board Chairman voted to approve this service, which would be a conflict of interest. The village paid \$35 each for Sam's Club memberships for four trustees, and paid \$35 to the fifth trustee, which do not appear to be necessary or prudent uses of public funds. The village also paid \$35 for a Sam's Club membership for the Board Chairman's daughter, but the village was reimbursed for this membership.

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

American Recovery and
Reinvestment Act
(Federal Stimulus)

The Village of Deerfield did not receive any federal stimulus monies during the audited time period.

*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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Village of Deerfield

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of Deerfield, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Deerfield. We have audited certain operations of the village in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. The objectives of our audit were to:

1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Deerfield.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: Regina Pruitt, CPA
Audit Manager: Toni M. Crabtree, CPA
In-Charge Auditor: Josh Allen, CPA, CFE

Village of Deerfield

Management Advisory Report

State Auditor's Findings

1. Oversight and Management

The Board of Trustees does not provide adequate oversight and management of village operations and financial activities.

1.1 Meetings and minutes

Village trustees do not attend meetings on a regular basis. In addition, meeting notices and agendas are not prepared, minutes are not adequate, village business appears to be conducted outside of Board meetings, and a public hearing was not held when setting the property tax levy.

Absenteeism

The village does not have a policy regarding absenteeism by trustees. During the year ended December 31, 2012, a quorum was present for only 3 of 12 monthly meetings. The minutes for one of these three meetings indicated that no business was conducted. Village policy is to hold board meetings on the first Saturday of each month.

According to meeting minutes, Board Trustee (and Village Clerk/Collector) Smith and Board Trustee Prickett typically attended most meetings; however, meetings had to be canceled due to lack of a quorum. Board Chairman Wayne Sisseck only attended the three meetings with a quorum, Board Trustee Kris Sisseck only attended two of the meetings with a quorum, and Board Trustee Otter did not attend any meetings.

A quorum is necessary before decisions can be made. The lack of attendance by trustees results in the inability to hold meetings and take votes, which disrupts the conduct of village business. To help improve meeting attendance and ensure village business can be conducted appropriately, the village needs to have a policy addressing absenteeism by trustees.

Meeting notice and agenda

The village does not prepare and post notices of meetings and related agendas as required by state law. Section 610.020, RSMo, requires a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body.

Minutes

Board minutes do not document a record of votes taken. The minutes also contain limited documentation of decisions made regarding street repair and maintenance or purchases. This information is also not available in other village records.

Section 610.020, RSMo, requires minutes to include at a minimum the date, time, place, members present, members absent, and votes taken. Minutes serve as the only official permanent public record of decisions made by the Board. Therefore, it is imperative that the minutes be prepared to clearly and completely document all business conducted.



Village of Deerfield
Management Advisory Report - State Auditor's Findings

Business conducted outside meetings

Village business appears to be conducted outside of regular open meetings.

For example, village records show payments totaling \$660 for mowing services and \$1,107 for insurance; however, the minutes do not document any discussion or approval for these items and some of these payments were made during months when no Board meeting occurred. In addition, according to a memo prepared by the Village Clerk/Collector, trustees were informally polled for their input regarding the purchase of a used dump truck costing \$8,750.

The governing bodies of all political subdivisions are required to conduct business in regular open meetings. Overseeing and managing village operations and financial activity as a formally functioning body strengthens public accountability and internal fiscal controls. At any time a Board quorum meets in person or by phone and transacts public business, Chapter 610, RSMo (Sunshine Law) applies.

Tax rate hearing

There is no evidence a public hearing on the village's proposed property tax rate was held in 2012 or that the tax rate was formally approved by the Board. According to the Village Clerk/Collector, a public hearing for the proposed tax rate was scheduled in August 2012; however, he was the only trustee to attend the meeting and no one from the public was present.

Section 67.220, RSMo, requires each governing body to hold at least one public hearing, at which citizens may be heard, prior to approval of the proposed tax rate. The tax rate should be established by ordinance as provided in Section 80.090, RSMo.

1.2 Public access policy

The village has not adopted a formal policy regarding public access to village records as required by state law. A formal policy regarding public access to village records would establish guidelines for the village to make records available to the public. This policy should identify a person to contact, provide an address to mail such requests, and establish fees which may be assessed for providing copies of public records.

Section 610.023, RSMo, lists requirements for making records available to the public. Section 610.026, RSMo, allows the village to charge fees for providing access to and/or copies of public records and provides requirements related to fees.

1.3 Budgets

Annual budgets are not prepared for village funds as required by state law.

Section 67.010, RSMo, requires the preparation of an annual budget which shall represent a complete financial plan for the ensuing budget year, and also sets specific requirements for information to be included in the budget.



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Management Advisory Report - State Auditor's Findings

Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in a budget.

A complete and well-planned budget, in addition to meeting statutory requirements, serves as a means to manage village resources, assists in setting tax levies, and informs the public about village operations and current finances.

1.4 Financial statements

Semiannual financial statements have not been published or posted as required by state law. As a result, information regarding the village's financial activity and condition is not available to citizens.

Section 80.210, RSMo, requires the Board prepare and publish semiannual financial statements in a local newspaper, or if there is no local newspaper, to post semiannual financial statements in at least six of the most public places in the village.

1.5 Disbursements

The village has not established a process for the Board to review and approve village disbursements. For the year ended December 31, 2012, disbursements totaled approximately \$23,700.

The minutes and supporting documentation do not indicate Board review and approval of disbursements. In addition, as noted in section 1.1, the Board only held two meetings in 2012 during which village business was conducted. According to the Village Clerk/Collector payment of expenses is made as needed.

Board review and approval of disbursements before payment is necessary to ensure all disbursements represent appropriate and valid costs. Each month a detailed list of disbursements to be paid should be prepared, reviewed, signed/initialed by the Board to denote review/approval, and retained. Supporting documentation should also be reviewed by the Board before payment is made. Failure to properly review invoices and supporting documentation, and to document authorizations, increases the possibility of inappropriate disbursements occurring without detection.

1.6 Ordinances

Village ordinances are not complete, well organized, or up-to-date. Many ordinances are old and no longer relevant but have not been rescinded by the Board. As a result, it is difficult for the village to determine which ordinances are currently in affect.

Additionally, the village has not adopted an ordinance for the Village Clerk/Collector's job responsibilities, work hours, compensation, etc. Section 80.240, RSMo, provides that the Board appoint certain officials, prescribe their duties, and fix their compensation. Compensation should be set by ordinance.



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Since ordinances represent legislation which has been passed by the Board to govern the village and its residents, it is important ordinances be current, complete and organized.

1.7 Lease agreement

The village trustees did not properly monitor the lease agreement with the United States Postal Service (USPS), and for the year ended December 31, 2012, the village was underpaid \$413.

Effective January 2010, a 5-year lease agreement between the village and USPS provides for the USPS to pay annual rental fees totaling \$3,713, payable in monthly installments, for space in the village community building. However, during 2012 the village only received payments totaling \$3,300. The village trustees were not aware of this underpayment until we brought the situation to their attention.

Recommendations

The Board of Trustees:

- 1.1 Establish a policy regarding absenteeism by trustees. The Board should ensure notices and tentative agendas for board meeting are posted and retained, minutes contain all required information, and village business is conducted in public meetings. The Board should hold a public hearing each year to determine and set the tax levy.
- 1.2 Develop written policies regarding procedures to obtain access to, or copies of, public village records.
- 1.3 Prepare annual budgets which include all information required by state law, and ensure the budget is formally approved and the approval is documented in the Board minutes.
- 1.4 Publish or post semiannual financial statements as required by state law.
- 1.5 Review and document approval of all disbursements and supporting documentation.
- 1.6 Ensure ordinances are maintained in a complete, well-organized, and up-to-date manner, new ordinances are passed when appropriate, and an index of all ordinances passed and rescinded is established. The Board should also establish, by ordinance, the Village Clerk/Collector's duties and compensation.
- 1.7 Ensure the village receives all appropriate revenues as provided in contracts, and pursue payment of \$413 from the USPS.



Auditee's Response

The Board Chairman provided the following response:

The Board will take these recommendations under advisement.

2. Sales Tax Exemption

The Board Chairman misused the village sales tax exemption letter. He used the village sales tax exemption to purchase equipment on behalf of a private individual. As a result, this individual effectively avoided paying sales tax on the purchase.

In August 2012, the Board Chairman purchased a skid-steer loader, totaling \$54,046, from an equipment dealer. Documentation we obtained from the dealer indicated the purchase was made in the village's name; however, the loader was delivered to the Board Chairman's personal address in October 2012. According to the Board Chairman, he made the purchase in the village's name in order to obtain a better price for a friend, but no village funds were used in the transaction. Our review of village records indicate no payment from village funds was made to the dealer for this loader. The village sales tax exemption should not be used to benefit private entities or individuals. Doing so is a violation of the terms of the sales tax exemption letter.

The sales tax exemption letter, furnished to the village by the Department of Revenue (DOR), provides that purchases by the village are not subject to sales or use tax if conducted within the village's ". . . exempt functions and activities . . .", and individuals making personal purchases may not use the exemption. According to DOR officials, the DOR can collect tax from a political subdivision if the sales tax exemption letter is used to make non-exempt purchases.

Recommendation

The Board of Trustees should contact the DOR regarding how to resolve this situation and any sales tax due. In the future, the Board should ensure the village sales tax exemption is not used for the benefit of private entities or individuals.

Auditee's Response

The Board Chairman provided the following response:

This equipment was for a farm and cattle operation, and farm equipment is tax exempt.

Auditor's Comment

It is unclear why the Board Chairman felt it necessary to provide the tax exempt letter to the vendor if the equipment was already tax exempt. Even if the equipment is tax exempt, the village should not misrepresent to the vendor the purchase is for the village or be involved in the purchase of equipment for individuals. Documenting the purpose of the equipment and determining sales tax exempt status is the responsibility of the purchaser, vendor, and Department of Revenue, and the village should not enter into this decision by purchasing the equipment using its tax exempt status.



3. Internal Controls, Records, and Procedures

There are significant weaknesses in village internal controls, records, and procedures.

3.1 Segregation of duties

There is no independent oversight or adequate segregation of duties related to the Village Clerk/Collector's activities. A trustee serves as the Village Clerk/Collector, and is compensated for these duties. For the year ended December 31, 2012, he was paid \$1,800 for serving as the Village Clerk/Collector.

The Village Clerk/Collector's duties include receiving and depositing monies, recording receipts and disbursements, preparing and distributing checks, and preparing year-end financial reports. In addition, he prepares property tax bills and maintains tax records. The Village Clerk/Collector also signs checks and receives the bank statements. According to the Village Clerk/Collector, he takes the bank statements to the Board meetings. However, if the Board reviews the bank statements, its review is not documented. As a result, the Board has little assurance that receipts are properly handled and deposited, or disbursements are proper.

One person serving as both village clerk and village collector does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances needed for good internal control. Also, there is no evidence the Board provides adequate supervision or review of the work performed by the Village Clerk/Collector.

In addition, Section 105.458, RSMo, states "No member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency of the political subdivision for any consideration other than the compensation provided for the performance of his official duties"

3.2 Accounting records

The village does not maintain a current fund ledger showing the beginning balance, monthly receipts by source and disbursements by type, and ending balance. At year-end, the Village Clerk/Collector prepares a manual receipt and disbursement spreadsheet from the bank statements and check book register.

The village also has not established a separate fund or separate accounting for motor vehicle-related revenues received from the state, and does not monitor the use of these funds to ensure compliance with state law. During the year ended December 31, 2012, the village received \$2,903 in motor vehicle-related revenues.



Village of Deerfield
Management Advisory Report - State Auditor's Findings

Article IV, Section 30, Missouri Constitution requires that motor vehicle-related revenues apportioned by the state of Missouri be expended on street-related purposes, including construction, maintenance, repair, policing, signing, lighting, and cleaning of roads and streets.

Fund ledgers and summary reports of receipts by source and disbursement by type should be prepared for each fund on a monthly basis and used for comparison to budgeted amounts and overall review of village operations. Receipts and disbursements associated with restricted usage should be recorded in a fund established to account for this usage and ensure compliance with state laws. Complete and accurate financial records are necessary for the Board to make informed decisions and provide a basis for monitoring financial activity.

3.3 Accounting procedures

The village has significant weaknesses in accounting procedures.

- The Village Clerk/Collector does not prepare a receipt log and/or issue receipt slips for monies received. To help ensure receipts are accounted for properly, a receipt log/receipt slips should be prepared for all monies received, used to record receipts in the fund ledger, and reconciled to the composition of deposits.
- The Village Clerk/Collector does not restrictively endorse checks immediately upon receipt. To reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed immediately upon receipt.
- The Village Clerk/Collector does not deposit receipts timely. He sometimes holds monies up to 2 months before depositing. To reduce the risk of loss, theft, or misuse of funds, deposits should be made on a timely basis.
- The Village Clerk/Collector does not perform bank reconciliations. A monthly bank reconciliation helps ensure bank and book balances are in agreement and errors are detected and corrected on a timely basis.
- The Village Clerk/Collector does not maintain a current balance in the check book. Maintaining a check book balance would aid in preparing the monthly bank reconciliation and monitoring the bank balance.

3.4 Wage reporting and withholding

The village does not properly report wages, and withhold employee payroll taxes from or pay the employer share of taxes on compensation paid to the Village Clerk/Collector.



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The Internal Revenue Code requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of Social Security and Medicare on the compensation paid to employees. Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security purposes.

Recommendations

The Board of Trustees:

- 3.1 Consider appointing separate individuals, other than a trustee, to the positions of Village Clerk and Village Collector and segregate the duties of the Village Clerk/Collector to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary. The Board should also consider requiring dual signatures on checks or appointing someone other than the Village Clerk/Collector as the check signer.
- 3.2 Ensure a complete financial accounting system is established. Summary financial reports should be prepared documenting monthly receipt sources and disbursement types. This information should be used to compare to budget estimates and monitor village operations.
- 3.3 Ensure receipts slips and/or a receipt log are prepared for all monies received, checks are restrictively endorsed upon receipt, receipts are deposited timely, monthly bank reconciliations are prepared, and a running check book balance is maintained.
- 3.4 Ensure the compensation paid to the Village Clerk/Collector is subject to payroll taxes and properly reported on a W-2 form. The village should also contact the Internal Revenue Service and appropriate state agencies for guidance regarding prior years.

Auditee's Response

The Board Chairman provided the following responses:

- 3.1 *The Village Clerk no longer serves as the Village Collector.*
- 3.2 *The Board will take this recommendation under advisement.*
- 3.3 *The Board has already implemented some of this recommendation.*
- 3.4 *The Village Clerk reports his wages on his yearly personal tax return.*



Village of Deerfield
Management Advisory Report - State Auditor's Findings

4. Property Tax

The Village Clerk/Collector needs to improve property tax controls, records, and procedures. The 2012 property tax collections totaled approximately \$1,700.

4.1 Method of payment

Although the Village Clerk/Collector makes a hash mark next to the tax due when the tax statement is mailed, and records the date when monies are received, he does not record the method of payment (cash, check, etc.) on the list of taxes due. As a result, the composition of receipts cannot be reconciled to the composition of deposits.

To ensure proper handling and safeguarding of tax receipts, the method of payment should be indicated on the tax list and the composition of receipts should be reconciled to the composition of deposits.

4.2 Timely deposit

The Village Clerk/Collector does not deposit tax collections in a timely manner. Some monies received were held approximately a month before deposit. The majority of the 2012 tax collections were deposited on December 31, 2012, and January 2, 2013. However, some tax collections were received in late November and throughout December 2012.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, tax collections should be deposited in a timely manner.

4.3 Tax statements

Current tax statements sent to village residents are not adequate. The tax statements do not identify the property being taxed, related assessed valuation, or tax levy. The statements only include the total amount due.

Complete tax statements showing the property being taxed, related assessed valuation, and tax levy are necessary so that taxpayers can ensure accuracy of the billed amounts and any questions or discrepancies can be resolved.

4.4 Account book and delinquent tax list

The Village Clerk/Collector does not maintain an account book to record property tax charges, additions/abatements, collections, and remaining delinquent taxes, and does not prepare and submit to the Board a list of delinquent taxes each year.

Tax records maintained by the Village Clerk/Collector include the property tax list from the county and a list of property owners and taxes due. Although the county list includes a description of the property, the assessed valuation, and the tax due, the village list just includes the resident's name and tax due. The total taxes charged, added/abated, or collected and delinquent taxes are not summarized.

Section 80.480, RSMo, provides that a list of delinquent taxes due and uncollected on the first day of January each year be prepared and submitted



Village of Deerfield
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to the Board. This section also provides the Board remit the delinquent list to the county collector for collection.

A properly maintained account book, including (by type) the property taxes charged to the Village Clerk/Collector, collections each month, applicable adjustments, and balances uncollected can be useful in preparing the delinquent list required by state law.

4.5 Bond

The Village Clerk/Collector is not bonded, as required by state law. Section 80.250, RSMo, requires village officials be bonded for not less than \$1,000. Failure to properly bond village officials exposes the village to risk of loss.

Recommendations

The Board of Trustees:

- 4.1 Require the Village Clerk/Collector to record the method of payment received on his tax list and reconcile the composition of receipts to bank deposits.
- 4.2 Require the Village Clerk/Collector to deposit tax collections in a timely manner.
- 4.3 Require the Village Clerk/Collector to include a description of the property being taxed, related assessed valuation, and tax levy on the tax statements.
- 4.4 Require the Village Clerk/Collector to maintain an account book, and prepare and submit to the Board a delinquent tax list as of January 1 each year. The Board should remit this delinquent list to the county for collection.
- 4.5 Require appropriate bond coverage for all village officials.

Auditee's Response

The Board Chairman provided the following responses:

- 4.1 -
- 4.4 *In the future, the Vernon County Collector will collect village property taxes.*
- 4.5 *The Board will take this recommendation under advisement.*

5. Disbursements

There are significant weaknesses in the controls and procedures over disbursements.

5.1 Bidding

According to the Village Clerk/Collector, the village does not have a bid policy and typically does not bid purchases, although trustees may informally check prices before a purchase is made. However, there is no evidence in minutes or elsewhere in village records indicating any efforts to



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check prices or any support for vendors selected in those cases. As a result, the village has little assurance that it is receiving fair value for goods and services and no documentation to support decisions made.

Formal bidding procedures for major purchases provide a framework for economical management of village resources. In addition, bidding helps ensure the village receives a fair value by contracting with the lowest or best bidders and all interested parties are given an equal opportunity to participate in village business. Complete documentation should be maintained of all bids/proposals received and reasons why the bid/proposal was selected.

5.2 Supporting documentation

Adequate supporting documentation was not available for some disbursements. For example, there was no supporting documentation for concrete purchases totaling \$1,493 or the purchase of a used dump truck for \$8,750. In addition, there was no support for dump truck insurance premiums totaling \$738.

All disbursements should include proper supporting documentation to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

5.3 Conflict of interest

Because the minutes do not indicate the discussion and approval of mowing services provided by the Board Chairman's daughter, it is not clear if the Board Chairman voted to approve her services. This arrangement represents an appearance of a conflict of interest. During the year ended December 31, 2012, the Board Chairman's daughter was paid \$300 for mowing various village property.

Village officials serve in a fiduciary capacity. Personal interest in business matters of the village create the appearance of conflict of interest. To avoid the appearance of a conflict of interest, trustees should not participate in decisions regarding related parties. The Board should consider establishing a policy which addresses this type of situation and provide a code of conduct for village officials.

5.4 Questionable expenditure

The purchase of Sam's Club memberships for village officials does not appear to be a necessary or prudent use of public funds. In August 2012, memberships costing \$35 each, were purchased for four trustees; and, instead of a membership, \$35 was paid to the fifth trustee. In addition, a membership was purchased for the Board Chairman's daughter. The village was reimbursed for this membership. According to the Village Clerk/Collector, these memberships were provided to the trustees as a "perk" since they are not otherwise paid for serving on the Board.

Village residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. Village funds should be



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expended only on items which are necessary and beneficial to village residents.

Recommendations

The Board of Trustees:

- 5.1 Establish formal written bidding policies and procedures, including documentation requirements regarding the bids or quotes received, and justification for the bid selected.
- 5.2 Require adequate, detailed supporting documentation be obtained and retained for all disbursements.
- 5.3 Ensure village officials who have a conflict or an appearance of a conflict, fully disclose their interest and not vote on matters which involve them personally. That action should be documented in the Board minutes. The Board should also consider adopting a code of conduct for city officials.
- 5.4 Ensure all disbursements of village monies are necessary and a prudent use of public funds.

Auditee's Response

The Board Chairman provided the following response:

The Board will take these recommendations under advisement.

Village of Deerfield

Organization and Statistical Information

The Village of Deerfield is located in Vernon County. The village was incorporated in 1963. The village employs no full-time employees. A trustee serves as the Village Clerk/Collector and is paid as an independent contractor.

Village operations include street maintenance.

Chairman and Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman and clerk/collector are appointed by the board from the trustees. The members of the Board of Trustees at December 31, 2012, are identified below. The Board of Trustees members receive no compensation.

Wayne Sisseck, Chairman
Bill Smith, Clerk/Collector (1)
David Prickett, Trustee
Kris Sisseck, Trustee
Corey Otter, Trustee

(1) Mr. Smith received compensation, totaling \$1,800, for serving as Clerk/Collector during the year ended December 31, 2012.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Village of Deerfield did not receive any federal stimulus monies during the year ended December 31, 2012.

Financial Activity

A summary of the village's financial activity for the year ended December 31, 2012, follows:

Village of Deerfield
Year Ended December 31, 2012

	General Fund
RECEIPTS	
Property taxes	\$ 1,172
Franchise fees	4,306
Motor fuel and vehicle fees	2,903
Lease proceeds	3,575
Interest	221
Miscellaneous	402
Total Receipts	<u>12,579</u>
DISBURSEMENTS	
Wages	1,800
Street maintenance and repair	4,734
Electric	3,685
Dump truck	8,750
Culverts	1,633
Insurance	1,107
Mowing services	660
Trash service	335
Election costs	131
Miscellaneous	881
Total Disbursements	<u>23,716</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,137)
CASH, JANUARY 1, 2012	<u>40,104</u>
CASH, DECEMBER 31, 2012	<u>\$ 28,967</u>