



Thomas A. Schweich  
Missouri State Auditor

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# Public Water Supply District #1 of Carroll County



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December 2013  
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**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Public Water Supply District #1 of Carroll County

Accounting Controls, Policies, and Procedures	The district does not adequately segregate accounting duties or provide a documented independent review, and the General Manager/Clerk does not have sufficient receipting and recording procedures. The district does not maintain a consistent amount in the petty cash fund and does not maintain a petty cash ledger or adequate supporting documentation for receipts and disbursements. Our count of the petty cash fund found a shortage of \$56, and the General Manager/Clerk later found \$45 at her home. The district maintains three inactive bank accounts, which could be closed, and it lacks adequate supporting documentation for some expenditures. The district does not maintain adequate bond coverage for the General Manager/Clerk, given the significant weaknesses in controls over receipts and expenditures. Most backup data is not stored at an off-site location, and the backup data is not periodically tested or stored on a reliable media.
Water System	The district prepared an inadequate cost analysis to support the August 2011 water rate increase, and the district has not developed a formal capital improvement plan for the water plant and distribution system. In November 2012, an engineering study proposed immediate and long-term improvements needed for the water plant and distribution system, but the district has not adjusted water rates for needed immediate improvements.
Budgets	The district's annual budgets do not contain all elements required by state law, and the Board does not monitor the budget to actual revenues and expenditures. For fiscal year 2013, the Board approved expenditures that exceeded budgeted expenditures by \$36,191.
Public Records	The district has not adopted a formal policy regarding public access to district records.
Personnel Records, Policies, and Procedures	The General Manager/Clerk does not complete a timesheet, employees do not always accurately complete and sign their timesheets, and supervisors do not adequately review and approve timesheets. The district does not always follow its policy when calculating leave balances; one employee was underpaid upon termination, and other employees were paid for vacation leave they were not entitled to receive. The district does not prepare performance appraisals as required by district policy, and does not maintain documentation of approved salaries and any adjustments in the individual personnel files. Individual personnel files also do not contain the employee's job application, job description, resume, or training records, as required by the Employee Policy Manual. The district needs to maintain more complete and detailed documentation to support employee health insurance reimbursement payments and needs to report as compensation the value of personal use of a district vehicle.

Purchasing Policy	The district does not always follow its purchasing policy. The district did not request a quote and/or document the reason(s) for a sole source or emergency purchase for more than \$23,000 in purchases and does not solicit proposals for its attorney and auditor.
Vehicle Usage Logs and Fuel Purchases	District procedures provide that usage/mileage logs be maintained for district vehicles, but these logs do not contain adequate information, and the district does not maintain a log for one of the vehicles. District employees are not required to submit fuel tickets for fuel credit card purchases, so the General Manager/Clerk does not reconcile fuel tickets to credit card statements.
Board Training	The Board does not ensure Board members receive the training required by state law prior to receiving mileage reimbursements.

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

\*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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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Board of Directors  
Public Water Supply District #1 of Carroll County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Public Water Supply District #1 of Carroll County. We have audited certain operations of the district in fulfillment of our duties. The district engaged R. Scott Stephens, P.C., Certified Public Accountant (CPA), to audit the district's financial statements for the year ended February 28, 2013. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended February 28, 2013. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district'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, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district; 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (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 Public Water Supply District #1 of Carroll County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

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:	Connie James

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# Public Water Supply District #1 of Carroll County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Accounting Controls, Policies, and Procedures**

There are significant weaknesses in district accounting controls, policies, and procedures.

##### **1.1 Segregation of duties and supervisory reviews**

The General Manager/Clerk is responsible for all record-keeping duties of the district, including receiving and depositing monies, recording receipts and disbursements, preparing and distributing checks, receiving bank statements and preparing bank reconciliations, and preparing financial reports, and there is limited supervisory review of her work. In addition, she is a check signer.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, there should be a documented independent review of district transactions.

##### **1.2 Receipting and recording procedures**

The General Manager/Clerk needs to improve receipting and recording procedures. Our cash count, totaling \$9,532, on June 19, 2013, and other audit work identified various problems.

- The General Manager/Clerk does not restrictively endorse checks immediately upon receipt.
- The General Manager/Clerk does not always deposit receipts timely. Many payment envelopes were initially unopened, with some postmarked 5 days before our cash count. In addition, we determined five checks, totaling \$74,856, were written between district bank accounts; however, the checks were deposited over a month after being written.
- The General Manager/Clerk can assign the posting date of payments in the computerized utility system. This weakness allows for possible manipulation of receipt data. Checks counted on June 19, 2013, were posted to the utility system with a June 17, 2013 date.
- The General Manager/Clerk records payments, regardless of method of payment (cash, check, or money orders), in the accounting system as checks. As a result, the composition of receipts cannot be reconciled to the composition of deposits. In addition, we noted that some payments were not posted to the customer accounts, but were recorded only in the general ledger. Thus, customer accounts do not reflect all payments, which results in an invalid accounts receivable balance.



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To reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed immediately upon receipt, and all monies should be deposited on a timely basis. In addition, to help ensure receipts are handled and accounted for properly, water payments should be posted on the actual date received, the composition of payments should be recorded and reconciled to the composition of deposits, and all water payments should be posted to the customer's account.

### 1.3 Petty cash

The district does not maintain the \$200 petty cash fund on an imprest basis, and does not maintain a petty cash ledger or adequate documentation to support the receipts and disbursements of petty cash. The petty cash fund is maintained for small purchases and also serves as a change fund.

Our count of petty cash on June 19, 2013, totaled \$144 with \$142 cash on hand and a \$2 disbursement receipt; resulting in a shortage of \$56. The General Manager/Clerk later found \$45 at her home. She indicated she had planned to use the \$45 for petty cash purchases.

To ensure all receipts are appropriately handled and recorded and disbursements are proper, the district should maintain the petty cash fund on an imprest basis. The district should also maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements from the fund.

### 1.4 Inactive bank accounts

The district maintains three inactive bank accounts, which could be closed. These accounts relate to prior bond issues, and the only activity in these accounts since July 2012 is interest income credited by the bank. At February 28, 2013, the bank account balances were \$20,488, \$1,033, and \$502 for the construction account, old bond payment account, and improvement account, respectively.

Maintaining inactive bank accounts increases the risk of misuse of funds. Bond covenants provide how excess funds can be used.

### 1.5 Expenditures

The district does not always obtain adequate supporting documentation for expenditures. Some expenditures are not supported by invoices. Instead, payments are made based on hotel reservations, maintenance agreements, and estimates of costs, which are important to retain but may differ from actual final costs. Also, some invoices for excavation and repair services are not supported by work orders. Work orders provide support for approved work and should be reconciled to invoices before payment.

To ensure expenditures are obligations actually incurred and represent an appropriate use of public funds, expenditures should be supported by proper documentation.





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## 1.6 Bond coverage

Due to significant weaknesses in controls over receipts and expenditures previously noted, the bond coverage for the General Manager/Clerk is not adequate. The district maintains bond coverage of \$25,000, for the General Manager/Clerk. However, for the year ended February 28, 2013, she received and handled monthly receipts ranging from approximately \$70,000 to \$100,000.

The Board should consider internal control procedures in place over financial transactions and the amount of funds handled when determining the bond amount. Failure to properly bond employees exposes the district to risk of loss.

## 1.7 Data backup

Most backup data is not stored at an off-site location, and the backup data is not periodically tested or stored on a reliable media. According to the General Manager/Clerk, the utility data is backed up monthly and is not stored at an off-site location. The general ledger/accounting data is backed up (two copies) every 3 to 4 days, and only one of the backup copies of the general ledger/accounting data is stored at an off-site location. The backup data is not periodically tested to ensure essential information can be restored and used. In addition, the backups are stored on floppy disks which may not be a reliable media. For example, in June 2012, the district lost approximately 3 months of data due to a power failure, and was unable to retrieve the data from the backup disks. The data had to be re-entered into the system from hard copy reports. Failure to store computer backup data at a secure off-site location results in backup data being susceptible to the same damage as the computer system.

District computerized records are at risk of loss due to equipment failure or other electronic or physical disaster. Storing backup data on a reliable media and in a secure off-site location provides increased assurance that district electronic records can be recreated if necessary, and periodic testing of backup data helps ensure it is reliable.

## Recommendations

The Board of Directors:

- 1.1 Segregate accounting duties to the extent possible, or at a minimum, establish procedures for a documented independent review of processing transactions and record-keeping functions.
- 1.2 Ensure checks are restrictively endorsed upon receipt, monies are deposited timely, posting dates are accurate, the composition of water payments are recorded in the utility system and reconciled to deposits, and all water payments are posted to the customer's account.



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- 1.3 Maintain the petty cash fund on an imprest basis and retain adequate documentation for all petty cash disbursements. A petty cash ledger should also be maintained.
- 1.4 Review bond covenants regarding allowable use of excess funds and consider closing inactive bank accounts.
- 1.5 Require adequate, detailed supporting documentation be obtained and retained for all expenditures.
- 1.6 Obtain adequate bond coverage for the General Manager/Clerk.
- 1.7 Ensure backup data is stored in a secure off-site location, performed on a reliable media, and tested on a regular basis.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 1.1 *Segregation of most accounting duties is not feasible given the fact that the District has only one employee who performs all office duties. Therefore, various duties performed by the General Manager/Clerk (Manager) will be reviewed monthly by a member of the Board of Directors with each director performing said review on a rotating basis.*
- 1.2 *The Board accepts the recommendations set forth in 1.2.*
- 1.3 *The Board accepts the recommendations set forth in 1.3.*
- 1.4 *The Board will review the bond covenants regarding allowable use of excess funds and commingling of the excess funds into one bank account.*
- 1.5 *The Board currently reviews and retains invoices for all checks signed at Board meetings.*
- 1.6 *The Board maintains that the Manager's current bond coverage is adequate given that dual controls are utilized with regard to countersigning of all checks by the Manager and two Board members and that two signatures are required for accessing the District safe deposit box.*
- 1.7 *Data is now backed up on a thumb drive and taken to either the home of the Manager or the home of a director. The data will be tested on an annual basis.*



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## 2. Water System

The district raised water rates without an adequate cost analysis. In addition, the district has not developed a formal improvement plan for the water plant and distribution system. As a result, there is less assurance water rates are established at an appropriate level.

### 2.1 Water rates

The district prepared an inadequate cost analysis to support a 4 percent increase in water rates approved in August 2011. The analysis indicated the percentage increase in water rates could produce sufficient revenue to cover expenditures for that year; however, this analysis did not include some needed information such as future capital improvements.

Bond covenants require the district to maintain rates that produce sufficient revenues to pay for system operating expenses, principal and interest on outstanding bonds, and system improvements, and provide adequate reserves. In addition, Section 247.110, RSMo, provides that when setting rates, the district should take into consideration outstanding debt, need for extensions of mains, repairs, depreciation, enlargement of plant, adequate service, obsolescence, overhead charges, and operating and incidental expenses. Water fees are user charges which should cover the cost of providing the related services, and in-house rate studies should include all relevant expenses and required reserves. Also, preparing a statement of costs would not only allow the district to determine the rates necessary to support current and future operations, but also provide documentation to customers of the rationale behind the rates.

### 2.2 Improvement plan

The district has not developed a formal capital improvement plan for the water plant and distribution system, and water rates have not been adjusted for needed immediate improvements, as recommended by an engineering study. As noted in section 2.1, the district should consider the need for extensions of mains, repairs, depreciation, and the enlargement of the water plant when setting water rates.

In November 2012, the district obtained an engineering study regarding improvements needed for the water plant and distribution system. Proposed immediate and long-term improvements totaled approximately \$600,000 and \$4.4 million, respectively. Although the report recommended residential and wholesale rates be increased (70 cents per 1,000 gallons) to fund the immediate improvements, the district has not raised rates.

Formal capital improvement plans serve as a useful management tool and provide greater input into the overall budgeting process. Plans provide a means to continually and more effectively monitor and evaluate the progress made in the repair, maintenance, and improvements of the water plant and distribution system throughout the years.



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## Recommendations

The Board of Directors:

- 2.1 Ensure adequate rate studies are prepared that consider all relevant expenses and reserves.
- 2.2 Prepare a formal capital improvement plan and periodically update the plan and rates as required.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 2.1 *The Board accepts the recommendation set forth in 2.1.*
- 2.2 *The Board agrees to assess the merits of a 5-year capital improvement plan. It will also take into consideration any recommendations made by its engineers regarding adjustment of water rates.*

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## 3. Budgets

District budgets are not adequate, and the Board does not adequately monitor the financial activities of the district.

### 3.1 Annual budget

The annual budgets approved by the Board are not adequate or in compliance with state law. The budgets did not include revenues and expenditures for the 2 preceding years or a budget message.

Section 67.010, RSMo, requires each political subdivision of the state to prepare an annual budget that presents a complete financial plan and specific information, including, but not limited to, a budget message and comparisons of actual revenues and expenditures for the 2 preceding years. The budget should also include the amount required for the payment of any debt.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. It will also assist in informing the public about district operations and current finances.

### 3.2 Budget monitoring

The Board does not monitor the budget to actual revenues and expenditures. As a result, for the year ended February 28, 2013, the Board approved expenditures, totaling \$1,027,327, which exceeded budgeted expenditures by \$36,191.

Failure to adhere to the limits imposed by budgets weakens the Board's effectiveness in controlling the district's financial condition. The Board should ensure monthly budget to actual comparisons are received and reviewed prior to approving expenditures.



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Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless authorized in the budget. Section 67.040, RSMo, allows for increases in authorized expenditures, but only after the governing body adopts a resolution setting forth the facts and reasons.

## Recommendations

The Board of Directors:

- 3.1 Prepare annual budgets that contain all information required by state law.
- 3.2 Obtain and perform adequate reviews of budget to actual financial information monthly, ensure actual expenditures do not exceed budgeted amounts, and if necessary, amend the district's budget.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 3.1 *The Board accepts the recommendation set forth in 3.1.*
- 3.2 *The Board agrees to review and, if appropriate, amend the District budget on a quarterly basis. To do so on a monthly basis would be overly burdensome for the Board in relation to the benefits derived therefrom.*

## 4. Public Records

The district has not adopted a formal policy regarding public access to district records.

A formal policy regarding public access to district records would establish guidelines for the district to make the records available to the public. This policy should identify a person to contact, provide an address to mail such requests, and establish a cost schedule 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 district to charge fees for providing access to and/or copies of public records and provides requirements related to fees.

## Recommendation

The Board of Directors develop written policies and procedures to obtain access to, or copies of, public district records.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Board will review Section 610.023, RSMo, and develop written policies and procedures concerning it.*



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## 5. Personnel Records, Policies, and Procedures

The district needs to improve personnel records, policies, and procedures.

### 5.1 Timesheets

The General Manager/Clerk does not complete a timesheet. In addition, employees do not always accurately complete and sign their timesheets, and supervisors do not adequately review and approve timesheets.

The Employee Policy Manual provides that payroll for employees should be based on time recorded. To ensure proper control over payroll and the accuracy of the hours worked, time recorded, leave taken, and overtime paid, timesheets should be prepared and signed by the employee and reviewed and approved by a supervisor. The General Manager/Clerk should prepare a timesheet, and the timesheet should be reviewed and approved by the Board President or a designated member of the Board.

### 5.2 Leave

The district does not always follow its personnel policy when calculating leave balances and paying leave to employees. We found one employee was underpaid \$344 upon termination, and other employees were paid for vacation leave they were not entitled to receive.

The Employee Policy Manual provides that full-time employees, on their employment anniversary date, be credited for vacation and sick leave. Vacation leave varies based upon length of service, and on an employee's anniversary date. Any unused vacation leave is forfeited unless an extension is requested and approved before the anniversary date. Sick leave earned is 40 hours each year, and unused sick leave is paid to employees on their anniversary date. Accrued vacation and sick leave is paid upon termination of employment. The minimum leave usage increment is 1 hour.

We identified instances of noncompliance with district policy and some inconsistencies in calculating and paying leave balances due to (1) leave usage and current balances not being updated for several months as of July 2013, (2) employees being allowed to use one-half hour increments for leave used, (3) vacation leave not always being forfeited on the employee's anniversary date, but continuing to accumulate or being paid to the employee, and (4) sick leave continuing to accumulate instead of being paid to employees on their anniversary date.

In addition, because vacation leave was allowed to accumulate and the sick leave balance was not current, upon termination one employee was overpaid for 8 hours of vacation leave and underpaid for 40 hours of sick leave, which resulted in a net underpayment of 32 hours or \$344. We also found one employee was improperly paid \$868 for accrued vacation leave in



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addition to her accrued sick leave, and a second employee was improperly paid \$1,275 for accrued vacation leave in addition to his accrued sick leave, on their anniversary dates.

Accrued leave represents a potential liability to the district, and balances should be accurately maintained and monitored to ensure employees are properly compensated and receive fair and equitable treatment, in compliance with district policy.

### 5.3 Performance appraisals

The district does not prepare performance appraisals as required by district policy. According to the General Manager/Clerk, employee appraisals have not been prepared for several years, and the Board has not formally evaluated her performance for several years.

The Employee Policy Manual provides that employees be reviewed and evaluated in January each year by their supervisor, and evaluations should be based on job performance in relation to job description. Performance appraisals are needed to adequately evaluate employee performance and provide documented feedback to employees. Performance appraisals also assist in personnel decisions.

### 5.4 Personnel files

The district does not maintain documentation of approved salaries and any adjustments in the individual personnel files. According to the General Manager/Clerk, Board minutes document the starting salary and any salary increases. The individual personnel files also do not contain the employee's job application, job description, resume, or training records as required by the Employee Policy Manual.

To help ensure employees are paid the salary approved by the Board, the approval of each employee's salary/pay rate and any subsequent raises should be documented in the individual personnel files. In addition, to ensure district policy is followed, other information required by the policy manual should be maintained in individual personnel files.

### 5.5 Health insurance reimbursements

The district needs to maintain more complete and detailed documentation to support employee health insurance reimbursement payments.

The Employee Policy Manual provides that monthly health insurance premium reimbursements be made to full-time employees for individual policies. Proof of premium payments is required from employees. In September 2009, the Board approved a monthly reimbursement of up to \$350. For the year ended February 28, 2013, the district reimbursed employees \$10,589 for their premium expenses.

Documentation from insurance companies is not always sufficient. The documentation does not always identify the name of the insurance company, the type of insurance, the name of covered party, or the monthly/annual



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premium for the employee. According to the General Manager/Clerk, she reviews employees' bank statements to ensure payments agree to documentation from the insurance companies; however, she does not retain a copy of the bank statements.

To ensure the validity and propriety of health insurance premium reimbursements, detailed supporting documentation that clearly identifies the insurance company providing the coverage, type of insurance, covered party, and the premium amount should be obtained and retained.

## 5.6 Commuting in district vehicle

The district does not report the value of personal commuting in a district vehicle as compensation. According to the General Manager/Clerk, the district allows her to use a district vehicle to commute to and from home daily; however, the value of the vehicle is not added as compensation on her W-2 form. In addition, the General Manager/Clerk stated she is allowed to use the district vehicle for personal business during the day.

The Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit that should be reported on W-2 forms, and provide several methods to determine automobile commuting value. The district may be subject to penalties and/or fines for failure to report all taxable benefits. In addition, if the commuting vehicle is used for personal business and/or non-employees are passengers, the district may have liability issues.

## Recommendations

The Board of Directors:

- 5.1 Require all employees prepare and sign their timesheet, and supervisory employees review and approve timesheets of their subordinates. The Board President should review and approve the timesheet of the General Manager/Clerk.
- 5.2 Ensure employee leave balances are properly tracked and monitored, and any unused leave is handled in accordance with the district policy.
- 5.3 Ensure formal documented employee performance appraisals are completed on an annual basis. The Board should also formally evaluate the General Manager/Clerk annually.
- 5.4 Establish procedures to ensure all information required by district policy is contained in the individual personnel files, and include the approval of each employee's salary/pay rate and any subsequent raises.





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- 5.5 Ensure adequate documentation is maintained to support health insurance reimbursements.
- 5.6 Ensure the value of commuting use in a district vehicle is reported as taxable income on the employee's W-2 form and withhold related taxes. Also, the Board should reconsider allowing a district vehicle to be used for personal business.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 5.1 *The Board accepts the recommendations in 5.1 for all hourly employees. The Board also accepts the recommendation for its salaried Manager to the limited extent that she record information on her timesheet regarding vacation and sick leave only which will be reviewed and approved by the Board President.*
- 5.2 *The Board accepts the recommendation set forth in 5.2.*
- 5.3 *The Board accepts the recommendation set forth in 5.3.*
- 5.4 *The Board accepts the recommendation set forth in 5.4.*
- 5.5 *The Manager will request an annual report from each employee's insurer confirming coverage and payment of premiums for the year as suggested during the exit conference.*
- 5.6 *The Board does not consider the use of a company vehicle by the Manager as "commuting" and, therefore, a fringe benefit subject to taxation since the Manager is on call 24/7. Additionally, the District does not have adequate space to secure the vehicle during non-business hours. The Manager provides security for the vehicle during non-business hours by keeping it at her home. The Board considers this a valuable service in light of the vandalism done at night to several other vehicles in the general locale of the business office. The Board will confer with the District's CPA to further review IRS regulations.*

## 6. Purchasing Policy

The district does not always follow its purchasing policy. For the year ended February 28, 2013, operating expenses totaled \$499,846.

The district did not request a quote and/or document the reason(s) for a sole source or emergency purchase for various purchases, including the items listed in the following table.



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Purchase	Cost
Rebuild pump	\$ 6,525
Lime	5,944
Inspections, water towers	4,750
Welding services	2,290
Fix water leak	1,475
Copper setters	1,423
Metal extension/lids	1,095
Total	\$ 23,502

The district also does not solicit proposals for its attorney and auditor. For the year ended, February 28, 2013, the district paid its attorney and auditor \$2,363 and \$1,946, respectively.

The district purchasing policy provides that (1) no quotes are needed for purchases less than \$300, (2) at least two competitive quotes (e.g. telephone quotes, suppliers catalog, etc.) be obtained for the purchase of goods/services between \$300 and \$10,000, (3) at least two written quotations be obtained for goods/services between \$10,001 and \$100,000, and (4) formal bidding is required for purchases in excess of \$100,000. In addition, competitive quotes/bids are not needed for sole source situations or emergency repair work. Purchases in excess of \$10,000 are to be approved by the Board.

In addition to complying with district policy, seeking competitive bids/proposals helps ensure the district has made sufficient effort to receive goods or services at the best and lowest price. Complete documentation of all bids and proposals received and reasons why a bid or proposal was selected helps demonstrate the district conducts a fair procurement process and provides necessary information should questions arise.

## Recommendation

The Board of Directors ensure quotes/bids and/or proposals are solicited for all applicable purchases in accordance with district policy. The Board should also ensure sufficient documentation is maintained for vendors selected and the reasons for a sole source and/or emergency purchase is documented.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Board accepts the recommendations set forth in 6.*



## 7. Vehicle Usage Logs and Fuel Purchases

Vehicle usage/mileage logs do not provide sufficient details to monitor vehicle use and verify fuel purchases. During the year ended February 28, 2013, the district maintained three vehicles and fuel credit card purchases totaled \$9,324.

### 7.1 Usage logs

District procedures provide that usage/mileage logs be maintained for district vehicles; however, the usage/mileage logs do not provide adequate information and no log is maintained for one of the vehicles.

The usage/mileage logs do not always include the purpose and destination of each trip, beginning and ending odometer readings, and a record of the vehicle mileage each time the vehicle is fueled or has maintenance performed. For one vehicle, the log shows odometer readings and number of gallons of fuel, when fuel was purchased, and periodically the odometer reading for the day. For the other vehicle, the log, for a period of time, included the ending odometer reading each day and the reading at the time of fueling, but later only included the odometer reading at the time of fueling.

Without complete and detailed usage/mileage logs, the district cannot effectively monitor the appropriateness of vehicle use and ensure fuel costs are reasonable.

### 7.2 Fuel purchases

Employees are not required to submit fuel tickets for fuel credit cards purchases. As a result, the General Manager/Clerk does not reconcile fuel tickets to credit card statements. The district uses four fuel cards for fuel purchases.

Reconciling fuel tickets to invoices helps to provide assurance that the fuel billed was charged by district employees, and fuel expenses are necessary and reasonable. Failure to account for fuel purchases could result in loss, theft, or misuse going undetected.

## Recommendations

The Board of Directors:

- 7.1 Require detailed and uniform fuel usage/mileage logs be maintained for all district-owned vehicles. In addition, these logs should be reviewed, evaluated, and reconciled to fuel purchased.
- 7.2 Require fuel tickets be submitted to the General Manager/Clerk and ensure a reconciliation of fuel tickets to the monthly billing is performed.



Public Water Supply District #1 of Carroll County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Board of Directors provided the following written responses:*

7.1 *The Board will review current practices and develop a policy and procedures for documenting fuel usage/mileage logs.*

7.2 *The Board accepts the recommendations set forth in 7.2.*

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## 8. Board Training

The Board does not ensure members obtain the training required by state law. Although Board members do not receive compensation for attending Board meetings, members receive mileage reimbursements for attending Board meetings. For the year ended February 28, 2013, the total mileage reimbursements paid to Board members was \$702.

Section 247.060, RSMo, provides that a Board member cannot receive any attendance fees or additional compensation until the Board member has completed a minimum of 6 hours of training regarding items such as responsibilities of the board, basics of water treatment/distribution, budgets/rates, and understanding the financial statements and the Sunshine Law (Chapter 610, RSMo).

## Recommendation

The Board of Directors ensure the required training for members is obtained. In addition, training records need to be maintained to show compliance with state law.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Board accepts the recommendations set forth in 8.*

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# Public Water Supply District #1 of Carroll County

## Organization and Statistical Information

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The Public Water Supply District #1 of Carroll County (district) was established in 1974 pursuant to Chapter 247, RSMo. The district maintains its own water plant, including treating and distributing water. The district services 1,195 customers and is approximately 464 square miles.

The five-member elected board of directors acts as the policy-making body for district operations. The board members serve 3-year terms without compensation. However, members receive mileage reimbursements for attending board meetings. Members of the Board at February 28, 2013, were:

Wanda Peetoom, President  
John William Clinkscales, Vice President  
Dale Griffith, Member  
Ralph Parker, Member  
Craig Witteveen, Member

The board appoints the General Manager/Clerk and Treasurer. The General Manager/Clerk at February 28, 2013, was Deandra Germann and her compensation for the fiscal year ended February 28, 2013 was \$39,520. The Treasurer was Delbert Snider, and he received compensation in the form of mileage reimbursements.

At February 28, 2013, the district had three full-time employees and one part-time employee.