



Office of Missouri State Auditor
Nicole Galloway, CPA

Village of Ferrelview



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Village of Ferrelview

Financial Condition	The village's General Fund is in poor financial condition. Budgets are not prepared timely, payroll costs increased significantly during 2016 and 2017, and transfers from the Water and Sewer and Street Funds have kept the General Fund from having a negative fund balance.
Utilities	Financial information in the village's utility system is not complete and accurate. The village is not following its service shut off ordinance and has not developed adequate procedures to monitor and collect delinquent water accounts. A written policy regarding partial payments by customers who have delinquent accounts has not been developed and customers are allowed to make partial payments without entering into a written payment agreement and Board approval. Adequate procedures are not in place to pursue collection of accounts receivable and monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any of the utility services are not performed. Controls over non-monetary adjustments posted to customer utility accounts need improvement. Refundable utility deposits held in the Water and Sewer Fund account exceeded the bank balance as of February 28, 2018, and are not accounted for properly. The Board could not provide documentation that a formal review of utility rates had ever been performed, and as a result there is less assurance the utility rates are set at an appropriate level. The village has not obtained annual audits of its combined waterworks and sewage system as required by state law.
Budgets, Financial Planning, and Reporting	The village did not prepare a budget for 2016 or 2017 and the budget prepared for 2018 lacked some information required by state law and was not approved timely. Budget to actual reports were not prepared provided to the Board for review. The village has not developed formal written long-range plans for streets or utilities. The financial statement submitted to the State Auditor's Office for 2017 was not adequate and the statement filed for 2016 had to be resubmitted several times due to errors.
Accounting Controls and Procedures	The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by village personnel is performed. Receipts slips are not issued for most payments received by the village. A restricted \$15,000 certificate of deposit in the Water and Sewer Fund was cashed in October 2017 and the proceeds deposited in the General Fund. Village officials indicated this transfer was part of a repayment of a liability to the General Fund and that an additional \$6,550 is still owed, but it is unclear if this amount is accurate based on records provided.
Payroll Controls and Procedures	Payroll functions are not segregated and there is not a sufficient review of time records and payroll functions. The village did not have ordinances to address some significant issues and did not always comply with established ordinances. Wages paid to the Police Chief included significant overtime pay in 2016 and 2017, even though not required by federal wage laws. Total payroll costs for the village increased significantly from 2014 to 2017, and reached a high of approximately \$113,000 in 2016. Police payroll totaled approximately \$95,000 during 2016 and 2017, accounting for approximately 45 percent of General Fund spending.

Disbursements	The Board's approval process for disbursements is not adequate and Board meeting minutes did not mention bills approved for payment. The Board has no documentation of any discussions held or the basis for determining the amounts paid from the Water and Sewer Fund and Street Fund to the General Fund. During 2016 and 2017, approximately \$103,000 was paid from the Water and Sewer Fund to the General Fund and approximately \$15,000 from the Street Fund to the General Fund. Documentation is not maintained to support the amounts paid and a method for allocating administrative costs has not been developed. The village was required to repay \$5,102 in grant funding due to noncompliance with the grant agreement. The Village Treasurer does not maintain a petty cash ledger or adequate documentation to support petty cash transactions. The village does not have written contracts with some service providers and certain outside parties.
Capital Assets	The village does not maintain records of its capital assets including buildings, land, vehicles, equipment, and other property. A police vehicle was sold to a Board member for less than the minimum amount established by the Board and without Board approval, giving the appearance of a conflict of interest and in violation of the Missouri Constitution. The village has not developed a policy for disposing of property items.
Ordinances and Sunshine Law	Village ordinances are not organized, complete, or up to date. Village personnel do not maintain adequate records of requests for records to show compliance with state law. The village did not comply with state law regarding closed sessions. Minutes for monthly Board meetings are neither signed by the Village Clerk as the preparer, nor the Board Chairperson or another Board member to indicate Board approval.
Electronic Data Security	Controls over village computers are not sufficient to prevent unauthorized access, and sufficient plans and processes are not in place for recovering systems and data.

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.

Village of Ferrelview

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NICOLE GALLOWAY, CPA

Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Ferrelview. 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, 2017. 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 procedures, including certain financial transactions.

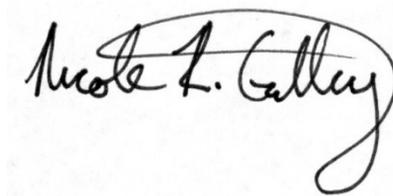
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls 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 applicable contract, grant agreement, 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 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 Village of Ferrelview.

An additional report, No. 2018-004, *Sixth Judicial Circuit, Village of Ferrelview Municipal Division*, was issued in January 2018.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Village of Ferrelview

Management Advisory Report

State Auditor's Findings

1. Financial Condition

The village's General Fund is in poor financial condition. The Board of Trustees is not adequately monitoring the financial condition of the village. Budgets are not prepared timely, payroll costs increased significantly during 2016 and 2017, and transfers from the Water and Sewer and Street Funds have kept the General Fund from having a negative fund balance. A class action lawsuit settlement totaling approximately \$88,000 received in February 2015 from a phone provider improved the village's financial condition at that time, but expansion of the police department beginning in June 2015 has contributed to the poor condition of the General Fund.

As discussed in Management Advisory Report (MAR) finding number 5.3, the General Fund is in a weakened condition as a result of excessive spending on salaries, particularly for the police department, during 2016 and 2017. As discussed in MAR finding number 3.1, the village's poor budgetary preparation and monitoring procedures have also contributed to this problem.

The reconciled cash balance of the General Fund at December 31, 2017, was \$19,053, and a receivable, totaling \$6,550, from the Water and Sewer Fund was listed as an asset for the General Fund in the 2018 budget. The balance of the General Fund was approximately 10 percent of General Fund spending, but as discussed in MAR finding number 6.2, that balance was achieved through significant transfers from the Water and Sewer and Street Funds. Without those transferred funds, the General Fund balance at December 31, 2017, would likely have been negative. In addition, the General Fund balance is not sufficient to allow the village to pay calculated excess revenues collected from traffic tickets during 2016 and 2017, totaling \$20,300 and \$1,551, to the Department of Revenue, according to addendums filed with the State Auditor's Office.

In July 2017, in part due to the excess revenue owed to the state for 2016 and the overall financial condition of the General Fund, the Board voted to dissolve the village's municipal division and disband the police force. The Police Chief remained employed, but part-time officers were no longer used, and traffic tickets have not been issued since that time. Due to ongoing disputes with the Board, the Police Chief was suspended with pay in November 2017. He continued to be paid \$300 per week from mid-November 2017 to April 2018, for a total of approximately \$6,000. New Board members took office in April 2018 and the Police Chief was reinstated and began working again.

It is essential the Board address the financial condition of the General Fund both in the immediate- and long-term future. To improve the financial condition the Board should reduce spending as much as possible, address interfund and other obligations, and evaluate controls and management practices to ensure efficient use of village resources.



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Recommendation

The Board of Trustees closely monitor the village's financial condition. The Board should reduce spending where possible, establish a plan to pay interfund obligations and excess revenues to the state, and evaluate controls and management practices to ensure efficient use of resources.

Auditee's Response

We are currently monitoring the village's financial condition more closely. We have reduced payroll significantly in 2018 by consolidating some positions. We will review records related to the amount due from the Water and Sewer Fund to the General Fund and are in the process of establishing a plan to repay the excess revenues due to the Department of Revenue. We plan to evaluate controls and management practices overall to ensure resources are used efficiently.

2. Utilities

Controls over utilities need improvement.

2.1 Utility financial data

Financial information in the village's utility system is not complete and accurate. During a request for documents in March 2018, we were informed that on January 10, 2018, the utility software provider performed a procedure referred to as a "compact and repair" to the utility system database. The compact and repair procedure is built into the Microsoft Access application and it is customary to periodically perform this procedure to keep the database working properly. Microsoft recommends making a backup of the database prior to performing the procedures, which was done by the software provider, because Access may truncate some data from tables that are damaged and some data may be lost in the process. If a backup of the data is made, it is possible to recover any lost data. According to the software provider, who was contacted by village personnel because they were having trouble accessing data for us, the process deleted some historical data from the system. The software provider told us the company informed village personnel that to restore the missing data and move forward with accurate data for 2018, the village would need to save the backup file created by the software provider and re-enter all transactions after January 10, 2018, into the saved back up database. The village has not completed this process, bringing into question the accuracy of the utility system data.

To ensure the accuracy of data within the utility system, it is imperative the village follow up on instructions from its software provider timely.

2.2 Shut off procedures

The village is not following its service shut off ordinance and has not developed adequate procedures to monitor and collect delinquent water accounts. Village personnel do not periodically prepare a delinquent accounts listing and could not provide us a listing of unpaid water and sewer bills. The Board established an ordinance to shut off water service to any customer whose bill has not been paid within 15 days after the due date (10th of the month). Testwork performed for 3 months, (July 2017, February 2018, and March 2018), showed numerous customers who had not made payments



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within 15 days of the due date, but service was not disconnected. The former Village Clerk could not provide records to show that any customers had service shut off prior to March 2018.

The former Village Clerk indicated that the Water Commissioner (one of the Trustees) instructed her to prepare shut off notices on March 5, 2018, for customers whose February 2018 billings were unpaid. The Village Clerk informed him his account was among those receiving shut off notices. The next day the Trustee sent the former Village Clerk an email message advising her to delay shut offs until March 12, 2018. On March 12 only two customers still had not paid their outstanding bill, including this Trustee. The contracted water operator was requested to shut off these two customers' service, but upon arrival at the Trustee's residence was told by the Trustee to not turn off either his water or the other customer's water. The water operator requested something in writing from the Trustee regarding this directive and received an email message from him documenting this instruction. The Trustee indicated he was going to pay his bill the following day and did so. However, he used his position as a Trustee for personal gain in this situation, which violates state law. Public officials cannot make decisions that may financially impact themselves or their family. By stopping his service from being disconnected, this Trustee avoided having to pay the reconnect fee, along with not losing service. The other customer had his/her service disconnected on March 13, 2018, per village records.

To help maximize utility revenues, procedures should be developed to ensure adequate steps are taken to collect delinquent accounts and shut off service in accordance with village ordinance. In addition, Section 105.452(4), RSMo, prohibits an official from acting favorably on any matter specifically designed to provide a special monetary benefit to such official.

2.3 Partial payments

The village does not have a written policy regarding partial payments by customers who have delinquent accounts, and customers are allowed to make partial payments without entering into a written payment agreement and without Board approval.

We tested billings and payments made in July 2017, February 2018, and March 2018. Of the 55 billings tested during those months, 15 were partial payments. There were no written agreements for or Board approval of these arrangements.

A written policy is necessary to establish and document the process to determine when payment agreements are allowed, how the payment amount is to be established, and the approval process for these arrangements. In addition, a signed written payment agreement is necessary to indicate the intent of the customer to pay the outstanding balance and to aid in accounting for and collecting amounts due.



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2.4 Accounts receivable

The village does not have accurate records of outstanding utility accounts nor adequate procedures to pursue collection of accounts receivable. In addition to not following established shut off procedures, as discussed in section 2.2, phone calls are not made and letters are not sent to delinquent customers in an attempt to collect past due amounts. We asked village personnel why the village was not pursuing collection of outstanding amounts due from renters with landlords, as allowed by state law. Village personnel indicated a settlement agreement entered into in July 2003 with the owner of a mobile home park stated the village would not pursue collection of renters delinquent balances with management of the park.

Section 250.140, RSMo, provides that all combined utility services shall be deemed furnished to both the occupant and the owner of the premises, which allows utility providers to pursue collection from the owners of property if the renters do not keep the account in good standing. It is unclear if the settlement agreement is still valid due to changes in the law but a legal opinion has not been sought by the village regarding this matter. In addition, there are several other apartment complexes and mobile home parks in the village and the village also did not seek payment of delinquent amounts from the owners of those properties. The village should use all available means to collect amounts owed from tenants of these properties.

Good business practices require establishment of adequate collection procedures to ensure accounts are collected timely and bad debts are kept to a minimum. To ensure revenues of the utility system are maximized, the village should start holding property owners liable for outstanding accounts where applicable and determine if the prior settlement agreement is still valid.

2.5 Accounts receivable reconciliations

The village does not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any utility services.

Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely.

2.6 Non-monetary adjustments

Controls over non-monetary adjustments posted to customer utility accounts need improvement. Non-monetary adjustments are any transactions where payment is not received; however, the account balance is changed in the accounting records, such as for waiving customer late charges, adjusting usage for inaccurate meter readings, or reducing a balance due to water leaks. The Village Clerk, who is responsible for receipting and posting utility payments to the system, made 431 non-monetary adjustments, totaling \$207,885, during 2017 to reduce customer account balances. Of this total, 57 adjustments were made on 4 customer accounts and totaled \$191,939. The Village Clerk indicated these adjustments were needed due to errors in the meter reading or the meter being broken but documentation was not maintained to support these reasons. Non-monetary adjustments posted to the system are not reviewed and approved by an independent person and



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documentation of reasons for adjustments is not always retained. Because the Village Clerk is responsible for collecting utility payments and has the ability to alter or delete individual utility account information, there is an increased risk that unsupported or unauthorized changes can be made in the utility system. In addition, a comparison of approved adjustments to adjustments actually made to the system is not performed by an independent person.

Non-monetary adjustments should be verified and approved by a person independent of the person posting these transactions to ensure they are necessary and properly handled. Considering the risks associated with non-monetary adjustments, the Board should consider monitoring all such transactions.

2.7 Utility deposits

Refundable utility deposits held in the Water and Sewer Fund, along with other water receipts, are not accounted for properly.

Effective October 2017, village Ordinance No. 315 requires a \$250 deposit when an account is activated (deposit amounts in previous years were \$150, \$100, and \$25). The village's list of refundable utility deposits totaled \$31,956 as of February 28, 2018; however, the bank balance of the Water and Sewer Fund account was only \$31,654. Considering all activity of the combined water and sewer system is accounted for within this fund, village officials need to determine what is causing this shortage. In addition, during 2016 and 2017, village personnel refunded 4 deposits (\$750) to customers with active accounts. They could not explain why this occurred. In addition, 9 active accounts did not have deposits shown on the listing.

Maintaining and updating a complete list of customer utility deposits is necessary to provide a record of deposits held. In addition, maintaining a separate accounting record of utility deposits and reconciling it to the fund balance provides the village assurance the Water and Sewer Fund account balance is sufficient to cover customer deposit liabilities and ensure customer deposits are not used for water operations.

2.8 Utility rates

The Board could not provide documentation that a formal review of utility rates had ever been performed, and as a result there is less assurance the utility rates are set at an appropriate level. Rates charged for water and sewer services changed in July 2017, with water rates decreasing and sewer rates increasing. Village officials provided some calculations to support the rate changes, but the amounts used in those calculations were not supported and depreciation and replacement costs were not considered in the computations.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs that shows the increase is necessary to cover costs of providing the service. To ensure utility rates are appropriately set, village officials should perform and document a detailed cost study of the village's



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water and sewer costs, including depreciation, and set rates to cover the total cost of operations without generating excessive profits.

2.9 Annual audits

The village has not obtained annual audits of its combined waterworks and sewage system as required by state law. The last audit of the village was for 2015. Section 250.150, RSMo, requires the village to obtain annual audits of the combined waterworks and sewage system, with the cost of the audit to be paid from revenues received from the system.

Recommendations

The Board of Trustees:

- 2.1 Contact the utility software provider and determine what actions are necessary to ensure data in the system is complete and accurate.
- 2.2 Ensure utility accounts are shut off in accordance with village ordinance and no one is given preferential treatment.
- 2.3 Establish a written policy regarding partial payments and ensure signed written payment agreements are prepared and approved by the Board.
- 2.4 Ensure adequate records are maintained to determine unpaid utility bills and pursue collection of outstanding balances. In addition, consult with the village's attorney regarding the ability to pursue collections from owners of rental property for unpaid utility bills and develop adequate procedures to pursue amounts due.
- 2.5 Ensure monthly reconciliations of amounts billed to amounts collected and delinquent accounts are performed.
- 2.6 Ensure all non-monetary adjustments are properly approved and compared to actual changes posted to the computer system, and documentation of reasons for all non-monetary adjustments is retained.
- 2.7 Ensure utility deposits held in the Water and Sewer Fund are accounted for properly and reconcile the utility deposit listing monthly to the amount held in the Water and Sewer Fund bank account. Any discrepancies should be investigated and resolved.
- 2.8 Ensure a statement of costs is prepared to support changes in utility rates and document formal reviews of water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing these services.
- 2.9 Obtain annual audits of the waterworks and sewerage system as required by state law.



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Auditee's Response

- 2.1 *We agree and plan to do this.*
- 2.2 *We agree and have implemented the recommendation.*
- 2.3 *We are now following our policy regarding shut off of service and plan to continue enforcing the due date for utility bills. We will discuss the need for a written policy. Partial payments will be accepted but if full payment is not made by the shut off date, the shut off of utilities will occur.*
- 2.4 *We will ensure an outstanding balances report is prepared and reviewed during Board meetings, and we are currently pursuing collection of outstanding accounts. We will discuss with our attorney the former settlement and determine if our current procedures are adequate.*
- 2.5 *We agree and will ensure the Village Clerk prepares reconciliations of amounts billed to amounts collected and delinquent accounts monthly in the future.*
- 2.6 *We will develop procedures to approve adjustments to the system before they are made and will ensure the actual changes made agree to items approved. In addition, documentation will be retained to support non-monetary adjustments.*
- 2.7 *We will develop a system to track utility deposits and will reconcile the total balance to the amount of water deposits held in the Water and Sewer Fund monthly.*
- 2.8 *We will ensure adequate documentation is prepared to support changes in utility rates and ensure formal reviews are done periodically.*
- 2.9 *We agree and plan to obtain annual audits in the future.*

3. Budgets, Financial Planning, and Reporting

The village's budgeting practices, financial planning, and reporting needs improvement.

3.1 Budgets

The village did not prepare a budget for the year ended December 31, 2017, or 2016. A budget was prepared for the year ended December 31, 2018, but lacked some information required by state law and was not approved timely. The failure to prepare budgets does not allow for adequate monitoring of budget to actual receipts and disbursements. Although a budget was



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eventually prepared for 2018, budget to actual reports were not prepared and provided to the Board for review.

The 2018 budget did not include a budget message or comparative statements of receipts or disbursements for the 2 preceding years, did not include all village funds, and had mathematical errors. The budget was not approved by the Board until its February 13, 2018, meeting several weeks after the village's fiscal year began on January 1, and did not include a budget for the Law Enforcement Training Fund. In addition, the Board budgeted all available revenue for each budgeted fund, resulting in unreasonable disbursement estimates for some funds. For example, the Street Fund budget included a line item for street improvements totaling approximately \$109,000. That amount was used so budgeted disbursements would equal the available resources for the fund. According to the current Village Clerk, through November 30, 2018, the village has spent nothing on street improvements. Village personnel indicated budgets have been prepared in this manner because they believed this method was required to balance the budget.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of village operations. It also assists in setting tax levies and informing the public about village operations and current finances. Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in the budget. In addition, Section 67.080, RSMo, provides that no expenditures of public monies should be made unless it is authorized in the budget. Furthermore, proper monitoring of budgeted amounts to actual results is necessary for the budget to be an effective management tool.

3.2 Long range plans

The village has not developed formal written long-range plans for streets or utilities.

Streets

The village has not developed a formal annual maintenance plan for village streets. Village streets are in very poor condition and a relatively small amount of money has been spent to repair/replace village streets since 2015. As of December 31, 2017, the Street Fund balance was \$55,923. This balance includes approximately \$48,000 requested from Platte County in October 2015 as a distribution of the village's share of the countywide transportation sales tax passed by county voters in 2013. The village can make semi-annual requests for its share of this money, but has not requested or received any additional funds since October 2015. Personnel at the Platte County Treasurer's office indicated the village has approximately \$68,000 available for distribution as of June 30, 2018. While the 2018 budget prepared by the village had a line item for street improvements totaling approximately \$109,000, no significant street improvement projects were planned or completed as of June 30, 2018, and we identified no significant discussions



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documented in Board minutes regarding street maintenance plans or street improvement projects.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information.

Utilities

The village has an aging infrastructure for its water and sewer system and a multi-year capital improvement plan has not been documented. Because bonds issued in 1991 to build the system have been repaid, no reserve funds or repair and replacement funds are required, and as of December 31, 2017, no funds have been set aside for the system's long-term repairs or maintenance.

Adequate long-range planning helps ensure critical needs of the village are identified, priorities are established, and the village makes the best use of the funds available. After a long-term plan is developed, it should be reviewed annually and modified as necessary to meet the changing needs of the village.

Conclusion

Development of a formal maintenance plan for village streets and a multi-year capital improvement plan for the utility system are necessary to ensure the needs of village residents are met in the future. Details of each plan should be included in the budget message and approved by the Board. In addition, public hearings should be held to obtain input from residents.

3.3 Financial reporting

The financial statement submitted to the State Auditor's Office for the year ended December 31, 2017, was filed timely but not adequate. The data submitted consisted of meeting agendas, utility financial reports, and the advertisement for the sale of police vehicles. The information submitted did not include any annual financial data for village funds. In addition, a financial statement for the year ended December 31, 2016, was submitted timely, but had to be resubmitted several times after being updated due to errors identified by the Village Treasurer in the financial records of the village. A final revision was submitted in February 2018.

Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the State Auditor's Office. 15 CSR 40-3.030 details the elements needed, which include beginning and ending balance, summary of receipts and disbursements, statement of indebtedness at the beginning and ending, and the property tax rate levied for each fund for the reporting period.



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Recommendations

The Board of Trustees:

- 3.1 Prepare annual budgets for all funds that contain statutorily required information and approve the budget prior to the beginning of the operating year, and ensure budgeted disbursements for each fund are a reasonable approximate of what the Board actually intends to spend. In addition, the Board should monitor budgets by reviewing monthly budget to actual reports.
- 3.2 Develop a formal street maintenance plan which will utilize available resources in a manner consistent with existing restrictions on the funds and prepare a formal capital improvement plan for the water and sewer system and a means to fund it.
- 3.3 Ensure financial data submitted complies with state regulations and statutes.

Auditee's Response

- 3.1 *We will ensure the 2020 budget contains all information required by state law and is approved timely. We will ensure budgeted disbursements for each fund are reasonable and are reflective of what we actually plan to spend. We will discuss whether an amendment to the 2019 budget is necessary. We will request the Village Clerk begin providing budget to actual reports at the monthly Board meeting.*
- 3.2 *We are in the process of developing long-range plans for streets and utilities.*
- 3.3 *We will ensure financial data submitted in the future is accurate and filed timely.*

4. Accounting Controls and Procedures

Accounting controls and procedures need improvement.

4.1 Segregation of duties

The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by village personnel is performed. The Village Clerk receipts and deposits payments received and posts transactions to the utility system, including adjustments to customer account balances. The Village Treasurer posts transactions to the accounting system and receives and deposits non-utility payments as well as preparing bank reconciliations and writing checks for all bank accounts. No one reviews the work performed by either of these employees.



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Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records should be performed.

4.2 Receiving

Receipts slips are not issued for most payments received by the village. The Village Clerk issues a manual receipt for utility payments when payment is in cash or if a receipt is requested. The utility software system assigns a sequential number for each transaction posted to the system, but these transactions includes non-monetary adjustments where no payment is received. Personnel do not account for manual receipts issued by the Village Clerk or have procedures to determine that all manual receipts slips issued have been accounted for and posted to the system. The Village Treasurer does not issue receipt slips for non-utility payments received.

To adequately account for all receipts and to ensure all receipts are deposited intact, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

4.3 Interfund liability

A restricted \$15,000 certificate of deposit (CD) in the Water and Sewer Fund was cashed in October 2017 and the proceeds deposited in the General Fund. Village officials indicated this transfer was part of the repayment of a liability the Water and Sewer Fund had to the General Fund dating back to 2012. Some village financial records indicate an interfund liability still exists from the Water and Sewer Fund to the General Fund totaling \$6,550, although it is unclear if this amount is accurate based on the records provided.

In October 2017, the former Village Treasurer, after researching various transactions dating back to 2012, requested the Board authorize a \$15,000 Water and Sewer Fund CD be cashed and the proceeds deposited to the General Fund. She reported that \$6,550 would still be due to the General Fund from the Water and Sewer Fund after this transaction. She summarized a series of transactions related to the purchase of police radios in 2012 and subsequent repayment of Water and Sewer funds used for the purchase. She reported that after researching the transactions, she determined the \$25,000 CD cashed back in 2012 was in fact a General Fund CD, so the repayments to the Water and Sewer Fund in 2014 and 2015 were unnecessary. She reported payments made, totaling \$3,450, to purchase new police vehicles (date unknown) were made from the Water and Sewer Fund, which should be credited against this liability, leaving the balance due to the General Fund at \$21,550. By authorizing the \$15,000 Water and Sewer Fund CD to be cashed and the proceeds being put in the General Fund bank account, the Water and Sewer Fund liability as of October 2017 would still be \$6,550. None of the amounts paid from the Water and Sewer Fund to the General Fund as part of the allocation of administrative costs (see MAR finding number 6.2) was counted as a repayment of this liability.



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Without clear documentation to support all aspects of this situation, it is unclear if the cashing of this CD and deposit of the proceeds to the General Fund was appropriate or if a liability still exists. The current Board needs to review this matter and determine if actions taken were appropriate and determine if this liability exists.

Receipts of the Water and Sewer Fund represent user fees restricted for the operation of the water and sewer system, including buying and delivering water to customers, repaying debt, if applicable, and preparing and replacing infrastructure.

Recommendations

The Board of Trustees:

- 4.1 Segregate the accounting duties of the village office personnel. If proper segregation cannot be achieved, ensure a documented independent or supervisory review of detailed accounting and bank records is performed.
- 4.2 Ensure receipt slips are issued for all monies received and account for the numerical sequence of all receipt slips issued.
- 4.3 Determine and resolve interfund liabilities and refrain from interfund borrowing of restricted funds.

Auditee's Response

- 4.1 *We will ensure an independent review of accounting records is performed in the future.*
- 4.2 *We will ensure numerical receipt slips are issued for all funds received and account for the numerical sequence.*
- 4.3 *We agree and plan to review records surrounding this liability to determine any amount owed. We will refrain from interfund borrowing in the future.*

5. Payroll Controls and Procedures

Significant improvement over payroll controls and procedures is needed. The village disbursed approximately \$100,000 in wages during the year ended December 31, 2017.

5.1 Payroll procedures

Payroll functions are not segregated and there is not a sufficient review of time records and payroll functions. We noted errors with time and leave records, and documentation to support payroll transactions was not always adequate.

- Payroll records were not reviewed by the Board or someone independent of the payroll function. The Village Treasurer was primarily responsible for all payroll functions.



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- Timecards were not always prepared or maintained for all police department personnel and prepared timecards were not signed by a supervisor to document approval of time worked.

Proper segregation of duties helps ensure all payroll transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of payroll duties cannot be achieved, a periodic independent review of the records should be performed and documented. Signed and approved time records are necessary to document hours worked, substantiate payroll disbursements, monitor hours worked and leave taken, and demonstrate compliance with the Fair Labor Standards Act (FLSA).

5.2 Personnel ordinances and policies

The village did not have ordinances to address some significant issues and did not always comply with established ordinances. The village also had not adopted a personnel manual or other needed policies.

- During portions of 2016 and 2017, the Police Chief was paid a weekly salary, but the number of hours required to be worked each week was not established by ordinance or policy. Payroll records indicate the Police Chief was expected to work 15 hours weekly from January through May 2016 and was paid \$10 per hour for any hours in excess of the 15. In June 2016, the salary was discontinued and the Police Chief was paid \$15 per hour, but no minimum or maximum was established regarding the number of hours to be worked each week. While timecards were not available for several weeks during 2016 and 2017, the Police Chief's timecards reported at least 498 hours of overtime worked from June 2016 through mid-July 2017 (cost \$11,272). In July 2017, the Board voted to pay the Police Chief a \$300 per week salary for 20 hours of work and no overtime was incurred for the remainder of the year. An ordinance was not adopted establishing the compensation for the Police Chief and no formal policies were adopted to establish normal hours for the Police Chief. In addition, overtime is not required for the Police Chief since the village has fewer than 5 law enforcement officers, according to the FLSA. As a result, excessive pay for the Police Chief was incurred.
- Compensation for the Village Clerk and Village Treasurer was not established by ordinance.

To ensure employees are treated equitably and compensation is reasonable, personnel policies should be adopted to reflect the village's intended practices. By not following overtime requirements established by the FLSA, the village paid overtime wages when not required resulting in a greater financial burden for the village. In addition, ordinances documenting approved salary amounts help ensure equitable treatment and prevent misunderstandings.



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5.3 Police department payroll costs

Total payroll costs for the village increased significantly from 2014 to 2017, especially for the police department, which has contributed to the poor financial condition of the General Fund discussed in MAR finding number 1. During the 2 years ending December 31, 2017, approximately \$214,000 was spent on payroll, with more than \$95,000 (45 percent) being for police officer salaries. Total spending from the General Fund was approximately \$400,000, meaning approximately 53 percent of total spending was for salaries. Payroll expenditures totaled \$75,069 for 2014, \$85,468 for 2015, \$113,332 for 2016, and \$100,950 for 2017.

The Board has not performed an analysis to determine the level of police protection needed or if its police department payroll costs are comparable to other similar cities. Payroll for the police department increased significantly from 2014 to 2016, and then began to decrease in 2017 and 2018 after the police department was disbanded and all officers but the Police Chief were terminated. During 2014 to 2018, the following amounts were spent by the village on police payroll.

2014 - \$26,842
2015 - \$35,256
2016 - \$53,417
2017 - \$41,627
2018 - \$17,739

We performed a comparison of police department payroll to 3 other cities in Platte County with a similar population size and determined that Ferrelview spent significantly more on law enforcement than those cities. The following chart shows the police payroll comparison.

City/Village	2017 Population ¹	2017 Police Payroll Costs
Ferrelview	373	\$ 41,627
Dearborn	446	6,713
Camden Point ²	695	0
Edgerton	564	14,599

¹ Population obtained from <https://datausa.io>.

² The Camden Point City Clerk indicated the city has no police force and does not pay for police protection from another entity.

Given the village's poor financial condition and to ensure taxpayer funds are spent wisely, the Board should evaluate the overall payroll costs, particularly the amount spent for police services, to determine the level of personnel necessary to properly serve the village.



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Recommendations

The Board of Trustees:

- 5.1 Adequately segregate payroll duties or, at a minimum, ensure a documented periodic review of these functions is performed by someone independent of the payroll functions. In addition, the Board should ensure timesheets are prepared, properly signed, approved and retained for all employees, and the information is reviewed for accuracy prior to entry into the accounting system.
- 5.2 Adopt necessary personnel ordinances and/or policies, and ensure compliance with those ordinances and policies.
- 5.3 Evaluate the level of personnel services, including police protection, provided by the village and determine if any changes are warranted.

Auditee's Response

- 5.1 *We will develop procedures to ensure a review of payroll records is performed and will ensure timesheets are prepared for employees and reviewed for accuracy.*
- 5.2 *We will update ordinances and personnel policies and ensure they are followed in the future.*
- 5.3 *We have already taken steps to reduce the level of personnel employed by the Board. We have placed limits on the level of police protection provided to keep costs at a level affordable to the village and have consolidated some administrative positions in an effort to reduce payroll.*

6. Disbursements

Village procedures over disbursements need improvement.

6.1 Approval process

The Board's approval process for disbursements is not adequate. The Village Treasurer indicated a copy of the check register showing all checks written since the last meeting is presented to the Board at each Board meeting, but these registers have not been part of the official minutes. Since the registers report spending for the time period prior to the meeting, the Board was not approving payments before they occurred and the minutes of Board meetings during 2017 did not mention bills approved for payment. In addition, we saw no evidence any Board members reviewed invoices or other supporting documentation prior to payments occurring or that the Chairperson or other check signers reviewed invoices prior to signing checks.

To ensure disbursements are appropriate the Board should require a complete and accurate listing of all disbursements be provided for its review and approval, and conduct an adequate review of the list of bills, invoices and checks written prior to checks being issued. The Chairperson or other Board member signing checks should also document their approval of invoices.



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6.2 Allocation of funds

The Board has no documentation of any discussions held or the basis for determining the amounts paid from the Water and Sewer Fund and Street Fund to the General Fund. During the years ended December 31, 2016, and 2017, the village issued checks totaling \$39,855 and \$63,292, respectively from the Water and Sewer Fund to the General Fund and \$697 and \$14,948, respectively from the Street Fund to the General Fund.

Documentation is not maintained to support the amounts paid and the village has not developed a method to allocate administrative costs to any funds, so these payments appear, at least partially, to be subsidies to the General Fund. The minutes for the September 12, 2017, Board meeting indicate the Village Treasurer told the Board that \$2,040 was paid monthly from the Water and Sewer Fund to the General Fund during 2016 for general office expenses, but that amount was increased to \$4,800 during 2017. These minutes also document the Village Treasurer reporting that no further payments from the Water and Sewer Fund to the General Fund could occur during 2017, although more than \$15,000 of the total payments from the Water and Sewer Fund to the General Fund occurred from September 15, 2017, to December 31, 2017. No discussions by the Board were held on this topic, and no explanation or documentation of the support for these payments was provided.

The proper allocation of expenses is necessary for the village to accurately determine the results of operations of specific activities, thus enabling the village to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure restricted funds are used for intended purposes, the allocation of expenditures to village funds should be based on specific criteria, such as the number of hours worked by each employee, if possible, or by determining a reasonable basis to allocate costs from shared functions/employees benefiting multiple funds.

6.3 Grant expenditures

The village was required to repay \$5,102 in grant funding due to noncompliance with the grant agreement. The police department applied for a grant from the Department of Public Safety (DPS) in September 2016 to purchase equipment, consisting of 2 flare containers and sets of flares, 2 sets of traffic cones, and 4 body armor vests. The village received the grant funding in January 2017.

The grant application specified various grant requirements, including attendance at a mandated grant training session, and specified the date ranges within which the purchase of equipment and payment to the vendor had to occur. The purchase of approximately \$4,700 worth of equipment occurred on June 6, 2017, but the vendor was not paid until October 17, 2017, after the deadline established in the grant agreement. An email message was sent to the village from the DPS on September 11, 2017, requesting return of grant funds, and a letter was also sent to the village on that date. Subsequently, documentation obtained indicates an official with DPS spoke with a village



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official and informed them that deadlines were missed and the funds would have to be returned. On December 18, 2017, the village repaid the funds to the DPS. Lack of monitoring by the Police Chief and the Board to ensure grant requirements and deadlines were met resulted in the loss of this funding.

The Board has a fiduciary responsibility to develop effective grant monitoring procedures to ensure grant requirements are met.

6.4 Petty cash

The Village Treasurer does not maintain a petty cash ledger or adequate documentation to support petty cash transactions. Vendor receipts maintained show \$1,214 was spent in 2016 and \$290 in 2017 from petty cash funds. The village maintained two petty cash funds, one which was being used and at the time of our cash count on March 7, 2018, held \$76 (along with receipts for purchases totaling \$29). Village personnel indicated the other petty cash fund had not been used recently, but at the time of our cash count on March 13, 2018, held \$32 (along with receipts for various petty cash expenditures from 2014 to 2017 totaling \$1,788). Neither fund is maintained at an imprest level, but personnel indicated they are supposed to be kept at \$100 and \$50. In addition, supporting documentation is not retained for all purchases.

To ensure all activity of the petty cash fund is properly accounted for, the village should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. In addition, documentation should be retained to support disbursements from the fund.

6.5 Written contracts

The village does not have written contracts with some service providers and certain outside parties. Written contracts have not been established with vendors or entities providing information technology, fire protection, and legal services.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure village monies are used appropriately and effectively. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

Recommendations

The Board of Trustees:

- 6.1 Ensure complete lists of disbursements are prepared and compared to invoices and other supporting documentation, check signers review invoices, and these reviews are documented.
- 6.2 Ensure payroll costs and other disbursements are properly allocated to the applicable village funds and allocations are supported by adequate documentation.
- 6.3 Develop procedures to ensure requirements are complied with for any future grants obtained.



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Auditee's Response

- 6.4 Maintain a petty cash fund ledger and retain adequate documentation of all petty cash disbursements.
- 6.5 Enter into written contracts defining services provided and benefits received.
- 6.1 *We will tighten controls over the disbursement process and will begin requiring a complete listing of disbursements be provided to the Board monthly. Supporting documentation for disbursements is now being reviewed by all check signers and we will ensure the review of invoices is documented in the future.*
- 6.2 *We agree and will develop procedures to properly allocate payroll costs and administrative expenses to the various village funds.*
- 6.3 *We will ensure grant requirements are met in the future.*
- 6.4 *We have eliminated all petty cash funds.*
- 6.5 *We agree and will do this.*

7. Capital Assets

Improvement is needed over capital asset records and for dispositions of capital assets.

7.1 Capital asset records

The village does not maintain records of its capital assets including buildings, land, vehicles, equipment, and other property. The village also does not tag, number, or otherwise identify assets for specific identification or perform physical inventories.

A lack of records related to capital assets almost resulted in the loss of several body armor vests (costing about \$1,000 each). In July 2017, the Municipal Court and the police department were disbanded. The Police Chief was kept on initially, but subsequently, in November 2017, was placed on paid administrative leave. An interim Police Chief was hired to assist with the closing of the police department. He contacted the Police Chief to obtain the 4 custom body armor vests assigned to officers (see MAR finding number 6.3). While 4 vests were returned, we inspected the returned vests in March 2018 and it was clear from this visual inspection that at least 2 of the 4 vests returned were not the vests purchased by the village. None of the 4 vests were tagged or marked as village property and 2 of the vests were clearly different than the other 2, but all 4 vests purchased in June 2017 should have been the same based on the invoice. Eventually, when the Police Chief was reinstated in April 2018, the remaining 2 vests were returned.

Property control tags should be affixed to all property items to help improve accountability and ensure assets are properly identified as belonging to the



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village. For capital assets assigned to individual employees a document should be signed upon checkout of the asset detailing the asset is property of the village, the process for returning those items upon resignation or termination from the village, and the responsibilities of the individual in regards to the asset.

7.2 Disposition of police vehicles

The sale of police vehicles was not handled properly.

Village personnel placed an advertisement in the local newspaper on December 20, 2017, soliciting bids for the sale of 2 police vehicles. The advertisement stated the village was accepting sealed bids for the sale of a 2005 Ford Crown Victoria, with a minimum bid of \$900, and a 2002 Ford Crown Victoria, with a minimum bid of \$500. Bids were required to be mailed or emailed to the village by January 2, 2018. The advertisement did not specify the color of each vehicle and when bids were received, several referred to the vehicles by year and by color, but the year indicated did not match the year of the vehicle. For example, some bids referred to the 2005 vehicle as the tan/brown vehicle, while the 2002 was referred to as the white vehicle. The 2005 vehicle is actually white, while the 2002 is the tan/brown vehicle.

The Board selected the winning bidders at its January 9, 2018, meeting with the results documented in the minutes. However, the sales did not occur to those bidders as approved. A summary of the bids received follows, and the vehicle bid on is based on the vehicle the city understands the bidder intended to bid on.

Bidder	Vehicle Bid On*	Amount Bid	Status
1	White 2005	\$ 2,500	Still wants vehicle
2	White 2005	\$ 550	Purchased White 2005 for bid of \$550
2	Tan/Brown 2002	\$ 1,100	Not sold - still owned by village
3	Tan/Brown 2002	\$ 1,200	Declined purchase
4	White 2005	\$ 600	Declined purchase
5	Tan/Brown 2002	\$ 1,800	Declined purchase

* Several bid documents showed the year for the other vehicle for sale, but we list here what the city interpreted as the vehicle the bidder intended to bid on, primarily based on the color listed on the bid documents. For example, Bidder 1 indicated White 2002 on his bid, but he intended to bid on the 2005 vehicle.

The January 9, 2018, Board meeting minutes indicate bidder 1 won the bid for the 2005 vehicle and bidder 5 won the bid for the 2002 vehicle. At the meeting, bidder 2 (who was a village Trustee and submitted a bid for each vehicle) pointed out that the 2002 vehicle had been broken into and damaged



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after the advertisement was run. Bidders 3, 4, and 5 subsequently contacted the Village Clerk to withdraw their bids. A February 21, 2018, email message from the Village Clerk to bidder 2 (Trustee) indicated that she was planning to contact bidder 1 to determine if he wanted the 2005 vehicle and, if not, the trustee would be awarded the bid for both vehicles.

On February 23, 2018, the Village Clerk sent bidder 2 (Trustee) an email stating "the guy wants to buy the white car he wants the other decals off he is coming on Monday (February 26) to bring his money he is paying \$600 and get the title." We saw no evidence in the minutes of any Board meetings that the price of either vehicle was approved to be reduced by the Board. The former Village Clerk told us a representative of bidder 1 came to look at the 2005 vehicle on February 26, but since it was not operable, she could not test drive it and left. It is unclear who approved the sale of the 2005 vehicle to bidder 2 (Trustee). No documentation could be provided showing this action was approved by the Board. On February 26, 2018, bidder 2 (Trustee) paid \$550 to the Village Treasurer and took possession of the 2005 vehicle.

We contacted bidder 1 on March 13, 2018, to inquire whether he had declined to purchase the 2005 vehicle. He indicated he still wanted it and he stated the day after his bid was accepted the Village Clerk had called offering the vehicle for \$600. Bidder 1 indicated he sent a representative to look at the vehicle on February 23, 2018, but she could not drive it because it did not have a battery. The March 13, 2018, Board minutes indicate there were concerns with the process followed regarding the vehicle purchased by bidder 2 (Trustee). A motion was made, and the Board voted unanimously, to contact the high bidder and determine if he was still interested in purchasing the vehicle. If he was not, the Board voted to rerun the advertisement. Bidder 2 (Trustee) and his wife, the Board Chairperson at the time, both voted on this matter.

Although the bid submitted for the 2005 vehicle by Bidder 2 (Trustee) did not meet or exceed the minimum bid set forth in the advertisement and the Board never approved his purchase of the vehicle, he currently retains possession of the vehicle. Due to the conflicts between years and colors of vehicles bid on, the lack of clear documentation on decisions made by the Board and how those directions were carried out, and the vehicle being sold to a Board member for much less than the minimum bid amount established in the advertisement, this transaction gives the appearance of a conflict of interest and violates the Missouri Constitution. All bids should have been rejected once village officials identified errors in the process and bids should have been re-solicited. Any bids received below the minimum threshold for each vehicle should have also been rejected. Had that been done, the Trustee would not have been in a position to purchase the 2005 vehicle. The 2002 vehicle was never purchased and is still owned by the village.



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Board members serve in a fiduciary capacity. Failing to ensure adequate documentation was maintained surrounding the sale of a village asset to a Board member and selling it for less than the minimum amount set by the Board violates the Missouri Constitution by of donating things of value to an individual. Article VI, Section 23 and 25 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

Recommendations

The Board of Trustees:

- 7.1 Ensure village personnel properly tag, number, or otherwise identify all applicable village property and conduct and document an annual inventory.
- 7.2 Establish policies and procedures for the sale of village assets and ensure future sales are clearly documented, bid specifications for payment are met, and avoid the appearance of a conflict of interest. In addition, the Board should take action to retrieve the vehicle sold.

Auditee's Response

- 7.1 *We will ensure village property is properly accounted for in the future and will ensure an annual inventory of assets is performed.*
- 7.2 *We plan to review procedures and will tighten controls over the sale of any village assets in the future. Any future sales involving a Board member will be monitored closely to ensure conflicts of interest are avoided. We will discuss the situation surrounding the sale of the village police vehicle and determine what action to take to retrieve the vehicle if possible.*

8. Ordinances and Sunshine Law

Village ordinances are not organized, complete, or up to date. The Board generally meets once per month and did not always comply with the Sunshine Law. The Board held 16 closed sessions in 2016, 13 closed session in 2017, and 3 closed sessions from January to March 2018.

8.1 Ordinances

Village ordinances are not organized, complete, or up to date. Village ordinances are not codified or maintained in a well-organized manner. Also, the ordinances pertaining to employees' job responsibilities, work hours, compensation, and other applicable items have not been updated since December 1953. Section 80.240, RSMo, provides that the Board may appoint certain officials, prescribe their duties, and fix their compensation. Compensation should be set by ordinance.

Because ordinances passed by the Board to govern the village and its residents have the force and effect of law, it is important they are current, complete, and organized.



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8.2 Record requests

Village personnel do not maintain adequate records of requests for records to show compliance with state law. While the village could produce actual request letters and their response letters, a log of requests is not maintained for providing other important information, such as the date a request was received, when records were provided, or important communications related to these requests.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records. To ensure compliance with state law, the village should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

8.3 Closed sessions

The village did not comply with state law regarding closed sessions.

Reasons for closing meetings

Open meeting minutes did not always document the specific reasons or section of law allowing the meetings to be closed. Most meeting notices and agendas included a statement that a closed session would be held, in the event the Board wanted to enter closed session, and the statement generally included the same list of potential discussion matters.

Section 610.022, RSMo, of the Sunshine Law, requires public bodies announce the specific reasons allowed by law for going into a closed session and to enter the vote and reason into the minutes. The section also limits discussion topics and actions in closed meetings to only those specifically announced prior to closure.

Allowable topics

Some topics discussed and voted on in closed meetings were not allowable under the Sunshine Law. For example, the Board discussed the disposal of a police vehicle, voted to give the now former Village Clerk a raise, and had a discussion of audience behavior at Board meetings.

Section 610.021, RSMo, provides that the discussion topics and actions in closed meetings should be limited to only those specifically allowed by law.

Insufficiently detailed meeting minutes

Minutes for some closed session meetings did not include sufficient details of the topics discussed. During our review of closed session minutes, we noted 3 instances in 2017 where the topic of the meeting could not be determined and the minutes simply indicated no votes were taken. While the open meeting minutes documented a specific section of law for closing each meeting, without documentation of topics addressed, we could not determine if the discussion was restricted to only allowable topics.



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Such documentation is important to both demonstrate compliance with statutory provisions and provide information for future reference should concerns or questions be raised regarding topics addressed in closed meetings. Sections 610.020, 610.021, and 610.022, RSMo, provide requirements regarding closure of meetings and documentation.

8.4 Meeting minutes

Minutes for monthly Board meetings are neither signed by the Village Clerk as the preparer, nor the Board Chairperson or another Board member to indicate Board approval.

Section 610.020, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of Board actions and decisions. The meeting minutes should be signed by the Village Clerk as preparer and Board Chairperson or another Board member to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings.

Recommendations

The Board of Trustees:

- 8.1 Ensure ordinances are maintained in a complete and well-organized manner and an index of all ordinances passed and rescinded is established. The Board should also establish and or update, by ordinance, village employees' compensation and fees for village services.
- 8.2 Ensure requests for information are responded to timely and maintain a public request log to help ensure compliance with state law.
- 8.3 Ensure specific reasons for closing a meeting are documented in the open minutes, and ensure only topics allowed by state law are discussed in closed meetings. In addition, the Board should ensure closed meeting minutes include sufficient detail necessary to provide a complete record of matters discussed and actions taken.
- 8.4 Maintain complete and accurate minutes for all meetings and ensure meeting minutes are signed by the preparer as well as the Board Chairperson or another Board member following Board approval.

Auditee's Response

- 8.1 *We are in the process of updating and implementing revisions to the village ordinances to address these concerns.*
- 8.2 *We agree with this recommendation and plan to ensure a log of sunshine requests is developed to ensure responses are timely.*
- 8.3 *We will ensure state law is followed in the future when closing meetings and will ensure sufficient documentation is maintained in the minutes for closed meetings.*
- 8.4 *We have already implemented this recommendation.*



9. Electronic Data Security

Controls over village computers are not sufficient to prevent unauthorized access, and sufficient plans and processes are not in place for recovering systems and data. As a result, village records are not adequately protected and are susceptible to unauthorized access, and the village faces an increased risk of not being able to resume normal business operations timely.

9.1 Passwords

The Board has not established adequate password controls to reduce the risk of unauthorized access to the village's computers and data. The Village Treasurer and Village Clerk are not required to change passwords periodically. In addition, the village has not established procedures to disable computer access promptly upon employee terminations/resignations.

While passwords are required to authenticate access, the security of these logon credentials is dependent upon keeping them confidential. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data. Without effective procedures to periodically review and remove user access, terminated employees could continue to have access to confidential data or other sensitive resources.

9.2 Contingency plan and backup data

The village has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations. In addition, the village does not periodically test backup files to ensure essential data can be restored, and does not store backup files at a secure off-site location.

The Village Clerk periodically backs up data from the utility system on her office computer. Instead of storing this data on a removable media that can be taken to an off-site location, she just overwrites the previous backup file.

A formal, written contingency plan should be prepared, and periodically tested and updated as needed to address actions for restoring computer systems should a disaster or other extraordinary situation occur. In addition, completing regular data backups and periodically testing for recovery of the data helps ensure current data is available to be restored and is complete and reliable. Storing backup files in a secure off-site location increases assurance village the records will be available if necessary.

Recommendations

The Board of Trustees:

- 9.1 Require a unique password for each employee that is confidential and periodically changed to prevent unauthorized access to the village's computers and data. Ensure all user access to the system is periodically reviewed and unnecessary access is removed timely.
- 9.2 Develop a formal, written contingency plan that is periodically tested, evaluated, and updated as needed. The Board should also require



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village personnel to back up data properly, test restoration of backup data periodically, and store backup files in a secure off-site location.

Auditee's Response

- 9.1 *We will ensure adequate password controls are in place and will review access controls to ensure users are removed timely when necessary.*
- 9.2 *We are in the process of developing a formal written contingency plan and will ensure backup files are prepared, maintained off-site, and periodically tested.*

Village of Ferrelview

Organization and Statistical Information

The Village of Ferrelview is located in Platte County. The village was incorporated in 1953. The village employed one full-time employee and 4 part-time employees on December 31, 2017.

Village operations include law enforcement services, water and sewer services, and street maintenance.

Chairperson and Board of Trustees

The village government consists of five-member board of trustees. The members are elected for 2-year terms. The chairperson, who is a member of the board, is elected to a 1-year term and presides over the board of trustees. The Board of Trustees, at December 31, 2017, are identified below. The Board members are paid \$75 per month, with the Chairperson receiving an additional \$75 per month.

Theresa Wilson, Board Chairperson
Deidre Carr, Trustee (1)
Russell Wilson, Trustee (2)
Melvin Rhodes, Trustee (3)
Phillip Gilliam, Trustee (4)

(1) Lydia (Beth) Whorton was elected in April 2018 to fill this position.

(2) Russell Wilson resigned in September 2018 and Frank Baumann was appointed to fill this position in October 2018.

(3) John Rydholm was elected in April 2018 to fill this position.

(4) Selected as Board Chairperson in April 2018.

Financial Activity

The following page shows the city's financial activity, prepared using the city's bank statements, for the year ended December 31, 2017.

Village of Ferrelview
Schedule of Receipts, Disbursements, and Changes in Cash Balances
Year Ended December 31, 2017

	General	Street	Water and Sewer	Law Enforcement Training	Certificates of Deposit	Total
RECEIPTS	\$ 214,913	17,290	197,944	517	0	430,664
DISBURSEMENTS	(194,588)	(26,896)	(221,021)	(2,185)	(15,000)	(459,690)
RECEIPTS OVER (UNDER) DISBURSEMENTS	20,325	(9,606)	(23,077)	(1,668)	(15,000)	(29,026)
CASH, JANUARY 1, 2017	2,213	65,529	33,288	3,168	60,000	164,198
CASH, DECEMBER 31, 2017	\$ 22,538	55,923	10,211	1,500	45,000 (1)	135,172

(1) The balances maintained in certificates of deposit include \$10,000 for the General Fund and \$35,000 for the Water and Sewer Fund.