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Missouri State Auditor

City of Fairview

Report No. 2022-099

November 2022

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Fairview

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

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

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

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Fairview, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Fairview. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2020. The objectives of our audit were to:

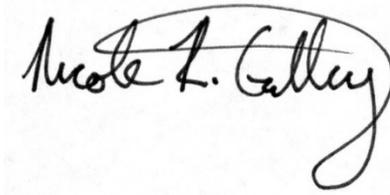
1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.
4. Determine the extent of improper use and/or misappropriation of money from the city.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. 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 city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) \$3,351 of money misappropriated from the city. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Fairview.

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

Nicole R. Galloway, CPA
State Auditor

City of Fairview

Management Advisory Report

State Auditor's Findings

1. Overpayments, Improper Use of City Funds, and Conflicts of Interest

Former City Clerk, Lorie Heatley, was overpaid \$3,351,¹ the Board improperly spent \$120,252 of restricted funds from a city trust fund, and the city paid \$17,325 to a business that former Mayor Sid Oliver managed and owned in violation of city code related to conflicts of interest.

On September 28, 2022, State Auditor's Office (SAO) auditors recorded an interview with the former City Clerk. The SAO issued a subpoena to the former City Clerk (see Appendix A) to compel her to produce records and documents related to her testimony. Appendix A includes redactions. These redactions are of information of a personal, privileged, or sensitive nature, and/or of information that is not directly related to the information requested in the subpoena.

1.1 Overpayments to former City Clerk

Former City Clerk, Lorie Heatley, was overpaid \$3,351 from January 2020 through March 2021 (see Appendix B). A comparison of hours worked recorded on the former City Clerk's timecards to amounts reported in the payroll system and checks written to the former City Clerk identified these overpayments. The former City Clerk was paid \$11 per hour during 2020 and \$12 per hour during 2021.

The former City Clerk recorded more hours worked in the payroll system than she reported on her weekly timecards for 54 of the 65 weeks worked from January 2020 through March 2021, resulting in \$3,521 in overpayments. For example, on May 21, 2020, the former City Clerk overpaid herself \$132 for 12 hours not worked. She paid herself for 40 hours worked when her timecard reported only 28 hours worked that pay period.

In addition, the former City Clerk sometimes underpaid herself for overtime worked. In these instances, she paid herself for overtime at her normal hourly rate instead of at time and a half for hours exceeding 40 hours per week, in violation of the Fair Labor Standards Act (FLSA), resulting in underpayments of \$169.

The former City Clerk also did not sign her weekly timecards for 62 of 65 weekly pay periods reviewed and her supervisor (the former Mayor) did not sign any of the 65 timecards from January 2020 through March 2021. The former Mayor indicated he did not sign the timecards, but he reviewed them and her paystubs and she was paid for the hours she reported on her timecards. The former Mayor also indicated the Board reviewed employee timecards and paystubs at the monthly Board meetings; however, a former Board member indicated the Board was not provided employee timecards or paystubs at the Board meetings. The former City Clerk indicated in a recorded interview that

¹ Amounts presented in the report findings are rounded to the nearest dollar, whereas amounts presented in Appendixes B and C are not rounded.



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she recorded her time worked on her timecards and tried to always work 40 hours a week. She also indicated she typically paid herself for 40 hours a week at her hourly rate of pay even though her timecards did not indicate she worked that many hours, and that meeting minutes only documented the Board approved her hourly rate of pay.

The former City Clerk signed 30 of the 65 payroll checks issued to herself, including 24 of the 54 checks issued with overpayments from January 2020 through March 2021 (see Management Advisory Report (MAR) finding number 4.3). The former City Clerk also paid herself on a weekly basis instead of a bi-monthly basis in violation of city code (see MAR finding number 2.2). A Board member indicated the Board was unaware of the importance of ensuring employees and supervisors sign timecards and supervisors review and agree hours reported on timecards to the hours recorded on the paystubs for accuracy.

1.2 Revocable Trust of John Q. Hammons

The Board improperly spent \$120,252 of restricted funds from the Revocable Trust of John Q. Hammons (the Trust), including \$86,000 for building purchases, \$33,951 for well pump repairs (that was subsequently repaid), and \$301 for election costs.

The city was a beneficiary of the Trust under a Trust Agreement dated December 28, 1989. On May 2, 2014, the city received \$500,000 from the Trust, and the former Mayor signed the Receipt of Distribution From Trust form that acknowledged the terms of the Trust, which among other things, required the city to establish "an endowment fund to be used solely for the operation and maintenance of the John Q. Hammons Community Center," and stated, "this distribution is conditioned upon the City of Fairview's agreement not to spend more than Fifty Thousand (\$50,000.00) per year for the first ten years from the receipt of this distribution."

Building purchases

The Board improperly spent \$86,000 of the Trust to purchase two local buildings. In March 2018, the city spent \$60,000 to purchase the local post office building, and in January 2019, the city spent \$26,000 to purchase a local grocery store building. City officials indicated the building purchases were an investment of the Trust funds with expected rental revenues. The Board also did not obtain appraisals to ensure the city paid a reasonable and approximate fair market value for the buildings. In addition, the city did not enter into adequately detailed rental agreements for the apartments located in the buildings.

The building purchases violated the terms of the trust that provided for the Trust funds to be solely used for the operation and maintenance of the John Q. Hammons Community Center, and the purchase of the post office building also exceeded the \$50,000 per year spending restriction. In addition, Section 67.085, RSMo, allows cities to invest funds not immediately needed for their



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purpose in insured deposit accounts in certain financial institutions. Sections 95.355 and 110.010, RSMo, also allow city funds to be invested in the same manner as the state treasurer is allowed to invest state funds as long as the investments are authorized by an investment policy adopted by the city. However, investments in rental properties are not permitted investments for public funds under these statutes, and the city has not adopted an investment policy.

The post office building includes the Fairview Post Office, a two bedroom apartment, and two garage areas. The city leases the post office building and apartment and uses the garage areas for maintenance and storage of city vehicles and equipment.

The grocery building includes the grocery area and 2 apartments. The city leases the apartments, and the grocery area remains vacant and is not used by the city.

The revenues from these leases were deposited into the Trust bank account, and the city's financial statements indicated \$14,005 was received during 2021, \$12,870 was received during 2020, \$15,700 was received during 2019, and \$7,700 was received during 2018.

The rental agreements for the apartments were not always signed by city officials, and did not contain provisions for a security deposit, late payments and fees, landlords right to enter rental property, repairs and maintenance, early termination, subletting, move-out notices, and any required landlord disclosures. Clear and detailed written agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires agreements for political subdivisions to be in writing and signed by both parties of the agreement.

Well pump repairs

The city improperly spent \$33,951 in May 2020 from the Trust to pay for repairs of the well pump for damages caused by lightning in violation of the terms of the Trust. Board meeting minutes indicate, "Discussed the damages the lightning did to the well house and pump. At this time the estimate of damages is \$36,450.73." The meeting minutes did not specify how the repairs were to be paid. The check for these repairs was signed by the former Mayor and former City Clerk. Insurance proceeds of \$33,951 were subsequently deposited into the Trust bank account to repay the account for use of the restricted funds.

Election costs

The city improperly spent \$189 in March 2018 and \$112 in June 2020 from the Trust to pay for municipal election costs in violation of the terms of the Trust.



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A Board member and the former Mayor indicated the Board was unaware these purchases and expenses were violations of the Trust Agreement.

1.3 Conflicts of interest

The city paid \$17,325 to a company owned and managed by former Mayor Sid Oliver from January 1, 2019, to June 9, 2020 (see Appendix C), in violation of city code related to conflicts of interest, and the Board did not adequately monitor city activities for conflicts of interest. Former Mayor Oliver managed and owned R-Shop, LLC, which performed general maintenance for the city. He served on the Board or as Mayor from August 2004 to June 9, 2020. A Board member indicated the Board was unaware of the importance of following city code regarding avoiding conflicts of interest.

City Code Section 25.040 - Conflicts of Interest states, "No officer or employee of the city shall transact any business in his official capacity with any business entity of which he is an officer, agent or member or in which he owns a substantial interest."

Former Mayor Oliver signed 17 of the 51 checks issued to R-Shop, LLC while he was Mayor (see MAR finding number 4.3). In addition, 11 of the checks were issued prior to the date of the related invoice. Additional payments were made by the city to R-Shop, LLC during 2010 through 2018, when former Mayor Oliver served on the Board that would have also violated city code.

As noted in MAR finding number 4.1, the Board did not solicit bids for these services or enter into a written contract with R-Shop, LLC, and the hourly rate charged by the company increased from \$9 per hour to \$9.45 per hour in February 2020 without documented Board approval.

Conclusion

The lack of segregation of duties and the absence of proper oversight by the Board noted throughout the remainder of the report resulted in the overpayments, improper use of the Trust funds, and conflicts of interest going undetected for a significant period of time.

Recommendations

The Board of Aldermen:

- 1.1 Work with law enforcement officials regarding possible criminal prosecution of the overpayments and take the necessary actions to obtain restitution.
- 1.2 Ensure trust funds are used in compliance with the terms of the trust, appraisals are performed for any property considered to be purchased in the future, and detailed written rental agreements are prepared and signed for all rental properties.



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Auditee's Response

1.3 Closely examine city transactions to identify conflicts of interest, and ensure disbursements are not made until after the invoices are received and properly approved.

1.1 *We will work with law enforcement officials regarding possible criminal prosecution of the overpayments and take the necessary actions to obtain restitution.*

1.2 *We will ensure trust funds are used in compliance with the terms of the trust, appraisals are performed for any property considered to be purchased in the future, and detailed written rental agreements will be prepared and signed for all rental properties.*

1.3 *We will closely examine city transactions to identify conflicts of interest and ensure disbursements are not made until after invoices are received and properly approved.*

2. Payroll Controls and Procedures

2.1 Timecards and leave records

Significant improvement over payroll controls and procedures is needed. During the year ended December 31, 2020, city payroll disbursements totaled approximately \$49,000.

Timecards were not always signed by the employee or supervisor to document approval and review of time worked, and leave records maintained did not always adequately track the hours of vacation leave earned and used, and any remaining balances. A Board member indicated the Board was unaware of the importance of timecards being signed by the employee and supervisor and of maintaining accurate leave records.

As noted in MAR finding number 1.1, weekly timecards of the former City Clerk were not always signed by the former City Clerk and her supervisor to document approval and review of time worked, allowing overpayments to occur and not be detected. In addition, the former Meter Reader and his supervisor did not sign any of the 13 monthly timecards for the months he was paid from January 2020 through March 2021. Also, the former City Treasurer and her supervisor did not sign weekly timecards for any of the 65 weekly pay periods we reviewed from January 2020 to March 2021.

Additionally, the available vacation balance for the former City Clerk was not reported on her paystubs from August 2020 through December 2020. Because her vacation leave was not adequately tracked during this time, it is unclear whether the leave balances reported in January 2021 were accurate.

Without adequate timecards or a record of leave taken, the city cannot ensure hours worked and leave earned and taken by employees are properly documented. To ensure the accuracy of the hours worked and leave taken, timecards need to be signed by the employees and reviewed and approved by



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a supervisor. Leave records also aid in determining final compensation for employees leaving city employment. In addition, the FLSA requires employers maintain accurate records of actual time worked by employees.

2.2 City code

The former City Clerk did not always follow city code regarding vacation leave, compensation, and related employees. The Board also does not have ordinances establishing the amount of compensation of any city officials and employees. A Board member indicated the Board was unaware of the importance of compliance with ordinances and establishing the compensation amounts in ordinances.

- The city issued the former City Clerk a \$1,632 check for 136 hours of accumulated vacation hours upon her resignation when city code did not indicate accrued vacation hours would be paid upon resignation or termination. The former City Clerk provided a letter of resignation to the Board on March 25, 2021, that indicated she was owed 136 hours for accrued vacation hours and Board meeting minutes indicated the Board accepted her resignation.
- The former City Clerk issued payroll checks to herself on a weekly basis during the year ended December 31, 2020, in violation of city code, Section 21.430, that provides for the City Clerk to be paid bi-monthly.
- The former Meter Reader, who was the grandson of the former City Clerk, was employed in violation of city code prohibiting 2 members of an immediate family (which is defined in the code to include grandchildren) be employed under the same supervisor. The former Mayor indicated he supervised both the former City Clerk and former Meter Reader. In addition, the former City Clerk may have also acted as the former Meter Reader's supervisor in violation of city code (see below).

The payroll system maintained by the former City Clerk indicated the former Meter Reader was hired in October 2019 and terminated employment in March 2021. Board meeting minutes from January 2019 to December 2019 did not document any discussion regarding the hiring of a meter reader or an hourly rate of pay. As a result, it is unclear who hired the former Meter Reader and determined his hourly rate. The former Mayor indicated the former Meter Reader's hiring was discussed with the Board; however, another Board member indicated she recalled discussing the former Meter Reader's hiring with the former Mayor, but was unsure whether the discussion took place at a Board meeting. The former City Clerk indicated in a recorded interview that the former Mayor and herself may have discussed the former Meter Reader's pay rate in her office and not at a Board meeting.



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The former Meter Reader's timecards were prepared in the scripted handwriting of the former City Clerk and indicated the former Meter Reader worked 9 1/2 hours each month. The former Mayor indicated that he reviewed the former Meter Reader's timecards and paystubs; however, these reviews were not documented. The former City Clerk indicated in a recorded interview that she prepared the former Meter Reader's timecards and that she was his legal guardian.

The former City Clerk prepared all payroll checks issued to the former Meter Reader, and was one of the two signatures for 11 of the 13 payroll checks issued to him for the period January 2020 through March 2021. The former Meter Reader was not paid for August and September 2020.

Because the former City Clerk prepared her grandson's timecards showing the hours of work, entered payroll information into the payroll system, and prepared and signed his payroll checks, it created apparent conflicts of interest and demonstrated that she was acting as his supervisor.

In addition, the former Meter Reader's hourly rate was \$17 an hour or \$6 an hour higher than the next highest paid employee. During 2020, the former City Clerk was paid \$11 per hour and the former City Treasurer was paid \$9.45 an hour. When the city hired a part-time meter reader in July 2021, the Board approved paying the Meter Reader \$10.30 per hour.

City Code Section 23.080 - Relatives in the city service states, "Two members of an immediate family shall not be employed under the same supervisor; neither shall two members of an immediate family be employed at the same time, regardless of the administrative department, if such employment will result in an employee supervising a member of his immediate family. Immediate family is defined as wife, husband, mother, father, brother, sister, son, daughter, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparents, grandchildren, stepmother, stepfather, brother-in-law, sister-in-law, uncle, and aunt."

Article VII, Section 6, Missouri Constitution, provides that "any public officer or employee in this state who by virtue of his office or employment names or appoints to public office or employment any relative within the fourth degree, by consanguinity or affinity, shall thereby forfeit his office or employment."

In addition, business relationships that impair independence reduce the effectiveness of controls and decision-making and harm public confidence. If a relative is selected as an employee, documenting why that person was selected could help reduce apparent conflicts of interest. The supervision of related employees can compromise a supervisor's



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objectivity when assigning duties, approving payroll, or evaluating employee performance.

- City code does not establish the amount of compensation of city officials and employees.

Because city code passed by the Board to govern the city and its residents has the force and effect of law, it is important it is complete and followed. By not following city code regarding vacation leave, the city paid more than required resulting in a greater financial burden. In addition, strict compliance with personnel policies related to relatives is necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated. Section 79.270, RSMo, authorizes the Board to fix the compensation of city officials and employees by ordinance.

2.3 Cost allocations

The city had no documentation to justify the allocation of the City Clerk's compensation to the various city funds. The City Clerk's compensation was allocated 50 percent to the Water Fund, 25 percent to the Wastewater Fund, and 25 percent to the General Fund.

The proper allocation of disbursements is necessary to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure funds are used for intended purposes, the allocation of disbursements to city accounts should be based on specific criteria and documentation supporting allocation decisions should be retained. The Board indicated it was unaware of the importance of documenting the allocation of these costs to the appropriate funds.

Recommendations

The Board of Aldermen:

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

Auditee's Response

- 2.1 *We will ensure timecards are properly signed and approved, employee leave balances are properly tracked and monitored, and reviews of timecards are performed to ensure the propriety of payroll payments. Currently, there are no full-time employees receiving leave benefits.*



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2.2 *We will review city code for payroll, conflicts of interest, and compensation issues and revise, as needed. We will then follow the revised city code.*

2.3 *We will allocate disbursements to city funds based on specific criteria and retain documentation to support the allocation.*

3. Accounting Controls and Procedures

Accounting controls and procedures need improvement. During the year ended December 31, 2020, city receipts totaled approximately \$262,000. The city receives payments for utility services (water, sewer, and trash), franchise fees, property taxes, sales taxes, municipal court fines and fees, and other miscellaneous receipts.

3.1 Oversight and segregation of duties

The Board has not established adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk. Weaknesses identified throughout this report are significant and demonstrate a lack of segregation of duties and proper oversight by the Board that led to the overpayments, improper use of city funds, and conflicts of interest noted in MAR finding numbers 1 and 2.

The City Clerk is responsible for the record-keeping duties of the city including posting transactions to the accounting system; preparing utility billings and making adjustments; receipting; maintaining payroll records; preparing, distributing, and signing payroll and disbursement checks; preparing monthly bank reconciliations; transferring money between bank accounts; preparing financial reports for Board meetings; and preparing budgets and financial statements.

Proper segregation of duties helps ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory or independent reviews of work performed and investigation into unusual items and variances is necessary. Good management practices require extensive and detailed oversight by the Board. A Board member indicated the Board was unaware of the importance of segregating duties and performing a supervisory review.

3.2 Depositing and receipting

The former City Clerk and former City Treasurer did not always deposit receipts intact and timely, and rental deposits for the John Q. Hammons Community Center were not always receipted or deposited. We reviewed all receipts collected and/or deposited from August 17, 2020, through August 28, 2020, and performed a cash count on March 30, 2021, and noted the following concerns:

- Receipts totaling \$1,617 collected between Thursday, August 13, 2020, and Tuesday, August 18, 2020, were not deposited until Friday, August 21, 2020. The receipts collected were for property taxes, utilities,



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the sale of pipe, and other miscellaneous services. The former Mayor indicated he believed the former City Clerk went to the bank 3 to 4 times a week, and city offices were closed at 3 p.m. to allow her to go to the bank; however, the former City Clerk typically went to the bank once a week and occasionally twice a week.

- Receipts collected on August 17, 2020, and August 27, 2020, totaling \$77 were not deposited intact with other city receipts deposited on August 21 and August 28, 2020. These receipts were held and not deposited until September 11, 2020, along with other receipts collected between September 3 and September 8, 2020.
- During a cash count performed on March 30, 2021, 10 checks totaling \$500 were being held in the safe for rental deposits of the John Q. Hammons Community Center. Some of the checks dated back to 2006. These checks were not deposited, and receipt slips were not written for this money.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of money will go undetected. A Board member indicated the Board was unaware of the importance of properly receipting and depositing money.

3.3 Bank accounts

The city maintains an excessive number of bank accounts. The city maintained 24 checking accounts (excluding the municipal court account). This included accounts at 2 different banks for 11 of the city's 14 funds. The city may benefit from combining some city bank accounts.

A large number of bank accounts requires additional record keeping and increases the likelihood that errors may occur. The Board indicated it was unaware of the additional record keeping and increased risk of errors associated with the number of bank accounts.

Recommendations

The Board of Aldermen:

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

Auditee's Response

- 3.1 *We will implement appropriate reviews and monitoring procedures.*



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3.2 *We will ensure all money received is deposited intact and in a timely manner and receipt slips are issued for all money received. We will also determine the status of the rental deposits on hand and deposit them or return them to the payer.*

3.3 *We will review and reduce the number of bank accounts.*

4. Disbursements

Controls and procedures over disbursements need improvement. During the year ended December 31, 2020, disbursements totaled approximately \$248,000.

4.1 Procurement procedures and contracts

City officials did not always solicit bids or proposals as required by city code, and did not always enter into written contracts. The former Mayor entered into a contract for asphalt services after work had already begun, and the contract amount was altered without Board approval.

- The city did not solicit bids for general city maintenance work provided by a company managed and owned by former Mayor Oliver and did not enter into a written contract for these services (see MAR finding number 1.3). In addition, the hourly rate charged by the company increased from \$9.00 per hour to \$9.45 per hour in February 2020 without documented approval of the Board. The city paid \$18,664² to this company during the years ended December 31, 2019, and 2020.
- The city did not solicit bids for asphalt work performed on city streets. In addition, the former Mayor and former City Clerk entered into a contract with the vendor for these services after work had already begun, and the amount of the contract was increased without Board approval.

Meeting minutes of an emergency meeting held on June 2, 2020, indicated the Board approved hiring a company to chip and seal 2 city streets with an estimated cost of \$20,000 with "Work to begin today." No documentation was retained to explain why an emergency meeting was needed, and no notice of the meeting was given to the public (see MAR finding number 7.2). In addition, the contract with the company (shown below) was not signed until June 3, 2020 (the day after the work was to begin), and the \$20,000 estimate was written over (changed) to be increased to \$23,000. The redactions to the invoice are of information of a personal, privileged, or sensitive nature.

² The amount reported in MAR finding number 1.3 paid to former Mayor Oliver's business (\$17,325) only includes payments made while former Mayor Oliver was on the Board during those years (January 1, 2019, to June 9, 2020).



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PROPOSAL & CONTRACT
 NO MATERIALS LEFT OVER

Name: City of Fairview (Owner)
 Address: 100 S. Central, Fairview, MO 64842 Phone: (417) 632-4318

PROPOSAL: Husker Armor Coat makes the following proposal:

1. Grading as necessary.
 Blacktop: TOTAL PRICE
 Sealcoat:
 Millings:
 Tar & Chip: LABOR + material
 Cementing:

2. Total Price: FLAT RATE per square foot FLAT RATE per 100 square yard. Deposit of \$ 0
 due when proposal accepted. Estimated total price \$ 28,000. (Final measurements will be taken when job is complete. This means no set price until completion.) Balance due in full upon completion of work stated in #1.

3. Company specifically disclaims all warranties expressed or implied. Company will not guarantee damage occurring from undergrowth, which includes but is not limited to grass, roots, and other vegetation which grows under a finished surface.

Date: _____, 20____ Check payable to contractor _____ Check # 3097

A. Contractor is liable for any property damage while work is being performed on said property.
 B. Property owner shall not be liable for any type of equipment damage.

Any alteration or deviation from the above specifications involving extra cost of materials or labor will only be executed upon written order for same, and will become an extra charge over the sum mentioned in this contract. All agreements must be made in writing.

ACCEPTANCE: Owner accepts the proposal and price outlined above. In addition, the Owner warrants that he is the Owner of the property where the work is to be accomplished; or, if part Owner, that he is authorized to enter into this contract.

Owner agrees that in the event Owner fails to pay the balance in full when the job is complete, any balance owed shall accrue interest at fifteen (15%) annually. Owner further agrees to pay Company all reasonable attorneys fees and costs incurred in collecting amounts owed.

Owner hereby certifies that he has read this agreement and understands that there is no understanding between the parties, verbal or otherwise, other than that contained in this contract. Owner acknowledges receipt of a copy of this contract.

Accepted By: [Signature] Date 6-3-2020
 Owner

By: [Signature] Date 6-3-2020
 Owner

All work has been done to my satisfaction.

The contract states "Any alteration or deviation from the above specifications involving extra cost of materials or labor will only be executed upon written order for same, and will become an extra charge over the sum mentioned in this contract. All agreements must be made in writing." However, documentation was not retained to explain the reason the contract cost was changed, whether the cost of the contract was changed after it was signed or it was changed before it was signed, and who changed the cost of the contract. The contract and check issued to the person providing asphalt services were signed only by the former Mayor and former City Clerk, and as a result, the \$3,000 increase in



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contract cost was not approved by the Board. The city also did not file a 1099 form with the Internal Revenue Service (IRS) for this payment.

- The city has not bid trash services or entered into a new contract with the city's trash provider since 2017. The city signed a contract with the city's current trash provider in 2011 for a term of 3 years with an automatic renewal for an additional 3 years. Based on these terms, the contract expired in 2017. The city paid \$17,624 for trash service during the year ended December 31, 2020.
- The city has not entered into written contracts for sewer lagoon maintenance services and cleaning services for the John Q. Hammons Community Center. During the year ended December 31, 2020, the city paid \$9,350 for sewer lagoon maintenance services and \$1,920 for cleaning services.

A Board member indicated the Board was not aware of the importance of following city code, entering into written contracts before work begins, and ensuring 1099 forms are filed with the IRS.

City Code Section 25.080 states, "All purchases of, and contracts for supplies and contractual services, and all sales of personal property which has become obsolete and unusable shall, except as specifically provided herein, be based wherever possible on competitive bids." City Code Section 25.090 states, "All supplies and contractual services, . . . when the estimated cost thereof shall exceed five thousand dollars (\$5,000.00), shall be purchased by formal, written contract from the lowest responsible bidder, after due notice inviting proposals." In addition, City Code Section 21.298 states, the "Mayor may approve purchases of up to \$1,000.00 without Board of Alderman [*sic*] approval. Purchases of over \$1,000.00 to \$5,000.00 with the approval of the Board of Alderman [*sic*] may be made. Purchases of over \$5,000.00 must be put out for bid and approved by the Board of Alderman [*sic*]. The Mayor may exceed the \$1,000.00 limit on emergency repairs only on city utilities and/or city vehicles, tractor and monthly bills for insurance, utilities, taxes and payroll. The Mayor is to advise the Board of Alderman [*sic*] by phone or in person of any emergency repairs in a reasonable time after repairs are made and advise of the cost."

In addition to being authorized by city code, the routine use of a competitive procurement process for major purchases ensures the city has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in city business. Complete documentation of all bids received and justification for awarding the bid should be maintained. Also, periodically soliciting proposals for professional services helps ensure all parties are given an equal opportunity to participate in city business, helps provide a range of possible choices, and allows the Board to



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make better-informed decisions to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and/or cost into consideration.

Section 432.070, RSMo, indicates no city shall make any contract, unless such contract be made upon a consideration wholly to be performed or executed subsequent to the making of the contract; and such contract, including the consideration, shall be in writing and dated when made, and shall be subscribed by the parties thereto, or their agents authorized by law and duly appointed and authorized in writing.

Sections 6041 to 6050Y of the Internal Revenue Code require non-wage payments of at least \$600 in one year to an individual be reported to the federal government on a 1099 form.

4.2 Credit cards

The city does not monitor credit card limits, adequate supporting documentation was not retained for some credit card purchases, and some disbursements made were not a necessary and prudent use of public funds. The city paid the credit card company \$10,248 during the year ending December 31, 2020.

- The city's monthly-cycle credit card limit is excessive. The limit for the city's 2 credit cards was \$24,000, (\$12,000 for a credit card used by the former Mayor and \$12,000 for a credit card used by the former City Clerk).
- Supporting documentation was not retained for \$856 of \$976 (88 percent) of credit card purchases made by the former Mayor during the period January 2020 through June 2020. For example, documentation was not retained for some purchases of water system supplies, office supplies, meals, and fuel.
- Some of the purchases made by the former Mayor and former City Clerk did not appear to be a necessary and prudent use of public funds. For example, according to the credit card statement and invoices, some of the meals purchased by the former Mayor were within 6 miles of the city (City of Wheaton) and others within 44 miles of the city (City of Joplin), and some of the meals were purchased for 2 individuals. The purpose of the meals was not documented and were made on days where the credit card was also used to purchase city supplies.

Excessive credit card limits and purchasing ability increases the risk of abuse and potential large liabilities for the city. By periodically comparing the actual purchasing card activity to monthly cycle limits and adjusting limits as needed, the city can strengthen control over the cards and reduce potential risks. To ensure obligations were actually incurred and amounts paid were



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proper, all disbursements should be supported by paid receipts, itemized vendor invoices, or other detailed documentation with payment information clearly indicated. Citizens have placed a fiduciary trust in their public officials to spend city money in a prudent and necessary manner. A Board member indicated the Board was unaware of the importance of better controls over city credit cards.

4.3 Dual signatures

The former City Clerk (as noted in MAR finding number 1.1) and former City Treasurer signed their own payroll checks, and former Mayor Oliver signed checks issued to a company he managed and owned (as noted in MAR finding number 1.3), on numerous occasions, and the former City Clerk typically signed the payroll checks of the Meter Reader (her grandson) as noted in MAR finding number 2.2. Their signatures on these checks were 1 of the 2 required signatures. In addition, several instances were noted in which the former City Clerk was the only signer on other city checks. City checks typically require 2 signatures, and the former Mayor, a former Alderwoman, former City Clerk, and former City Treasurer were authorized check signers. The former Mayor indicated the former City Clerk and the former City Treasurer should not have signed their own checks.

Dual independent authorized signatures help provide assurance that checks represent payment for legitimate city disbursements. Failure to require dual independent signatures on all checks is a significant control weakness and may have allowed overpayments, improper use, and conflicts of interest to occur. A Board member indicated the Board was unaware of the importance of ensuring dual independent authorized signatures are on all checks.

Recommendations

The Board of Aldermen:

- 4.1 Follow formal bidding policies and procedures as required by city code, enter into written contracts prior to beginning work as required by state law, and ensure 1099 forms are issued in accordance with IRS regulations.
- 4.2 Review and adjust credit card limits, require adequate, detailed supporting documentation be retained for all disbursements, and ensure all disbursements are necessary and a prudent use of public funds.
- 4.3 Require dual independent signatures on all checks.

Auditee's Response

- 4.1 *We will review our current city policies and procedures for revision, and we will follow any new and current policy/procedures. We will enter into written contracts prior to beginning work as required by state law. We will also ensure 1099 forms are issued in accordance with IRS regulations.*



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4.2 *We will review and adjust credit card limits, and require adequate, detailed documentation for all disbursements, and we will ensure all disbursements are necessary and a prudent use of taxpayer funds.*

4.3 *We will require dual independent signatures on all checks.*

5. Utility System Controls and Procedures

Significant weaknesses exist in the city's utility system controls and procedures. As a result, there is less assurance all utility payments have been properly recorded and transmitted. The city collected approximately \$104,700 in utility receipts during the year ended December 31, 2020.

5.1 Utility reconciliations

City personnel do not prepare proper reconciliations related to utility services.

- The former City Clerk did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services.
- Significant differences between the gallons of water pumped and gallons of water billed and used by the city were not investigated. We compared the reports of water usage to water pumped from January 2020 through December 2020 and noted unidentified differences ranging from 12 percent to 21 percent more water pumped than used (billed). For October 2020, the reports indicate 70 percent more water was used (billed) than was pumped.

According to the United States Environmental Protection Agency, most states have regulatory policies that set acceptable losses from public water systems at a maximum of between 10 to 15 percent or less.³ The standard for Missouri established by the Department of Natural Resources is 10 percent.

Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, errors or discrepancies are detected timely, and to help detect significant water loss or other problems and ensure all water usage is properly billed. A Board member and the City Clerk indicated they were unaware of the importance of preparing and reviewing these reconciliations.

5.2 Adjustments

The former City Clerk made adjustments to customer accounts, including writing off charges caused by water leaks or incorrect meter readings, without

³ United States Environmental Protection Agency, *Control and Mitigation of Drinking Water Losses in Distribution Systems, Appendix A, Table A-2, Selected State Standards for Unaccounted-for Water*, <<https://www.awwa.org/Portals/0/AWWA/Government/WaterLossControl508.pdf>>, accessed August 4, 2022.



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obtaining independent approval or maintaining adequate documentation to support the reason for the adjustment. A subsequent City Clerk indicated she did not know how to generate a report of adjustments. In addition, the Board does not review and approve all adjustments. Our review of current and former Board of Aldermen utility accounts during the year ended December 31, 2020, showed adjustments were made to improperly remove late penalties charged to the accounts. As a result, there is an increased risk of theft and misuse occurring without being detected.

To ensure adjustments to utility accounts are valid and approved, adjustment transactions should be approved before they are made in the computer system and the posted adjustments should later be compared to the list of approved adjustments. Review and approval of adjustments by the Board is necessary to ensure adjustments made are proper. A Board member indicated the Board was unaware of the importance of reviewing adjustments made to the utility system.

5.3 Late penalties and shut off procedures

Late penalties are not always charged and utility services are not shut off in accordance with city ordinances.

During the year ended December 31, 2020, 11 instances were noted in which late penalties were not assessed properly and shut offs were not initiated for former and current members of the Board.

A review of customer accounts for December 2020, identified 31 customers with delinquent account balances older than 30 days, totaling \$4,838, that had not been shut off in accordance with city ordinance. In addition, a listing of requests for shut offs was not maintained or provided to the Board.

City Ordinance 68.010(8) states, "Service bills not paid by the sixteenth shall be subject to a ten percent (10%) late charge. Failure of the Owner to submit a service bill shall not excuse the water user from his obligation to pay for the water used when the bill is submitted. Failure to pay a bill by the thirtieth day following the close of the period for which service was rendered shall result in the disconnection of the service and such disconnection shall be made without the necessity of notice to the water user."

Allowing customers to receive service without paying reduces the incentive to make payments, reduces city receipts, and could impact the utility rates for other paying customers. To ensure all customers receive equitable treatment and city revenue is maximized, procedures need to be established to ensure penalty provisions in the ordinance are enforced and any variance from the ordinance is properly approved. A Board member indicated the Board was unaware of the importance of reviewing utility accounts to ensure compliance with city ordinances.



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5.4 Utility deposits

The City Clerk does not reconcile the list of customer utility deposits held to the related money held in the Water/Sewer Fund bank account. At December 31, 2020, the list of utility deposits on hand totaled \$8,822 and the reconciled Water/Sewer Fund bank account balance was \$9,723, resulting in an unidentified balance (overage) of \$901.

Refundable utility deposits are restricted funds held for customers. Periodic reconciliation of customer utility deposit balances to city accounting records is necessary to ensure sufficient funds are available for deposit refunds. Differences should be adequately investigated and resolved. Various statutory provisions provide for the disposition of unidentified money. The Board indicated it was unaware of the importance of reconciling the list of utility deposits on hand with the related reconciled bank balance.

5.5 Partial payments

The city does not have an ordinance or written policies authorizing partial payments. Partial payments were not approved by someone independent of the utility's accounting functions and written payment agreements for partial payments did not exist.

City Code Section 68.010 states failure to pay a bill by the 30th day following the close of the period for which services were rendered shall result in disconnection of the service. Good business practices require adequate collection procedures be established to ensure accounts are collected timely and bad debts are kept to a minimum. The Board indicated it was unaware of the importance of revising ordinances and establishing procedures for partial payments.

Recommendations

The Board of Aldermen:

- 5.1 Ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and significant differences between gallons of water billed to gallons pumped should be investigated and resolved.
- 5.2 Require the City Clerk to prepare a report of adjustments and ensure an independent and/or supervisory review and approval of all adjustments made in the utility system is performed.
- 5.3 Ensure late penalties are charged and utility service is shut off in accordance with city ordinance, and maintain a record of shut offs, along with any relevant documentation.
- 5.4 Periodically reconcile customer utility deposits in the utility system to accounting records and cash balances, and promptly investigate any differences. In addition, any unidentified money should be disbursed in accordance with state law.



Auditee's Response

- 5.5 Establish an ordinance for partial payments and create policies and procedures governing the process that should include at least (1) a written payment plan for each partial payer, and (2) approval of each plan by someone independent of the utility's accounting functions.
- 5.1 *We will ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts and significant differences between gallons of water billed to gallons pumped are investigated and resolved.*
- 5.2 *We will require the City Clerk to prepare a report of adjustments and ensure an independent review and approval of all adjustments made in the utility system is performed.*
- 5.3 *We will review and revise our ordinance and follow the updated ordinance. We will also maintain a record of shut offs along with any relevant documentation.*
- 5.4 *We will periodically reconcile customer utility deposits in the utility system to accounting records and cash balances and promptly investigate any differences. We will research any unidentified money and disburse it in accordance with state law.*
- 5.5 *We will establish an ordinance for partial payments and create policies and procedures governing this process.*

6. Budgeting, Planning, and Financial Reporting

Budgeting, planning, and financial reporting procedures need improvement.

6.1 Budgets

The Board does not have adequate procedures to prepare or monitor budgets.

Preparation

City officials did not include all the statutorily required elements in the budgets prepared for the years ending December 31, 2021, and 2020. The budgets did not include a budget message, actual or budgeted amounts for the 2 preceding years, the actual beginning and estimated ending cash balances, a budget summary, or balances of the city's indebtedness.

Section 67.010, RSMo, requires the annual budget be prepared that presents a complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in 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



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for each area of city operations. It also assists in setting tax levies, utility rates, and informing the public about city operations and current finances.

Monitoring

The Board does not adequately monitor budget-to-actual receipts and disbursements. On January 12, 2021, the former City Clerk presented a budget-to-actual report for the year ended December 31, 2020, to the Board, and actual disbursements exceeded budgeted disbursements for 6 of the 14 funds as follows:

Fund	Budgeted Disbursements	Actual Disbursements
General	\$ 68,090	75,474
Wastewater	26,024	26,977
Street	31,106	40,610
Hammons Trust	12,888	44,435
Centennial	304	953
Auxiliary	1,239	2,387

Budget amendments were not prepared or approved by the Board before the budgets for these funds were overspent or before the fiscal year ended.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursements of public money be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and to comply with state law.

A Board member and the City Clerk indicated they were unaware of these requirements.

6.2 Maintenance plans

City officials have not developed a formal annual maintenance plan for city streets. In addition to the motor-vehicle related revenues received from the state, the city also receives the proceeds from a property tax levy restricted for street use. During the year ending December 31, 2020, street fund receipts totaled \$15,974.

A formal maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets needing maintenance, 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. The plan should be included in the budget message and approved by the Board. In addition, a public hearing should be held to obtain input from city residents.



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A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year. A Board member indicated the Board was unaware of the importance of developing a formal maintenance plan for its streets.

6.3 Filing of financial reports City officials did not file an accurate financial report with the SAO for the year ended December 31, 2020, as required by state law. The financial report submitted did not include accurate ending cash balances for 3 of the 12 funds⁴ (excluding the Municipal Court Fund) and did not include the Hammons Endowment Fund. In addition, receipts and disbursements by fund included in the financial report did not agree to the receipts and disbursements reported on the summary of funds page of the same financial report as follows:

Fund	Receipts by Fund	Receipts per Summary of Funds
General	\$ 49,166	89,317
Water	112,188	132,685
Wastewater	28,349	30,408
Street	21,693	20,600
Hammons Trust	5,718	3,055
Centennial	1,201	660

Fund	Disbursements by Fund	Disbursements per Summary of Funds
General	\$ 53,197	75,474
Water	111,329	128,548
Wastewater	30,326	26,459
Street	18,015	40,610
Hammons Trust	5,471	2,884
Centennial	340	958

To be of maximum assistance to the Board and to adequately inform the public, the city's financial statements need to accurately report financial activity and fund balances. A Board member indicated that the Board was unaware the financial statements were not accurate.

⁴ The city had a bank account at 2 different banks for 11 of the 12 bank accounts listed on the financial report submitted. The accounts for each fund were combined for financial reporting.



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6.4 Published financial statements

City officials did not publish semiannual financial statements for the year ended December 31, 2020, as required by state law. As a result, information regarding the city's financial activity and condition is not available to all citizens.

Section 79.160, RSMo, requires the Board to prepare and publish semiannual financial statements that include a full and detailed account of the receipts, disbursements, and indebtedness of the city. In addition, City Code Section 21.420(6) indicates the City Clerk "shall prepare semi-annually a statement of the receipts and expenditures of the city, and cause the same to be published in a newspaper published in the city." A Board member indicated the Board was unaware of this requirement.

Recommendations

The Board of Aldermen:

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

Auditee's Response

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

7. Sunshine Law

The city did not comply with the Sunshine Law for some closed and open Board meetings.

7.1 Closed meetings

The Board did not comply with the Sunshine Law for 7 out of 8 closed meetings held during the year ended December 31, 2020.

Allowable topics

The Missouri Attorney General's Office (AGO) filed a civil lawsuit against the city in the Circuit Court of Newton County on April 13, 2021, for



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violations of the Sunshine Law (Case Number 21NW-CV00965). The AGO cited 4 counts of violations of Section 610.022.3, RSMo.⁵

A Consent Judgment was filed by the Newton County Circuit Court on September 28, 2021. The Consent Judgment concluded that the city violated Section 610.022.3, RSMo, on all 4 counts. The city was ordered by the court to pay a \$250 civil monetary penalty for each of the 4 violations of the Sunshine Law for a total penalty of \$1,000, pursuant to Section 610.027.3, RSMo. It was further ordered that \$600 of the civil monetary penalty due pursuant to Section 610.027.3, RSMo, be suspended, subject to being executed if the Court subsequently finds a violation of the Consent Judgment has occurred. If no such violation occurs during the 2-year period following the date of the Consent Judgment, the \$600 penalty will be forgiven.

Reasons for closing meetings Consistent with the Consent Judgment, 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 could be held in the event the Board wanted to enter into a closed session.

Section 610.022, RSMo, of the Sunshine Law requires public bodies to 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.

A Board member indicated the Board was not aware of these requirements of the Sunshine Law prior to the AGO investigation.

7.2 Open meetings

The Board did not always comply with the Sunshine Law regarding open meetings.

- The Board held Board meetings on April 14, 2020, and May 12, 2020, but did not allow the public to attend, citing the COVID-19 pandemic and did not provide an alternative way for the public to access these meetings. After these 2 meetings, the Board started holding the open meetings at the John Q. Hammons Community Center to allow for social distancing.

⁵ Section 610.022.3, RSMo, states, "Any meeting or vote closed pursuant to section 610.021 shall be closed only to the extent necessary for the specific reason announced to justify the closed meeting or vote. Public governmental bodies shall not discuss any business in a closed meeting, record or vote which does not directly relate to the specific reason announced to justify the closed meeting or vote. Public governmental bodies holding a closed meeting shall close only an existing portion of the meeting facility necessary to house the members of the public governmental body in the closed session, allowing members of the public to remain to attend any subsequent open session held by the public governmental body following the closed session."



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It is unclear why the Board did not hold these 2 meetings at this location to allow the public access to the meetings.

- As noted in MAR finding number 4.1, the Board held an emergency meeting on June 2, 2020, and approved hiring a company to chip and seal 2 city streets with an estimated cost of \$20,000. No documentation was retained to explain why an emergency meeting was needed, and no notice of the meeting was given to the public.

Section 610.020.1, RSMo, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered, and if the meeting will be conducted by telephone or other electronic means, the notice of the meeting must identify the mode by which the meeting will be conducted and the designated location where the public may observe and attend the meeting. If a public body plans to meet by internet chat, internet message board, or other computer link, it shall post a notice of the meeting on its website in addition to its principal office and must notify the public how to access that meeting.

Section 610.020.2, RSMo, requires notice conforming with all of the requirements of subsection 1 of this section to be given at least 24 hours, exclusive of weekends and holidays when the facility is closed, prior to the commencement of any meeting of a governmental body unless for good cause such notice is impossible or impractical, in which case as much notice as is reasonably possible must be given. Each meeting must be held at a place reasonably accessible to the public and of sufficient size to accommodate the anticipated attendance by members of the public, and at a time reasonably convenient to the public, unless for good cause such a place or time is impossible or impractical. Every reasonable effort must be made to grant special access to the meeting to handicapped or disabled individuals.

A Board member indicated the Board was not aware of these requirements of the Sunshine Law prior to the AGO investigation.

Recommendations

The Board of Aldermen:

- 7.1 Ensure specific reasons for closing a meeting are documented in the open minutes and discussions are limited to the specific reasons cited for closing the meeting.
- 7.2 Ensure all Board meetings are held at a place and in a manner to accommodate and allow the public access to the meetings, proper notification and agendas for public meetings are given, and the reasons for holding emergency meetings are documented.



Auditee's Response

- 7.1 *We will ensure specific reasons for closing a meeting are documented in open minutes and discussions are limited to the specific reasons cited for closing the meeting.*
- 7.2 *We will ensure all Board meetings are held at a place and in a manner to accommodate and allow the public access to meetings, proper notification is given, and the reason for emergency meetings are documented when they occur.*

8. Electronic Communication Policy

The city has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.⁶

Development of a written policy to address the use of electronic communications is necessary to ensure all documentation of official business of the city is retained as required by state law. A Board member indicated the Board was unaware of the record retention requirements and the electronic communications guidelines.

Recommendation

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

Auditee's Response

We will develop a written records management and retention policy to address electronic communication management and retention to comply with Missouri Secretary of State Records Service Division electronic communication guidelines.

⁶ Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, accessed June 13, 2022.



9. Capital Assets

City officials do not maintain records of all capital assets owned by the city.

The listing of capital assets maintained does not include records of land, utility system infrastructure, equipment, and other property. In addition, city officials do not tag, number, or otherwise identify assets as property of the city, or perform an annual physical inventory of city property.

Adequate capital asset records and procedures are necessary to provide controls over city property, safeguard city assets that are susceptible to loss, theft, or misuse; and provide a basis for proper financial reporting and insurance coverage. A Board member indicated the Board was unaware of the importance of maintaining a complete record of capital assets.

Recommendation

The Board of Aldermen ensure complete and detailed capital asset records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. The Board should also ensure city personnel properly tag, number, or otherwise identify all applicable city property, conduct an annual physical inventory, and compare this inventory to detailed records.

Auditee's Response

We will ensure complete and detailed capital asset records are maintained that include all pertinent information for each asset such as information, tag number, description, cost, acquisition date, location, and subsequent disposition. The Board will also ensure city personnel properly tag number or otherwise identify all applicable city property, conduct an annual physical inventory, and compare this inventory to detailed records.

City of Fairview

Organization and Statistical Information

The City of Fairview is located in Newton County. The city was incorporated in 1907 and is a fourth-class city. The city employed 1 full-time employee and 2 part-time employees on December 31, 2020.

City operations include law enforcement services, utilities (water, sewer, and trash), street maintenance, park services, and the John Q. Hammons Community Center.

Mayor and Board of Aldermen

The city government consists of a mayor and 4-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at December 31, 2020, are identified below. The Mayor and Board of Aldermen members do not receive any compensation for their service.

Ashley Rodgers, Mayor (1)
Tammy O'Brien, Alderwoman (2)
Raymond Stapleton, Alderman (3)
Pamela McNee, Alderwoman (4)
Bill Canoy, Alderman (5)

(1) Sid Oliver served until June 2020. Ashley Rodgers was elected in June 2020 and resigned in October 2021. Mickey Schouten was elected in April 2022.

(2) Tammy O'Brien resigned in March 2021. John Cook was elected in April 2021.

(3) Raymond Stapleton was impeached in April 2021. Barbara Stapleton was appointed in April 2021. Raymond Stapleton was reinstated by court order in July 2021 and resigned the same day. Barbara Stapleton was reappointed in July 2021 and elected in April 2022.

(4) Pamela McNee resigned in March 2021. George Richards was elected in April 2021.

(5) Bill Canoy resigned in March 2021. Trish Christensen was appointed in April 2021 and elected in April 2022.

Other Principal Officials

The City Clerk, City Treasurer, and Police Chief are appointed positions. The city's principal officials at December 31, 2020, are identified below:

Lorie Heatley, City Clerk (1)
Betty Kruse, City Treasurer (2)
Police Chief, Vacant (3)

(1) Lorie Heatley resigned in March 2021, and was replaced by Bruce Forsberg as Interim City Clerk from March 2021 until May 2021. Denise Robertson was hired in May 2021 and resigned in July 2022. Staacy Fox was hired in May 2022 and resigned in October 2022. Chelsie Dick was hired in October 2022.

(2) Betty Kruse resigned in March 2021, and this position has not been filled by the Board.

(3) Robert Jacobus was hired in March 2021, and was terminated in April 2021. Russell Nicholes was hired to work part-time in January 2022.

Financial Activity

A summary of the city's financial activity, prepared using the city's bank statements, for the year ended December 31, 2020, follows:

City of Fairview
Schedule of Receipts, Disbursements, and Changes in Cash
Year Ended December 31, 2020

	General Account (1)	Street Account (1)	Water Account (1)	Wastewater Account (1)	Water/Sewer Account (1)	Hammons Checking Account (1)	Hammons Trust Account	Hammons Endowment Account
RECEIPTS								
Receipts	\$ 88,817	15,974	101,860	0	2,829	3,050	47,895	5
Transfers in	834	4,626	30,118	29,599	214	0	250	0
Total Receipts	89,651	20,600	131,978	29,599	3,043	3,050	48,145	5
DISBURSEMENTS								
Disbursements	55,886	35,986	96,396	13,455	248	2,559	40,441	0
Transfers out	19,666	4,520	31,497	12,504	893	50	483	0
Total Disbursements	75,552	40,506	127,893	25,959	1,141	2,609	40,924	0
RECEIPTS OVER(UNDER) DISBURSEMENTS	14,099	(19,906)	4,085	3,640	1,902	441	7,221	5
CASH BALANCE, JANUARY 1, 2020	13,166	29,764	25,408	14,849	7,894	487	83,333	1,469
CASH BALANCE, DECEMBER 31, 2020	\$ 27,265	9,858	29,493	18,489	9,796	928	90,554	1,474

	Hammons Deposit Account (1)	Replacement & Extension Account (1)	Centennial Account (1)	Auxiliary Account (1)	Bond Reserve Account (1)	Hammons Certificates of Deposit	Total (all funds)
RECEIPTS							
Receipts	\$ 0	0	160	0	0	946	261,536
Transfers in	0	1,200	0	2,772	0	0	69,613
Total Receipts	0	1,200	160	2,772	0	946	331,149
DISBURSEMENTS							
Disbursements	55	0	458	2,387	0	0	247,871
Transfers out	0	0	0	0	0	0	69,613
Total Disbursements	55	0	458	2,387	0	0	317,484
RECEIPTS OVER(UNDER) DISBURSEMENTS	(55)	1,200	(298)	385	0	946	13,665
CASH BALANCE, JANUARY 1, 2020	720	9,596	1,791	56	7,215	268,115	463,863
CASH BALANCE, DECEMBER 31, 2020	\$ 665	10,796	1,493	441	7,215	269,061	477,528

(1) The city had 2 bank accounts (one account at 2 different banks) for each of these accounts. The city withdrew some money from the bank accounts at one bank to open similar bank accounts at another bank. Accounts were combined for this schedule. Receipts and disbursements were adjusted for these withdrawals and subsequent deposits.

Information of a personal, privileged, or sensitive nature, and/or information that is not directly related to the information requested in the subpoena has been redacted.



Office of Missouri State Auditor

SUBPOENA

To: **Lorie Heatley**



YOU ARE COMMANDED AND REQUIRED to appear personally before the State Auditor or her representative, Pam Allison, Audit Manager, at the Landers State Office Building, 149 Park Central Square, Suite 814, Springfield, MO 65806, at 10:30 a.m. on Wednesday, October 12, 2022, for purposes of providing testimony, and producing for examination, copying, and interrogation the following records and documents listed on Exhibit A attached to this Subpoena.

In lieu of appearance, you may ship the records responsive to this subpoena to the Missouri State Auditor to the attention of Troy Royer at 149 Park Central Square, Suite 814, Springfield, MO 65806 or email the records to Troy.Royer@auditor.mo.gov.

ISSUED this 26th day of September, 2022, pursuant to Section 29.235.4(1), of the Revised Statutes of Missouri.

Handwritten signature of Nicole L. Galloway in black ink.

Nicole Galloway
Missouri State Auditor

I served the foregoing subpoena by hand delivery on this 28TH day of September, 2022.

Handwritten signature of Pam Allison in blue ink.



Office of Missouri State Auditor

EXHIBIT A

You are to preserve for production and inspection, and then appear as instructed on the attached subpoena and produce for inspection and examination, the following items in your possession or under your control:

All documents or other records, in whatever form, whether hard copy or electronic, pertaining or belonging to the City of Fairview for the time period of January 2020 to March 2021.

This request includes, but is not limited to, the following:

1. Timesheets and or time cards, pay checks, pay stubs, bank statements, leave records, personnel policies, and any and all payroll records for services provided to the City of Fairview from January 2020 until March 2021;
2. Any and all documents related to your testimony during the interview held on September 28, 2022.

This request for records includes all materials that exist in paper ("hard copy") or electronic form (including but not limited to records and data maintained on computers, tablets, smart phones, external electronic storage drives, thumbnail drives, remote servers or back up tapes). All information requested in the items above are subject to inspection, review and copying by the state auditor. Section 29.235.4(1), RSMo.

Appendix B
City of Fairview
Payments to Former City Clerk

Check Date	Check Number	Pay Period	Gross Pay Amount (1)	Net Pay Amount	Check Signers (2)	Hours Recorded on Timecard (3)	Hours Recorded in Payroll System (3)	Hours Over/ (Under) Paid	Total Amount Over/ (Under) Paid
01/09/20	8008	12/30/2019 - 01/05/2020	\$ 440.00	385.34	Sid Oliver & Betty Kruse	33.500	40.000	6.500	\$ 71.50
01/14/20	8013	01/06/2020 - 01/12/2020	440.00	385.34	Sid Oliver & Betty Kruse	35.000	40.000	5.000	55.00
01/23/20	8017	01/13/2020 - 01/19/2020	440.00	385.34	Sid Oliver & Betty Kruse	39.500	40.000	0.500	5.50
01/30/20	8022	01/20/2020 - 01/26/2020	462.00	401.66	Lorie Heatley & Betty Kruse	41.167	42.000	0.833	9.16 (4)
02/06/20	8027	01/27/2020 - 02/02/2020	440.00	385.34	Sid Oliver & Betty Kruse	37.000	40.000	3.000	33.00
02/13/20	8032	02/03/2020 - 02/09/2020	440.00	385.34	Sid Oliver & Betty Kruse	36.167	40.000	3.833	42.16
02/20/20	8037	02/10/2020 - 02/16/2020	440.00	385.34	Sid Oliver & Betty Kruse	24.500	40.000	15.500	170.50
02/26/20	8042	02/17/2020 - 02/23/2020	440.00	385.34	Sid Oliver & Betty Kruse	31.000	40.000	9.000	99.00
03/04/20	8048	02/24/2020 - 03/01/2020	440.00	385.34	Sid Oliver & Betty Kruse	30.750	40.000	9.250	101.75
03/12/20	8052	03/02/2020 - 03/08/2020	440.00	385.34	Sid Oliver & Betty Kruse	31.500	40.000	8.500	93.50
03/18/20	8056	03/09/2020 - 03/15/2020	440.00	385.34	Sid Oliver & Lorie Heatley	30.000	40.000	10.000	110.00
03/26/20	8062	03/16/2020 - 03/22/2020	440.00	385.34	Sid Oliver & Betty Kruse	40.000	40.000	0.000	0.00
04/01/20	8069	03/23/2020 - 03/29/2020	440.00	385.34	Sid Oliver & Betty Kruse	36.500	40.000	3.500	38.50
04/09/20	8073	03/30/2020 - 04/05/2020	440.00	385.34	Lorie Heatley & Betty Kruse	32.500	40.000	7.500	82.50
04/16/20	8078	04/06/2020 - 04/12/2020	440.00	385.34	Sid Oliver & Lorie Heatley	34.000	40.000	6.000	66.00
04/21/20	8082	04/13/2020 - 04/19/2020	440.00	385.34	Sid Oliver & Lorie Heatley	33.000	40.000	7.000	77.00
04/27/20	8088	04/20/2020 - 04/26/2020	440.00	385.34	Sid Oliver & Lorie Heatley	30.500	40.000	9.500	104.50
05/07/20	8094	04/27/2020 - 05/03/2020	440.00	385.34	Sid Oliver & Lorie Heatley	34.000	40.000	6.000	66.00
05/14/20	8098	05/04/2020 - 05/10/2020	440.00	385.34	Sid Oliver & Lorie Heatley	33.500	40.000	6.500	71.50
05/21/20	8100	05/11/2020 - 05/17/2020	440.00	385.34	Sid Oliver & Betty Kruse	28.000	40.000	12.000	132.00
05/28/20	8105	05/18/2020 - 05/24/2020	440.00	385.34	Sid Oliver & Betty Kruse	35.500	40.000	4.500	49.50
06/04/20	8109	05/25/2020 - 05/31/2020	440.00	385.34	Lorie Heatley & Betty Kruse	35.000 (5)	40.000	5.000	55.00
06/11/20	8114	06/01/2020 - 06/07/2020	440.00	385.34	Lorie Heatley & Betty Kruse	31.000	40.000	9.000	99.00
06/18/20	8121	06/08/2020 - 06/14/2020	440.00	385.34	Lorie Heatley & Betty Kruse	33.500	40.000	6.500	71.50
06/24/20	8123	06/15/2020 - 06/21/2020	440.00	385.34	Lorie Heatley & Betty Kruse	33.500	40.000	6.500	71.50
06/30/20	8128	06/22/2020 - 06/28/2020	440.00	385.34	Lorie Heatley & Betty Kruse	35.000	40.000	5.000	55.00
07/08/20	8142	06/29/2020 - 07/05/2020	440.00	385.34	Lorie Heatley & Betty Kruse	34.000	40.000	6.000	66.00
07/16/20	8147	07/06/2020 - 07/12/2020	440.00	385.34	Lorie Heatley & Betty Kruse	37.000	40.000	3.000	33.00
07/23/20	8152	07/13/2020 - 07/19/2020	440.00	385.34	Lorie Heatley & Betty Kruse	46.083	40.000	(6.083)	(100.37) (6)
07/30/20	8155	07/20/2020 - 07/26/2020	440.00	385.34	Lorie Heatley & Betty Kruse	40.000 (5)	40.000	0.000	0.00

Appendix B
City of Fairview
Payments to Former City Clerk

Check Date	Check Number	Pay Period	Per Pay Stub	Gross Pay Amount (1)	Net Pay Amount	Check Signers (2)	Hours Recorded on Timecard (3)	Hours Recorded in Payroll System (3)	Hours Over/ (Under) Paid	Total Amount Over/ (Under) Paid
08/06/20	8158	07/27/2020 - 08/02/2020		463.38	402.93	Lorie Heatley & Betty Kruse	40.417	41.417	1.000	16.50 (6)
08/13/20	8161	08/03/2020 - 08/09/2020		429.00	376.18	Lorie Heatley & Betty Kruse	29.000	39.000	10.000	110.00
08/20/20	8166	08/10/2020 - 08/16/2020		440.00	385.34	Lorie Heatley & Betty Kruse	40.083 (5)	40.000	(0.083)	(0.91) (4)
08/27/20	8168	08/17/2020 - 08/23/2020		440.00	385.34	Lorie Heatley & Betty Kruse	30.000	40.000	10.000	110.00
09/03/20	8173	08/24/2020 - 08/30/2020		440.00	385.34	Lorie Heatley & Betty Kruse	33.917	40.000	6.083	66.91
09/09/20	8175	08/31/2020 - 09/06/2020		440.00	385.34	Lorie Heatley & Betty Kruse	33.250	40.000	6.750	74.25
09/17/20	8178	09/07/2020 - 09/13/2020		440.00	385.34	Lorie Heatley & Betty Kruse	35.333	40.000	4.667	51.34
09/24/20	8181	09/14/2020 - 09/20/2020		440.00	385.34	Lorie Heatley & Betty Kruse	35.250	40.000	4.750	52.25
09/30/20	8183	09/21/2020 - 09/27/2020		440.00	385.34	Lorie Heatley & Betty Kruse	32.500	40.000	7.500	82.50
10/08/20	8191	09/28/2020 - 10/04/2020		440.00	385.34	Lorie Heatley & Betty Kruse	32.250	40.000	7.750	85.25
10/14/20	8194	10/05/2020 - 10/11/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	35.500	40.000	4.500	49.50
10/21/20	8196	10/12/2020 - 10/18/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	36.833	40.000	3.167	34.84
10/28/20	8201	10/19/2020 - 10/25/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	34.500	40.000	5.500	60.50
11/04/20	8206	10/26/2020 - 11/01/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	32.000	40.000	8.000	88.00
11/10/20	8207	11/02/2020 - 11/08/2020		415.25	385.34	Ashley Rodgers & Betty Kruse	27.750	37.750	10.000	110.00
11/18/20	8212	11/09/2020 - 11/15/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	38.167	40.000	1.833	20.16
11/20/20	8216	11/16/2020 - 11/22/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	34.250	40.000	5.750	63.25
12/02/20	8223	11/23/2020 - 11/29/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	35.500	40.000	4.500	49.50
12/09/20	8228	11/30/2020 - 12/06/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	36.250	40.000	3.750	41.25
12/16/20	8234	12/07/2020 - 12/13/2020		440.00	385.34	Ashley Rodgers & Betty Kruse	39.000	40.000	1.000	11.00
12/22/20	8239	12/14/2020 - 12/20/2020		440.00	385.34	Lorie Heatley & Betty Kruse	42.167	40.000	(2.167)	(23.84) (4)
12/30/20	8243	12/21/2020 - 12/27/2020		456.50	397.58	Lorie Heatley & Betty Kruse	41.500	41.500	0.000	0.00 (4)
01/06/21	8251	12/28/2020 - 01/03/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	36.000	40.000	4.000	48.00
01/13/21	8259	01/04/2021 - 01/10/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	30.167	40.000	9.833	118.00
01/20/21	8261	01/11/2021 - 01/17/2021		508.00	438.13	Ashley Rodgers & Betty Kruse	42.333	42.333	0.000	(14.00) (7)
01/27/21	8266	01/18/2021 - 01/24/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	37.000	40.000	3.000	36.00
02/03/21	8271	01/25/2021 - 01/31/2021		510.00	439.99	Ashley Rodgers	42.500	42.500	0.000	(15.00) (7)
02/11/21	8274	02/01/2021 - 02/07/2021		492.00	426.36	Lorie Heatley & Betty Kruse	41.083	41.000	(0.083)	(7.49) (8)
02/17/21	8276	02/08/2021 - 02/14/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	40.083	40.000	(0.083)	(1.49) (9)
02/24/21	8279	02/15/2021 - 02/21/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	37.750	40.000	2.250	27.00

Appendix B
City of Fairview
Payments to Former City Clerk

Check Date	Check Number	Pay Period	Per Pay Stub	Gross Pay Amount (1)	Net Pay Amount	Check Signers (2)	Hours Recorded on Timecard (3)	Hours Recorded in Payroll System (3)	Hours Over/ (Under) Paid	Total Amount Over/ (Under) Paid
02/28/21	8283	02/25/2021 - 03/03/2021	(10)	480.00	417.28	Ashley Rodgers & Betty Kruse	30.000	40.000	10.000	120.00
03/10/21	8288	03/01/2021 - 03/07/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	40.500	40.000	(0.500)	(6.00) (11)
03/17/21	8292	03/08/2021 - 03/14/2021		480.00	417.28	Ashley Rodgers	36.833	40.000	3.167	38.00
03/23/21	8297	03/15/2021 - 03/21/2021		380.00	339.93	Ashley Rodgers & Betty Kruse	29.667	31.666	1.999	23.99
03/25/21	8300	03/22/2021 - 03/28/2021		480.00	417.28	Ashley Rodgers & Betty Kruse	39.750	40.000	0.250	3.00
							Total Over Payments			3,520.56
							Total (Under) Payments			(169.10)
							Total Net Over(Under) Payments		\$	<u>3,351.46</u>

- (1) Gross pay was calculated at \$11 per hour during 2020 and \$12 per hour during 2021 for hours recorded in the payroll system unless otherwise noted.
- (2) Lorie Heatley is the former City Clerk, Sid Oliver and Ashley Rodgers are former Mayors, and Betty Kruse is the former City Treasurer.
- (3) Hours recorded on the timecard and in the payroll system include non-working time (hours for vacation and holidays).
- (4) Overtime (hours worked over 40 hours in weekly pay period) was calculated at \$11 per hour due to non-working hours recorded during pay period.
- (5) Timecard was signed by the former City Clerk.
- (6) Overtime (hours worked over 40 hours in weekly pay period) was calculated at time and a half or \$16.50 per hour.
- (7) Overtime (hours worked over 40 hours in weekly pay period) was underpaid at straight time (\$12 per hour), and the underpayment amount was calculated at \$6 per hour (the remainder of \$18 per hour, or time and a half).
- (8) One hour of overtime was underpaid at straight time (\$12 per hour) and the underpayment was calculated at \$6 per hour (the remainder of \$18 per hour, or time and a half). The remaining overtime of 0.083 was calculated at the time and a half rate of \$18 per hour.
- (9) Overtime (hours worked over 40 hours in a weekly pay period) was calculated at time and a half, or \$18 per hour.
- (10) The pay stub inaccurately reported this pay period. The pay period should be February 22, 2021, through February 28, 2021.
- (11) Overtime (hours worked over 40 hours in weekly pay period) was calculated at \$12 per hour due to non-working hours recorded during pay period.

Appendix C
City of Fairview
Payments to R-Shop, LLC

Check Date	Invoice Date	Check Number	Check Amount	Check Signers (1)
01/10/19	01/10/19	7654	\$ 477.00	Lorie Heatley and Della Cline
01/17/19	01/17/19	7657	306.00	Lorie Heatley and Sid Oliver
01/24/19	01/24/19	7662	306.00	Lorie Heatley and Della Cline
01/31/19	01/31/19	7667	171.00 (2)	Lorie Heatley and Della Cline
02/07/19	02/07/19	7674	225.00	Lorie Heatley and Della Cline
02/14/19	02/14/19	7678	360.00	Lorie Heatley
02/20/19	02/21/19 (3)	7682	315.00	Lorie Heatley and Della Cline
03/07/19	03/07/19	7691	324.00	Lorie Heatley and Della Cline
03/11/19	03/12/19 (3)	7692	261.00	Lorie Heatley and Sid Oliver
03/28/19	03/28/19	7703	234.00	Lorie Heatley and Della Cline
04/11/19	04/11/19	7715	369.00	Lorie Heatley and Della Cline
04/18/19	04/18/19	7719	360.00	Lorie Heatley and Sid Oliver
04/30/19	05/02/19 (3)	7732	387.00	Lorie Heatley
05/23/19	05/23/19	7746	477.00	Lorie Heatley and Sid Oliver
05/28/19	05/30/19 (3)	7756	189.00	Lorie Heatley and Sid Oliver
06/06/19	06/06/19	7759	333.00	Lorie Heatley and Sid Oliver
06/12/19	06/13/19 (3)	7767	360.00	Lorie Heatley and Sid Oliver
06/27/19	06/26/19	7772	423.00	Lorie Heatley and Sid Oliver
07/11/19	07/11/19	7783	396.00	Lorie Heatley and Della Cline
07/18/19	07/18/19	7786	315.00	Lorie Heatley and Sid Oliver
08/01/19	08/01/19	7793	513.00	Lorie Heatley and Betty Kruse
08/16/19	08/16/19	7800	333.00	Lorie Heatley and Sid Oliver
08/21/19	08/22/19 (3)	7803	324.00	Lorie Heatley and Betty Kruse
09/05/19	09/05/19	7806	252.00	Lorie Heatley and Betty Kruse
09/18/19	09/19/19 (3)	7828	369.00	Lorie Heatley and Betty Kruse
10/03/19	10/03/19	7841	360.00	Lorie Heatley and Betty Kruse
10/11/19	10/11/19	7845	333.00	Lorie Heatley and Betty Kruse
10/15/19	10/15/19	7846	279.00	Lorie Heatley and Della Cline
10/31/19	10/31/19	7854	360.00	Lorie Heatley and Sid Oliver
11/14/19	11/14/19	7861	207.00	Lorie Heatley and Betty Kruse
11/22/19	11/22/19	7872	360.00	Lorie Heatley and Sid Oliver
12/05/19	12/05/19	7878	315.00	Lorie Heatley and Betty Kruse
12/11/19	12/12/19 (3)	7890	342.00	Lorie Heatley and Betty Kruse
12/20/19	12/20/19	7895	315.00	Lorie Heatley
12/26/19	12/26/19	7896	279.00	Lorie Heatley and Betty Kruse
01/09/20	01/09/20	7915	369.00	Lorie Heatley and Betty Kruse
01/16/20	01/16/20	7925	360.00	Lorie Heatley and Betty Kruse
01/22/20	01/22/20	7929	342.00	Lorie Heatley and Betty Kruse
02/06/20	02/06/20	7939	189.00	Lorie Heatley and Betty Kruse
02/20/20	02/20/20	7950	160.65	Lorie Heatley and Betty Kruse
02/26/20	02/26/20	7953	311.85	Lorie Heatley and Betty Kruse
03/12/20	03/12/20	7961	387.00	Lorie Heatley and Betty Kruse
03/19/20	03/19/20	7970	444.15	Lorie Heatley

Appendix C
City of Fairview
Payments to R-Shop, LLC

Check Date	Invoice Date		Check Number	Check Amount	Check Signers (1)
04/16/20	04/16/20		7995	529.00	Lorie Heatley and Sid Oliver
04/22/20	04/23/20	(3)	7997	359.00	Lorie Heatley and Sid Oliver
04/29/20	04/30/20	(3)	8005	397.00	Lorie Heatley and Sid Oliver
05/07/20	05/07/20		8006	369.00	Lorie Heatley and Sid Oliver
05/14/20	05/14/20		8015	406.35	Lorie Heatley and Sid Oliver
05/21/20	05/21/20		8020	397.00	Lorie Heatley and Betty Kruse
05/28/20	05/28/20		8021	331.00	Lorie Heatley and Betty Kruse
06/08/20	06/09/20	(3)	8030	444.15	Lorie Heatley and Betty Kruse
Total \$				<u>17,325.15</u>	

- (1) Lorie Heatley is the former City Clerk, Sid Oliver is the former Mayor, Betty Kruse is the former City Treasurer, and Della Cline is a former Alderwoman.
- (2) Check was issued for \$201; however, it included a \$30 reimbursement of supplies.
- (3) Check was issued prior to date of the related invoice.