

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**City of Rockville**

Report No. 2022-100

November 2022

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Rockville

Oversight and Segregation of Duties	The Board of Aldermen has not adequately segregated accounting duties or ensured a documented supervisory or independent review over various financial accounting functions is performed.
Accounting Controls and Procedures	The city's procedures for receipting, recording, and depositing money need improvement. The City Treasurer does not prepare adequate or timely bank reconciliations for the city's 8 bank accounts, maintain a checkbook register for all accounts, or maintain running book balances. The City Treasurer could not provide adequate supporting documentation for some disbursements and the Board's review of disbursements is not adequate. In addition, the disbursement lists are not retained with the meeting minutes.
Utility Controls and Procedures	The city does not have an ordinance or written policies authorizing partial payments, and does not follow established service shutoff procedures for customers who make partial payments. Someone independent of the utility's accounting functions does not approve partial payments and there are no written partial payment agreements. Refundable customer utility deposits held in the Meter Fund bank account and the Water Meter certificate of deposit are not accounted for properly. The City Treasurer did not have adequate controls and procedures to ensure sales taxes collected and related returns associated with water services were properly remitted to the Department of Revenue as required by state law. City officials do not perform monthly reconciliations of total gallons of water billed to gallons of water pumped. The city has not obtained annual audits of its sewer system as required by state law.
Billings	The Board has not established policies and procedures to ensure the timely preparation and mailing of annual property tax statements and monthly utility billings.
Delinquent Property Taxes	The City Treasurer does not prepare and submit for approval to the Board a monthly list of delinquent tax collections or an annual delinquent tax listing, and the city does not have procedures to pursue collection of delinquent taxes.
Ordinances	City ordinances are not complete or up to date.
Election Procedures	The city did not follow state law during an election for an Alderman seat that ended in a tie vote.
Budgets and Financial Reporting	The city did not prepare annual budgets, file adequate financial reports, and publish semiannual financial statements in compliance with state law.
User Identification and Passwords	The city has not established adequate user identification and password controls to reduce the risk of unauthorized access to the city computer and data.

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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.

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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# City of Rockville

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Rockville. 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, 2021. The objectives of our audit were to:

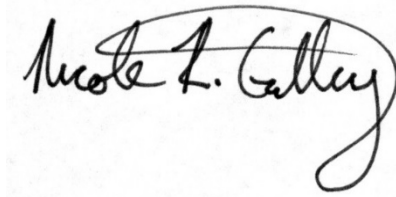
1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Rockville.

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

Nicole R. Galloway, CPA  
State Auditor

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# City of Rockville

## Management Advisory Report

### State Auditor's Findings

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#### **1. Oversight and Segregation of Duties**

The Board of Aldermen has not adequately segregated accounting duties or ensured a documented supervisory or independent review over various financial accounting functions is performed.

The City Treasurer is responsible for most financial duties of the city, including recording payments received, preparing deposits, preparing tax bills, issuing disbursement checks from warrants issued by the City Clerk and Mayor, and preparing monthly bank reconciliations and financial reports. The City Clerk is responsible for preparing and mailing utility bills, recording payments received, and preparing disbursement warrants for payment of invoices. The City Treasurer performs the duties of the City Clerk when the position is vacant, and performed these duties for approximately 1 year prior to February 2021 and has performed these duties since December 2021. The City Clerk and the City Collector positions were combined by ordinance in October 2012.

Combining financial positions diminishes the effectiveness of segregation of duties and increases the importance of thorough, independent reviews of work performed. The Mayor and City Treasurer indicated the Board reviews some financial records, such as disbursement warrants, disbursement lists, and lists of delinquent utility accounts, but does not perform significant reviews of depositing and disbursement functions. In addition, the City Treasurer is the wife of an alderman and this alderman is the Mayor's first cousin. The Board has not established an ordinance to address the employment and supervision of a related employee (see Management Advisory Report (MAR) finding number 6). As a result, the objectivity and effectiveness of Board reviews of financial records may be compromised.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Attorney General's Opinion 24-1955 (June 10, 1955) to Dodds, concluded that in a fourth-class city, the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these offices, by the same person at the same time would be incompatible. 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.

#### **Recommendation**

The Board of Aldermen segregate accounting duties to the extent possible and implement appropriate independent reviews and monitoring procedures.

#### **Auditee's Response**

*The City of Rockville (COR) has already begun another search (our fourth in the past 6 years) to secure a long-term City Clerk. We have placed advertisements in local papers as well as on the internet. The COR decided that we would continue with the interview and hiring process once the lengthy process of the state audit was completed. Our belief is that hiring a City Clerk,*



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*once properly trained, will resolve many of the audit recommendations, including the segregation of duties. So doing would provide multiple "eyes" on the processes involved for more accountability, as well as create more time for the City Treasurer (and City Clerk) to handle their individual responsibilities. In addition, the Board will implement appropriate independent reviews and monitoring procedures when it is not possible to segregate duties due to vacancies.*

*The COR has also already discussed and voted on turning over collection of taxes to the County Collector. This has also been accepted and is in the process of immediately being implemented. This will allow for more time for the City Treasurer (and City Clerk) to focus on individual responsibilities.*

*The COR is also in the process of creating and discussing policies and procedures, and ordinances, where necessary, to address on-going issues (more discussion in MAR finding number 6 response). One such discussion addresses a policy regarding relationships of aldermen and city positions.*

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## 2. Accounting Controls and Procedures

Accounting controls and procedures need improvement. Bank records indicate the city received approximately \$166,000 and disbursed approximately \$157,000, including transfers between funds, during the year ended December 31, 2021.

### 2.1 Receipting, recording, and depositing

The city's procedures for receipting, recording, and depositing money need improvement.

- City personnel do not issue receipt slips for all money received or maintain a comprehensive log of receipts. Receipt slips for utility and miscellaneous payments are typically only issued for cash receipts. In addition, the City Treasurer indicated some receipt slips are handwritten on blank paper with no copies retained for the city's records. City personnel record property tax receipts in the tax book and utility receipts in Excel spreadsheets. However, these records are not maintained in a manner to readily determine the receipts by date. City bank deposits reviewed from September 3, 2021, to October 15, 2021, identified \$22,374 in unrecorded receipts out of the \$46,853 deposited during this period (48 percent). These unrecorded receipts related to miscellaneous payments and included a receipt of \$14,183 from a federal grant that was electronically deposited on September 17, 2021.
- City personnel do not issue receipt slips in numerical sequence, do not account for the numerical sequence of receipt slips, and do not reconcile receipt slips issued to the utility spreadsheets.





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- The composition of property tax receipts is not reconciled to the composition of deposits.
- Receipts are not always kept in a secure location until they are deposited. The City Treasurer sometimes takes receipts to her personal residence prior to being deposited. She indicated she believed receipts were more secure at her personal residence.
- The City Treasurer does not deposit receipts timely or intact.

A property tax deposit on September 3, 2021, totaling \$5,939, included receipts from August 12, 2020, to July 28, 2021. A property tax deposit on September 30, 2021, totaling \$10,495, included receipts from December 24, 2020, to July 16, 2021. We also identified 3 property tax receipts, totaling \$69, from April 5, 2021, to August 30, 2021, that were not deposited until March 28, 2022. The City Treasurer indicated the receipts were not deposited timely due to time constraints. In addition, the 3 receipts deposited in March 2022 were placed in the tax book and overlooked when property tax receipts were deposited in September 2021.

A utility receipts deposit prepared on December 31, 2021, totaling \$1,827 did not clear the bank until January 26, 2022. In addition, 38 checks totaling \$2,933 and dated between February 23, 2022, and March 16, 2022, were still on hand during our cash count on March 23, 2022. The City Treasurer indicated that the bank has limited hours and deposits are made as time permits.

- The City Treasurer does not properly deposit water, sewer, and trash receipts into the appropriate bank accounts. Utility payments are deposited into the General Fund, Water Revenue Fund, and Sewer Fund bank accounts based on utility billings rather than actual utility collections. The City Treasurer typically deposits amounts equal to the monthly billings for sewer and trash services into the General and Sewer Fund bank accounts, respectively, and deposits the remaining receipts into the Water Revenue Fund bank account. As a result, the General and Sewer Funds receive more money than they should from actual collections, and the Water Revenue Fund receives less than it should.
- Checks and money orders received are not always restrictively endorsed upon receipt. None of the 45 checks, totaling \$3,160, on hand during our March 23, 2022, cash count were endorsed. The City Treasurer indicated she typically endorses them when she prepares the deposits.



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The Mayor indicated the City Treasurer provided reports to the Board and they trusted her completely, but failed to provide oversight to ensure procedures were adequate and duties were properly performed.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of money will occur and increases the likelihood that errors will go undetected.

## 2.2 Bank reconciliations

The City Treasurer does not prepare adequate or timely bank reconciliations for the city's 8 bank accounts, maintain a checkbook register for all accounts, or maintain running book balances. Auditors began requesting the bank reconciliations on March 30, 2022. While some bank reconciliations were provided on April 19, 2022, the December 2021 bank reconciliations were not provided until May 2022, after multiple requests. Our review of the December 2021 bank reconciliations identified the following concerns:

- The City Treasurer does not maintain checkbook registers for the Sewer Bond Reserve Fund or American Rescue Plan Act Fund bank accounts or running book balances for any accounts. Instead, the City Treasurer takes the bank statement balance, deducts outstanding checks, and adds deposits in transit to determine the reconciled bank balance. She records this balance in the checkbook register at month-end. Because running book balances are not maintained, it is not possible to compare the reconciled bank balances to the book balances.
- We determined the City Treasurer did not accurately record the December interest earned amount and the amount for check number 10862 in the checkbook register for the General Fund account. These errors were not detected because a running book balance is not maintained and compared to the reconciled bank balance.
- The City Treasurer erroneously recorded \$57,059.93 as the bank statement balance on the reconciliation for the Water Revenue Fund account instead of the \$56,209.70 balance shown on the bank statement.

Performing timely and adequate monthly bank reconciliations is necessary to ensure accounting records are accurate and to identify errors timely. Maintaining an accurate book balance for each account would also aid in preparing the monthly bank reconciliations and monitoring the bank balances. The City Treasurer indicated that bank reconciliations were not performed timely and running book balances were not maintained due to time constraints from outside employment. In addition, she believed it was sufficient to add the book balances when she performed the bank reconciliations and that activity on some accounts was minimal.



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## 2.3 Disbursements

The City Treasurer could not provide adequate supporting documentation for some disbursements and the Board's review of disbursements is not adequate. The Board does not review invoices and other supporting documentation, and does not sign or initial the monthly disbursement lists. In addition, the disbursement lists are not retained with the meeting minutes.

Our review of 25 disbursements chosen judgmentally during the year ended December 31, 2021, noted adequate supporting documentation was not maintained for 3 disbursements totaling \$2,204, including a \$160 payment to the City Treasurer for reimbursement of items purchased. The City Treasurer did not attach the original store receipt slips to the handwritten invoice and was not able to provide them. The Board indicated it did not see the need to review all invoices and supporting documentation, but would question any unusual items.

To ensure obligations were actually incurred and amounts are appropriate, all disbursements need to be supported by paid receipt slips, itemized vendor invoices, or other detailed documentation with payment information clearly indicated. To adequately document the Board's review and approval of all disbursements, the disbursement lists need to be signed or initialed by the Board members and retained with the official minutes. Failure to properly review all invoices and supporting documentation, and to document authorizations, increases the risk of inappropriate disbursements occurring.

## Recommendations

The Board of Aldermen:

- 2.1 Ensure prenumbered receipt slips are issued in numerical sequence for all money received, the numerical sequence of receipt slips is accounted for, the composition of receipts is reconciled to the composition of deposits, and money is kept in a secure location until deposited. Also, ensure deposits are made timely and intact; receipts are deposited into the appropriate bank accounts based on collections for water, sewer, and trash; and checks and money orders are restrictively endorsed upon receipt.
- 2.2 Ensure monthly bank reconciliations are prepared timely, and checkbook registers and running book balances are maintained for all bank accounts.
- 2.3 Maintain adequate supporting documentation for all disbursements, and perform a documented review and approval of invoices and disbursement lists prior to payment.

## Auditee's Response

- 2.1 *The City Treasurer has already begun to utilize a prenumbered receipt slip book so receipt slips are now issued in numerical sequence for all money received, and not just cash (or upon request)*



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*as done before. Multiple receipt slip books are also used to track the variety of money received (ACH payments, water bills, etc.). Increased security measures have also been implemented regarding maintaining funds until deposited. The City Treasurer will not remove funds until the time of deposit as recommended, and will begin to restrictively endorse checks and money orders upon receipt. Procedures will also be implemented to account for the numerical sequence of receipt slips and reconcile the composition of receipts to the composition of deposits. Deposits will be made more timely and intact, and utility receipts will be deposited into the appropriate bank accounts based on collections.*

2.2 *The COR believes that the hiring of a new City Clerk (discussed in MAR finding number 1 response) will address the issue of monthly bank reconciliations being prepared, as well as overall maintenance for checkbook registers and running book balances. Additionally, the City Treasurer will update the running book balance in a timely manner.*

2.3 *The COR will begin adding supplemental information to meeting minutes, as well as providing invoices and supporting documentation for the Board to perform a documented review and approval prior to making payments. Adequate supporting documentation will be maintained for all disbursements.*

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### **3. Utility Controls and Procedures**

Utility controls and procedures need improvement. According to the city's financial statements, the city collected approximately \$73,000 for water, sewer, and trash services during the year ended December 31, 2021.

#### **3.1 Partial payments and shut off procedures**

The city does not have an ordinance or written policies authorizing partial payments, and does not follow established service shutoff procedures for customers who make partial payments. In addition, someone independent of the utility's accounting functions does not approve partial payments and there are no written payment agreements for partial payments. Instead, the Board reviews a monthly list of delinquent utility accounts and the City Treasurer presents an update on delinquent accounts at Board meetings. It is not clear if these customers should be subject to shutoff procedures. In addition, city ordinance No. 17-001 section 7 gives the City Clerk authority to delay suspension of services for any account if prior payment timing indicates that it is likely the account will be brought current before the past due balance exceeds the deposit holding. However, because the City Clerk is responsible for billing, she should not have the authority to delay suspension of services. Furthermore, the city does not charge interest or penalties for late payments, which reduces the incentive for customers to pay timely.



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City ordinance No. 17-001 section 2 states any account still delinquent on the 10th of the following month is subject to suspension of service. Good business practices require adequate collection procedures be established to ensure accounts are collected timely and bad debts are kept to a minimum. City officials indicated the city had verbal payment plans set up with customers that allowed them to pay the current billing amount plus an additional amount for the past due balance. The Board accepted and approved these partial payments in an effort to help struggling customers, but did not recognize the need to obtain written payment plans.

### 3.2 Utility deposits

Refundable customer utility deposits held in the Meter Fund bank account and the Water Meter certificate of deposit are not accounted for properly. City personnel do not have a complete listing of deposits held and are not reconciling deposit balances to the bank account and certificate of deposit balances.

Customer account records are not adequate to determine the amount of deposits held. Meeting minutes indicate the water meter deposits are \$90 for homeowner properties and \$180 for rental properties. These rates have been in place since 2010. Prior to 2010, the City Treasurer indicated deposit amounts were \$90 (2006), \$75 (1992), \$25 (1979), and \$15 (1970). Utility records indicate the city had 147 active utility accounts as of December 31, 2021. The Meter Fund bank account had a balance of \$12,838 and the Water Meter certificate of deposit had a balance of \$1,920, for a total of \$14,758, as of December 31, 2021. However, it is unknown if this is the correct amount of deposits that the city should be holding.

Refundable utility deposits are restricted funds held for customers. Procedures to review utility deposit records are necessary to ensure all customer deposits are accounted for properly. In addition, maintaining an accurate list of utility deposits held is necessary to reconcile the list monthly to money held in the Meter Fund bank account and Water Meter certificate of deposit. The City Treasurer indicated a former City Clerk started a list in 2019, but it is not complete, the totals are not accurate, and she cannot find city records for older accounts.

### 3.3 Sales tax

The City Treasurer did not have adequate controls and procedures to ensure sales taxes collected and related returns associated with water services provided for the third and fourth quarters of 2017 and the annual periods of 2019 and 2020 were properly remitted to the Department of Revenue (DOR) as required by state law. As a result, the city incurred interest and penalties totaling \$636.

Our review determined checks issued from 2017 to 2021 for these taxes had not cleared the bank as of March 31, 2022. The City Treasurer indicated she believes the checks and related returns were lost in the mail. The City



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Treasurer further indicated she did not realize the various returns and taxes were delinquent until the DOR notified the city in June 2021. The City Treasurer was aware these checks had not cleared the bank, but stated she did not have time to investigate and resolve them. The City Treasurer filed those returns and remitted payments totaling \$2,844 in November 2021 for taxes (\$2,208) and interest and penalties (\$636).

Section 144.080, RSMo, requires sales tax collections be reported and remitted to the DOR on a monthly, quarterly, or annual basis, depending on the amounts collected.

### 3.4 Water reconciliations

City officials do not perform monthly reconciliations of total gallons of water billed to gallons of water pumped. The City Treasurer indicated she does not have time to complete these reconciliations and had gotten behind on them while the City Clerk's position was vacant.

Monthly reconciliations of gallons of water billed to gallons of water pumped are necessary to help detect significant water loss or other problems and ensure all water usage is properly billed.

### 3.5 Annual audit

The city has not obtained annual audits of its sewer system as required by state law.

Section 250.150, RSMo, requires the city obtain annual audits of the sewer system and the cost be paid from revenues received from the system. The City Treasurer indicated she was unaware of this requirement.

## Recommendations

The Board of Aldermen:

- 3.1 Establish an ordinance for partial payments and create policies and procedures governing the process that should include at least (1) each customer having a written payment plan, and (2) approval of each plan by someone independent of the utility's accounting functions.
- 3.2 Ensure a list of utility deposits is prepared and reconciled to the balance of deposits held monthly and promptly investigate any differences.
- 3.3 Ensure sales taxes collected are reported and remitted timely.
- 3.4 Ensure monthly reconciliations are performed of gallons of water billed to gallons pumped, and investigate any significant differences.
- 3.5 Obtain annual audits of the sewer system as required by state law.



## Auditee's Response

- 3.1 *The COR is in the process of discussion and adoption of a written policy and ordinance (including updating verbiage regarding a recently passed ordinance) relating to partial payments with utilities, specifically water/sewer bills. The COR will update the verbiage as necessary, including a formalized process of providing a written payment plan, signed and agreed upon by the customer, and subsequently approved (or disapproved) by the Board.*
- 3.2 *The COR is working to address this issue, including the lengthy time needed for the City Treasurer to do so. Hiring a City Clerk will help this issue (discussed in MAR finding number 1 response), but it will likely take several months to fully separate out the individual deposits. This was an issue that the COR and City Treasurer had been working on accumulating and addressing as able over the past several months.*
- 3.3 *The COR will implement procedures to ensure sales taxes collected are reported and remitted timely to the DOR.*
- 3.4 *The COR believes this is an issue that will be resolved upon the hiring of a City Clerk (discussed in MAR finding number 1 response). In July 2022, the City Treasurer performed all the monthly reconciliations from January 2021 through June 2022, and will ensure these are completed monthly going forward. The City Clerk will do this upon hire.*
- 3.5 *The COR has made arrangements for the audit of 2021 and will obtain necessary annual audits of the sewer system going forward.*

## 4. Billings

The Board has not established policies and procedures to ensure the timely preparation and mailing of annual property tax statements and monthly utility billings. The city had 147 utility accounts and approximately 140 property tax statements for the year ended December 31, 2021.

The City Treasurer indicated she did not mail property tax statements for tax years 2020 and 2021 until late March 2021 and March 2022, respectively; almost 3 months past the delinquent dates. The property tax statements indicate taxes are due September 1 each year and become delinquent on January 1 of the following year. In addition, our review of utility billings showed the February 2022 billings (service month ending January 28, 2022) were not sent until April 6, 2022. The March 2022 billings (service month ending February 28, 2022) were not sent until June 30, 2022.

Failure to prepare and mail property tax statements and monthly utility billings timely increases the likelihood that city revenues will go uncollected



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and citizens will not be treated equitably in the collection of tax and utility bills.

Section 94.310, RSMo, states the enforcement of taxes shall be in the same manner for the collection of county taxes. Section 52.230, RSMo, requires county collectors to mail a statement of all real and personal property taxes due to all resident taxpayers at least 30 days prior to the delinquent date. Section 94.300, RSMo, states upon the first day of January of each year all unpaid city taxes shall become delinquent, and a perpetual lien is placed on the real property. The City Treasurer indicated the delays were due to the amount of work required to prepare the manual billings, and obligations related to outside employment.

## Recommendation

The Board of Aldermen implement policies and procedures to ensure property tax statements and monthly utility billings are prepared and mailed timely.

## Auditee's Response

*In July 2022, the COR turned over the billing and collection of property taxes to the county and this will address this situation going forward regarding taxes (discussed in MAR finding number 1 response). Additionally, hiring a City Clerk to help segregate the necessary duties will also free time up for both the City Treasurer and the City Clerk to get items done in a timely fashion (discussed in MAR finding number 1 response). City officials are considering options to ensure the monthly utility billings are prepared timely while the City Clerk's position is vacant.*

## 5. Delinquent Property Taxes

The City Treasurer does not prepare and submit for approval to the Board a monthly list of delinquent tax collections or an annual delinquent tax listing, and the city does not have procedures to pursue collection of delinquent taxes. The city billed approximately \$17,600 in property taxes during 2021 for the 2020 tax year. The 2021 property tax billings had not been prepared and mailed when we started our audit in March 2022 (see MAR finding number 4).

The City Treasurer could not readily determine total delinquent taxes and the city has no procedures to pursue collection of delinquent taxes. In addition, the City Treasurer does not mail delinquent tax bills for prior years when sending current tax bills. While reviewing the tax books, we determined delinquent taxes for 2020 totaled approximately \$4,100, or 23 percent of property taxes billed as of March 30, 2022. As discussed at MAR finding number 1, the City Clerk position is combined with the City Collector position; however, the City Treasurer is currently responsible for performing these duties.

Section 94.330, RSMo, requires the City Collector to prepare and submit to the Board monthly reports of taxes collected on delinquent accounts. In addition, Sections 79.310 and 94.320, RSMo, require the City Collector to





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provide the Board annual lists of delinquent taxes for the Board to examine and approve and charge the City Collector with the amount of taxes due. The City Treasurer indicated that she did not prepare listings of delinquent taxes or pursue collections of delinquent taxes due to time constraints.

## Recommendation

The Board of Aldermen require the City Treasurer to submit monthly lists of delinquent tax collections and an annual list of all taxes remaining due and uncollected as required by law. In addition, the Board should establish procedures to pursue collection of delinquent taxes.

## Auditee's Response

*In July 2022, the COR turned over the billing and collection of property taxes to the county and this will address this situation going forward (discussed in MAR finding number 1 response). Our expectation is that we will receive required reports from the county (as well as taxes paid) and thus be able to address this as the Board needs to do so each month.*

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## 6. Ordinances

City ordinances are not complete or up to date.

- City ordinance No. 127, establishing the compensation of Board members, the City Clerk, and the City Treasurer, has not been updated since 1974 and does not agree to amounts currently paid.
- The city does not have an ordinance establishing a conflicts of interest policy and personnel policy addressing the supervision of related employees.
- The city has not adopted an ordinance establishing trash rates and water meter deposits.

Because ordinances passed by the Board to govern the city and its residents have the force and effect of law, it is important they are current, complete, and followed. In addition, ordinances documenting approved compensation, conflicts of interest and personnel policies, trash rates, and water meter deposits help ensure equitable treatment and prevent misunderstandings. Section 79.270, RSMo, authorizes the Board to fix the compensation of all city officials and employees by ordinance. City officials indicated they were not aware that updating or establishing these ordinances was necessary. They believed approving the compensation, trash rates, and water meter deposits in the Board meetings was sufficient.

## Recommendation

The Board of Aldermen update the compensation ordinance and ensure ordinances are maintained in a complete and up-to-date manner. The Board should establish, by ordinance, a conflicts of interest policy and personnel policy addressing the supervision of related employees, trash rates, and water meter deposits.



## Auditee's Response

*The COR has already taken numerous steps to improve and resolve the ongoing issue with city ordinances and plans to fully implement the recommendation. The COR has recently done extensive research and filing to organize and coordinate the current ordinances. Additionally, the COR has found that numerous ordinances need to have language or policies updated. During this auditing process, we have already begun to update the language as needed, as well as update, re-write, and create new ordinances, or if needed, policies and procedures. In so doing, we will have all necessary ordinances both updated and filed for easy future finding. One of the ordinances relates to individuals that are related serving on the Board or in a city position (discussed in MAR finding number 1 response). In August 2022, the COR updated the compensation ordinance and established an ordinance for the trash rates.*

## 7. Election Procedures

The city did not follow state law during an election for an Alderman seat that ended in a tie vote.

The April 6, 2021, election resulted in 3 write-in candidates tied for one Alderman seat. The city swore in one of the write-in candidates on April 21, 2021, to be the Alderman. City officials indicated the Board picked the first candidate on the list because the other 2 candidates resigned their positions previously and showed no interest in open positions. Subsequently, after receiving complaints about how this was handled, the city obtained legal advice and sent letters to the 3 write-in candidates on August 5, 2021, asking if they wanted a special election to be held or if they wanted to decline the position. The candidate initially sworn in to be the Alderman returned the letter on August 13, 2021, and requested a special election. The 2nd write-in candidate returned the letter on August 22, 2021, and stated the letter was illegal, but did not request a special election or decline the position. The 3rd write-in candidate did not return the letter. The person initially sworn in retained the seat based on responses received.

Section 115.517.3, RSMo, indicates that if two or more persons receive an equal number of votes, a special election should be immediately ordered. Section 115.517.4, RSMo, indicates political subdivisions may determine the winner of the election by lot if all candidates with an equal number of votes agree to the procedure. City officials indicated they were unaware of the state law requirements for how to handle a tie vote in an election. Once the election was contested, they sought legal advice, reached out to the candidates, and attempted to rectify the situation as soon as possible.

## Recommendation

The Board of Aldermen perform due diligence to ensure election procedures are in compliance with state law.

## Auditee's Response

*The COR will ensure election procedures are in compliance with state law going forward.*



## 8. Budgets and Financial Reporting

Budgeting and financial reporting procedures need improvement. The city did not prepare annual budgets and publish semiannual financial statements, and the annual financial reports filed were not adequate.

### 8.1 Budgets

City officials did not prepare a budget for the years ended December 31, 2021, 2020, and 2019.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting utility rates and tax levies and informing the public about city operations and current finances. Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in the budget. In addition, Section 67.080, RSMo, provides that no expenditures of public money should be made unless it is authorized in the budget. Proper monitoring of budgeted amounts to actual results is necessary for the budget to be an effective management tool. City officials indicated they were not aware of these requirements. However, the Board does review the financial records and reports as needed, including a year-end summary of the previous year.

### 8.2 Financial reporting

City officials did not file adequate financial reports with the State Auditor's Office (SAO) for the years ended December 31, 2019, 2020, and 2021, as required by state law. The financial reports submitted consisted of receipts and disbursements for only 3 of the city's 8 bank accounts. In addition, the reports did not include the city's property tax levy, and statement of indebtedness as required by state regulations.

Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the SAO. Rule 15 Code of State Regulations (CSR) 40-3.030 details the elements needed, including beginning and ending balances, a summary of receipts and disbursements, a statement of indebtedness at the beginning and ending, and the property tax rate levied for each fund for the reporting period. City officials indicated they were not aware of these requirements and thought they had filed all the necessary financial information with the SAO.

### 8.3 Published financial statements

City officials do not publish semiannual financial statements 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 financial statements semiannually that include a full and detailed account of the receipts, disbursements, and indebtedness of the city. City officials indicated



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they were unaware of this requirement and financial statements are posted at the local post office, bank, and city hall. City officials further indicated they have made financial statements available to the public in this manner for several years.

## Recommendations

The Board of Aldermen:

- 8.1 Prepare annual budgets as required by state law, and ensure the budgets are adequately monitored.
- 8.2 Submit adequate annual financial reports to the State Auditor's Office as required by state law.
- 8.3 Publish semiannual financial statements as required by state law.

## Auditee's Response

- 8.1 *Upon initially hearing about the need to prepare an annual budget, the COR immediately formulated a current budget based on the previous fiscal year's numbers, and will prepare budgets annually going forward. In addition, the COR will ensure annual budgets are monitored monthly by comparing budgeted amounts to actual amounts.*
- 8.2 *The COR has taken measures to ensure adequate financial reports are sent into the State Auditor's Office as required.*
- 8.3 *Going forward, the COR will publish semiannual financial statements as required by state law.*

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## 9. User Identification and Passwords

The city has not established adequate user identification and password controls to reduce the risk of unauthorized access to the city computer and data. The City Treasurer and former City Clerk shared the computer using the same user identification and password during the former City Clerk's employment (February 2021 to November 2021). As a result, there is no assurance that the user listed in the system for posting a transaction is the person who did it. In addition, these officials are not required to change passwords periodically. As a result, former employees could continue to have access to critical or sensitive information or have opportunities to sabotage or otherwise impair city operations or assets.

While a user identification and password are required to authenticate access, the security of these logon credentials is dependent on keeping them confidential and requiring users to enter their unique user identification and password when switching users. Allowing certain users to share computers without logging off and back on with their unique user identification and password, and not requiring passwords to be periodically changed, increases the risk of unauthorized access and/or changes to the system and records, and



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reduces assurance that access is limited to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of the city computers and data. City officials indicated they were not aware of the importance of computer access controls.

## Recommendation

The Board of Aldermen require all authorized users have unique identifications and confidential passwords that are periodically changed.

## Auditee's Response

*The COR has already taken measures to resolve this issue. We hired a computer consultant to address all issues necessary with our computer system, including creating specific and confidential passwords for those that use the computer. At this time, the City Treasurer is the only one with computer access. Upon hiring a City Clerk, the same process will be implemented for said position.*

## 10. 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.<sup>1</sup>

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. City officials indicated they were 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.

<sup>1</sup> 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 August 9, 2022.



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## Auditee's Response

*The COR has discussed possible items to include in an electronic communications management policy and will continue to consider options for development of a policy that meets the needs of the city and complies with the state guidelines.*

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# City of Rockville

## Organization and Statistical Information

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The City of Rockville is located in Bates County. The city was incorporated in 1884 and is currently a fourth-class city. The city employed 5 part-time employees on December 31, 2021.

City operations include utilities (water, sewer, trash), street maintenance, and recreational facilities.

### 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, 2021, are identified below. The Mayor and Board of Aldermen receive \$25 per meeting attended.

James Williamson, Mayor  
Amanda Damon, Alderwoman  
James Damon, Alderman  
James (Pete) Shouse, Alderman  
Jerry Adams, Alderman

### Other Principal Officials

The City Clerk and City Treasurer are appointed by the Board of Aldermen. The city's principal officials at December 31, 2021, are identified below:

Rhonda Shouse, City Treasurer  
Sheila Fischer, City Clerk (1)

(1) Began extended leave in December 2021 and resigned in February 2022. This position remains vacant.

### Financial Activity

A summary of the city's financial activity, prepared using the city's bank statements, for the year ended December 31, 2021, follows:

City of Rockville  
Schedule of Receipts, Disbursements, and Changes in Cash  
Year Ended December 31, 2021

	General Fund	Water Revenue Fund	Sewer Fund	Meter (Deposits) Fund	Tax Account Fund	Sewer Bond Reserve Fund	Park Fund	American Rescue Plan Act Fund	Certificate of Deposit - Sewer Bond Reserve Fund	Certificate of Deposit - Water Meter (Deposits) Fund	Total
(1) RECEIPTS	\$ 74,533	44,823	14,862	496	16,786	105	6	14,185	0	0	165,796
(1) DISBURSEMENTS	84,437	41,180	11,606	2,001	17,593	0	64	0	0	0	156,881
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,904)	3,643	3,256	(1,505)	(807)	105	(58)	14,185	0	0	8,915
CASH, JANUARY 1, 2021	64,680	52,567	34,596	14,343	1,028	9,592	4,153	0	6,000	1,920	188,879
CASH, DECEMBER 31, 2021	\$ 54,776	56,210	37,852	12,838	221	9,697	4,095	14,185	6,000	1,920	197,794

(1) Receipts and disbursements presented include transfers between funds.