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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Purcell

Report No. 2024-020

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City of Purcell

Follow-Up Report on Audit Findings

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*Includes selected findings



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

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

We have conducted follow-up work on certain audit report findings contained in Report No. 2022-033, *City of Purcell* (rated as Poor), issued in June 2022, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings for which follow up is considered necessary, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by the City Treasurer and held discussions with the City Clerk and City Treasurer to verify the status of implementation for the recommendations. Documentation provided by the city included Board meeting minutes, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during January 2024.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor

City of Purcell

Follow-Up Report on Audit Findings

Status of Findings

1. Misappropriated and Undeposited Money

From February 1, 2021, to April 12, 2021, at least \$3,233 was misappropriated or was missing from the city. In March 2021, the former Mayor Pro Tem improperly issued 4 checks, totaling \$1,988 with each payee line indicating a payee name and "or Nancy Wilson" as a joint payee. Former Mayor Pro Tem Wilson subsequently deposited these checks into her personal bank account.

The former Mayor Pro Tem also improperly withdrew \$400 cash in April 2021, from the city's General account, and improperly issued a \$200 check in April 2021, to a routine city vendor and then negotiated the check. Also in April 2021, the former Mayor Pro Tem issued a \$500 check to an individual for "Mowing and Cleaning City Hall." The payee of this check indicated the former Mayor Pro Tem took her to the bank to cash the check and the former Mayor Pro Tem gave her \$250 cash and kept the remaining \$250 cash.

Adjustments totaling \$160 (\$80 each month) were improperly applied to the former Mayor Pro Tem's electronic utility account in January and February 2021. The former Mayor Pro Tem did not pay for utility and trash services estimated at \$70 that were due in March 2021.

Utility receipts totaling \$165 received by the Mayor Pro Tem in March 2021 were not deposited and were missing. Additionally, 5 utility customers contacted city officials and indicated they made utility payments, totaling \$670, during the time period the former Mayor Pro Tem was handling utility receipts, but the receipts were not deposited.

Recommendation

The Board of Aldermen continue to work with law enforcement officials, as necessary, regarding the improper disbursements, improperly recorded utility adjustments, utility services not paid, and missing money, and obtain additional restitution, if possible.

Status

Implemented

On May 27, 2021, the Jasper County Sheriff's office questioned and then arrested the former Mayor Pro Tem. She was charged with a class D felony of stealing in the amount of \$2,588. In January 2022, the former Mayor Pro Tem pleaded guilty in circuit court to an amended charge of a class A misdemeanor of stealing and was sentenced to one year in jail, with a suspended execution of the sentence, and 2 years unsupervised probation. The former Mayor Pro Tem was also ordered to pay court costs of \$147 and restitution in the amount of \$2,588. The defendant's \$2,600 cash bond was applied to restitution and court costs. The remaining money owed by the former Mayor Pro Tem was written off by the city.

2. Oversight, Annual Audits, and Bonding

The Board did not provide adequate oversight, obtain annual audits as required by state law, or bond city officials with access to city money.



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2.1 Oversight and segregation of duties

The former Board did not establish adequate oversight or segregation of duties over the various financial accounting functions. The former Board did not always adequately monitor the city's financial activity; review or compare checks written to supporting documents, such as invoices or bank statements; or require dual signatures on city checks.

Recommendation

The Board of Aldermen segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures. In addition, the Board should require dual signatures on all checks.

Status

Not Implemented

The City Treasurer indicated no formal procedures have been implemented to segregate accounting duties. The Board receives and reviews a balance sheet and a profit/loss report generated from the city's accounting system and a fund balance report prepared by the City Treasurer each month. However, the Board does not review bank statements for the city's two bank accounts. Our review of the November 30, 2023, balance sheet for the General bank account showed a balance of \$316,919, the fund balance report prepared by the City Treasurer showed a balance of \$316,030, and the bank reconciliation showed a reconciled bank balance of \$316,868. City officials did not document their review of these records, the differences noted, or an explanation of the differences.

Our review of the November 2023 canceled checks noted 2 signatures on all of the checks; however, several of the checks were signed only by city employees (City Clerk and City Treasurer), with no subsequent documented Board review or approval. We also noted some checks from May 2023 were issued with only 1 signature, and some checks issued to the Mayor and City Treasurer were signed by themselves.

2.2 Annual audit

The city did not obtain an annual audit of its sewer system for the year ended December 31, 2020, as required by state law.

Recommendation

The Board of Aldermen obtain annual audits of the water and sewer system as required by state law.

Status

Not Implemented

The Board has not obtained an annual audit of the water and sewer system for the years ended December 31, 2020, 2021 and 2022. The city's water and sewer system was sold in October 2022. The City Treasurer indicated she has contacted an accounting firm to conduct an audit, and this firm is scheduled to attend the next Board meeting.



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2.3 Bonding

The Mayor and board members, who signed checks and had access to money held in bank accounts, were not covered by a bond.

Recommendation

The Board of Aldermen maintain bond coverage for all personnel with access to city money.

Status

Partially Implemented

The Board obtained bond coverage of \$25,000 for city employees in April 2023. However, the bond does not cover the Mayor, who also signs checks. The City Treasurer indicated the Board will discuss this at its next meeting.

3. Financial Condition

The city was in poor financial condition. For the year ended December 31, 2020, the city's General account reconciled bank balance was \$15,460, which was only slightly greater than the city's average monthly expenditures of \$14,778. Further, the Board was not adequately monitoring the city's financial condition, because it did not receive budget-to-actual information by fund or timely financial reports.

Recommendation

The Board of Aldermen ensure it receives detailed financial data monthly, perform immediate and long-term planning, and closely monitor and take necessary steps to improve the city's financial condition.

Status

Partially Implemented

The November 30, 2023, balance sheet reported a balance of \$316,919 in the city's General account and a balance of \$13,649 in its COVID Relief account. This was after the city sold its water and sewer system in October 2022, which resulted in a reduction in revenues and expenditures for the city. The Board receives and reviews a balance sheet and a profit/loss report generated from the city's accounting system and a fund balance report prepared by the City Treasurer each month. However, officials do not provide the Board budget-to-actual reports each month.

4. Accounting Controls
and Procedures

Accounting controls and procedures needed improvement.

4.1 Receipting, recording,
and depositing

Official prenumbered receipt slips were not issued for all payments received, the numerical sequence of the manual receipt slips issued was not accounted for, and manual receipt books were not always retained. Utility receipts were not always recorded or timely recorded in the computerized utility system. Deposits were not always made timely.

Recommendation

The Board of Aldermen require the issuance of official prenumbered carbon copy receipt slips for all city receipts, ensure receipt slips are retained, and



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account for the numerical sequence of receipt slips. In addition, the Board of Aldermen should ensure utility and trash receipts are timely recorded in the computerized system and deposited timely and intact.

Status

Not Implemented

Our review of the November 14, 2023, deposit, totaling \$2,195, showed an official prenumbered carbon copy receipt slip was issued for only 1 of the 5 receipts deposited and the deposit was not timely. The City Clerk indicated they did not realize they were using more than 1 receipt book until we questioned the receipt numbers issued, which indicates they were not accounting for the numerical sequence of receipt slips. The City Clerk indicated they are now using 1 receipt book. The City Treasurer indicated she posts receipts to the accounting system at the time of deposit (approximately once a month). The receipts included in the \$2,195 deposit were received from October 12 to November 1, 2023.

4.2 Allocations and restricted funds

The city had no documentation to justify the allocations of salaries of the City Clerk, City Collector, and City Treasurer and wages of water/sewer and maintenance employees to the city's General, Road, Water, and Sewer Funds. The Board did not budget 2020 sales tax revenues for use in its Road Fund as required. City voters approved a sales tax for which 50 percent of revenues were to be used for roads and 50 percent for capital improvements. The Board instead budgeted 50 percent in the Capital Improvement Fund and 50 percent in the Water Improvement Fund. Also, the city received statewide sales tax and motor-vehicle related revenue in 2020 and 2019, which was restricted for the use on roads, but only a small portion was used for road improvements, and it is unclear if the remaining restricted revenues were used for street related purposes as required.

Recommendation

The Board of Aldermen ensure salaries and wages are allocated based on specific criteria and retain documentation to support the allocations to city funds. In addition, the Board of Aldermen should ensure city financial reports and budgets accurately reflect the use of the restricted revenues and monitor the use of those revenues for their required purpose.

Status

Partially Implemented

According to the 2023 annual city budget-to-actual report, the salaries of the Mayor, City Clerk, and City Treasurer were allocated solely to the General Fund. City officials did not provide documentation to support the choice to allocate all of these salaries to the General Fund when some may be allowable for the restricted funds if the city properly documented that decision.

City accounting reports also show 50 percent of sales taxes were recorded in the Road Fund and 50 percent in the Capital Improvement Fund, as required.



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These reports also indicate the statewide sales and motor vehicle related taxes restricted for road use were recorded in the Road Fund. The City Treasurer indicated the Board monitors the use of restricted funds at monthly meetings when it reviews the financial reports.

4.3 Record retention

Many city financial records were not properly retained. A manual receipt book, individual receipt slips, manual utility billing reports, and supporting documentation for disbursements (including payroll) covering 2 months in 2021 could not be located by the city.

Recommendation

The Board of Aldermen retain all records in accordance with state law.

Status

Partially Implemented

No policies regarding record retention have been established. However, all records requested for our review were retained by the city and provided to us.

5.1 Disbursements - Procurement procedures and contracts

The city did not solicit bids or proposals for sewer system repairs provided by 2 different vendors, sludge removal, audit services, road paving, or excavation/water line repair. In addition, the city did not have written contracts with 5 of these vendors. Also, the city's trash service contract expired in January 2020, and the Board did not enter into a new contract until December 2020 with the existing vendor. From February 2020 through November 2020, the same vendor continued to provide trash services to the city until the new contract was signed.

Recommendation

The Board of Aldermen ensure bids or proposals are obtained when applicable and enter into timely written contracts defining services provided and benefits received.

Status

Implemented

The city obtained and retained bids for road paving and park improvements, which were the 2 significant city purchases that required bids in 2023. The bids served as the written contract with the 2 selected vendors. The city no longer contracts for trash services.

5.2 Disbursements - Supporting documentation and review

City officials could not provide supporting documentation for some disbursements or their approval of those disbursements.



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Recommendation The Board of Aldermen maintain adequate supporting documentation for all disbursements and ensure invoices are adequately reviewed and approved prior to payment of invoices.

Status **Partially Implemented**

Documentation was maintained for all November 2023 disbursements reviewed; however, there was no documentation to indicate the invoices were reviewed and approved prior to payment.

5.3 Disbursements - Credit card receipt and payment The city did not retain credit card receipt slips for some credit card purchases and made duplicate payments to its credit card vendor.

Recommendation The Board of Aldermen retain receipt slips for all credit card purchases and ensure invoices are marked paid to prevent duplicate payments.

Status **Partially Implemented**

The City Treasurer indicated the city no longer has credit cards; however, the October meeting minutes indicated the Board approved the City Clerk to obtain a debit card for the city's General bank account. The Board has not adopted any policies or procedures related to reviewing debit card purchases.

7. Payroll City officials did not maintain documentation to support all payroll transactions. City officials did not have sufficient documentation (e.g., timesheet or ordinance) to support a payment made to the City Clerk/Treasurer, with the memo line of the check indicating "Bonus-extra duties." City officials also could not provide timesheets to support a hourly maintenance employee's final payroll check. Finally, city officials could not provide payroll reports to support a payment to the Internal Revenue Service for federal payroll taxes.

Recommendation The Board of Aldermen ensure adequate documentation is retained to support all payroll transactions.

Status **Partially Implemented**

The City Clerk and City Treasurer still do not prepare timesheets. A monthly payroll report is generated to support payments made to the Internal Revenue Service for federal payroll taxes. Monthly payroll reports for the third quarter of 2023 agreed to related payments of payroll taxes.



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8. Budgets, Financial Reporting, and Maintenance Planning

The city did not prepare complete annual budgets or monitor budgets, file annual financial reports timely, publish semiannual financial statements in compliance with state law, or maintain a street maintenance plan.

8.1 Budgets

The city did not prepare a budget for the year ended December 31, 2021. There was no evidence in Board meeting agendas or minutes indicating a budget was adopted and approved for that year. The Board did not adequately monitor budget-to-actual receipts and disbursements because year-to-date budget-to-actual reports of financial activity were not presented to the Board during most of 2020 and a final budget-to-actual report was not prepared for the year ended December 31, 2020.

Recommendation

The Board of Aldermen prepare annual budgets that contain all information required by state law and ensure budgets are adequately monitored.

Status

Partially Implemented

A budget for the year ended on December 31, 2023, was prepared and approved by the Board; however, it did not contain all statutorily-required elements. The budget did not include the actual or budgeted amounts for the 2 preceding years, the actual beginning and estimated ending cash balance for any funds, or a budget message. In addition, the Board does not adequately monitor budget-to-actual receipts and disbursements throughout the year because monthly budget-to-actual reports are not presented to the Board. A year-end budget-to-actual report was prepared for and reviewed by the Board at the end of 2023.

8.2 Financial reporting

The city did not file a financial report with the SAO for the year ended December 31, 2020, until November 23, 2021, resulting in a fine of \$39,544.

Recommendation

The Board of Aldermen submit annual financial reports to the State Auditor's Office as required by state law.

Status

Implemented

The city submitted annual financial reports for the years ended December 31, 2021, and 2022, to the SAO as required by state law. The Missouri Department of Revenue is reducing the city's sales and use tax distributions each month until the fine related to the 2020 financial statement is paid in full.

8.3 Published financial statements

The city did not publish semiannual financial statements as required by state law for the year ended December 31, 2020, or the first 6 months of 2021.

Recommendation

The Board of Aldermen publish semiannual financial statements as required by state law.



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Status	Implemented
	The city published semiannual financial statements for the first 6 months of 2023 as required by state law.
8.4 Street maintenance plan	City officials had not developed a formal annual maintenance plan for city streets.
Recommendation	The Board of Aldermen establish a formal annual street maintenance plan.
Status	Not Implemented
	The city has not established a formal annual street maintenance plan; however, the City Treasurer indicated the Board discusses street maintenance at monthly meetings. The City Treasurer indicated that the Board plans to establish a formal annual street maintenance plan.
9.1 Board Qualifications, Ordinances, and Sunshine Law - Board qualifications	Former Alderwoman Nancy Wilson was elected as a write-in candidate and took the oath of office in June 2020 while owing delinquent personal property taxes. She did not pay her 2018 and 2019 personal property taxes until July 31, 2020, and still owed 2020 delinquent personal property taxes as of April 12, 2021, when the Board voted to remove her from office.
Recommendation	The Board of Aldermen establish procedures to ensure aldermen possess the qualifications required for holding office.
Status	Partially Implemented
	The city has not developed formal procedures to address this. The City Treasurer indicated she checked the county's property tax website prior to the last election to ensure all individuals running for a board position had paid their property taxes.
9.2 Board Qualifications, Ordinances, and Sunshine Law - Ordinances	The city does not maintain an up-to-date official ordinance book. Various ordinances were approved by the Board for the year ended December 31, 2020, but not codified. The most recent ordinance codified was approved in August 2018.
Recommendation	The Board of Aldermen ensure the city's official ordinance book is complete and updated timely.
Status	Not Implemented
	The ordinance book has not been codified. The City Treasurer indicated that the Board has begun updating ordinances, but these updates are not being



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added to the ordinance book. The City Treasurer indicated the city has explored using software for the updates.

9.3 Board Qualifications,
Ordinances, and
Sunshine Law -
Sunshine Law

City officials could not locate minutes for all open meetings held, and closed meeting minutes were not prepared for 5 closed sessions referenced in open meeting minutes. The Board failed to specify the reasons for closing a meeting in the open meeting minutes for 4 of the 5 closed meetings held, and the agendas for 2 of these 4 closed meetings also did not cite the specific reasons for closure. In addition, the preparer did not sign the meeting minutes, and the date the Board approved the meeting minutes was not included for 15 open meetings.

Recommendation

The Board of Aldermen maintain complete and accurate meeting minutes for all meetings and ensure meeting minutes are signed by the preparer and approved by the Board. In addition, the Board of Aldermen should ensure specific reasons for closing a meeting are documented in the agendas and open meeting minutes.

Status

Partially Implemented

The city maintained meeting minutes for the monthly meetings held in October and November 2023, that were signed by the City Clerk, as preparer, and the Mayor and included the date of the Board's subsequent approval. The city held 2 closed meetings in March 2023 and both meeting agendas indicated the Board was closing the meetings to discuss issues relating to legal actions or real estate (Sections 610.021(1) and (2), RSMo). However, the closed meeting minutes did not document any discussions concerning real estate.