



Scott Fitzpatrick

Missouri State Auditor

City of Dixon

Report No. 2024-027

April 2024

auditor.mo.gov



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Dixon

<p>Financial Condition</p>	<p>The financial condition of the city's General Fund has declined, and the Board of Aldermen is not adequately monitoring the city's financial condition, is not always receiving detailed information showing financial data for each fund, and has poor budgeting procedures. During the years ended September 30, 2021, and 2022, disbursements exceeded receipts for the General Fund, and the fund balance has decreased during the 2-year period from \$94,714 on October 1, 2020, to negative \$20,701 on September 30, 2022. For the year ended September 30, 2023, the city projected the General Fund balance to decrease further based on the budgeted receipts and disbursements. In addition, the Board approved a transfer of \$100,000 from the Water Fund to the General Fund that was originally intended as a temporary loan to help maintain the cash balance of the General Fund, although the bond covenants for the city's water and sewer system bonds do not allow earnings from the operation of the system to be diverted to the general governmental functions of the city.</p>
<p>Budgeting and Planning</p>	<p>City officials did not include all the statutorily required elements in the city budgets prepared for the years ending September 30, 2023, and 2022. The Board budgeted deficit fund balances for the General Fund for the years ending September 30, 2023, and 2022. When considering the beginning fund balance and the budgeted receipts and disbursements, the city projected ending fund balances for the General Fund of negative \$116,776 and negative \$61,843 for the years ending September 30, 2023, and 2022, respectively. The Board does not adequately monitor budget-to-actual receipts and disbursements, and actual disbursements exceeded budgeted disbursements for 5 of the 8 city funds during the year ended September 30, 2022. Additionally, city officials have not developed a formal annual maintenance plan for city streets.</p>
<p>Water and Sewer Services</p>	<p>City personnel do not perform monthly reconciliations of total gallons of water billed to gallons of water pumped. A comparison of water usage to water pumped for March 2022, and September 2022, noted an unidentified difference of approximately 39 and 45 percent, respectively, with more water pumped than used (billed). The city has not obtained timely annual audits of its waterworks and sewerage systems as required by state law.</p>
<p>Disbursements</p>	<p>The city has not established policies for the selection of vendors providing professional services, and does not have a formal bidding policy. The city did not always solicit bids or proposals for goods or services received, and did not always obtain written contracts for services received. The city purchased a house and small lot for \$21,000 without obtaining an appraisal to ensure the city paid a reasonable and approximate fair market value for the property.</p>
<p>Payroll and Related Matters</p>	<p>The city's personnel policy does not address how overtime hours are to be calculated and does not specify which employees are entitled to payment for city holidays. The city's payroll processing procedures were insufficient to ensure employees were compensated for overtime in compliance with the Fair Labor Standards Act and to ensure employees were compensated for holidays consistently. Also, the city does not have ordinances establishing the amount for compensation of city officials and employees.</p>

Meeting Minutes, Vacancies of Aldermen, and Personal Financial Disclosures	The Board did not document in the open meeting minutes the specific sections of law allowing the meeting to be closed, discussed some issues in closed meetings that were not allowable under the Sunshine Law, and did not prepare minutes for some closed meetings. The city has not filled the vacant Ward One Alderman position, and Board members did not always file personal financial disclosure statements with the city and the Missouri Ethics Commission as required by state law.
Electronic Data Security	The city does not periodically back up the financial and utility systems data, and did not disable user accounts of terminated city employees.
Capital Assets	The city does not maintain records of its capital assets including buildings, utility system infrastructure, equipment, and other property, and has not developed procedures to identify capital asset purchases and dispositions throughout the year. 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.
Electronic Communication Policy	The city has not developed a records management and retention policy that includes electronic communication in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.
City Library	The city library is governed by the Board of Aldermen because the city does not have a functioning Library Board. Additionally, annual reports have not been filed by the library as required by state law.

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.

City of Dixon

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Dixon. 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 September 30, 2022. 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 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 Dixon.

An additional report, Report No. 2022-134, *City of Dixon*, was issued in December 2022. That audit was performed at the request of the city's Board of Aldermen and was limited to concerns regarding misappropriated money.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and "F".

Scott Fitzpatrick
State Auditor

City of Dixon

Management Advisory Report

State Auditor's Findings

1. Financial Condition

The financial condition of the city's General Fund has declined, and the Board of Aldermen is not adequately monitoring the city's financial condition, is not always receiving detailed information showing financial data for each fund, and has poor budgeting procedures. In addition, the Board recently used a loan from the Water Fund¹ to help subsidize the General Fund, which is used for general city operations, law enforcement services, municipal court services, trash collection services, and parks.

During the years ended September 30, 2021, and 2022, disbursements exceeded receipts for the General Fund, and the fund balance has decreased during the 2-year period from \$94,714 on October 1, 2020, to negative \$20,701 on September 30, 2022.² For the year ended September 30, 2023, the city projected the General Fund balance to decrease further based on the budgeted receipts and disbursements (see Management Advisory Report (MAR) finding number 2.1).

In December 2022, the Board approved a transfer of \$100,000 from the Water Fund to the General Fund originally intended as a temporary loan to help maintain the cash balance of the General Fund. The city has not determined when this loan will be repaid. The bond covenants for the city's water and sewer system bonds do not allow earnings from the operation of the system to be diverted to the general governmental functions of the city. Noncompliance with bond covenants could expose the city to lawsuit.

Financial reports showing fund balances for each fund are not routinely prepared and provided to Board members at Board meetings. Without adequate financial data, the Board cannot properly monitor the balances of the various city funds. In addition, the city's poor budgeting practices and inadequate monitoring procedures, as noted in MAR finding number 2.1, have contributed to the poor financial condition.

It is essential the Board address the financial condition of the General Fund in both the immediate and long-term future. To ensure restricted water and sewer funds are used for their intended purposes, these funds should not be used to subsidize the General Fund. Further, to ensure efficient use of resources, the Board should reduce spending where possible, and monitor detailed financial data that includes cash balances for each fund.

In July 2023, the Board decided to have its municipal ordinance violations heard by an associate circuit judge in Pulaski County, effective in January

¹ The Water Fund and Sewer Fund are separate funds but are combined in the city's financial reports as shown in the Organization and Statistical Information section.

² This balance combines the September 30, 2022, balances of the General Fund (negative \$11,208) and the CARES Fund (negative \$9,493) because the CARES Fund was closed and its balance transferred to the General Fund.



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2024. According to the City Clerk, the city expects approximately \$30,000 in savings annually to the General Fund based on this decision. However, further steps will likely be needed to sufficiently address the financial condition of the General Fund.

Recommendation

The Board of Aldermen closely monitor the balances of the city's funds, perform immediate and long-term planning, ensure detailed financial data is received monthly, and take necessary steps to improve the financial condition of the General Fund. In addition, the Board of Aldermen should discontinue subsidizing the General Fund with utility money, and make plans to repay the loan from the Water Fund.

Auditee's Response

The overall financial condition of the city has improved. City monies are separated into multiple funds based on the purpose and manner in which they are received; these include the General Fund, Water Fund, Sewer Fund, Street Fund, Library Fund, and Debt Services Fund. The Board did not always receive a detailed financial breakdown for each separate fund and sufficiently monitor individual fund balances. While the city's overall financial condition has improved, the balance in the General Fund has declined. The Board will more closely monitor the balances of the city's funds and consider steps to improve the financial condition of the General Fund.

The city has in reserve 100 percent of the total amount due on the waterworks/sewerage bonds at this time for the required annual principal and interest payments. Also, Section 250.150, RSMo, states that use of water profits can be transferred to other funds. Consequently, the city does not currently intend to repay the transfer from the Water Fund.

Auditor's Comment

In its response, the city indicates the transfer of water profits to other funds is allowed by state law. However, the bond covenants represent a legally binding obligation of the city to the owners of the outstanding bonds and state law specifies such bonds constitute a first lien on the waterworks plant and the income arising therefrom. The city should abide by the terms of the bonds and return the transferred amounts to the Water Fund and make no such future transfer of utility earnings as long as the bonds remain outstanding.

2. Budgeting and Planning

The city's budgeting and planning procedures need improvement.

2.1 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 city budgets prepared for the years ending September 30, 2023, and 2022. 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,



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a budget summary, or balances of the city's indebtedness. City officials indicated they were unaware of these requirements.

Section 67.010, RSMo, and City Code Section 130.020 require an annual budget to 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 for each area of city operations. It also assists in setting tax levies and utility rates, and informs the public about city operations and current finances.

Budget deficits

The Board budgeted deficit fund balances for the General Fund for the years ending September 30, 2023, and 2022. When considering the beginning fund balance and the budgeted receipts and disbursements, the city projected ending fund balances for the General Fund of negative \$116,776 and negative \$61,843 for the years ending September 30, 2023, and 2022, respectively. In April 2023 the Board amended the 2023 General Fund budget, and while the budget amendment did not include a projected ending fund balance, the ending balance calculated from the beginning balance and budgeted receipts and disbursements (as amended) was negative \$82,126.

Missouri Constitution, Article VI, Section 26(a), and Section 67.010.2, RSMo, require political subdivisions to ensure that expenditures do not exceed revenue plus any unencumbered fund balance.

Monitoring

The Board does not adequately monitor budget-to-actual receipts and disbursements, and actual disbursements exceeded budgeted disbursements for 5 of the 8 city funds during the year ended September 30, 2022, as follows:

Fund	Budget	Actual	Actual over Budget
General	\$ 653,336	716,488	63,152
Water	225,404	269,977	44,573
Sewer	245,731	420,603	174,872
Street	86,132	162,706	76,574
Debt Services	79,970	80,420	450

Source: City's report of budgeted and actual disbursements and annual financial statement.

Budget amendments were not prepared for these funds. According to the City Clerk, reports comparing budgeted and actual receipts and disbursements are provided to the Board at each Board meeting, but city officials and the Board did not consider making amendments to the budget.



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Section 67.040, RSMo, and City Code Section 130.050 require the city keep disbursements within amounts budgeted, but allow 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 similar condition was noted in a prior report, *City of Dixon*, Report No. 2015-007, issued in February 2015. In addition, Report No. 2015-089, *Follow-Up Report On Audit Findings - City of Dixon*, issued in September 2015, reported the status, at that time, as not implemented.

2.2 Street maintenance plan

City officials have not developed a formal annual maintenance plan for city streets. During the year ending September 30, 2022, Street Fund disbursements totaled approximately \$163,000.

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.

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. City officials indicated street repairs are performed as needed, and the city was unaware of the importance of developing a formal maintenance plan for its streets.

Recommendations

The Board of Aldermen:

- 2.1 Prepare annual budgets that contain all information required by state law and city code, discontinue deficit budgeting, and ensure the budgets are adequately monitored and properly amended.
- 2.2 Establish a formal annual street maintenance plan.

Auditee's Response

- 2.1 *While actual disbursements exceeded budgeted disbursements for 5 funds for the year ended September 30, 2022, as noted above, actual revenues also exceeded the budgeted revenue amounts for those funds during that year as follows:*



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<i>Fund</i>	<i>Budget</i>	<i>Actual</i>	<i>Actual over Budget</i>
<i>General</i>	\$ 572,610	686,397	113,787
<i>Water</i>	345,995	403,808	57,813
<i>Sewer</i>	318,000	479,779	161,779
<i>Street</i>	162,000	172,465	10,465
<i>Debt Services</i>	113,943	120,589	6,646

Also, the Board has begun monitoring the budgets and approved amendments when needed for the years ending September 30, 2023, and 2024.

Our budgeting process has improved for the year ending September 30, 2024, and that budget includes information for the prior 2 years along with the current budget. We will ensure future budgets include the required elements and reflect positive projected ending fund balances.

- 2.2 *The limited income stream available for street repairs allows only for repairs as needed until the street bonds are retired. We will include this information in the budget message for future budgets and consider developing more formal plans when the bonds are retired.*

3. Water and Sewer Services

The city did not perform monthly reconciliations of water billed and pumped, and the city has not obtained annual audits as required by state law. The city collected approximately \$730,000 in water and sewer billings during the year ended September 30, 2022.

3.1 Water reconciliations

City personnel do not perform monthly reconciliations of total gallons of water billed to gallons of water pumped. We compared the reports of water usage to water pumped for March 2022 and September 2022 and noted an unidentified difference of approximately 39 and 45 percent, respectively, more water pumped than used (billed). City officials indicated reconciliations were not performed because significant amounts of water were often used by the sewer plant and fire district, neither of which are metered to know how much water they use.

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.

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, page A-3, <<https://www.awwa.org/Portals/0/AWWA/Government/WaterLossControl508.pdf>>, accessed October 18, 2023.



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Metering all properties as appropriate and performing 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.

3.2 Annual audits

The city has not obtained timely annual audits of its waterworks and sewerage systems as required by state law. The annual audit for the year ended September 30, 2021, was completed in July 2023. However, prior to that audit the city had not had an audit of the waterworks and sewerage system since 2014. A city official indicated the city had trouble locating an available auditing firm in previous years, but the city has engaged an auditing firm for the audit of the year ended September 30, 2022.

Section 250.150, RSMo, requires the city to obtain annual audits of the combined waterworks and sewerage system, and the cost of the audit be paid from revenues received from the system. The city is also required to obtain annual audits as a condition of its bond covenants.

Similar conditions Previously reported

Similar conditions to sections 3.1 and 3.2 were noted in a prior report, *City of Dixon*, Report No. 2015-007, issued in February 2015. In addition, a similar condition to section 3.1 was noted in Report No. 2015-089, *Follow-Up Report On Audit Findings - City of Dixon*, issued in September 2015, and reported the status, at that time, as in progress.

Recommendations

The Board of Aldermen:

- 3.1 Ensure all properties are metered and monthly reconciliations are performed of gallons of water billed to gallons of water pumped and significant differences are investigated and resolved.
- 3.2 Obtain timely annual audits of the waterworks and sewerage system as required by state law.

Auditee's Response

- 3.1 *We have implemented the recommendation. The water department is now reporting to the City Collector the water pumped each month. This information is entered into a worksheet that also has the water billed. The percentage of water loss is now calculated. The worksheet has data starting with October 2022. The city meters are now read each month and the city has begun using meters for the sewer plant and fire department.*
- 3.2 *We have engaged a CPA firm to perform audits of the City of Dixon and audits are underway for the years ending September 30, 2023, and 2022.*



4. Disbursements

The city has not established policies for the competitive procurement of goods and services, did not always execute contracts for services, and purchased a property without obtaining an appraisal of the property. During the year ended September 30, 2022, the city made non-payroll disbursements totaling approximately \$1.1 million.

4.1 Procurement procedures and contracts

The city has not established policies for the selection of vendors providing professional services, and does not have a formal bidding policy. We judgmentally selected and tested 17 expenditures totaling \$226,349 and noted the city did not solicit bids or proposals for 2 vehicles (\$48,825), sewer maintenance (\$8,760), office remodeling services (\$6,630), police equipment (\$4,014), street improvement services (\$3,000), and legal services (\$2,078). Additionally, the city did not obtain written contracts for sewer maintenance, office remodeling, street improvement, and legal services expenditures reviewed. A city official indicated it is often difficult to locate vendors willing and able to provide bids for the city, and the city was unaware that contracts were needed for these services.

Formal bidding procedures for major purchases or services provide a framework for economic management of city resources and help ensure the city receives fair value by contracting with the lowest and/or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Formal bidding procedures should be sufficiently detailed and include requirements for documenting the process of awarding a bid. Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. In addition, written contracts are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure city money is used appropriately and effectively. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

A similar condition was noted in a prior report, *City of Dixon*, Report No. 2015-007, issued in February 2015. In addition, Report, No. 2015-089, *Follow-Up Report On Audit Findings - City of Dixon*, issued in September 2015, reported the status, at that time, as implemented (bidding) and in progress (procurement of services).

4.2 Property appraisals

The city purchased a house and small lot without obtaining an appraisal to ensure the city paid a reasonable and approximate fair market value for the property. The property was purchased in May 2023 for \$21,000 with intentions to use the property for commuter parking. City officials indicated they believed the selling price was reasonable and an appraisal was not needed.



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Good business practice requires real estate transactions be formally and independently appraised to ensure the price paid is reasonable and approximates fair market value.

Recommendations

The Board of Aldermen:

- 4.1 Establish formal bidding policies and procedures, periodically solicit proposals for professional services, and ensure the solicitation for bids and proposals and the evaluation and selection of vendors is documented. In addition, enter into written contracts defining services provided and benefits received.
- 4.2 Ensure appraisals are performed for any property considered for purchase.

Auditee's Response

- 4.1 *The city is currently developing policies and procedures and we will implement the recommendation.*
- 4.2 *This real estate purchase was a one-time purchase and time was of the essence to the seller. There was another party bidding on the property and we matched the party's bid. The Board, which consists of at least one real estate agent, believed the city paid under market value. The Board will consider obtaining appraisals for any future property purchases.*

5. Payroll and Related Matters

The city's personnel policies and payroll procedures need improvement and the city did not set the compensation of officials and employees by ordinance as required. The city disbursed approximately \$567,000 in salaries and wages to 36 employees during the year ended September 30, 2022, including \$19,740 in overtime payments to 20 employees.

5.1 Personnel policies and payroll procedures

The city's personnel policy does not address how overtime hours are to be calculated and does not specify which employees are entitled to payment for city holidays. The city's payroll processing procedures were insufficient to ensure employees were compensated for overtime in compliance with the Fair Labor Standards Act (FLSA) and to ensure employees were compensated for holidays consistently.

The city pays employees on a bi-weekly basis and requires employees to record their time on timesheets for the number of daily work hours, overtime hours, holiday hours, and leave hours. We reviewed the timesheets and payroll payments for 14 of the city's 26 payroll cycles during the year ended September 30, 2022, and noted 12 instances in which overtime and holidays were handled inconsistently and/or were non-compliant with the FLSA.



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According to city officials, errors were sometimes made in processing the timesheets and preparing payroll, and overtime calculations were sometimes erroneously determined over the 2-week pay period rather than on a daily or weekly basis.

The FLSA requires any time worked over 40 hours in a week (for non-emergency personnel) to be paid at time and a half. The FLSA provides the city the option of computing overtime for law enforcement employees based on a work period of 7 to 28 days, and requires overtime pay when the number of hours worked exceeds 171 hours in a 28-day period, or similar proportion for shorter work periods (e.g., 86 hours in a 14-day period or 43 hours in a 7-day period).

Written personnel policies, strict compliance with those policies, and effective procedures to detect and correct errors, are necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated. Inconsistent practices could increase the risk of unfair and inequitable treatment of employees and potential litigation based on existing city policies.

5.2 Compensation

The city does not have ordinances establishing the amount of compensation for city officials and employees.

In January 2023 the Board approved a schedule of starting salary ranges for each of the city's positions (officials and employees). This schedule indicates that cost of living adjustments and performance-based increases may be granted by the Mayor. However, the Board did not pass an ordinance approving the salary schedule because the Board believed approval of the schedule to be sufficient.

Ordinances passed by the Board to govern the city and its residents have the force and effect of law, and ordinances documenting approved salary amounts help ensure equitable treatment and prevent misunderstandings. Section 79.270, RSMo, and City Code Section 115.060 authorize the Board to fix the compensation of all city officials and employees by ordinance.

Similar conditions previously reported

Similar conditions were noted in our prior report, *City of Dixon*, Report No. 2022-134, issued in December 2022, and a similar condition to section 5.2 was noted in another prior report, *City of Dixon*, Report No. 2015-007, issued in February 2015.

Recommendations

The Board of Aldermen:

- 5.1 Adopt detailed personnel policies for overtime and holiday pay and develop procedures to ensure payroll payments are consistent with those policies and compliant with the requirements of the FLSA.



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Auditee's Response

5.2 Establish the compensation of all city officials and employees by ordinance.

5.1 *The City of Dixon is challenged with finding employees. Calculating overtime over the two-week pay period for non-law enforcement personnel rather than following the FLSA policy on overtime allows employees to flex hours over the two-week period and is beneficial to the city and employees. In checking with the cities of Rolla and St. Robert, they pay holiday and overtime in the same manner as the City of Dixon.*

Employees were paid fairly. After the auditors questioned certain payroll payments, city personnel performed a complete review of the timesheets and payments for the year ending September 30, 2022, and payments were made to correct for any discrepancies or inconsistencies.

We will consider making clarifications to the personnel policies and ensure payroll payments are proper.

5.2 *The Board has approved a schedule of compensation by job classification and will work on a compensation ordinance.*

Auditor's Comment

5.1. In its response, the city indicates it may be more beneficial to the city and its employees in certain instances to not strictly follow the overtime requirements of the FLSA. However, compliance with the FLSA is not optional and noncompliance, regardless of intent, may expose the city to potential lawsuits.

6. Meeting Minutes, Vacancies of Aldermen, and Personal Financial Disclosures

The Board of Aldermen did not always follow Sunshine Law requirements relating to closed meetings as required by Chapter 610, RSMo. The city has not filled a vacant alderman position, and Board members did not always submit personal financial disclosure statements as required by state law.

6.1 Closed meetings

The Board did not document in the open meeting minutes the specific sections of law allowing the meeting to be closed for any of the 24 closed meetings held during the period from October 4, 2021, through July 10, 2023. In addition, some issues discussed in closed meetings were not allowable under the Sunshine Law. For example, closed meeting minutes indicated the Board discussed the personnel policy and compensatory time, city elections, the library bank account and hours, closing the municipal court, cash transfers



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between funds, and extension of the Mayor's term. Closed meeting minutes were not prepared for 8 closed meetings.

Section 610.022.1, RSMo, requires public bodies announce the specific reasons allowed by law for going into a closed meeting and to enter the vote and reason into the minutes. Section 610.021, RSMo, provides that the discussion topics and actions in closed meetings should be limited to only those specifically allowed by law. Section 610.020.7, RSMo, requires minutes of open and closed meetings be maintained as a record of business conducted and to provide an official record of actions and decisions. The City Clerk indicated she was unaware of these requirements.

A similar condition was noted in a prior report, *City of Dixon*, Report No. 2015-007, issued in February 2015. In addition, Report, No. 2015-089, *Follow-Up Report On Audit Findings - City of Dixon*, issued in September 2015, reported the status, at that time, as partially implemented.

6.2 Alderman vacancy

The city has not filled the vacant Ward One Alderman position since the former Alderwoman resigned in February 2023. City officials indicated they have not yet located a suitable and willing candidate for the position.

Upon a vacancy, City Code Section 115.070 requires the Mayor appoint a successor, with the consent of the Board of Aldermen, until the next regular municipal election.

6.3 Personal financial disclosures

Board members did not always file personal financial disclosure statements with the city and the Missouri Ethics Commission (MEC) as required by state law.

Aldermen Campbell, Warnol, and Wilfong did not file a personal financial disclosure statement for 2022, and Alderman Wilfong and Alderwoman Yoakum did not file for 2021.

City ordinance number 591, effective July 2021, requires financial disclosure statements be filed with the city and MEC by Board members in accordance with state law. Personal financial disclosure statements (forms) filings with the MEC are required by Section 105.483, RSMo. City officials were not monitoring compliance with the city ordinance, and Board members indicated they did not always remember to file their disclosure statements as required.

Recommendations

The Board of Aldermen:

- 6.1 Ensure specific reasons for closing a meeting are documented in the open minutes, and only topics allowed by state law are discussed in closed meetings. In addition, the Board should ensure meeting minutes are prepared for all closed meetings.



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Auditee's Response

- 6.2 Fill the vacant alderman position as required by city code.
- 6.3 Ensure personal financial disclosure statements are filed annually by all Board members.
- 6.1 *We will ensure this recommendation is implemented.*
- 6.2 *The Mayor and Board members have reached out to citizens in the community asking them to serve. The vacancy has also been mentioned at several Board meetings. No one has stepped forward to serve. We will continue efforts to fill the vacancy.*
- 6.3 *City personnel will remind the Board at the April Board meeting to file the statements.*

7. Electronic Data Security

Processes are not in place for recovering systems and data, and user accounts for former employees were not disabled. As a result, the risk of not being able to resume normal business operations timely is increased, and the city records are not adequately protected and are susceptible to unauthorized access.

The city does not periodically back up the financial and utility systems data. According to a representative from the vendor supplying the software to the city, the city has a subscription to the backup service offered by the vendor but the city has not backed up the city's data since 2020. In addition, the city did not disable user accounts of terminated city employees.

Preparation of backup data, preferably on a daily or at least weekly basis, provides reasonable assurance data could be recovered if necessary. To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be backed up, tested periodically to ensure data can be recovered, and stored at a secure off-site location. User accounts should promptly be deleted or disabled when accounts are no longer required, when users terminate employment, or when information needs or information system usage changes. Disabling user accounts for employees that no longer work for the city provides security for the city data from unauthorized access. City officials indicated they were not aware the city's data was not being backed up or that there were active user accounts that belonged to former employees.

Recommendation

The Board of Aldermen require data to be backed up regularly, tested periodically, and stored in a secure off-site location; and ensure user accounts are disabled timely for employees who no longer work for the city.

Auditee's Response

A nightly back up process is now in place for all files on the drives that contain the software program files and City of Dixon files. A process to retrieve the data has been reviewed with the software vendor. All former



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employee user accounts have now been deleted. We will ensure this recommendation is implemented.

8. Capital Assets

The city does not maintain records of its capital assets including buildings, utility system infrastructure, equipment, and other property, and has not developed procedures to identify capital asset purchases and dispositions throughout the year. 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. As a result, assets are more susceptible to theft or misuse.

After we inquired about the city's records in March 2023, city officials inventoried the city's assets and prepared a capital assets listing including a description of each asset, a general indication of its location or assigned area, and an identifying number for some assets such as a serial number or vehicle identification number. City officials indicated staffing shortages prevent the city from maintaining complete and updated capital asset records.

Adequate capital asset records and procedures, including annual inventories, 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 similar condition was noted in a prior report, *City of Dixon*, Report No. 2015-007, issued in February 2015.

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 and conduct and document an annual physical inventory, and compare this inventory to detailed records.

Auditee's Response

We have created a listing of the city's capital assets. We will consider developing a tagging system and an annual inventory procedure.

9. Electronic Communication Policy

The city has not developed a records management and retention policy that includes electronic communication 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



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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.⁴

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 city official indicated the city is aware of the Secretary of State's guidelines, but has not yet taken steps to develop a policy.

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 are currently working on a policy.

10. City Library

The city library is governed by the Board of Aldermen because the city does not have a functioning Library Board. Additionally, annual reports have not been filed by the library as required by state law. Receipts and disbursements for the Library Fund totaled approximately \$29,000 for the year ended September 30, 2022.

Section 182.170, RSMo, and City Code Section 140.020 require the library be governed by 9 trustees appointed by the mayor and approved by the board of aldermen, and no member of the city government can be a trustee. Also, Section 182.180, RSMo, and City Code Section 140.030 require the mayor to appoint 3 members to the Library Board annually. Section 182.200, RSMo, provides all money received by the city for a city library shall be disbursed to the Library Board Treasurer at least monthly. Current city officials could not explain why a library board has not been appointed.

In addition, Section 182.210, RSMo, and City Code Section 140.060 require the librarian to file an annual report with the city and the State Library about the condition of the library and its services on the last day of the fiscal year, the various sums of money received from the library fund and from other sources, and how the money has been expended and for what purposes. A city official indicated the Librarian discusses the library at each Board meeting, but a formal report has not been filed with the city or State Library as required.

⁴ 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 October 5, 2023.



City of Dixon
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Recommendation

The Board of Aldermen ensure a Library Board is appointed to govern the library and an annual report is filed with the city and State Library as required by state law.

Auditee's Response

We will consider implementing this recommendation; however, the city has trouble filling vacancies on its six-member Board of Aldermen, and finding 9 people to serve on a Library Board will be difficult.

City of Dixon

Organization and Statistical Information

The City of Dixon is located in Pulaski County. The city was incorporated in 1889 and is currently a fourth-class city. The city employed 11 full-time employees and 10 part-time employees on September 30, 2022. The city's population was 1,232 in 2020, according to the U.S. Census Bureau.

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

Mayor and Board of Aldermen

The city government consists of a mayor and 6-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 September 30, 2022, are identified below. As of September 30, 2022, the Mayor was paid \$200 per month and Board of Aldermen members were paid \$100 per month.⁵ The compensation of these officials is established by ordinance.

Mike Null, Mayor
Barbara Thomas, Alderwoman (1)
Mary Wiles, Alderwoman
Trevor Warnol, Alderman
Anthony Campbell, Alderman
Stacey Yoakum, Alderwoman
Wesley Wilfong, Alderman (2)

- (1) Barbara Thomas resigned in February 2023 and the position remains vacant as of October 2023.
- (2) Michael Gunther was elected in April 2023, replacing Wesley Wilfong.

Financial Activity

A summary of the city's financial activity for the year ended September 30, 2022, obtained from the city's annual financial report follows.

⁵ In March 2022, the Board decided to increase the compensation amounts to \$500 per month for the Mayor (Ordinance No. 605) and \$200 per month for Board of Aldermen members (Ordinance No. 606), effective in May 2023.



City of Dixon
Organization and Statistical Information

CITY OF DIXON MISSOURI
INCOME AND DISBURSEMENTS
FOR THE TWELVE MONTHS ENDING
SEPTEMBER 30, 2022

UNAUDITED

	GENERAL	WATER & SEWER	STREET	LIBRARY	DEBT SERVICES	CARES	ARPA FUNDS	TOTAL
BALANCE OCTOBER 01, 2021	\$ 18,883	\$ 454,163	\$ 76,559	\$ 14,317	\$ 31,253	\$ 17,935	\$ 146,295	\$ 759,406
INCOME			\$ -					\$ -
WATER AND SEWER	\$ -	\$ 730,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 730,132
REFUSE COLLECTION	\$ 111,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,266
SALES AND TRANSPORTATION TAXES	\$ 320,371	\$ -	\$ 171,846	\$ -	\$ -	\$ -	\$ -	\$ 492,217
REAL ESTATE AND PERSONAL PROPERTY	\$ 84,901	\$ -	\$ -	\$ 27,756	\$ 120,589	\$ -	\$ -	\$ 233,246
FRANCHISE TAX	\$ 63,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,238
INSURANCE PROCEEDS	\$ -	\$ 41,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,098
OTHER INCOME	\$ 106,621	\$ 12,904	\$ 619	\$ 1,221	\$ -	\$ -	\$ -	\$ 121,365
APRA FUNDS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,114	\$ 149,114
STATE GRANTS	\$ -	\$ 99,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,455
TOTAL INCOME	\$ 686,397	\$ 883,589	\$ 172,465	\$ 28,977	\$ 120,589	\$ -	\$ 149,114	\$ 2,041,131
DISBURSEMENTS								
SALARIES AND BENEFITS	\$ 384,959	\$ 197,292	\$ 44,346	\$ 25,360				\$ 651,957
INSURANCE PROPERTY/WORKS COMP	\$ 28,878	\$ 27,510	\$ 8,709	\$ 551				\$ 65,648
REFUSE COLLECTION	\$ 86,466							\$ 86,466
PROFESSIONAL SERVICES	\$ 34,636	\$ 3,223						\$ 37,859
REPAIRS AND MAINTENANCE	\$ 12,256	\$ 50,088	\$ 61,389	\$ 136				\$ 123,869
UTILITIES EXPENSE	\$ 21,702	\$ 63,725	\$ 21,781	\$ 2,051				\$ 109,259
VEHICLE EXPENSE	\$ 26,640	\$ 7,240	\$ 3,658					\$ 37,538
BOND PRINCIPAL/INTEREST		\$ 68,764			\$ 80,420			\$ 149,184
SUPPLIES	\$ 36,371	\$ 6,458	\$ 4,928	\$ 358				\$ 48,115
WWTP ENGINEER GRANT	\$ -	\$ 123,939						\$ 123,939
OTHER	\$ 22,642	\$ 41,430	\$ 6,729	\$ 212		\$ 27,428	\$ 748	\$ 99,189
CAPITAL EXPENDITURES	\$ 61,938	\$ 100,911	\$ 11,166					\$ 174,015
	\$ 716,488	\$ 690,580	\$ 162,706	\$ 28,668	\$ 80,420	\$ 27,428	\$ 748	\$ 1,707,038
BALANCE AS OF SEPTEMBER 30, 2022	\$ (11,208)	\$ 647,172	\$ 86,318	\$ 14,626	\$ 71,422	\$ (9,493)	\$ 294,661	\$ 1,093,499
BOND ACCOUNT WATER/SEWER								\$ 77,389
BOND ACCOUNT STREET								\$ 102,113
WATER DEPOSITS								\$ 24,246
LIBRARY CD								\$ 2,013
TOTAL CASH IN BANK								<u>\$ 1,299,260</u>

Prepared by Deanna Burns
Office Manager

Street Bond Balance 9_30_2022 \$ 625,000
Water/Sewer Bond Balance 9_30_22 \$ 635,000

Mayor Mike Null