



**CITY OF FORISTELL, MISSOURI
TEN MONTHS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-111
November 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2001

The following problems were discovered as a result of an audit conducted by our office of the City of Foristell, Missouri.

The former Mayor received \$5,520 in excess payments during the period April 1997 to June 2000. The city ordinances state the mayor is to be paid \$100 per month and \$20 for each meeting attended, and that these payments should be made in December of each year. The former Mayor received payments in advance of when they were due and received more than the amount earned. The following table illustrates the overpayments to the former Mayor.

	Year ended December 31,				
	2000	1999	1998	1997	Total
Salary Payments					
Amount Paid	\$ 1,400	3,900	2,000	1,000	8,300
Amount Earned	600	1,200	1,200	900	3,900
Salary Overpayments	800	2,700	800	100	4,400
Meeting Payments					
Amount Paid	1,000	1,300	980	500	3,780
Amount Earned	380	920	840	520	2,660
Meeting Overpayments	620	380	140	(20)	1,120
Total Overpayments	\$ 1,420	3,080	940	80	5,520

Weaknesses in the city's disbursement procedures allowed these overpayments to occur. This could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls had been established. Information regarding the overpayments was turned over to the Missouri State Highway Patrol and the St. Charles County Prosecuting Attorney's office.

In addition, adequate support for mileage reimbursements made to the former Mayor totaling \$2,983 during the period April 1997 to June 2000 was not available.

The city did not document the selection process for some professional services, such as public works services and engineering services. The city paid approximately \$88,216 and \$21,137 for the public works contract and engineering services contract, respectively, for the ten months ended December 31, 2000. The City Administrator indicated other firms were considered; however, documentation was not maintained.

(over)

YELLOW SHEET

State law requires that political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms, and that when negotiating for a contract, the political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work. In addition, a city ordinance provides that when obtaining professional services, proposals must be solicited from three or more sources to permit reasonable competition consistent with the nature and requirement of the procurement.

From April to June 1999, the city paid approximately \$32,000 for sewer treatment plant equipment and related costs that was never used. The city purchased equipment from a used sewer treatment plant and purchased a crane to install the equipment; however, the crane never functioned properly and the equipment was never installed. The city's failure to adequately plan for the use of this equipment caused monies and city workers' time to be wasted.

It is unclear whether building, electrical, and plumbing permit fees are a tax or a user fee. A tax is a charge approved by a public vote. A user fee is a charge which covers specific costs incurred by the city and does not require a public vote. In June 2001, the board voted to increase the building, electrical, and plumbing permit fees without a public vote. The city uses a contractor to provide inspections to residents applying for the permits; however, the city does not track the costs of the inspections. Revenues generated by the building, electrical, and plumbing fees are not accounted for separately from general operations.

Although the city had a rate study performed in July 2000 that concluded the fees were adequate; the city's independent audit report indicated disbursements for the water and sewer system exceeded revenues by approximately \$23,000 during the ten months ended December 31, 2000. The city needs to evaluate the two reports and determine the adequacy of the rates. Water and sewer fees are user charges which should cover the cost of providing the related services.

The city's budgets did not include some information as required by state law. Actual expenditures exceeded the amounts budgeted for some funds and budget amendments were prepared approximately five months after the year end. Budgeted expenditures are overestimated to equal the beginning resources available plus budgeted revenues.

The audit also includes some matters related to board meeting minutes, disbursement and fixed asset procedures, Community Oriented Policing Services (COPS) grant, and board meetings and ordinances, upon which the city should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

CITY OF FORISTELL, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Foristell
Foristell, Missouri 63348

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Foristell, Missouri. Our audit of the city included, but was not limited to, the ten months ended December 31, 2000. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Foristell, Missouri.

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

Claire McCaskill
State Auditor

July 27, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Karen A. Lenk, CPA
Audit Staff:	A. Dailey

HISTORY AND ORGANIZATION

CITY OF FORISTELL, MISSOURI
HISTORY AND ORGANIZATION

The city of Foristell is located in St. Charles County and Warren County. It was incorporated as a village in 1979, and became a fourth-class city in 1989. The population in 2000 was 331. The city government consists of a mayor and four-member Board of Aldermen. The four members are elected for two-year terms, one from each of the two wards each year. The mayor is elected for two-years, presides over the Board of Aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 2000, were:

Elected Officials	Term Expires	Actual Compensation for The Year Ended December 31, 2000
Carol Rose, Mayor (1)	April, 2003	\$ 1,000
Bonnie Murray, Alderman	April, 2003	660
Quentin Seeger, Alderman (2)	April, 2001	680
Lester Kissel, Alderman	April, 2002	1,200
Charles Schneider, Alderman	April, 2002	750
<u>Other Principal Officials</u>		
Keith Nelson, City Administrator/Police Chief (3)		50,400
Janet E. Conaway, Assistant City Administrator/Treasurer		30,615
Jane Burch, City Clerk (4)		12,299
Cindy Holland, Court Clerk		25,688
Joseph J. Porzenski, Municipal Judge		6,750
Jayson B. Lenox, City Attorney		(5)
Matthew Thornhill, Prosecuting Attorney		7,300
Steve Botch, Director of Public Works		(6)

- (1) Dawn Hiatte resigned June 2000 and Carol Rose was appointed September 2000. Carol Rose was reelected in the April 2001 election.
- (2) Replaced by Paul Brockmeyer in the April 2001 election.
- (3) Keith Nelson received \$25,200 as City Administrator and \$25,200 as Police Chief.
- (4) Sandy Gordinier was the City Clerk until April 2000. Deborah Eggering served as the City Clerk from June 2000 to August 2000. Jane Burch was appointed August 2000.
- (5) The City Attorney is an employee of a law firm which contracts with the city to provide legal services. Total payments to the contractor for legal services totaled \$11,588.
- (6) The Director of Public Works is an employee of a company which contracts with the city to provide these services. Total payments to the contractor for public works and water and sewer services totaled \$88,216.

The city employs approximately 11 full-time employees and 1 part-time employee.

Assessed valuation information for tax year 2000 is as follows:

ASSESSED VALUATION

Real estate	\$ 4,951,794
Personal property	<u>817,569</u>
Total	\$ 5,769,363

The city does not have a property tax rate.

The city has the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	\$.010	None
Capital Improvement	.005	None

MANAGEMENT ADVISORY REPORT

SUMMARY OF FINDINGS

CITY OF FORISTELL, MISSOURI
SUMMARY OF FINDINGS

1. Former Mayor's Compensation (pages 11-12)

The former Mayor received \$5,520 in excess payments during the period April 1997 to June 2000. In addition, sufficient documentation was not available to support mileage reimbursements totaling \$2,983 paid to the former Mayor.

2. Disbursement Procedures (pages 12-15)

No one independent of the disbursement process reviews invoices and compares the approved accounts payable list to actual checks written. There was no documentation to indicate bids were received or a written agreement was obtained for map preparation totaling \$3,000. The selection process for professional services was not documented. The city spent approximately \$32,000 on sewer treatment plant equipment and related costs and the equipment has not been used. The Mayor and Board President sign checks and are not bonded.

3. Accounting Controls and Procedures (pages 15-17)

Accounting duties are not adequately segregated and there is no independent review of the Treasurer's work. It is unclear whether building, electrical, and plumbing permit fees are a tax or a user fee. There was not adequate support documenting receipts and disbursements of the safe kids program held in August 1999.

4. Water and Sewer System (pages 17-18)

The city needs to evaluate and determine the adequacy of the water and sewer rates. The city does not perform reconciliations of total billings, payments received, and delinquent amounts for water and sewer services.

5. Community Oriented Policing Services (COPS) Grant (pages 18-19)

Grant reimbursements are based on estimated rather than actual disbursements. During one quarter the salary estimated and claimed for one officer exceeded the actual amount paid by approximately \$600.

6. Board Meetings and Ordinances (pages 19-22)

Written minutes for closed meetings were not maintained prior to April 2000. Open meetings did not document the related vote to close meetings and the specific reasons for closing the meeting. In addition, some items discussed in closed session did not appear to be allowed under the provisions of the Sunshine Law. Minutes from three public meetings were not available and the board

minutes did not always document matters discussed and actions taken. Salaries of appointed officials and employees have not been established by ordinance.

7. Budget Procedures (pages 22-23)

The city's budgets did not include some information as required by state law. Actual expenditures exceeded the amounts budgeted for some funds and budget amendments were prepared approximately five months after the year end. Budgeted expenditures are overestimated to equal the beginning resources available plus budgeted revenues.

8. Fixed Asset Procedures (pages 24-25)

Property records are not maintained on a perpetual basis and some items were not included on the property records. Physical inventories are not performed and property tags are not used to identify city property. The city does not have adequate procedures for the disposal of fixed assets. Daily mileage or usage logs are not maintained for all city vehicles.

CITY OF FORISTELL, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Former Mayor's Compensation
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A. The former Mayor received \$5,520 in excess payments during the period April 1997 to June 2000. The city ordinances state the mayor is to be paid \$100 per month and \$20 for each meeting attended and that these payments should be made in December of each year. The former Mayor received payments in advance of when they were due and received more than the amount earned. The following table illustrates the overpayments to the former Mayor.

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Meeting Overpayments	620	380	140	(20)	1,120
Total Overpayments	\$ 1,420	3,080	940	80	5,520

Weaknesses in the city's disbursement procedures allowed these overpayments to occur. This could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the Management Advisory Report (MAR) No. 2 had been established. Information regarding the overpayments was turned over to the Missouri State Highway Patrol and the St. Charles County Prosecuting Attorney's office.

B. Adequate support for mileage reimbursements made to the former Mayor totaling \$2,983 during the period April 1997 to June 2000 was not available. Expense reports did not always contain sufficient information such as the date of trip, trip origin, destination and purpose and, on several occasions, expense reports were not submitted to the city. The only support for some mileage payments was an indication on the check stub of the number of miles. As a result, it was not possible to determine if

mileage charged was reasonable. In addition, the amounts were not reported on the mayor's W-2 forms.

Without a detailed expense report, the city cannot adequately review and ensure the propriety of payments made for travel expenses. Internal Revenue Service (IRS) Regulation No. 31.3401(a)-4 requires expenses not accounted for to the employer to be considered as gross income and also requires payroll taxes to be withheld from this gross income. The failure to properly submit the required forms could result in penalties to the city.

WE RECOMMEND the Board of Aldermen:

- A. Continue to work with law enforcement officials regarding any criminal prosecution and obtain restitution of the overpayments.
- B. Require detailed travel expense reports be submitted and retained. These reports should include information such as trip date, origin, destination, and purpose. In addition, the city should consider filing amended W-2 forms for the unreported employee compensation.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *The current Mayor, Carol Rose, discussed this issue with the St. Charles Prosecuting Attorney, who is in possession of the investigators report and is proceeding with their review. Changes in the internal controls that create a division of duties and independent reviews by persons other than those issuing the checks has been initiated.*
- B. *Detailed expense reports requiring mileage logs, trip date, origin, destination and purpose, as well as receipts for miscellaneous expenses, meals, telephone charges and hotel charges have been developed. These reports are submitted to the account payables department, and will be reviewed by the City Administrator before submittal to the Board for approval.*

2.

Disbursement Procedures

- A. No one independent of the disbursement process reviews invoices and compares the approved accounts payable list to actual checks written. In addition, payroll disbursements are not included on the monthly accounts payable list that is approved by the Board of Trustees. Currently, the Treasurer processes the invoices, prepares the accounts payable list and writes the checks.

Good business practices require all disbursements to be closely scrutinized by the board or someone independent of the disbursement process and properly authorized before the disbursement occurs. In addition, an independent reconciliation should be performed of the invoices, approved listing of bills, and actual checks written. Failure to properly review all invoices and other supporting documentation and to document authorization increases the possibility of inappropriate disbursements occurring and not being detected on a timely basis.

- B. There was no documentation to indicate bids were received or a written agreement was obtained for map preparation totaling \$3,000 in 1999. In addition, original invoices or other adequate supporting documentation was not retained for this disbursement.

City Ordinance, Section 130.070 indicates three written bids shall be solicited for purchases greater than \$2,500 but less than \$10,000 and the lowest responsible bid shall be accepted. Section 432.070, RSMo 2000, requires political subdivisions' contracts be in writing. Formal written agreements are necessary to document each party's duties and responsibilities. All disbursements should be supported by contracts or vendor-provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.

- C. The city did not document the selection process for some professional services, such as public works services and engineering services. The city paid approximately \$88,216 and \$21,137 for the public works contract and engineering services contract, respectively, for the ten months ended December 31, 2000. The City Administrator indicated other firms were considered; however, documentation was not maintained.

Section 8.289, RSMo 2000, requires that political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo 2000, further requires that when negotiating for a contract, the political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work. In addition, City Ordinance, Section 130.140, provides that when obtaining professional services, proposals must be solicited from three or more sources to permit reasonable competition consistent with the nature and requirement of the procurement.

- D. From April to June 1999, the city paid approximately \$32,000 for sewer treatment plant equipment and related costs that was never used. The city purchased equipment from a used sewer treatment plant and purchased a crane to install the equipment; however, the crane never functioned properly and the equipment was never installed. The city currently has the

treatment plant equipment in storage and has returned the crane to state surplus property. The total cost includes the cost of hauling the equipment and attempting to repair the crane. The City Administrator indicated the city plans to sell the treatment plant equipment because the city does not have a current need for it.

The city's failure to adequately plan for the use of this equipment caused monies and city workers' time to be wasted. It is unclear why no action was taken to return the crane sooner or use the equipment during the past two years. Residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner.

- E. The Treasurer, City Administrator, Mayor, and Board President are authorized to sign checks, with dual signatures required on each check; however, the Mayor and Board President are not bonded. Failure to properly bond individuals who have access to funds exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

- A. Ensure someone independent of the check preparation and signing process reviews the invoices. In addition, the approved accounts payable list should include all disbursements and be compared to checks written.
- B. Ensure bids are solicited for all applicable purchases in accordance with city ordinances. Documentation of the bidding process should be maintained in all cases. If the city believes that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained. In addition, written agreements should be obtained for all services and disbursements should be supported by vendor-provided invoices which contain an adequate description of the goods or services received.
- C. Solicit and document proposals for professional services in compliance with state law and city ordinances.
- D. Ensure all expenditures of city monies are a prudent use of public funds.
- E. Consider obtaining bond coverage for all individuals handling city monies.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *Review procedures independent from the individual that issues the checks have been initiated. Payroll expenses are submitted to the account payables*

- department and are reviewed by the City Administrator before being submitted to the Board for approval. Designated board members review vouchers detailing expenditures for account payables before issuing approval of vouchers.*
- B. Formal bidding procedures were established early in 1993. These procedures continue to be revised to promote uniform specifications comparison. Current ordinances are being reviewed for state compliance.*
 - C. Review of current contracts for services specifying dates of renewal has been completed. Requests for qualifications based selection bids will be submitted prior to contract renewals.*
 - D. They agree with the audit recommendation and believe a documented plan should be established before purchases are made.*
 - E. To comply with this recommendation, bonds have been obtained for all individuals who have access to city funds.*

3. Accounting Controls and Procedures
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- A. Accounting duties are not adequately segregated. The Treasurer prepares water and sewer bills, receives, records, and deposits payments and other receipts, prepares monthly reports and prepares the bank reconciliations. The Court Clerk and City Clerk can also receive and record monies. No one independent of the receipt process reviews the work performed by the Treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from preparing bills and recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between amounts billed, receipts, and deposits and an independent review of bank statements and bank reconciliations.

- B. It is unclear whether building, electrical, and plumbing permit fees are a tax or a user fee. A tax is a charge approved by a public vote. A user fee is a charge which covers specific costs incurred by the city and does not require a public vote. In June 2001, the board voted to increase the building, electrical, and plumbing permit fees without a public vote. The city uses a contractor to provide inspections to residents applying for the permits; however, the city does not track the costs of the inspections. Revenues generated by the building, electrical, and plumbing fees are not accounted for separately from general operations.

The Missouri Supreme Court, in its decision in *Beatty v. Metropolitan St. Louis Sewer District*, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

The city should clearly document whether these permit fees are considered user fees and how the fees are determined. In addition, the revenues and disbursements should be accounted for separately to ensure that charges do not exceed the costs of providing the services.

- C. City officials indicated the former Mayor coordinated a safe kids program held in August 1999. Cash and check donations were received for the program; however, there is no documentation retained by the city of the receipts and disbursements. We identified approximately \$156 in receipts deposited to the city general fund and disbursements totaling approximately \$660 which included approximately \$229 paid to the former Mayor.

To safeguard against possible loss or misuse of funds, complete documentation should be maintained to account for receipts and disbursements of various programs.

WE RECOMMEND the Board of Aldermen:

- A. Segregate the accounting duties of the Treasurer. At a minimum, there should be a documented, independent review of the reconciliations between amounts billed, receipts, and deposits and an independent review of bank statements and bank reconciliations.
- B. Request the City Attorney to review the present permit fees and determine whether they are or can be structured as a user fee, or if they should be put to public vote. Also, the board should ensure all permit fees comply with state law, do not generate excessive revenues, and should account for operations other than general activities separately.
- C. Ensure documentation is maintained to account for all receipts and disbursements.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *Development of standard operating procedures has been initiated for all positions. These procedures outline the segregation of receiving and depositing*

monies, preparing bills and recording receipts within the duties of individual positions. The City Clerk and City Administrator will review the Court Clerk and Treasurer records. Review procedures will be incorporated into individual position duties/descriptions.

- B. A review by the City Attorney determined the fees in question to be user fees. The Board of Alderman has instructed the current Public Works contractor to review the current charges for these fees to determine if they are appropriate for services provided.*
- C. A procedure has been implemented that requires the use of vouchers to ensure proper documentation for disbursements. In addition, signed receipts are provided for all monies received.*

4. Water and Sewer System

- A. Although the city had a rate study performed in July 2000 that concluded the fees were adequate; the city's independent audit report indicated disbursements of the water and sewer system exceeded revenues by approximately \$23,000 during the ten months ended December 31, 2000. The city needs to evaluate the two reports and determine the adequacy of the rates.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

- B. The city does not perform periodic reconciliations of total billings, payments received, and delinquent amounts for water and sewer services. Periodic reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made.

WE RECOMMEND the Board of Aldermen:

- A. Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing service and document the costs of operation of providing the service and necessary increases in rates.

- B. Perform periodic reconciliations of the amounts charged to amounts collected and delinquent accounts.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *The independent city audit for FYE 2000 indicated water and sewer expenditures exceeded revenues. The City has purchased a rate study program to review current rates in relation to costs and to determine the rates necessary to support current and future operations. This program will also allow the City to provide their customers documentation of the rationale behind the rates.*
- B. *Instruction has been provided to the Treasurer on reconciliation of billings, payments and delinquent amounts on water and sewer accounts. Periodic reconciliations will be incorporated into the Treasurer's standard operating procedures. Hard copies of documentation of reconciliations will be maintained on file.*

5. Community Oriented Policing Services (COPS) Grant

The city requests grant reimbursements under the COPS program based on estimated rather than actual disbursements. In 1997, the city began receiving federal assistance from the U.S. Department of Justice under the COPS Universal Hiring program to hire additional law enforcement officers. The city is required to provide 25 percent matching funds for this grant and is required to prepare quarterly reports of eligible grant disbursements. The quarterly reports show the total disbursements, local disbursements, and federal disbursements for the previous quarter, the current quarter, and a cumulative total for the grant period. During the quarter reviewed, the estimated salary and benefits claimed for one officer exceeded the actual amount paid in salary and benefits by approximately \$600.

The city should prepare complete and accurate records of all allowable salary and fringe benefit expenses and prepare and retain accurate quarterly financial status reports. The city should request reimbursement for only actual and allowable expenses incurred, less the required amount of matching funds, in accordance with the grant agreement.

WE RECOMMEND the Board of Aldermen prepare accurate quarterly financial reports for the COPS grants based on actual costs. In addition, the board should recalculate and correct prior reimbursement claims and repay any excess reimbursements.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated quarterly financial reports for the COPS grants, revised to include actual costs, will be submitted to the U.S. Department of Justice. Future reports issued will be based on actual costs. A review of reports submitted prior to the third quarter of 2001 is being completed to correct reimbursements received, if required.

6. Board Meetings and Ordinances

A. A review of closed meetings noted the following concerns:

1. Written minutes were not maintained for closed meetings prior to April 2000. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Aldermen.

Formal written minutes for closed meetings result in a better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.

2. Open meeting minutes did not always document the related vote to close the meeting and the specific reasons for closing the meeting.

Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo 2000, requires certain matters discussed in closed meetings to be made public upon final disposition.

3. Some items discussed by the Board of Aldermen in closed session, such as scheduling budget hearings, building a new city hall, approving the public works contract and discussions with a city developer, do not appear to be allowed under the provisions of the Sunshine Law.

Section 610.021, RSMo 2000, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters,

and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. Minutes from two Planning and Zoning meetings and one Board of Adjustments meeting were not available. To ensure compliance with open-meeting laws, minutes should be prepared for all meetings and be maintained and filed by the City Clerk.

Section 610.020 RSMo 2000, requires a journal or minutes be taken and retained of all open meetings of a public governmental body.

- C. The board minutes do not always adequately document matters discussed and actions taken. For example, the board minutes did not document the approval to hire the Court Clerk and Treasurer. Complete and accurate minutes provide an official record of board actions and decisions.
- D. City officials indicated that several former board members and officials took a day trip to Florida to view an example of a potential development. City officials indicated the city did not incur any costs related to the trip and no decisions were made; however, it appears the majority of board members were present which constitutes a board meeting subject to provisions of the open meetings law. No agenda was posted for this meeting and minutes were not maintained.

Section 610.010, RSMo 2000, indicates that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meetings law. While informal gatherings of a governmental body for ministerial or social purposes do not constitute public meetings, it appears the activity conducted on the trip should have been handled in a public meeting, including the requirement to post the meeting and the preparation of minutes documenting any actions taken or decisions made at the meeting.

- E. Salaries for the appointed officials and employees have not been established by ordinance as required by City Ordinance, Section 115.017. While the city establishes a budget ordinance each year which reflects salaries for the appointed officials and city employees, some salaries are not individually shown on the budget.

Compensation rates set by ordinance document the approved amounts to be paid and reduce potential misunderstandings regarding the amount of pay each elected and appointed city official and employee is to receive. In addition, ordinance hearings provide for public input and information concerning the salaries paid.

WE RECOMMEND the Board of Aldermen:

- A.1. Ensure written minutes are prepared for all closed meetings.
 2. Ensure minutes document the vote to go into closed session and state the reasons for going into closed session.
 3. Ensure only allowable, specified subjects are discussed in closed session as required by state law.
- B. Ensure minutes are prepared for all meetings and properly retained.
- C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- D. Ensure activity required to be conducted in open meetings is handled in accordance with the provisions of Chapter 610, RSMo.
- E. Establish by ordinance the salaries or pay rates and applicable terms of office for all officials and employees.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *With the appointment of a new City Clerk in August 2000 the following procedures were implemented.*
 1. *Current procedures provide that hard copies of closed meeting minutes be maintained in a confidential file by the City Clerk.*
 2. *Motions to close a meeting, roll call votes, and specific reasons for closing meetings are documented in the relative meeting minutes. Any action taken or decisions made during a closed session is documented within the general meeting minutes.*
 3. *The Mayor performs general policing of discussions relative to the closed session. The City Clerk will perform closer review of items requested for closed session.*
- B. *This irregularity has been corrected with the procedures developed by the current City Clerk.*
- C. *Ordinances have been adopted reflecting board approval to hire the Court Clerk and Treasurer. Complete and accurate minutes are kept in hard copy, backed up on computer diskette, and stored in the City Clerk's office.*

- D. *They accept this recommendation. All meetings are posted in compliance with Chapter 610.*
- E. *Line items establishing salaries for appointed officials and employees will be incorporated into the budget process. The City currently has ordinances establishing positions and pay. These ordinances will be adopted on an annual fiscal year end basis.*

7.

Budget Procedures

- A. The budgets for the year ended December 31, 2001, and the ten months ended December 31, 2000, did not include a budget message, beginning and ending resources available, and the prior two years actual amounts. In addition, Peace Officer Standards and Training Commission Fund and Judicial Education Fund monies were budgeted with the General Fund and a budget was not prepared for the Local Use Tax Fund. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. For the ten months ended December 31, 2000, the city's actual expenditures exceeded the amounts budgeted for the General Fund and the Water and Sewer Fund. The board receives a budget to actual report of expenditures monthly but does not adequately monitor the balances throughout the year. The board approved a budget amendment in May 2001 to agree budgeted revenues and expenditures to actual amounts. It appears the amendments were made for statutory compliance only and circumvented the intended use of the budget as a management tool.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 2000, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 2000, provides that no expenditure of public monies shall

be made unless it is authorized in the budget. The Board of Aldermen should require that timely budget to actual comparisons are received and reviewed and budget amendments passed prior to approving expenditures.

- C. The amended budgets for the year ending December 31, 2001, and the ten months ended December 31, 2000, estimate expenditures to equal the beginning resources available plus budgeted revenues.

Such a practice results in an inaccurate statement of the city's financial position. For the budgets to be of maximum assistance to the Board of Aldermen and the general public, reasonable amounts should be shown for revenues, expenditures and fund balances.

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Ensure expenditures for individual funds do not exceed the amounts approved in the budget. Any necessary amendments should be made prior to the expenditures.
- C. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that a reasonable estimate of the city's financial position is presented.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *They accept this recommendation. The budget for the current fiscal year has been revised to contain all necessary information required by state law. Future budgets will include a budget message, beginning and ending resources available, and two years prior actual amounts. Separation of specific funds mentioned will help establish a more complete financial picture.*
- B. *The City Treasurer has developed a financial report that lists budget and actual revenues and expenditures to date to be submitted on a monthly basis to the Board of Alderman alerting the board of potential short falls.*
- C. *Future budgets will reflect closer estimation of expenditures to resources available as recommended.*

8.**Fixed Asset Procedures**

- A. The general fixed asset list is not kept up to date and some purchases and dispositions were not included on the list. In addition, the city does not perform physical inventories and does not tag or otherwise identify the fixed assets as property of the city.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and reconciled to purchases annually. Complete and accurate general fixed asset records are necessary to ensure better internal control over city property and provide a basis for determining proper insurance coverage required on city property. Physical inventories are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. In addition, all property items should be identified with a tag or similar device.

- B. The city does not have adequate procedures for the disposal of fixed assets. Currently, City Ordinance Section 115.150 indicates personal property may be sold only with board approval but it does not indicate procedures for the disposal of items that are not sold. We noted items that were donated to a church or thrown away without documentation of board approval.

The city should establish a formal policy regarding the disposal of fixed assets. Documentation should be maintained of the approval and disposition of each item.

- C. The city has three police cars, two motorcycles, and one truck. Daily usage logs are maintained for the two police vehicles used only for patrolling; however, mileage or usage logs which document vehicle usage are not maintained for the motorcycles, truck and one police vehicle used for commuting and patrolling purposes.

Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

WE RECOMMEND the Board of Aldermen:

- A. Ensure all general fixed asset purchases and dispositions are recorded as they occur and perform a physical inventory to ensure general fixed asset records are complete and accurate. In addition, items should be tagged or identified as city-owned property upon receipt.
- B. Establish adequate procedures for the disposal of fixed assets.
- C. Maintain complete and accurate mileage, usage, and maintenance logs for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *They accept this recommendation and have developed a fixed asset list. All materials of the City have been tagged and documented on this list. Procedures have been established that require individual departments to prepare inventory lists on an annual basis to be submitted during budget review.*
- B. *Property disposal forms have been developed for property of value in excess of \$50. Approval by the Board of Alderman for disposal and removal from the fixed asset list will be included in the procedures for the fixed asset listing. The City Treasurer will maintain this list.*
- C. *Usage logs currently being used in the police cars have been duplicated and placed in the remaining city vehicles.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.