



Susan Montee, JD, CPA  
Missouri State Auditor

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# Platte County Public Water Supply District #6



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January 2010  
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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

January 2010

The following findings were included in our audit report on the Platte County Public Water Supply District #6.

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The district has not performed a formal review of water rates for several years. The district increased water rates 15 percent in February 2009 and 20 percent in December 2007. There is only limited documentation to support the February 2009 rate increase, and there is no documentation to support the Board's decisions or justification for the December 2007 rate increase. At April 30, 2009, the district had a cash balance of approximately \$890,000. This balance was not taken into consideration when setting rates and a formal capital improvement plan had not been developed. While two different studies have been performed detailing improvements to the system and water tower, few of these improvements have actually been performed. In addition, monthly reconciliations of total billings, payments received, and amounts remaining unpaid for water services are not performed and water services are not always shut off in accordance with district policy when customer accounts are delinquent.

The district does not have a formal procurement policy. Several disbursements were made without soliciting competitive bids or proposals including: water line maintenance (\$11,005), legal fees (\$4,951), water tank evaluation (\$4,951) and lawn mowing and snow removal (\$3,192). Additionally, in December 2008, a capital improvement project costing approximately \$5,300 was awarded to the same contractor who has the maintenance contract with the district. The work was billed to the district at the same hourly rate for labor and equipment usage as for regular maintenance, rather than determining the scope of the project and bidding or requesting proposals for a contract price.

Adequate reviews of employees' daily attendance records were not always performed by the former District Manager or the Board and the former District Manager received an in district travel allowance in addition to being reimbursed for actual miles driven while performing water district business. In addition to the annual mileage allowance of \$240, the former District Manager received approximately \$895 for mileage reimbursements incurred during the normal course of business during 2008. The former District Manager also cleaned the office for additional compensation and the income was not reported on her W-2 form and was not subject to tax withholdings. Bonuses were paid to office staff in December 2008 and 2007 totaling \$1,000 and the district did not prepare IRS Forms 1099 for two vendors in 2008.

The district needs to improve its procedures for preparing minutes and documenting matters discussed in meetings. Board meeting minutes are signed by the preparer but are not signed by the Board President to indicate approval, and meeting minutes did not always contain sufficient detail of matters discussed and actions taken. The water district

YELLOW SHEET

has adopted a policy regarding public access to water district records; however, the policy states that 15 cents is to be charged for each page copied, which does not comply with state law. Additionally, reasons cited in open meeting minutes for closing meetings are not always the actual topics discussed in closed session.

District procedures related to processing receipts and bank reconciliations are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated, monies received are not always deposited intact or in a timely manner, and checks are not restrictively endorsed immediately upon receipt. In addition, the district has not established procedures to routinely follow up on outstanding reconciling items included on the bank reconciliations.

While budgets are prepared and adopted, they do not contain all elements required by state law and are not adopted prior to the beginning of the fiscal year.

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PLATTE COUNTY PUBLIC WATER SUPPLY DISTRICT #6

TABLE OF CONTENTS

		<u>Page</u>
STATE AUDITOR'S REPORT .....		1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS .....		4-18
<u>Number</u>	<u>Description</u>	
1.	Water System Controls and Procedures .....	5
2.	Disbursements.....	8
3.	Payroll.....	10
4.	Meeting Minutes and Public Records.....	13
5.	Accounting Controls and Procedures .....	15
6.	Budgets .....	18
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....		19-20

STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the Board of Directors  
Platte County Public Water Supply District #6

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Platte County Public Water Supply District #6. The district engaged Karlin and Company, PC, Certified Public Accountants (CPA), to audit the water district's financial statements for the years ended April 30, 2009 and 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended April 30, 2008. The audit for the year ended April 30, 2009, was not yet complete at the time of our audit. The scope of our audit included, but was not necessarily limited to, the 2 years ended April 30, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the water district's internal controls over significant management and financial functions.
3. Evaluate the water district's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the water district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the water district's management and its audited financial report and was not subjected to the procedures applied in our audit of the water district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Platte County Public Water Supply District #6.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA, CIA, CGFM  
Audit Manager: Todd M. Schuler, CPA  
In-Charge Auditor: Rex A. Murdock, M.S.Acct.

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



PLATTE COUNTY PUBLIC WATER SUPPLY DISTRICT #6  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Water System Controls and Procedures**

The district has not formally reviewed water rates for several years and has not developed a formal capital improvement plan. Additionally, other control weaknesses were identified that should be addressed. At April 30, 2009, the district had a cash balance of approximately \$890,000.

- A. The district has not performed a formal review of water rates for several years. The district increased water rates 15 percent in February 2009 and 20 percent in December 2007. There is only limited documentation to support the February 2009 rate increase, and there is no documentation to support the Board's decision or justification for the December 2007 rate increase. The district does not take the cash balance into consideration when setting rates and has accumulated a considerable cash balance. Formal rate studies should be performed periodically when rate increases are considered and these studies should take into account the amount of available cash in the bank, as well as capital improvement cost estimates.

Without a current cost study to support the rates charged for water services, it is unclear whether the rates assessed for these services are set at an appropriate level. Water fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level that results in excessive balances. The district should perform and document a detailed review of its water costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits. Any rate studies performed in the future should incorporate capital improvement plans and the available cash balance.

- B. The district has not developed a formal capital improvement plan.
- The district obtained an engineering study in May 1997, which documents recommendations for improving the water system; however, cost estimates for these improvements were not included in the study.
  - The district obtained an evaluation and recommendations for improvements to the water tower from a contractor in October 2007. The evaluation indicated the minimum to maintain the water tower from an operational standpoint to be approximately \$121,000, with a maximum cost of all recommendations of approximately \$375,000.

The former district manager said very few of the improvements recommended in the 1997 study have been performed since the Board wanted to accumulate cash to pay for the project without issuing debt. None of the water tower improvements recommended in 2007 have been performed. The district did provide some informal plans and cost estimates for some other planned improvements, but a formal capital improvement plan has not been developed. The district should consider updating the engineering study before preparing a capital improvement plan.

Formal capital improvement plans serve as a useful management tool and provide greater input into the overall budgeting process. Plans provide a means to continually and more effectively monitor and evaluate the progress made in the repair, maintenance, and improvement of the water district's system throughout the year.

- C. The district does not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for water services. Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any error or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made and to facilitate independent reviews.
- D. Water services are not always shut off in accordance with district policy when customer accounts are delinquent. Water bills are to be issued by the fifth day of the month. Bills are due on the sixteenth day of each month and failure to pay by the twenty-sixth day of the month shall result in the disconnection of water services. Test work revealed 11 of 12 (92 percent) unpaid accounts reviewed that were subject to disconnection during July 2007 were not shut off as provided by district policy and 3 of those accounts were still delinquent after 30 days.

To reduce delinquencies, ensure delinquent accounts are properly handled, and ensure equitable treatment of all customers, the water district should be consistent in the shut off procedures for customers whose water bills are delinquent.

**WE RECOMMEND** the Board of Directors:

- A. Perform and document formal reviews of water rates periodically, which include current capital improvement costs, to ensure revenues are sufficient to cover all costs of providing these services and to support any rate increases.
- B. Prepare a formal capital improvement plan for the water system at the beginning of the year and periodically update the plan. The Board should review the progress made to the water system to make appropriate decisions on future projects.

- C. Require a control ledger be maintained and a monthly reconciliation performed of the amounts billed to amounts collected and delinquent accounts.
- D. Ensure water shut-off procedures are performed in accordance with district policy.

**AUDITEE'S RESPONSE**

*The Board of Directors provided the following written responses:*

- A. *At the February, 2009 meeting of the Board it passed a motion to review the rate increase in six months, but that has not been done because the Board deemed it best to wait until your audit was complete. Within the next 60 days such a review will be conducted but any change in the present rates will depend largely on necessary maintenance and improvements in the District. The Board is currently contacting its engineers about such recommendations.*
- B. *Our attorney has addressed the amount of unrestricted cash held by the District. Upon completion of the engineering study the Board believes that an improvement plan can then be decided upon in conjunction with the annual budget process. Once that is accomplished the District is prepared to move forward with a formal plan, allowing ample reserves for unexpected major maintenance in a system now over 40 years old.*
- C. *As part of the monthly Board meeting, the prior month's total billing, total amount collected, and delinquent accounts will be presented to the Board. After which a monthly follow up to the previous month's information will be compared.*
- D. *District water policy "shut-offs" shall be revisited by the Board to either ensure compliance, or the Board will change the policy.*

*The District's Attorney provided the following written statement to the Board:*

- B. *The Board, in my opinion, does not have excess reserves. The Board is operating a system that is approximately 40 years old and while no formal plans have been formulated for improvements or updating the system at this time, except one project that is soon to be undertaken, I see no legal reason that it is required to take action other than to carry out its duties under Chapter 247 RSMo. In over 40 years in which I have been legal counsel for numerous districts, I have not seen any litigation relative to the question of excess reserves or increases in rates, except disputes about increases made by wholesalers where districts are purchasers. I know of no actions filed by water users against a district on the reasonableness of rates. The water tower is due for maintenance. The age of the system could cause considerable expense. The District's water supplier, Missouri American, will probably seek more increases in the next few years. If an emergency arises and the district does not have adequate funds to meet it, then it would have a serious problem in that districts can only borrow money by issuing bonds approved by the voters. A district has no other borrowing authority. Another of*

*the practical reasons for maintaining substantial reserves is that it avoids the cost of elections to pass the necessary special obligation bonds in order to make improvements. This oftentimes requires additional rate increases. If all, or much of the expense of improvements come from reserves, substantial interest savings can be had.*

*I represent a number of districts that have comparable reserves. Everything considered, I believe the Board has acted reasonably and prudently in accumulating its reserves.*

*The audit report recommends a rate study and a plan for future improvements. I know that this has been discussed and I would advise the Board to go forward with it and determine what needs to be addressed, always keeping in mind prudent use of the funds of the district.*

**2.**

**Disbursements**

The district does not have a formal procurement policy. The district's informal policy requires bids for purchases greater than \$50,000 in services. As a result, the decision of whether to solicit competitive bids/proposals for a particular purchase is made on an item-by-item basis. We identified the following disbursements made without soliciting competitive bids or proposals:

Water line maintenance	\$ 11,005
Legal fees	4,951
Water tank evaluation	4,951
Lawn mowing and snow removal	3,192
Audit fees	2,550

Additionally, in December 2008, a capital improvement project costing approximately \$5,300 was awarded to the same contractor who has the maintenance contract with the district. The work was billed to the district at the same hourly rate for labor and equipment usage as for regular maintenance, rather than determining the scope of the project and bidding or requesting proposals for a contract price.

Formal procurement procedures would provide a framework for the economical management of resources of the water district and help ensure the water district receives fair value in its contracts, as well as help ensure all parties are given an equal opportunity to participate in the business of the water district. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. No matter which approach is used, complete documentation should be maintained of all bids/proposals received and reasons noted why the bid/proposal was selected.

**WE RECOMMEND** the Board of Directors establish formal procurement policies and procedures, including documentation requirements regarding the bids or proposals received and justification for the vendor selected.

## **AUDITEE'S RESPONSE**

*The Board of Directors provided the following written responses:*

*This pertains to the procurement policy of the District. Under Section 247.050 RSMo the Board has discretion in whether to require bids or proposals on an item – by – item basis. The following were mentioned in the audit:*

*Water line maintenance. This is done on an independent contract basis and the Board in choosing the person or entity considers such matters as competence, availability, equipment and cost. We believe the amounts being paid are reasonable and commensurate with such charges made to other districts.*

*Legal fees. The District has retained the same attorney since its organization some 40 years ago. We believe his fees are reasonable. He receives no monthly retainer and bills on an hourly basis. He represents numerous other districts, as well as being counsel for the Missouri Rural Water Association.*

*Water tank evaluation. This is much like the water line maintenance and the Board believes it is best served by following the same principle as choosing maintenance personnel.*

*Lawn mowing and snow removal. The Board has ascertained that the prices being paid by it are within a reasonable range and availability and prompt service are very important.*

*Audit fees. We believe the fees we are paying are commensurate with those being paid by other districts and the auditor employed by this District has considerable experience in auditing public water supply districts, which we consider important.*

*In summary, we do not think the District would be well served by putting any of these items out for bid or proposals. In the case of bids, the lowest bid is not always the best bid. In the case of proposals, they in essence are another form of bidding and the Board at this time believes that exercising its judgment for the reasons stated above best serves the District. All of the above services are subject to cancellation by the Board at any time, while bids and proposals are usually based upon a contract for a certain period of time. Therefore we see no need to change our policy in this regard.*

*As to the \$5,300.00 project performed by the maintenance contractor at the same rates, the cost of advertising for bids and the time spent in securing bids for a \$5,300.00 project would in our opinion be wasteful. Also, we know the quality of the work done by the contractor and believe that the price was reasonable. His knowledge of the system was also an important consideration. Retaining him, instead of another independent contractor is also advantageous in that if there is a problem with the work or material there is no question of who is responsible.*

Adequate reviews of employees' daily attendance records were not always performed, mileage allowances for in district travel were not handled appropriately, and additional services performed by employees are not adequately tracked and reported. Additionally, water district office staff received bonuses in December 2008 and 2007, and Forms 1099 were not always filed with the Internal Revenue Service (IRS) when required.

- A. Adequate reviews of employees' daily attendance records were not always performed by the former District Manager or the Board. Daily attendance records were prepared by two employees and the former District Manager, but actual hours worked were not accurately recorded, and it appears some days were paid as holidays which were not approved by the Board. On August 29, 2008, which was the Friday before Labor Day weekend, both the former District Manager and the former clerk show a holiday on their timesheet. The personnel manual and meeting minutes do not indicate the Friday before Labor Day was a board approved holiday. When questioned about this day, the former District Manager indicated she worked a full 7 hours this day and the former clerk indicated she worked ½ day, but both were paid for a full day's work and no accrued leave was used by either. Also, both the former District Manager and former clerk took December 26, 2008, off as a paid holiday rather than using accrued leave, although the minutes indicate this day was not approved as a holiday by the Board. Additionally, on several daily attendance records for the former District Manager, compensatory time earned or taken did not agree with hours recorded.

To ensure employees are paid correctly and time worked is accurately recorded on daily attendance records, procedures for an independent review of daily attendance records should be adopted.

- B. Mileage reimbursements to the former District Manager for in district travel were not handled appropriately and mileage allowances were not properly reported to the IRS for some employees. The former District Manager received an in district travel allowance in addition to being reimbursed for actual miles driven while performing water district business. The district paid board members, the Treasurer, and the former District Manager a mileage allowance of \$240 each year during 2009 and 2008. This allowance is intended to cover in district travel. In addition, while board members are required to submit monthly mileage sheets to support the mileage allowance, no mileage sheets were submitted by the Treasurer or former District Manager and these allowances were not reported on the W-2 forms for the Treasurer or former District Manager. In addition to the annual mileage allowance, in 2008 the former District Manager received approximately \$895 for mileage reimbursements incurred during the normal course of business. These reimbursements were supported by appropriate documentation. In September 2008, the former District Manager repaid \$240

when it was brought to the attention of the Board that she had received both the allowance and reimbursement.

The IRS specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. Therefore, these allowances should be considered gross income and reported on the W-2 forms for the Treasurer and former District Manager. Allowances for in district travel should not be paid to employees who are also reimbursed for actual miles driven.

- C. The former District Manager cleaned the district office for additional compensation and the income was not reported on her W-2 form and was not subject to tax withholdings. During 2008, the former District Manager was paid \$340 for office cleaning services. The former District Manager did not document the time required to clean the office on her monthly timesheet, and since no record of time spent cleaning was maintained, it is unclear whether any overtime pay was required for this work under the Fair Labor Standards Act of 1938 (FLSA). Apparently, the former District Manager had been paid \$25 per month for cleaning for the past several years. In October 2008, the Board approved increasing the amount to \$45 per month. This increase occurred a month after the travel allowance of \$240 was reimbursed by the former District Manager (see part B) and the timing of the increase appears to be additional compensation for the returned mileage allowance.

All compensation received by employees of the district should be reported on the employee's W-2 form. In addition, documentation of time spent should be prepared and reviewed to support all compensation and to ensure compliance with the FLSA.

- D. The district approved and paid bonuses to office staff in December 2008 and 2007 totaling \$1,000. The former District Manager received \$300 each year and both part-time clerks received \$200 in December 2008.

The bonuses appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72, 1955 to Pray, which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- E. The district did not prepare IRS Forms 1099 for two vendors in 2008. The former District Manager said one vendor had contacted the district to request a Form 1099 for 2008. At our request, the district prepared a transaction list by vendor and identified another vendor that also should have received a Form 1099 for compensation paid in 2008. District payments to these two vendors were \$1,843 and \$3,636.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Form 1099.

**WE RECOMMEND** the Board of Directors:

- A. Adequately review, and document the review of, daily attendance records for accuracy.
- B. Require individuals to submit itemized mileage expense reports or report the mileage reimbursements as compensation to the IRS and discontinue paying a mileage allowance to employees who are reimbursed for actual miles driven.
- C. Ensure all compensation paid to employees is processed through the payroll system, and employee's W-2 forms are amended. In addition, the Board should ensure extra duty contracts or documentation of time spent is prepared and reviewed to support all compensation paid to district employees.
- D. Discontinue granting bonuses to employees.
- E. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the IRS.

**AUDITEE'S RESPONSE**

*The Board of Directors provided the following written responses:*

- A. *The Board president is now checking and stamping all time sheets approved and initials each one. The personnel manual referred to was never formally approved but the Board has forwarded it to the attorney for examination and will take action on it after securing the attorney's comments and making a final review.*
- B. *The Board will adopt your recommendation to require individuals to submit itemized mileage expense reports or report the mileage reimbursements as compensation to the IRS and discontinue paying a mileage allowance to employees who are reimbursed for actual miles driven.*
- C. *Additional compensation paid to employees will be processed through the payroll system and reflected on such employee's W-2 form. Any extra duty performed by an employee will be documented and the time spent will be shown on the employee's time records.*
- D. *Bonuses will no longer be paid to employees.*
- E. *The Board has discussed with the District manager the issuance of IRS Form 1099 where appropriate and she has started a 1099 Word document listing all outside personnel that*



*receive more than \$600.00. The document will be reviewed periodically to insure no person who is required to receive a 1099 has been omitted.*

**4.**

#### **Meeting Minutes and Public Records**

The district needs to improve its procedures for preparing minutes and documenting matters discussed in meetings. Additionally, the amount charged by the district for duplication of records requests exceeds the amount allowed by the Sunshine Law, and the district discussed topics in closed meetings that differed from the stated reasons for closing the meetings.

- A. Board meeting minutes are signed by the preparer but are not signed by the Board President to indicate approval. The minutes should be signed by a member of the Board upon approval to indicate the minutes have been reviewed and accurately reflect the discussions held and actions taken in the meeting.
- B. Board meeting minutes did not always contain sufficient detail of matters discussed and actions taken. Because of the lack of detail, it is difficult to determine if all votes and actions taken by the Board of Directors were adequately documented and recorded. For example, no vote was documented regarding the appointment of a Board member in January 2009.

Section 610.020.7, RSMo, requires minutes of open and closed meetings to be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of Board actions and decisions.

- C. The water district has adopted a policy regarding public access to water district records; however, the policy states that 15 cents is to be charged for each page copied, which does not comply with state law. In addition, the policy did not establish a contact person with the district for accessing public records.

Section 610.026, RSMo, indicates that the fees for copying public records shall not exceed 10 cents per page for a paper copy not larger than 9 by 14 inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. Section 610.023.1, RSMo, requires the district establish a person to contact and an address to mail requests for access to records.

- D. Reasons cited in open meeting minutes for closing meetings are not always the actual topics discussed in closed session. On February 5, 2008, the Board closed the meeting and cited Section 610.021(1) and (2), RSMo, which are for legal discussions and real estate transactions. Amendments to an existing contract and

employee evaluations were the topics discussed. The correct citation to discuss employee evaluations was not disclosed in the open meeting minutes.

Section 610.022, RSMo, 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 the Board 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, lists the topics which may be discussed in closed session.

**WE RECOMMEND** the Board of Directors:

- A. Ensure the minutes are signed by the preparer and a Board member to attest to their completeness and accuracy.
- B. Ensure detailed minutes of all meetings are prepared and retained.
- C. Ensure fees for record requests are charged in accordance with state law and establish a contact person with the district for accessing public records.
- D. Ensure topics cited for closing meetings agree to actual topics discussed during closed meetings.

**AUDITEE'S RESPONSE**

*The Board of Directors provided the following written responses:*

- A. *The President will sign the minutes in the future. See the attorney's opinion on this subject.*
- B. *See the attorney's opinion on the requirements of the Sunshine Law relative to board minutes. The Board will comply with the Sunshine Law in this respect.*
- C. *See the attorney's opinion on this subject and his recommendations, which the Board will implement.*
- D. *The manager of the District has discussed the proper procedure for giving notice of a closed meeting with the attorney and consults him at any time she has questions concerning proper notice. As noted in the attorney's opinion the Board will enact a policy as part of its Rules and Regulations that it is the policy of the District to follow the Sunshine Law and that appoints the Clerk as the contact person for accessing public records. We believe this may have been done many years ago but rather than search the minutes it will be simpler to reenact the provision.*

*The District's Attorney provided the following written statement to the Board:*

*I concur in 4 A, though I do not consider it absolutely essential, but advisable.*

*In 4 B it was noted that minutes did not always contain sufficient detail of matters discussed and actions taken. Section 610.020.7 RSMo. states the requirements for minutes:*

*"7. A journal or minutes of open and closed meetings shall be taken and retained by the-public governmental body, including but not limited to a record of any votes taken at such meeting. The minutes shall include the date, time, place, members present, members absent and a record of each "yea" and "nay" vote or abstinence if not voting to the name of the individual member of the public governmental body."*

*Section 610.015 RSMo. requires all votes in a closed meeting be by roll call. These are the basic requirements for minutes and if met the minutes meet the Sunshine requirements in my opinion. Additional information may be added at the discretion of the Board, which in some cases may be advisable. For example, minutes should create a record to justify proper closure of a meeting under Section 610.021 RSMo. While detailed minutes are not essential, in minutes of a closed meeting it would be advisable to recite that no other subjects than that for which the notice of the meeting stated to be the purpose of the meeting were discussed. The Board needs to be aware that while closed minutes are protected by the Sunshine Law the courts have nevertheless allowed such minutes to be discovered where there is litigation, subject to the court redacting privileged portions. That means that in some situations detailed minutes could expose Board members to personal litigation. Therefore my advice, along with a number of other experienced attorneys in water district law, has been to confine the minutes to required and basic information only.*

*In paragraph 4 C the audit is correct in stating that copy costs are ten cents per page and in addition the district may charge for the time used by the personnel of the district, based upon the average wage paid all clerical workers who perform such service. However, unless this entails a substantial amount of time my recommendation is to not make any charges, including for copies, unless they are numerous. I would suggest that this policy be reenacted by the district using the suggested form in the current Sunshine Law booklet published by the Missouri Attorney General.*

*As to section 4 D I concur that the reasons for closing a meeting should be in conformity with Section 610.021 RSMo. and with the suggestions made relative to Section 610.022 RSMo. I have discussed these matters with the Clerk so the necessary procedure can be followed.*

**5.**

## **Accounting Controls and Procedures**

District procedures related to processing receipts and bank reconciliations are in need of improvement. The district receives approximately \$305,000 annually in water receipts and tower rental income.

- A. Cash custody and record-keeping duties have not been adequately segregated. Currently, both the District Manager and clerk collect monies, record transactions, prepare deposits, and prepare bank reconciliations. There are no documented reviews by the Board of the accounting duties performed by the District Manager.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monies received are not always deposited intact or in a timely manner and checks are not restrictively endorsed immediately upon receipt. Monies are normally collected each business day, and while checks and money orders received are typically deposited timely, cash receipts are normally only deposited on Fridays. A cash count performed on March 9, 2009, included over 5 working days of undeposited cash collections, totaling approximately \$308. While checks included in our cash count were deposited on March 10, 2009, cash included in our cash count was not deposited until March 13, 2009. Additionally, checks and money orders from our cash count were not restrictively endorsed immediately upon receipt. Deposits made on February 25, 2008, totaled \$562 and contained over 16 working days of cash collections.

The district indicated cash receipts are not deposited with other collections, but are added to the petty cash fund so additional cash is available to make change for customers. If the district believes more cash needs to be on hand to make change for customers, the petty cash fund should be increased and used for change in addition to petty cash purposes. The fund should be set at an established level and funded on an imprest basis, which would allow cash receipts to be deposited intact on a timely basis.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be recorded and deposited intact daily and checks and money orders should be restrictively endorsed immediately upon receipt.

- C. The district has not established procedures to routinely follow up on outstanding reconciling items.

- Included in the February 28, 2009, bank reconciliation for the operating account, there were nine old outstanding checks totaling \$454. The checks ranged from December 2007 to as far back as July 2006.
- Included in the February 28, 2009, bank reconciliation for the revenue account, there were three deposits in transit totaling approximately \$37. The deposits ranged from October 2006 to November 2007. District personnel indicate they believe these outstanding deposits are caused by

incorrect amounts posted to the system in the past that have never been corrected.

Old outstanding reconciling items create additional and unnecessary record keeping responsibilities. Procedures should be established to routinely investigate any checks or deposits remaining outstanding over a specified period of time. Payees should be contacted and old outstanding checks should be voided and reissued if necessary. If the payees cannot be readily located, the amount should be disbursed to the State Treasurer's Unclaimed Property Section as required by Sections 447.500 through 447.505, RSMo.

**WE RECOMMEND** the Board of Directors:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Deposit all monies intact on a timely basis and restrictively endorse checks and money orders immediately upon receipt. In addition, the Board should consider converting the petty cash fund to a change/petty cash fund and maintain it on an imprest basis.
- C. Establish procedures to investigate checks or deposits outstanding for a considerable time. If the payees cannot be located, the payments should be distributed in accordance with applicable state law.

**AUDITEE'S RESPONSE**

*The Board of Directors provided the following written responses:*

- A. *The Board reconciles the operating revenue fund on a monthly basis. Board members review the monthly ledger that QuickBooks provides. It is compared with the ledger to the deposit tally from the bank statements. If discrepancies are found they are reported to the office manager. Problems are immediately corrected by the office manager but to date have been of a minor nature. Should a major problem be discovered the Board will take action to solve it.*
- B. *The Board has instructed the manager that your recommendation in Paragraph 5. B. be adopted and that procedure is being followed. The Board also will authorize regular petty cash checks at each board meeting to insure there is adequate change on hand and replenish it at the following meeting from time to time on an as needed basis, but no more than \$200.*
- C. *The Board has consulted with its auditor, Karlin & Co., to establish procedures to investigate checks or deposits outstanding for a considerable time. Payments will be distributed in accordance with the applicable state law when payees cannot be located as provided in such law.*

While budgets are prepared and adopted, they do not contain all elements required by state law and are not adopted prior to the beginning of the fiscal year. The budgets prepared for the years ended April 30, 2009 and 2008, did not contain a budget message, actual receipts and disbursements for the two preceding budget years, or beginning and ending cash balances. The budgets included only budgeted beginning and ending cash balances, and budgeted receipts and disbursements. In addition, the budgets for the years ended April 30, 2009 and 2008, were not adopted until after the beginning of the respective year.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual budget. A complete budget should include separate receipt and disbursement estimations by fund, 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 receipts and disbursements for the two preceding years. In addition, Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific funding expectations for the district's operations, and a means to effectively monitor actual costs by periodically comparing budgeted to actual expenditures. It will also assist in setting water rates and informing the public about water district operations and current finances.

**WE RECOMMEND** the Board of Directors prepare annual budgets which contain all information required by state law, and approve budgets prior to the beginning of the water district's fiscal year.

#### **AUDITEE'S RESPONSE**

*The Board of Directors provided the following written response.*

*The Board has consulted with Todd Karlin, its auditor, and we concur with your recommendation that annual budgets contain all information required by State law, and the budgets should be approved prior to the beginning of the Water District's fiscal year. This procedure will be followed effective with the next budget period.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

PLATTE COUNTY PUBLIC WATER SUPPLY WATER DISTRICT #6  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Platte County Public Water Supply District #6 was incorporated in 1965 and serves approximately 750 residential customers.

The Board of Directors consists of five members who serve 3-year terms. The Board elects a President and Vice-President from the Board membership and appoints a District Manager and Treasurer. The Board members serve without compensation. The Board of Directors and other principal officials during the 2 years ended April 30, 2009, are identified below:

<u>Elected Officials</u>	<u>Date of Service During the 2 Years Ended April 30, 2009</u>	
Ron Fagan, President	May 2007 – April 2009	
Jack Brunjes, Vice President	May 2007 – April 2009	
Jon Baker	May 2007 – April 2009	
Dennis Gergick (1)	May 2007 – November 2008	
Mike Sirridge	January 2009 - April 2009	
Julie Parnell	May 2007 – April 2009	

  

<u>Other Principal Officials</u>	<u>Dates of Service During the 2 Years Ended April 30, 2009</u>	<u>Compensation Paid for the Year Ended April 30, 2009</u>
Doti Brown, Treasurer	May 2007 – April 2009	\$ 0
Pat Wessol, District Manager (2)	May 2007 – April 2009	50,020

In addition to the officials identified above, the district employed one part-time clerical employee and one part-time meter reader.

(1) Dennis Gergick died in November 2008. In January 2009, Mike Sirridge was appointed to finish the remainder of this term.

(2) Retired in April 2009 and Melissa Link was appointed District Manager.