



Thomas A. Schweich

Missouri State Auditor

City of Pine Lawn



June 2011
Report No. 2011-29

<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Pine Lawn

Background	The Missouri State Auditor's Office has been petitioned by the citizens of Pine Lawn to audit the city four times in the last 17 years. Of the 29 recommendations reported in 2006 (Report no. 2006-082) for the city, only 13 were fully implemented. Multiple recommendations in this report are repeated from previous audit reports issued by our office.
Financial Condition	The General Fund and Trash Fund are in poor financial condition, and citizens could suffer the loss or reduction of some services. The city regularly transfers money from the General Fund to cover Trash Fund shortages, and the General Fund is still repaying a loan from the Capital Improvement Fund. The city is often late paying its trash vendor and paid \$6,700 in late fees from January 1, 2009, to March 1, 2011. In February 2011, the city had a past due balance with its trash vendor of \$87,225. A similar condition was noted in the 2006 audit.
Trash Services	The city does not charge enough for trash services to cover operating costs and is not adequately pursuing delinquent customer accounts. At the current user rate, the city pays \$181,200 a year more for trash service than it would receive if all citizens paid their bills on time. Adding to the problem, as of January 4, 2011, the city is owed \$1.4 million by 799 delinquent trash customers (63% of all trash accounts). The city's failure to adequately pursue delinquent trash accounts has been noted in audit reports at least as far back as 1994. The city must increase trash rates and/or decrease the cost of providing trash service and diligently pursue delinquent customer accounts or this situation will continue to worsen.
Budget Procedures	<p>The city needs to improve its budgeting procedures. For fiscal year 2010, the city overspent its General Fund budget by \$309,768, the majority of which was due to the police department overspending its budget by \$255,855. If the Board of Aldermen regularly reviewed budget to actual statements, it could better control such overspending.</p> <p>Instead of preparing a new budget for fiscal year 2010, the Board just used the fiscal year 2009 budget, which was not approved until 5 months after the fiscal year began. Moreover, no budget was prepared for any city funds other than the General Fund. The budget did not include many of the elements required by state law, such as beginning and ending cash balances and actual receipts and disbursements for the 2 preceding years. The 2000 and 2006 audits noted similar deficiencies.</p>
Closed Meetings	The city often fails to document compliance with the Sunshine Law. Open meeting minutes do not always reflect a roll call vote to go into closed session and/or the specific reasons for closing the meeting. Similar concerns were noted in the 2000 and 2006 audits.

City Procedures

The city needs to improve its procedures and records for city property. Some departments do not maintain a list of assets, while others have incomplete or outdated lists, many assets are not tagged, and documented annual physical inventories are not performed, leaving city assets susceptible to theft or misuse. Although state law requires city contracts to be in writing, the city does not have written contracts with some of its service providers, such as attorneys, payroll services, and collectors of electronic fines and court costs. The city also did not maintain adequate documentation to show that bids were obtained for over \$160,000 in purchases.

The city should consider obtaining regular audits to help with monitoring the city's financial condition and ensuring the propriety and accuracy of financial transactions. The city should adopt a written travel policy which explains acceptable travel expenses and the documentation required for reimbursement. The city should also maintain fuel and usage logs for equipment and vehicles. For fiscal year 2010, the city purchased \$71,000 of fuel, but there is insufficient documentation to determine whether the miles driven were reasonable, all the fuel was used for city purposes, or the city received all the fuel for which it was charged.

Payroll and Fringe Benefits

The city paid salary advances to employees and aldermen in violation of the Missouri Constitution. The city should ensure ordinances exist setting the compensation of city officials and employees. The city also needs to improve its procedures related to the Mayor's use of a city vehicle. The city should require the Mayor to maintain a detailed mileage log indicating business and personal use of the vehicle, and the city should report the amount of personal mileage, including commuting, on the Mayor's W-2 form. If no mileage log is maintained, the IRS requires the full value of the vehicle be reported on the W-2 form. If neither of these approaches is followed, the IRS could impose penalties and/or fines on the city for failing to report all taxable benefits.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Pine Lawn did not receive any federal stimulus monies during the year ended June 30, 2010.

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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City of Pine Lawn

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THOMAS A. SCHWEICH

Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Pine Lawn. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2010. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and 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. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Pine Lawn.

An additional report, 2011-023, *Twenty-First Judicial Circuit, City of Pine Lawn Municipal Division*, was issued in May 2011.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditors:	Carl Zilch Jr., CIA
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City of Pine Lawn Management Advisory Report State Auditor's Findings

1. Financial Condition

The General Fund and Trash Fund are in poor financial condition and are not expected to improve significantly, which could put citizens at risk of reduction or loss of some services. The following table reflects the ending cash balances of these funds, according to city accounting/budget records, for the 2 years ended June 30, 2010, as well as anticipated balances for the year ended June 30, 2011:

Fund	Ending Cash Balance, Year Ended June 30,		
	2011 (Budgeted)	2010 (Actual)	2009 (Actual)
General	\$ 337,895	313,925	452,598
Trash	N/A*	13,208	29,684

*Budgeted ending balance is not available because the city did not prepare a budget for this fund (See MAR finding number 3).

The Trash Fund is in poor financial condition due to several factors. The city does not charge residents a rate sufficient to cover costs. In addition, the city does not actively pursue delinquent trash accounts, which totaled approximately \$1.4 million as of January 4, 2011 (see MAR finding number 2). Because of the poor financial condition of the Trash Fund, the city has been unable to pay its trash vendor on time. From January 1, 2009, to March 1, 2011, the city paid approximately \$6,700 in late fees to the trash vendor. In February 2011, the city had a past due balance of \$87,225 for trash service.

The poor condition of the Trash Fund has also affected the financial condition of the General Fund. During the years ended June 30, 2010 and 2009, the city transferred \$166,922 and \$97,342 respectively, from the General Fund to the Trash Fund to cover shortages. In addition, from August 2006 through June 2008, the city transferred \$93,927 from the General Fund to pay for trash service. For the year ended June 30, 2011, the city budgeted a transfer of \$100,000 from the General Fund to the Trash Fund; however, \$160,738 had been transferred as of April 5, 2011.

The city needed to borrow funds from the Capital Improvement Fund in 2007 and 2006, partially to cover funds transferred to the Trash Fund. The city is making regular payments from the General Fund to the Capital Improvement Fund to repay the amount borrowed plus interest. During the years ended June 30, 2010 and 2009, the city transferred \$61,200 and \$68,400 respectively, from the General Fund to the Capital Improvement Fund to repay a portion of the loans. As of June 30, 2010, the General Fund still owed \$174,134 to the Capital Improvement Fund. The city plans to have the remainder of the loans repaid by June 2013.



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The city cannot continue to spend more than it receives in the General Fund and the Trash Fund. The Board of Aldermen has not developed a formal or specific plan to reduce disbursements or increase receipts. In addition, the Board did not adopt a new budget for the year ended June 30, 2010, instead using the previous year's budget, and does not review budget to actual statements on a regular basis (see MAR finding number 3). To improve the financial condition of the city, the Board should develop a long-term plan that will allow the city to reduce disbursements and/or increase receipts to operate within its available resources. The recommendations contained in MAR finding number 2, if implemented, will help the city establish procedures to operate within available resources and help improve the financial condition of both the General Fund and the Trash Fund. In addition, the city should ensure bills are paid timely to avoid paying late fees and other penalties.

A similar condition was noted in the prior audit report No. 2006-82, *City of Pine Lawn, Missouri*, issued in December 2006.

Recommendation

The Board of Aldermen should closely monitor the financial condition of the city and develop a long-term plan to ensure receipts are maximized, disbursements are closely monitored, and bills are paid in a timely manner.

Auditee's Response

The Board of Aldermen, Mayor, and City Administrator provided the following written response:

The Board of Aldermen accepts the recommendation and intends to closely monitor the financial condition of the City and develop a long-term plan to ensure receipts are maximized, disbursements closely monitored, and bills paid in a timely manner.

On the loan from Capital Improvement to the General Fund, the Mayor has directed the City Administrator to provide the Board with a quarterly report to assure payments are being made properly.

2. Trash Services

The city does not charge customers a rate sufficient to cover the costs of providing trash service or actively pursue collection of delinquent trash accounts.

2.1 Trash rate

The trash rate charged to city residents does not cover amounts paid to vendors for trash hauling and payment collection services. As a result, the city is forced to make up the difference using other revenue sources. The city charges each household \$12 per month, which is the maximum allowed per the original ballot voted in 1999. The trash vendor, however, charges the city approximately \$23 per household per month. In addition, the vendor that bills and collects trash payments from residents retains 8 percent of the monies collected. If all households paid their bills, the city would still be



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short approximately \$15,100 each month or \$181,200 each year. However, the actual difference is much greater since many residents are not paying their bills (see section 2.2). City officials indicated a rate increase has been discussed in the past, but they believed a rate increase would be the equivalent of a tax increase, requiring a vote of the citizens, instead of treating the trash rate as a user fee. Also, the city did not prepare a budget for the Trash Fund to monitor this situation (see MAR finding number 3).

The city should perform and document a detailed review of its trash costs and determine a rate necessary to cover the total costs of operations without generating excessive profits. Preparation of a statement of costs would allow the city to determine the rate necessary to support current and future operations as well as provide documentation to residents of the rationale behind the rates. The city should review alternatives to increase the trash rate to cover all costs of providing the trash service.

2.2 Delinquent accounts

The city does not adequately pursue collection of delinquent trash accounts, which has affected the financial condition of the city. As of January 4, 2011, the delinquent accounts list included 799 of the total 1,266 customers and totaled approximately \$1.4 million (including 2 percent penalties on past due amounts), an increase of approximately \$900,000 since June 30, 2006. The city passed an ordinance in 2002 to collect delinquent trash fees when housing inspections or business licenses are acquired or renewed. Although this ordinance attempts to collect a portion of the amount owed, the city does not actively pursue collection of past due trash fees when housing inspections or business licenses are not required. Allowing customers to receive service without payment reduces the incentive to make payments and results in loss of city revenue.

A similar condition was noted in our prior audit report.

Recommendations

The Board of Aldermen:

- 2.1 Evaluate ways to increase fees for trash services to a level sufficient to cover the costs of the service.
- 2.2 Discuss with legal counsel options available to ensure collection of delinquent trash accounts.

Auditee's Response

The Board of Aldermen, Mayor, and City Administrator provided the following written response:

The Board of Alderman accepts the recommendation. The Mayor and Board of Aldermen have directed the City Administrator and Attorney to investigate collections options, direct billing, and increasing the trash fee. A



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report is expected within the next 120 days. After being fully advised, the City intends to take appropriate action.

Also, for clarity, the trash fee/tax was created by a ballot issue. As such, an increase will require a vote of the citizens.

3. Budget Procedures

Budget procedures are in need of improvement. Actual disbursements exceeded budgeted disbursements in the General Fund and the budget is missing many key elements required by state law.

3.1 Budget overspending

Actual disbursements exceeded budgeted disbursements by \$309,768 for the General Fund for the year ended June 30, 2010. The Board does not review budget to actual statements on a regular basis to properly monitor city finances. The majority of the overspending was due to the police department overspending its budget by \$255,855 and the city transferring \$59,055 more than budgeted from the General Fund to various city funds.

Budget documents are an essential tool for the efficient management of city resources. Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

3.2 Budget preparation

The city did not prepare a new budget for the year ended June 30, 2010. The budget for the year ended June 30, 2009, was used; however it was not approved until November 30, 2009. In addition, the budget was only for the General Fund and did not include several elements required by state law. No budgets were prepared for the Capital Improvement Fund, the Storm Water and Park Improvement Fund, the Trash Fund, the D.A.R.E. Fund, or the Judicial Training Fund. As a result, the Board cannot effectively monitor actual costs from these funds by periodically comparing budgeted to actual disbursements. The approved budget did not contain a budget message, actual receipts and disbursements for the 2 preceding years, or beginning and ending cash balances. The budget only included budgeted receipts and disbursements for the year.

Sections 67.010 through 67.080, RSMo, include specific guidelines as to the format and approval of the annual operating 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.

A similar condition was noted in our prior audit report.



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Recommendations

The Board of Aldermen:

- 3.1 Review budget to actual statements on a monthly basis to improve monitoring of city finances and refrain from approving disbursements in excess of budgeted amounts.
- 3.2 Develop policies and procedures to ensure budgets are prepared for all funds in a timely manner and contain all information required by state law.

Auditee's Response

The Board of Aldermen, Mayor, and City Administrator provided the following written responses:

- 3.1 *The Board of Aldermen accepts the recommendation. The Mayor and Board have directed the City Administrator to provide, for its review, a monthly budget to actual statement. This will allow the Board to monitor spending and keep it within budget.*
- 3.2 *The Board will adopt budget procedures, with deadlines and requirements set by state law. This policy will be adopted within the next 90 days.*

4. Closed Meetings

The city frequently fails to document compliance with the Missouri Sunshine Law. The following information was omitted from open meeting minutes:

- A roll call vote to go into a closed meeting is not always taken and/or recorded in the minutes of the open meeting.
- The minutes for open meetings do not always document the specific reasons for closing the meeting. For example, 11 open meeting minutes from October 2009, to October 2010, did not state the reason for the closed meetings.

Chapter 610, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting, including reference to a specific section of the law, shall be voted on at an open session. These reasons and the corresponding votes to close the meetings should be documented in the open meeting minutes to demonstrate compliance with statutory provisions.

Similar conditions were noted in our prior audit report.

Recommendation

The Board of Aldermen ensure the vote to close a meeting and reasons for going into closed meetings are documented in open meeting minutes.



Auditee's Response

The Board of Aldermen, Mayor, and City Administrator provided the following written response:

The Board of Aldermen accepts the recommendation. The Board of Aldermen routinely states the reasons for closed meetings, however the City recognizes that the minutes do not reflect the same. The City Clerk has been advised of her recording mistake and going forward will properly cite reasons for going into closed sessions.

5. City Procedures

The city does not properly account for city property. In addition, the city does not have written contracts and bid documentation for some services and has not obtained an annual audit. Also, the city does not have a travel policy.

5.1 Capital assets

Procedures and records to account for city property are not adequate. As a result, assets are more susceptible to theft or misuse. Each department is responsible for tracking its assets instead of city officials maintaining a centralized capital asset list. City administration does not maintain a list; however, upon our request in November 2010, a list was prepared. The list was not complete, did not include the value of the assets, and only contained general terms for items (such as computer and television). In addition, most assets are not tagged for specific identification. Annual physical inventories are not performed, except in the police department, and the police department annual inventory is not documented.

Adequate capital asset records are necessary to secure better internal control over city property and provide a basis for determining proper insurance coverage required on city property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare the results to detailed records.

5.2 Contracts

The city could not provide written contracts for attorney fees (\$112,516), payroll services (\$3,275), and electronic collection of fines and court costs (vendor is paid through fees collected directly from defendants). The city cannot adequately monitor disbursements or fees without copies of the written contracts. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.



City of Pine Lawn
Management Advisory Report - State Auditor's Findings

5.3 Bids

Adequate documentation was not maintained to demonstrate that bids were obtained for some purchases. The city could not provide bid documentation for park renovations (\$143,227), renovations and maintenance at the police department (\$6,135), a police department vehicle (\$4,000), various vehicle repair work (\$7,658), and catering for a community event (\$1,200). The city bid ordinance states bids shall be obtained for purchases greater than \$1,000. City officials indicated bids were solicited for these purchases; however, no documentation of bids could be provided.

To provide evidence of the bid process and compliance with city bid policy, complete documentation should be maintained of all bids received and reasons noted why the bid was selected, or why multiple bids were not obtained.

5.4 Independent audits

The city has not had an audit performed since the previous State Auditor's office audit report was issued in 2006, for the year ended June 30, 2005. The city spent \$23,131 during the 2 years ended June 30, 2010, for an audit of the city; however, an audit report was never issued. A representative from the accounting firm indicated the city had not provided the firm with enough information to complete the audit.

An audit of the city is not required by state law; however, considering the financial condition of the city and the findings contained in this audit report, the city should consider obtaining timely audits of city funds to better enable officials to ascertain the financial condition of the city and to ensure the propriety and accuracy of financial transactions.

5.5 Travel policy

The city does not have a travel policy to address meal allowances, mileage reimbursements, advance payments, and the related documentation required to be submitted. For example, the Mayor was paid \$3,401 in advance to attend a conference in Las Vegas, Nevada. The Mayor turned in \$2,689 in receipts and \$426 in cash, leaving \$286 unsupported. Also, meal receipts of \$45 and \$10 were submitted twice, which went unnoticed by city personnel.

A travel policy should be adopted to ensure the city pays only for actual and reasonable travel expenses. The policy should outline items such as daily meal allowances, acceptable hotel rates, and mileage reimbursement rates. In addition, the policy should require documentation be submitted for all expenses.

5.6 Fuel and usage logs

Fuel and usage logs for equipment and vehicles are not maintained. As a result, it is difficult to determine whether the use of equipment and vehicles is reasonable and supports fuel charges. In addition, fuel usage cannot be reconciled to fuel purchased to ensure the proper amounts are paid. The city purchased fuel totaling approximately \$71,000 for the two fuel tanks during the year ended June 30, 2010. Fuel and usage logs should include sufficient



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documentation to determine reasonableness of miles driven and allow reconciliation of fuel use to fuel purchases.

Similar conditions
previously reported

Similar conditions to points 5.1, 5.2, and 5.3 were noted in our prior audit report.

Recommendations

The Board of Aldermen:

- 5.1 Ensure complete and detailed capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records.
- 5.2 Enter into written contracts defining services provided and benefits received.
- 5.3 Ensure documentation of bids or quotes received and justification for the bid selected is maintained.
- 5.4 Consider obtaining timely audits of city funds.
- 5.5 Adopt formal policies and procedures for travel expenses.
- 5.6 Require logs of fuel dispensed and vehicle and equipment usage be maintained. In addition, the log of fuel dispensed should be reconciled to fuel purchases and the usage log should be reviewed for reasonableness. Any significant discrepancies should be investigated.

Auditee's Response

The Board of Aldermen, Mayor, and City Administrator provided the following written responses:

- 5.1 *The City has adopted a plan to account for all property. The City will place barcodes on all city owned property. It is anticipated that all property will be logged and accounted for within the next 90 days. The system has the capacity to conduct an audit of the property as frequently as the City desires.*
- 5.2 *The City will draft written agreements for its city attorney, payroll service provider, and other vendors. Additionally, the agreements will be presented to the Board for review and approval by ordinance within the next 90 days.*
- 5.3 *The City routinely seeks out bids for any project in excess of \$1,000. Notwithstanding, the City will reinforce its policy to ensure that all documentation for bids is kept in a centralized location with a back up in a secondary location. Additionally, the City is*



City of Pine Lawn
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adopting a new bid policy which will address in detail how bids are sought and when they are required.

5.4 *The City intends to have an audit conducted at the end of this fiscal year and thereafter adopt a policy requiring an annual audit.*

5.5 *The City has drafted a new travel policy that will address the concerns cited in this finding. For clarity purposes, it is important to note that the money advanced to the Mayor for the Black Mayor's Conference was expended for legitimate city business. The Mayor returned all funds not expended and receipts for all other funds. There was a small amount spent for local transportation and tips, which no receipt was given by a service provider.*

5.6 *The City will review means of tracking fuel. The City has not had any issues with misuse of its fuel, but intends to be proactive and review its processes.*

6. Payroll and Fringe Benefits

The city gives salary advances to employees and aldermen and could not provide an ordinance establishing compensation for city officials and employees. In addition, the city does not report the Mayor's commuting miles to the Internal Revenue Service (IRS).

6.1 Salary advances

The city paid \$4,212 in payroll advances to various aldermen and employees from June 2009 through November 2010. All advances reviewed were deducted from the employee's next paycheck.

Salary advances represent loans and grants of public funds, and as such, are prohibited by Article VI, Sections 23 and 25, Missouri Constitution. These sections prohibit the loaning or granting of public funds to individuals.

6.2 Compensation ordinances

The city could not provide ordinances establishing the compensation of city officials and employees. Section 79.270, RSMo, requires the Board of Aldermen to fix salaries of all city officials and employees by ordinance.

A similar condition was noted in the prior audit report No. 2006-82, *City of Pine Lawn, Missouri*.

6.3 Commuting miles

The Mayor is allowed to use a city vehicle to commute between home and work; however, the amount of personal (commuting) mileage was not recorded on his W-2 forms as required by IRS guidelines. The Mayor is not required to maintain a mileage log indicating business and personal use. The car used by the mayor was purchased on July 24, 2008, and had been driven 55,361 miles as of April 14, 2011.



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IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle be reported on the employee W-2 forms if the employer does not require submission of detailed logs that distinguish between business and personal use. Additionally, the city may be subject to penalties and/or fines for failure to report all taxable benefits.

Recommendations

- 6.1 Discontinue allowing payroll advances.
- 6.2 Establish compensation of all city officials and employees by ordinance.
- 6.3 Comply with IRS guidelines for reporting fringe benefits related to commuting in city-owned vehicles. In addition, mileage logs should be required when vehicles are used for commuting.

Auditee's Response

The Board of Aldermen, Mayor, and City Administrator provided the following written responses:

- 6.1 *Salary advances were not a routine practice of the City. However, the City will discontinue making any advance payment of salary to an employee and adopt a policy reinforcing the same.*
- 6.2 *The City currently has ordinances which set out the compensation of its officials; notwithstanding the City will revisit the issue and draft the necessary ordinances.*
- 6.3 *The report alleges that "the Mayor is allowed to use a city vehicle between home and work; however the personal (commuting) mileage was not recorded on his W-2 forms as required by IRS guidelines." The vehicle utilized by the mayor is also used by other officials of the City. The commute between home and work by the Mayor is less than a mile in both directions. IRS Publication 15-B provides for an exclusion from taxable income, De Minimis (minimal) benefits to employees. A De Minimis benefit is any property or service an employer provides to an employee that has so little value (taking into account how frequently the employer provides similar benefits to employees) that accounting for it would be unreasonable or administratively impracticable. Additionally, the Mayor is the Chief Executive Officer of the City and a Police Commissioner, as such he routinely responds to emergencies within the City that may occur at any time, and often times do occur in the middle of the night. Notwithstanding, the City will further research this issue so that it is in compliance with any state or federal law.*



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Auditor's Comment

- 6.3. Without a log, we could not determine whether the vehicle was sometimes driven by other employees. In addition, commuting mileage does not appear to meet the IRS requirements for a de minimis benefit since it is not unusual or infrequent.

City of Pine Lawn

Organization and Statistical Information

The City of Pine Lawn is located in St. Louis County. The city was incorporated in 1947 and is currently a fourth-class city. The city employed 39 full-time employees and 26 part-time employees on June 30, 2010.

City operations include law enforcement services, trash collection, and maintenance of city streets.

Mayor and Board of Aldermen

The city government consists of a mayor and eight-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at June 30, 2010, are identified below. The Mayor is paid \$700 per month and Board of Aldermen members \$500 per month.

Sylvester Caldwell, Mayor
Pelton Jackson, Alderman
James C. Brooks, Alderman
Willie E. Beal, Alderman
LaVera Fowler, Alderman
Maggie Bishop, Alderman
Jimmie Moore, Alderman
Nakisha Ford, Alderman
Mary Gray, Alderman

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

The City of Pine Lawn did not receive any federal stimulus monies during the year ended June 30, 2010.

Financial Activity

A summary of the city's financial activity for the year ended June 30, 2010, follows:



City of Pine Lawn
Organization and Statistical Information

City of Pine Lawn
Year Ended June 30, 2010

	General Fund	Capital Improvement Fund	Storm Water and Park Improvement Fund	Trash Fund	D.A.R.E. Fund	Judicial Training Fund	Total
RECEIPTS							
Property tax	\$ 43,469	0	0	0	0	0	43,469
Sales tax	489,201	0	0	0	0	0	489,201
Utility tax	396,575	0	0	0	0	0	396,575
Other intergovernmental	213,033	270,121	210,960	0	0	0	694,114
Sewer lateral fees	31,900	0	0	0	0	0	31,900
Licenses, fees, permits	250,677	0	0	150,943	0	0	401,620
Interest	505	9,085	1,569	244	0	0	11,403
Other	1,710,637	0	0	0	0	0	1,710,637
Transfers in	0	61,200	42,612	165,500	0	6,092	275,404
Total Receipts	3,135,997	340,406	255,141	316,687	0	6,092	4,054,323
DISBURSEMENTS							
General government	1,289,704	56,553	0	67	10	4,554	1,350,888
Police	1,464,465	52,266	0	0	0	0	1,516,731
Streets and roads	287,109	29,067	0	0	0	0	316,176
Sanitation	0	0	0	333,096	0	0	333,096
Parks	600	104,115	209,083	0	0	0	313,798
Transfers out	232,792	42,612	0	0	0	0	275,404
Total Disbursements	3,274,670	284,613	209,083	333,163	10	4,554	4,106,093
RECEIPTS OVER(UNDER)							
DISBURSEMENTS	(138,673)	55,793	46,058	(16,476)	(10)	1,538	(51,770)
CASH, JULY 1, 2009	452,598	913,648	225,424	29,684	1,309	5,962	1,628,625
CASH, JUNE 30, 2010	\$ 313,925	969,441	271,482	13,208	1,299	7,500	1,576,855