



**VILLAGE OF HANLEY HILLS, MISSOURI
YEAR ENDED JUNE 30, 2001**

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

**Report No. 2002-08
January 29, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2002

The following problems were discovered as a result of an audit conducted by our office of the Village of Hanley Hills, Missouri.

Receipts were not deposited intact on a timely basis. The village accepts cash, checks, and money orders for payment of trash and sewer fees, occupancy permits, village stickers, pet tags, building permits, and other miscellaneous receipts. Prior to April 2001, monies were generally deposited about three times a week; however, some monies were held and not deposited for up to two weeks. From April to May 14, 2001, only seven deposits were made and no monies were deposited from May 14, 2001 to June 20, 2001. On June 30, 2001, the village had approximately \$51,785 of monies on hand. Village receipt records are not reconciled to deposits and from April to June 2001 some receipt records were not maintained. Additionally, some daily cash register tapes could not be located and some receipts were not posted to the computer. As a result, there is no assurance all monies received were deposited.

Trash service receipts are deposited into the General Fund and disbursements are made monthly from the General Fund for trash pick-up and hauling services. The current fee is \$142 annually per household. The fees collected from village residents have exceeded disbursements for pick-up and hauling by approximately \$26,900 for the three years ended June 30, 2001. The village has not identified any other costs, such as administrative costs, related to trash service. Trash fees should be set at a level to cover the cost of providing a particular service and should not be used to pay for general operating expenses of the village.

The village does not perform periodic reconciliations of total billings, payments received, and delinquent amounts for trash and sewer service, nor does it adequately monitor or pursue the collection of delinquent trash and sewer bills and has not established formal procedures regarding the collection of delinquent accounts.

Disbursements are not approved by the board. Two board members sign checks and review invoices; however, the board does not review and approve a list of all disbursements at each board meeting. Additionally, some purchases were not properly authorized as required by village ordinance. The village does not have formal written agreements with several companies or individuals providing services.

Several checks totaling \$630 were made payable to cash. To reduce the risk of misuse of monies, the practice of writing checks payable to cash should be prohibited.

(over)

YELLOW SHEET

The village board has historically terminated the services of all village employees after the new board takes office in April each year. This has caused the village to spend money imprudently and various duties and responsibilities were not performed or not performed timely.

For example, from April 2000 through July 2000, the village paid the former Village Clerk a total of \$17,493. This included salary, contract payments, two weeks vacation and two months severance pay. If the village had maintained the clerk's employment throughout this time, the salary to the former Village Clerk would have been \$9,342.

The village has not established a separate fund or separate accounting for the state motor vehicle-related receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution. During the year ended June 30, 2001, the village deposited \$107,405 in state motor vehicle-related receipts into the General Fund. The Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only, including policing, signing, lighting, and cleaning of the roads and streets.

The village's municipal court division's accounting duties are not adequately segregated. The Court Clerk and Village Clerk each have the authority to receive and record fine and court cost payments. The Village Clerk prepares and make the deposits; however, no one independent of the receipt process compares receipt slips to deposits. This condition was noted in a prior report by our office. Additional concerns were noted regarding controls over the municipal court receipts.

The audit also includes some matters related to board meeting postings, budgets and financial statements, personnel policies and procedures, and property records and procedures, upon which the village should consider and take appropriate corrective action.

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VILLAGE OF HANLEY HILLS, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of Hanley Hills, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Hanley Hills, Missouri. The scope of our audit of the village included, but was not necessarily limited to, the year ended June 30, 2001. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

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 minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the village.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the village of Hanley Hills, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive style with a large initial "C".

Claire McCaskill
State Auditor

September 5, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Tom J. Kremer, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF HANLEY HILLS, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.

Accounting Records and Procedures

The village accepts cash, checks, and money orders for payment of trash and sewer fees, occupancy permits, village stickers, pet tags, building permits, and other miscellaneous receipts.

- A.1. Receipts were not deposited intact on a timely basis. Prior to April 2001, monies were generally deposited about three times a week; however, some monies were held and not deposited for up to two weeks. From April 1 to May 14, 2001, only seven deposits were made and averaged approximately \$4,000. No monies were deposited from May 14, 2001 to June 20, 2001, or 26 business days. On June 30, 2001, the village had approximately \$51,785 of monies on hand.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.

This condition was noted in our prior report.

2. Village receipt records are not reconciled to deposits and from April 2001 to June 2001 some receipt records were not maintained. Some daily cash register tapes could not be located and some receipts were not posted to the computer. As a result, there is no assurance all monies received were deposited. In addition, the village was unable to categorize the receipts during this period. From April to June 2001, we noted at least \$250 of cash receipts that could not be traced to a deposit.

To adequately account for all monies received and recorded, and to help ensure all receipts are properly deposited, the village should reconcile the amount and composition of monies recorded on the receipt records to the amount and composition of monies deposited.

As noted in MAR 4., the turnover in village employees during the period from April to June 2001 contributed to this problem.

- B. The village does not issue prenumbered receipt slips. The village uses a computer system and cash register; however, the computer system does not have the capability to generate prenumbered receipt slips and the numerical sequence of the cash register receipts is not accounted for properly. The village board has indicated they are planning to purchase a new computer system that will generate prenumbered receipt slips in the future.

To account for all receipts and ensure all receipts are deposited, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

- C.1. Accounting duties are not adequately segregated. The Village Clerk prepares trash and sewer bills, receives, records, and deposits payments and other receipts, and prepares monthly receipt reports. The Court Clerk can also receive and record monies. Neither the Village Treasurer nor other personnel provide independent reviews of the work performed by the Village Clerk. The village utilizes an outside accountant to prepare the monthly bank reconciliations and Treasurer's report.

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.

This condition was noted in our prior report.

2. There is no supporting documentation or independent approval of credit adjustments posted to the computer system. The Village Clerk has the ability to record credit adjustments to the computer system without obtaining prior independent approval.

To ensure that all credit adjustments are valid and properly approved, someone independent of receipting and recording functions should review all credit adjustments and proper supporting documentation should be maintained of such adjustments.

WE RECOMMEND the Board of Trustees:

- A. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100. In addition, receipt records should be maintained and the composition of receipts should be reconciled to the composition of bank deposits.
- B. Require prenumbered receipt slips be issued for all monies received, and ensure the numerical sequence of receipt slips issued is accounted for properly.
- C.1. Segregate the accounting duties of the Village Clerk. At a minimum, there should be a documented, independent review of the reconciliations between amounts billed, receipts, and deposits.

2. Require someone independent of the receiving and recording functions to review and approve all credit adjustments and ensure adequate documentation is retained of such adjustments.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *This is being done properly now.*
- B. *The Finance Clerk will find out how to get the prenumbered receipt slips on the computer system. She is keeping track of receipts with the invoices, but we should find a way to get the prenumbered receipt slips. She is now reconciling receipts to the cash register tape.*
- C.1. *The duties are now segregated; we will begin the independent review of the reconciliations.*
- C.2. *Small adjustments are being made by the part-time person with approval by the Finance Clerk; large adjustments will be approved by the appropriate commissioner.*

2.

Trash and Sewer Service

- A. Trash service receipts are deposited into the General Fund and disbursements are made monthly from the General Fund for trash pick-up and hauling services. The current fee is \$142 annually per household. The fees collected from village residents have exceeded disbursements for pick-up and hauling by approximately \$26,900 for the three years ended June 30, 2001. The village has not identified any other costs, such as administrative costs, related to trash service.

Trash fees should be set at a level to cover the cost of providing a particular service and should not be used to pay for general operating expenses of the village. The administrative costs of providing this service should be calculated and documented and a separate accounting of trash revenues and expenses should be maintained.

- B. The village does not perform periodic reconciliations of total billings, payments received, and delinquent amounts for trash 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 and to facilitate independent reviews.

- C. The village does not adequately monitor or pursue the collection of delinquent trash and sewer bills and has not established formal procedures regarding the collection of delinquent accounts. As of June 30, 2001, delinquent fees totaled approximately \$145,000 and date back to 1995. Annual bills mailed to residents do not include delinquent amounts still owed. The village has tried other methods to collect the accounts including implementing an amnesty program from November 2000 to January 2001 and not giving residents with delinquent balances occupancy permits or village stickers. However, the balance of the delinquent accounts remains high. The village has considered placing a lien on the owner's property or turning the account over to a collection agency, but has not adopted these methods.

Since some residents are paying timely for this service, it does not appear equitable to allow other residents to receive the same services for free. To help ensure prompt collection of trash and sewer bills, the village should establish formal procedures regarding the collection of delinquent accounts and monitor the balances due.

- D. The village has a computerized billing system; however, the system does not automatically assess late fees on delinquent trash bills. Late fees are computed manually when the customer is ready to make a payment. Late fees on some trash payments were not properly charged and the exemptions were not supported by board approval. Failure to consistently charge the late fee to all individuals results in inequitable treatment of customers.

WE RECOMMEND the Board of Trustees:

- A. Identify all costs, including administrative costs, of providing trash service, and set the fee at a level sufficient to cover the cost of the service without generating excess revenues. The board should maintain a separate accounting of all trash revenues and expenses.
- B. Perform periodic reconciliations of the amounts charged to amounts collected and delinquent accounts.
- C. Establish formal collection procedures related to delinquent trash and sewer bills and monitor the delinquent accounts.
- D. Ensure late fees are consistently charged and review and approve any late fee exemptions.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *With the next billing cycle, we will put the money into a separate account.*

- B. *This is in process now.*
- C. *The staff is in the process of pursuing these bills. We will include the delinquent amounts and late charges with the new bills.*
- D. *This has been set up in the computer but it is not working right. Hopefully, we will have it done with the new billing cycle.*

3. Disbursement Procedures

A.1. Disbursements are not approved by the board. Two board members sign checks and review invoices; however, the board does not review and approve a list of all disbursements at each board meeting. Invoices applying to a specific area are generally approved by the applicable board member

Good business practices require all disbursements to be reviewed 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.

2. Some purchases were not properly authorized as required by village ordinance. Village Ordinance, Section 127.170, gives the Treasurer authority to contract for supplies not to exceed \$100 total cost per order. Although each board member serves as an officer or a commissioner over an area of service offered by the village, the village ordinances do not give the officers or commissioners specific authority to purchase items. However, several purchases, such as sewer work (\$13,375), newsletter preparation, printing, and distributing (\$1,856), and tree trimming (\$575), were authorized by officers or commissioners without board approval. In addition, several items purchased by the Treasurer, such as office equipment for the former Village Manager (\$1,779) exceeded \$100 and were not authorized in advance by the board as specifically required by village ordinance.

B. The following items were purchased during the year ended June 30, 2001, without documentation of bids and/or advertisements:

<u>Item</u>	<u>Cost</u>
Sewer repair	\$13,375
Newsletter preparation	1,125
Lawn care	5,805
Videotaping	<u>1,440</u>
Total	\$ 21,745

While the village indicated other vendors were solicited for the sewer repair and newsletter costs, no documentation was maintained. In addition, per the board minutes, a board member solicited and obtained sealed bids for tree trimming totaling \$20,100, but did not open the bids in the presence of the Board of Trustees, as required by the village purchasing ordinance.

Village Ordinance, Section 110.160, requires expenditures that will exceed \$500 to be advertised or solicited for bids. Furthermore, Village Ordinance, Section 127.080, requires advertising for bids for all purchases of goods and services in the amount of \$5,000 or more.

In addition to complying with village ordinances, competitive bidding helps ensure the village receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the village's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

- C. The village does not have formal written agreements with several companies or individuals providing services. The following disbursements were made without written contracts for the year ended June 30, 2001:

<u>Item</u>	<u>Cost</u>
Maintenance	\$ 47,022
Accountant	8,400
Lawn care	5,805
Housing inspections	4,180
Court services	3,063
Videotaping	1,440
Newsletter preparation	1,125
Tree trimming	575

The village did have a written agreement for maintenance services, but that agreement expired in August 2000 and the village continued to pay for the service at the rates stated under the old contract. 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.

- D. Several checks totaling \$630 were made payable to cash. To reduce the risk of misuse of monies, the practice of writing checks payable to cash should be prohibited.
- E.1. Invoices to support monthly payments for maintenance work, accounting services and village manager services are not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The village should require detailed invoices for all services which include the number of hours worked each day, the work performed, and the rate charged.

2. Invoices and other supporting documentation are not always initialed or dated by a village employee to indicate receipt and acceptance of the goods or services. In addition, the invoices are not always canceled upon payment. Two disbursements totaling \$500 were made for newspaper preparation without supporting documentation.

To ensure that goods and services have been properly received by the village, all invoices and other supporting documentation should be properly initialed or signed by a village employee upon receipt. To ensure against duplicate payment of bills, invoices should be marked paid when a check has been issued by the village. In addition, 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.

- F. Three members of the board of trustees are authorized to sign checks, with dual signatures required on each check. However, the board members are not bonded. Failure to properly bond individuals who have access to funds exposes the village to risk of loss.

WE RECOMMEND the Board of Trustees:

- A.1. Review and approve the disbursement of village funds prior to disbursements being made. In addition, the approved listing of bills should be compared to checks written.
2. Comply with the Village Ordinance regarding purchasing authority.
- B. Ensure bids are solicited for all applicable purchases in accordance with village ordinances. Documentation of the bidding process should be maintained in all cases. If the village believes that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.
- C. Enter into written agreements for all services.
- D. Prohibit the practice of making checks payable to cash.
- E. Require all invoices be initialed or signed by a village employee to indicate acceptance of the goods or services, and all invoices be canceled when paid. All

disbursements should be supported by vendor-provided invoices which contain an adequate description of the goods or services received.

- F. Consider obtaining bond coverage for all individuals handling village monies.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A.1. *This is being done.*
- A.2. *This is being put in place.*
- B. *This process is being developed.*
- C. *We are in the process of doing this.*
- D. *This has been done.*
- E. *This is being done. We now get the invoices prior to making the payments.*
- F. *This is being done.*

4.

Personnel Policies and Procedures

- A. The village board has historically terminated the services of all village employees after the new board takes office in April each year. This practice does not take into consideration the need for continued service to the village residents and the need to have the job duties and responsibilities of the employees performed. Inadequate plans for carrying out the duties and responsibilities of the village employees has caused the village to spend money imprudently and various duties and responsibilities were not performed or not performed timely, as noted in MARs 1, 7 and 10. The following examples of inadequate planning were noted:
- The former Village Clerk was terminated in April 2000; however, the board was unable to fill the position and hired this former village clerk as a contract consultant on a temporary basis at \$20 per hour. In August 2000, after determining that they needed someone in the position full time, the board re-hired this individual as a village employee at her previous salary.

From April 2000 through July 2000, the village paid the former Village Clerk a total of \$17,493. This included salary of \$3,504, contract payments of \$8,150, two weeks vacation pay upon termination of \$1,168, and two months

severance pay of \$4,671. If the village had maintained the former village clerk's employment throughout this time, the salary would have been \$9,342.

- The former Court Clerk was terminated in April 2000 and no one performed these duties until the end of May 2000. At that time, the village hired a service to do limited court work until a full time Court Clerk was hired in July 2000.
- The former Village Clerk was terminated again in April 2001. The duties of the Village Clerk were to be performed by the former Court Clerk; however, the former Court Clerk indicated that she was not adequately trained in those responsibilities and did not have the ability to perform the duties of both positions. The former Court Clerk was terminated in June 2001.

The board should ensure adequate plans are in place to maintain village services when considering the termination of village employees. In addition, village employees should be adequately trained and supervised to perform the necessary duties.

- B. The village has an informal policy to contribute up to \$2,000 a year per employee for health insurance and/or an Individual Retirement Account (IRA). The following concerns were noted related to this policy:
1. The village is prohibited by state law from establishing its own retirement plan. The Missouri Constitution, Article 6, Section 25, states that political subdivisions can only provide pensions for its employees when such authority is given to the political subdivisions by the General Assembly. No statutory authority has been given for villages to provide their own retirement plan. In addition, Section 70.615, RSMo 2000, stipulates that after October 13, 1967, a political subdivision shall not commence coverage of its employees under another system other than the Missouri Local Government Employees' Retirement System (LAGERS).
 2. The village does not track the total cost of medical insurance per employee and amounts paid for medical insurance premiums exceeded the \$2,000 annual amount allowed for each employee. The employees are not required to reimburse the village for the excess cost. The benefits provided should be monitored to ensure they are in compliance with village policies.
 3. There is not a formal written policy regarding medical insurance. Formal, written policies are needed to better ensure that procedures are equitable and are being uniformly practiced in all departments of the village.
- C. Timesheets are prepared twice a month but are not always signed by a supervisor. During the period January 1, 2000 to March 15, 2001, only three of the former

Village Clerk's timesheets were signed by a supervisor and one timesheet was missing. Adequate control over payroll expenditures requires documentation, such as properly completed timesheets signed by employees and approved by supervisors, to provide evidence that the appropriate amount of time is worked each month.

- D. The village does not document the accumulated balances of vacation or sick leave. In addition, a formal written policy regarding the payment of accumulated vacation upon termination has not been established. In April 2000, the former Village Clerk and the former Court Clerk were paid for two weeks of accumulated vacation upon their termination without records to support the accumulated balances.

Adequate documentation of leave earned, taken and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure time used or paid is not in excess of time accumulated.

- E. The village does not have adequate policies and procedures regarding the hiring and termination of village employees. There was no documentation maintained in the personnel files or noted in the board minutes authorizing the hiring or termination of the employees. In addition, some employees were hired and began working in the village before they were approved by the Board of Trustees.

Formal, written policies are needed to better ensure that procedures are equitable and are being uniformly practiced in all departments of the village. Such policies should specify who is directly responsible for hiring and terminating employees of the various departments, any other necessary levels of approval, procedures for posting notice of available positions, and grievance procedures available to terminated employees. Documentation of the hiring and terminations of village employees is necessary to prevent misunderstandings and document actions taken by the village.

- F. Salaries for village trustees, officers and employees have not been established by ordinance as required by Village Ordinance, Section 115.017. While the village establishes a budget ordinance each year which reflects salaries for elected officials, appointed officials, and village 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 village 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 Trustees:

- A. In the future, establish a method for the duties and responsibilities of the village employees to be performed adequately before terminating any employees.
- B.1. Review the legality of the village's retirement plan.
 - 2. Monitor the benefits provided to employees to ensure the expenses do not exceed the village's policy. The board should request reimbursement for excess benefits provided to employees.
 - 3. Establish written policies and procedures regarding medical benefits for village employees.
- C. Ensure timesheets are maintained and signed by a supervisor.
- D. Ensure records are maintained for all employees to document vacation and sick leave earned, taken, and accumulated on a monthly basis. In addition, the board should establish a formal written policy regarding accumulated leave paid upon termination.
- E. Establish written policies and procedures regarding the hiring and termination of all village employees. In addition, the board should ensure the authorization for all hirings and terminations is adequately documented.
- F. Establish by ordinance the salaries or pay rates and applicable terms of office for all officials and employees.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *A procedures manual is to be established for all positions.*
- B.1. *We will investigate the legality of the current plan.*
- B.2. *This will be reviewed and a proper policy will be included in the personnel manual.*
- B.3. *This is being prepared for the personnel manual.*
- C. *This is done now.*
- D. *This is done on the pay checks. The policy on leave will be reviewed.*
- E. *This will be included in the personnel manual.*

F. *An ordinance is being prepared.*

5.

Board Meetings, Minutes, and Ordinances

- A. Notices of the date, time, and agenda of open and closed board meetings are not published or publicly posted as required by law.

Section 610.020, RSMo 2000, requires all public governmental bodies to give advance notice of their meetings. This notice is to include the time, date, and place of the meeting, as well as the tentative agenda. The notice is required to be posted at the principal office of the village or the building in which the meeting is to be held.

- B. The Board of Trustees does not always vote to approve the meeting minutes. The board minutes indicate motions are made by two board members to accept the minutes but an actual vote is not always taken.

The Board of Trustees should vote to approve the minutes to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

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

1. Closed meetings are recorded on tape; however, several tapes could not be located and formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Trustees.

Formal written minutes for closed meetings result in a better record of village transactions, proceedings, and decisions. In addition, minutes help the village 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 all items required by the Sunshine Law including the related vote to close the meeting, the specific reasons for closing the meeting and actions taken by the board in closed meetings.

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 Trustees in closed session, such as trustee access to records and tree trimming, 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.

D. The village ordinances are not complete and up-to-date.

- The village has not adopted ordinances to address various fees, such as trash services (\$142), trash late fees (\$5 per month after July 1st), building inspections (\$30), building re-inspections (\$25) and occupancy permit changes (\$5).
- The village does not charge residents age sixty-five and older for automobile (\$3) and truck (\$5) stickers. Village Ordinance, Section 390.150, requires every person residing within the village to pay an annual fee for vehicles owned, leased or in their permanent possession. This ordinance does not allow for residents age sixty-five and older to receive the vehicle stickers free of charge.
- Village Ordinance, Section 125.290, appears to be outdated. This ordinance indicates the Court Clerk position is part time; however, the Court Clerk position is currently full time.
- In June 2001, the Board of Trustees created a Financial Clerk position which is not included in the village ordinances.

Since the ordinances represent the legislation passed by the Board of Trustees to govern the village and its residents, it is important that the village's ordinances be maintained in a complete, well-organized, and up-to-date manner.

WE RECOMMEND the Board of Trustees:

- A. Ensure notices of the board meetings are posted in accordance with state law.
- B. Vote to approve the board minutes to attest to their completeness and accuracy.

- C.1. Ensure written minutes are prepared for all closed meetings.
 - 2. Ensure minutes document the vote to go into closed session, state the reasons for going into closed session and publicly disclose the final disposition of applicable matters discussed in closed session.
 - 3. Ensure only allowable, specified subjects are discussed in closed session as required by state law.
- D. Pass ordinances to address the charges for the various fees and update the ordinance relating to the various employee positions.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

*A, B,
C&D. These are being done now.*

6. Restricted Revenues

- A. The village has not established a separate fund or separate accounting for the state motor vehicle-related receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution. During the year ended June 30, 2001, the village deposited \$107,405 in state motor vehicle-related receipts into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of roads and streets.

To ensure compliance with the Missouri Constitution, the village should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution. The unspent balance of street revenues should be accounted for separately along with future receipts.

- B. The village has not established a separate fund or separate accounting to ensure law enforcement training receipts are expended only for the purpose of local law enforcement training. During the year ended June 30, 2001, the village received approximately \$2,000 of local law enforcement training fees from the municipal division and approximately \$900 of Peace Officer Standards and Training Commission (POSTC) monies from the state. These monies are to be used solely for the purpose of local law enforcement training. The village contracts with the

St. Louis County Police Department for police services; however, training costs are not specifically identified in the contract.

WE RECOMMEND the Board of Trustees separately account for restricted receipts to ensure funds are spent in accordance with applicable laws and regulations.

AUDITEE'S RESPONSE

The Board of Trustees indicated procedures will be established.

7.

License Fees and Village Stickers

- A. Village personnel incorrectly calculated the amount of some business license fees. Village Ordinance, Section 605.010, requires businesses operating within the village limits to purchase a business license. The ordinance establishes the fee for these licenses at \$1 on each \$1,000 of sales plus an additional \$1 on each \$1,000 of retail sales over \$200,000 or \$.25 on each \$1,000 of wholesale sales over \$200,000. The fee can not be less than \$25. Two licenses were assessed the proper amount of total sales but did not include the additional assessment for sales over \$200,000. As a result, the village calculations were short by a total of \$334. In addition, one license was assessed and paid \$25 with no sales information to support the rate. Village personnel indicated the \$25 license rate was based on what was paid in previous years.

In addition, village personnel incorrectly calculated the amount of a liquor license fee. Village Ordinance, Section 600.020, requires businesses selling intoxicating liquor within the village limits to purchase a liquor license. The village collected \$100 for a license for which a \$450 fee should have been assessed and collected. Village personnel indicated the \$100 license rate was based on what was paid in previous years.

The village personnel that calculated the business and liquor licenses indicated that they were not adequately trained to perform these functions, as noted in MAR 4. The village should adequately train and monitor personnel to ensure village ordinances are properly administered.

- B. The village issues residents prenumbered stickers for automobiles and trucks; however, the numerical sequence of stickers is not accounted for properly. The list of sticker numbers, and the residents the stickers were issued to for the year ended December 31, 2001, was not prepared after January 9, 2001. The list for the year ended December 31, 2000, was not accurate. Several sticker numbers on the list did not correlate with the actual sticker issued to the resident.

To ensure village stickers are accounted for properly, an accurate list of village stickers issued to residents should be maintained. The list should be periodically reviewed by an independent person and reconciled to receipts and deposits.

WE RECOMMEND the Board of Trustees:

- A. Ensure license fees are calculated correctly in accordance with village ordinances.
- B. Maintain an accurate list of village stickers issued and reconcile the list to receipts and deposits.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *They are in the process of implementing this.*
- B. *This is being done.*

8. Budgets and Financial Reporting

- A. The budgets for the years ended June 30, 2002 and 2001, did not include the actual and estimated beginning and ending cash and resources available. In addition, the budget for the year ended June 30, 2002, did not include a budget message and the prior two years actual amounts. 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. The village does not publish semiannual financial statements. Section 80.210, RSMo 2000, requires the chairman of the board of trustees to prepare semiannual statements of receipts and disbursements of the village and publish statements in a newspaper printed in the village or post the statements in six of the most public places in the village.

WE RECOMMEND the Board of Trustees:

- A. Prepare budgets that contain all information as required by state law.
- B. Publish semi-annual financial statements as required by state law.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *This will be done with the next budget year.*
- B. *This is being done.*

9. Property Records and Procedures

- A. The village does not maintain records to account for all property owned by the village. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, and asset identification number, the physical location of the assets, and the date and method of disposition of the assets. In addition, all property items should be identified with a tag or other similar device, and the village should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal control and safeguard village assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on village property.

- B. The village has not established a formal written policy regarding the distribution of donated paint to residents. A local paint supplier donated approximately 45 gallons of paint to the village to be distributed to village residents. One board member distributes the paint and maintains a list of residents that have received the paint. The board member has established an informal policy that residents have to provide proof of low income and have a village occupancy permit; however, this policy has not been formally approved by the Board of Trustees.

A formal written policy will help ensure that all residents receive equitable treatment.

WE RECOMMEND the Board of Trustees:

- A. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, the village should properly tag, number, or otherwise identify all applicable village property and conduct an annual inventory.
- B. Establish a formal written policy regarding the distribution of paint to residents.

AUDITEE'S REPSONSE

The Board of Trustees indicated:

- A. *They will establish and initiate a procedure.*
- B. *We are considering a policy for adoption at our next board meeting.*

10.

Municipal Court Division

- A. Accounting duties are not adequately segregated. The Court Clerk and Village Clerk each have the authority to receive and record fine and court cost payments. The Village Clerk prepares and makes the deposits; however, no one independent of the receipt process compares receipt slips to deposits.

The Court Clerk also receipts and records all bond collections, transmits bond money daily to the Village Clerk for deposit, prepares bond account checks and performs monthly bank reconciliations for the bond account. There is no independent reviews of the bond work performed by the Court Clerk.

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 court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between receipts and deposits and an independent review of bank statements and bank reconciliations.

This condition was noted in our prior report.

- B. The Court Clerk does not reconcile receipt slips to amounts deposited. The reconciliation of receipt slips to deposits should include agreeing the composition of receipt slips (i.e. cash, checks, and money orders) to the composition of deposits.

To adequately account for all monies received and recorded, and to help ensure all receipts are properly deposited, the Court Clerk should reconcile the amount and composition of monies recorded on the receipt slips to the amount and composition of monies deposited.

This condition was noted in our prior report.

- C. Only two formal bank reconciliations were prepared for the municipal division's bond account during the year ended June 30, 2001 and a checkbook balance is not maintained. As of June 30, 2001, the open items (liabilities) listing exceeded the cash balance by approximately \$580.

To ensure all differences between the bank and book balances are noted in a timely manner, formal bank reconciliations should be performed monthly and a running balance should be maintained in the checkbook register. In addition, monthly listings of open items should be reconciled to the bank and book balances to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

A similar condition was noted in our prior report.

- D. The municipal division has not implemented procedures to follow up on bonds held for over one year. As of June 30, 2001, the balance of the village's bond escrow account included bond receipts totaling approximately \$545 which have been held in excess of one year.

An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the village treasury as provided by Section 479.210, RSMo 2000. For those bonds which relate to closed cases, Sections 447.500 through 447.595, RSMo 2000, which relate to unclaimed property, should be used to disburse these monies.

- E. Closed case files from 1999 with last names L through P could not be located. While case information could be obtained from the court computer system, the case files should be retained. Supreme Court Rule 8 requires all municipal ordinance case files be maintained for three years after the date of filing and financial records be maintained for five years or upon completion of an audit.
- F. The Court Clerk does not file a monthly report with the village of all cases heard in court. Section 479.080.3, RSMo 2000, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the Traffic Violations Bureau (TVB), including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the village's governing body.

- G. The municipal division does not account for all summonses issued and the ultimate disposition. The Court Clerk maintains a list of summonses assigned to officers and records the summonses issued on a computer; however, no one reviews this information for missing summonses numbers.

Without a proper accounting of the numerical sequence and dispositions of summonses issued, the municipal division cannot be assured all summonses issued were properly submitted to the municipal division for processing, voided, or not prosecuted. A record of the ultimate disposition of each summons should also be maintained to ensure all summonses have been accounted for properly.

A similar condition was noted in our prior report.

WE RECOMMEND the Municipal Division:

- A. Segregate the accounting duties of the Court Clerk. At a minimum, there should be a documented, independent review of the reconciliations between receipts and deposits and of bank statements and bank reconciliations.
- B. Ensure the composition of receipt slips is reconciled to the composition of bank deposits.
- C. Ensure monthly bank reconciliations are prepared and the checkbook balance is maintained for the bond account. In addition, the bond account should be reconciled monthly to the open items listing and the difference noted above should be investigated and any shortages reimbursed.
- D. Follow-up on all bonds held for more than one year and dispose of bonds in accordance with state law. Procedures should be established to routinely follow up on cash bonds remaining on hand over a period of time.
- E. Retain all tickets and case information in accordance with Supreme Court Rule 8.
- F. Prepare monthly reports of court actions, including fines and costs collected, and file these with the village's governing body in accordance with state law.
- G. Account for the numerical sequence and ultimate disposition of all summonses issued.

AUDITEE'S RESPONSE

The Judge and the Board of Trustees indicated:

A&B. These are already being done.

- C. *The Finance Clerk is already reconciling these statements.*
- D. *This will be done.*
- E. *This procedure will be established.*
- F. *The docket will be used as the monthly report and will be given to the Village Clerk.*

This report is intended for the information of the management of the village of Hanley Hills, Missouri and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF HANLEY HILLS, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The village of Hanley Hills is located in north St. Louis County. The village was incorporated in 1948. The population of the village in 2000 was 2,124.

The village government consists of a nine member board of trustees. The trustees are elected in staggered elections for two-year terms. The chairman is appointed by the board from the members. The village officials and other principal officials at June 30, 2001, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for The Year Ended June 30, 2001</u>
Roger Mason, Chairman	April, 2002	\$ 2,100 (1)
Louise Krueger, Treasurer (2)	April, 2003	340 (3)
Julia Bowen, Parks & Tree Commissioner	April, 2003	2,040 (1)
Stanley Taylor, Public Works Commissioner (2)	April, 2003	340 (3)
Diane L. Heinicke, Public Relations Commissioner (4)	April, 2002	2,040 (1)
Leonard Bess, Police Commissioner	April, 2002	2,040 (1)
Telitha Rogers, Health Commissioner (5)	April, 2002	2,040 (1)
Jim Thomeczek, Street Commissioner (2)	April, 2003	340 (3)
Tom Rusan, Building Commissioner (2)	April, 2003	340 (3)
 <u>Other Principal Officials</u>		
Dorris Carter, Village Clerk (6)		500
Deanna Jones, Financial Clerk (7)		240
Vacant, Court Clerk (8)		NA
Steven Fluhr, Village Attorney and Prosecuting Attorney (9)		2,000
Steven Clark, Village Judge		7,200
Rajesh Vora, Village Bookkeeper (10)		8,400

- (1) Includes \$240 expenses.
- (2) Replaced Cheryl Collins, Veta Moore, Darryl Moore and Kretia McMillan in the April 2001 election.
- (3) Includes \$40 expenses.
- (4) Resigned in October 2001. Julia Clark was appointed to this position in November 2001.
- (5) Resigned in July 2001. Mike Krueger was appointed to this position in July 2001.
- (6) Theresa Jackson served in this position until April 2001. Dorris Carter was hired in June 2001.
- (7) This position was created June 27, 2001.
- (8) Dionne Davidson served in this position until June 2001. LaJohna Ross was hired in June 2001 and started employment in August 2001.
- (9) Replaced Eric T. Tolen in April 2001.

- (10) The bookkeeping services were terminated in September 2001. The Financial Clerk will perform these services.

Assessed valuation and tax rate information for tax year 2000 are as follows:

ASSESSED VALUATION

Real estate	\$ 7,697,582
Personal property	<u>2,367,337</u>
Total	<u>\$10,064,919</u>

TAX RATE PER \$100 ASSESSED VALUATION

General Revenue Fund	\$.33
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The village has the following sales tax; the rate is per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	\$.01	None

A summary of the financial activity of the village of Hanley Hills for the year ended June 30, 2001, is presented below:

	General Fund	Sewer Fund	Municipal Court Bond Fund	Total
RECEIPTS:				
Property taxes	\$ 27,752	0	0	27,752
Sales and use taxes	215,756	0	0	215,756
Utility franchise taxes	28,877	0	0	28,877
Gasoline tax	45,718	0	0	45,718
Cigarette tax	7,175	0	0	7,175
Garbage and rubbish	76,802	0	0	76,802
Court costs and bond forfeitures	45,789	0	0	45,789
Bonds	0	0	6,454	6,454
Sewer fees	0	26,697	0	26,697
Licenses, permits and inspections	8,361	0	0	8,361
Interest	4,099	3,094	0	7,193
Automobile stickers	2,478	0	0	2,478
Road grant	9,270	0	0	9,270
Uncategorized (1)	264,893	0	0	264,893
Transfers in	6,797	4,475	0	11,272
Total receipts	<u>743,767</u>	<u>34,266</u>	<u>6,454</u>	<u>784,487</u>
DISBURSEMENTS:				
Salaries and fringe benefits	88,278	0	0	88,278
Office supplies	28,473	0	0	28,473
Cleaning and maintenance	497	0	0	497
Police	201,978	0	0	201,978
Maintenance, tree and lawn services	74,336	0	0	74,336
Utilities	17,938	0	0	17,938
Garbage service	124,221	0	0	124,221
Insurance	9,987	0	0	9,987
Legal and professional service	56,640	0	0	56,640
Newspaper	2,120	0	0	2,120
Inspections	4,180	0	0	4,180
Telephone	6,102	0	0	6,102
Sewer maintenance and repair	0	15,177	0	15,177
Equipment	5,778	0	0	5,778
Crime victims compensation	3,777	0	0	3,777
Ordinance codification	3,476	0	0	3,476
Other	3,954	146	2,742	6,842
Transfers out	4,475	0	6,797	11,272
Total disbursements	<u>636,210</u>	<u>15,323</u>	<u>9,539</u>	<u>661,072</u>
Receipts over (under) disbursements	107,557	18,943	(3,085)	123,415
Cash Balance, July 1, 2000	216,827	68,709	5,004	290,540
Cash Balance, June 30, 2001	\$ <u>324,384</u>	<u>87,652</u>	<u>1,919</u>	<u>413,955</u>

(1) The village employees were not able to categorize some receipts from March to June 2001.